PUNJ LLOYD LIMITED

Quarter Four and Annual Earnings Results Conference Call - Financial Year 2008
June 2, 2008

Moderator: Good afternoon Ladies and Gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Punj Lloyd Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over the floor to Mr. Gavin Desa from Citigate. Thank you and over to you sir.

Gavin Desa: Thank you. Welcome everybody to Punj Lloyd's FY 2008 conference call. We have with us Mr. Atul Punj, the Chairman; Mr. Vimal Kaushik, Managing Director; Mr. Luv Chhabra, Director of Corporate Affairs; Ms. Pratima Ram, Group President, Finance; and Mr. Ravi Keswani, Executive Vice President. I now request Mr. Punj to make some introductory remarks, after which we will have question and answers.

Atul Punj: Thanks. Welcome everyone. We feel quite comfortable and satisfied with our results and the growth that we have shown. However, I understand there are some concerns on some of the comments made on the final accounts, which I am sure will come up during the question and answer session. So, with that, instead of spending too much time, I will open this discussion up for Q&A, and we will take it from there.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First question comes from Mr. Falgesh Sanghvi from BRICS Securities Limited. Over to you sir.

Falgesh Sanghvi: Sir, if we look at the Q4 2008 earnings at consolidated level, the profits are Rs 119.40 crore whereas standalone the profit stands at some higher amount, Rs 129 crore, so can you just tell us where the difference is. Which of the subsidiaries or in which segment has the company incurred any losses?

Ravi Keswani: First and foremost, you have to look at the results of the group on a consolidated level because entity-wise there are about 70 odd entities within the group, so it is difficult to comment.

Falgesh Sanghvi: Yes, but on an overall basis because the standalone figure stands at higher figure whereas consolidated the profit is on lower side.

Ravi Keswani: Yes, it is a factor of the nature of business in each of the entities, how they are located. My advice is look at the results on the consolidated basis rather than going into entity by entity.

Falgesh Sanghvi: Okay sir. One more question on the new order intake, during April 11, 2008. The Company has secured some contract in Punj Lloyd Private Limited, Singapore for some Rs 18,640 million and along with it some separate contract for a value of Rs 970 million by Sembawang Infrastructure India Private Limited. So, any insight about these projects in terms of the project site, its duration, and the expected margins.

Ravi Keswani: The reason why we couldn't announce the specific individual contracts is because we were barred by the contractual arrangement with the client from disclosing the particulars of the project. That is the reason why we preferred to give updates rather than giving the details of the individual contracts. But regarding locations, we have a clear idea and we have shared this detail. Some of the contracts are in Singapore because they are won by our Singapore subsidiary, Sembawang. As regards the individual details, contractually we are bound that we can't disclose further on those orders.

Falgesh Sanghvi: Okay. What is the CAPEX plan of the Company for FY2009 and the funding thereof.

Ravi Keswani: We expect FY 2009 CAPEX to be in the range of about Rs 350 to Rs 400 crore at maximum.

Falgesh Sanghvi: And funding?

Ravi Keswani: At this stage, we don't envisage any further funding required considering the existing order backlog and the growth. There will be some requirement which will be met through debt.

Falgesh Sanghvi: Okay. Thank you sir.

Moderator: Thank you very much sir. Next in line, we have Venkatesh Balasubramaniam from Citigroup Global Markets India Limited. Over to you sir.

Venkatesh Balasubramaniam: I had quite a few questions. Firstly, in the press release which you have given, I don't know if it is a typographical error, but it says that the cash on hands is only Rs 77 million, which was roughly around Rs 10 billion at the end of last year. Is this true that the cash on hands is only Rs 77 million? If it is true, is the remaining money parked in other liquid mutual funds or is this really the cash position of the Company?

Ravi Keswani: The exact cash figure is Rs 689.8 crores as on March 31, 2008. Maybe there is a typographical error in the press release. The exact number is Rs 689.8 crores.

Venkatesh Balasubramaniam: Now, the next question is can you give us the SembCorp revenues, EBITDA, and other income in this quarter, fourth quarter?

Ravi Keswani: Venkatesh, as I said, there are 70 odd entities within the group. So, it is very difficult to give entity-wise break up.

Venkatesh Balasubramaniam: With regard to this Rs 3 billion of losses which the auditor has qualified, what is the total size of the contract? If it is one contract, who is the counter party and what is the size of the order that you initially got?

Atul Punj: Let me just explain to you that this is not a loss that has been quantified. This is a qualification that he has mentioned which is a number that is in dispute with the customer. Now, since the final documentations were done, the fact of life is that the settlement we have already agreed to is a 15 million pound payment which will be coming in within the month of June itself. The balance amount will be discussed with the customer, which is SABIC in Europe, alright, over the currency of the contract, which is till the month of November this year. So, this is not a loss. This is a disputed amount with the customer for various scope of work changes, which is something that is quite normal in our line of businesses. We are at times faced with an issue such as with IOC where we had some disputes last time. These were all settled in our favor, but I guess, you know, memory is short, people forget that this is part and parcel of our business and is not something that we are overly concerned about apart from the mention by the auditor for reasons of his audit guidelines. Now, as I repeat, this is not a loss, this is a disputed amount of which we have already settled approximately 15 million pounds and the balance amount is going to be discussed over the currency of the contract which is going on right now as we speak.

Venkatesh Balasubramaniam: What was the size of the original contract?

Atul Punj: If I remember correctly, the original order amount was 140 million pounds, which has now been increased by the client already to 155 million pounds, but as I said the documentation is still happening and this is Pound Sterling. The documentation is happening right now and you will find in the next quarter that this amount will be reduced by the auditor and God willing, by the second quarter, you will find this amount should have vanished. And if not vanished, it will be a far reduced number than what we are talking about.

Venkatesh Balasubramaniam: Now, you have an order backlog of roughly around Rs 195 billion. You mentioned in your press release that 35% of that is basically SembCorp component which totals to around Rs 68.5 billion. How much more of Legacy orders are still there in this Rs 68.5 billion of SembCorp orders?

Ravi Keswani: Rs 709 crore.

Venkatesh Balasubramaniam: And when does this get executed by and when will you be free of any legacy orders?

Atul Punj: If memory serves me right, I think we are maximum about nine months away from completing all the Legacy orders.

Venkatesh Balasubramaniam: Sir, and given the fact that, steel prices and cement prices have gone through the roof, how much or what percentage of your order backlog has pass-through clauses or, potential of absorbing any unnatural rise in raw material prices.

Atul Punj: Well, let me explain to you the nature about businesses. You know, when you look at the civil component of our businesses, that is where we are most susceptible to commodity price increases like cement and steel for the simple reason that you acquire the commodities over the currency of the contract, whereas when you look at the oil and gas and the EPC businesses, typically all your contract, subcontract orders are released within, on the outside, eight weeks of your receiving the order. So, effectively, your exposure is only really for that eight-week period on the outside and typically the construction component of the EPC orders, if it is to be subcontracted, is typically done immediately because work has to start on the project sites. So, on the civil contracts, when you start looking at the road projects for example, there the NHI orders are all passed through to the customer. So, in that sense, they are all pass-through contracts that we are executing at the moment and all the new contracts that we are securing are all being passed through to the customer.

Venkatesh Balasubramaniam: Okay sir, thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Kirti Dalvi of Enam Securities Limited. Over to you ma'am.

Kirti Dalvi: I just wanted to know the average execution period of your order book, basically the major two components which involve the infrastructure and the process plants.

Atul Punj: The typical average execution period for the current order backlog which is Rs 19,500 crore will be about 26 months.

Kirti Dalvi: Okay. And anything specific which is longer term compared to this 26 months, any of this process plants or infrastructure projects?

Atul Punj: Typically, these infrastructure projects are for a longer duration ranging between 30 to 36 months, oil and gas projects the average duration is 18 to 24 months. So, that is why we have said average duration of the entire order backlog will be about blended average will be about 26 months.

Kirti Dalvi: Okay. We have read this article that Punj Lloyd has forayed into the defence sector, so any update on that, the current status and the progress on this?

Atul Punj: We will be making some announcement in this regard in the next couple of weeks. There is truth to it, but the exact nature to what our efforts are in this direction will be public in the next couple of weeks. So, just bear with us please.

Kirti Dalvi: Ok. We have also provided somewhere around Rs 68 crore for the Legacy orders in Q3 2008. Is there anything which is recoverable from that Rs 68 crore? Do you foresee any recovery on that account?

Ravi Keswani: Well, in December what we did was whatever profits which were booked three years or two and a half years on one of the Legacy projects, which I think was referred to in an earlier question referring to the qualification, were reversed and we took a breakeven position. We are still standing by the same position in March. We are in discussions and if any recoveries are there, we will be able to record the same in the current financial year, but at this stage we are not considering any further recoveries on that.

Kirti Dalvi: And sir no further provision on the remaining Legacy orders of Rs 709 crores?

Ravi Keswani: Whatever was required up to the March or whatever was known at the date of announcement of results has already been provided for fully.

Kirti Dalvi: Okay sir, thanks a lot.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Vinod Modi from Systematic Shares. Over to you sir.

Vinod Modi: Sir, my question is about your rig business from your Punj Lloyd Upstream subsidiary. Can you just tell me the cost per rig which you expect to be delivered soon?

Atul Punj: I am sorry I don't have that information on hand, but I do remember that we have got the finest prices that are available for the best quality rigs in the market. I do not want to try and answer the question specifically, but I think Ravi can take this question off line and give you a response separately on that.

Vinod Modi: Okay fine. Have you got any client for the deployment of these two rigs?

Atul Punj: We are close to that and we are getting our deliveries next month and we are close to finalizing a long-term lease arrangement for the first two rigs, which are being delivered immediately which should be done around the same time that the rigs arrive.

Vinod Modi: Okay fine. Any idea about the rate per day, what rate you are going to charge?

Atul Punj: No, I mean there are too many things happening in the Group, I don't remember that detail, but it is a very good rate, I do recall that.

Vinod Modi: Okay fine sir. That's all from my side.

Moderator: Thank you very much sir. Next in line, we have Ms. Shilpa Krishnan from JP Morgan India. Over to you ma'am.

Shilpa Krishnan: My question is again pertaining to the auditor qualification. Sir, I would like to know is we had provided for Rs 680 million in the December quarter, was it not pertaining to the same SABIC order.

Atul Punj: It was pertaining to the same SABIC order.

Shilpa Krishnan: Okay. Was it known at that point of time that there could be some change in the scope of work as a result of which, you know, the potential impact on PBT for the year would be Rs 3.05 billion .

Ravi Keswani: As I said in the previous question we have taken a breakeven position on this project in December and accordingly all the profit booked in earlier years were reversed and we are carrying out the same position in the March accounts as well. So, as regards to the change of scope is concerned, Mr. Punj addressed that question in the first question which was asked that for change of scope, the client has already agreed to give us 15 million pound out of the qualification amount. As regards to the claims, we are negotiating. As the contract gets completed, this hopefully will get settled, and we are hopeful that we will be able to close this project at a breakeven position.

Atul Punj: Yes, all efforts are being made by the Company led by me personally to make sure that this project returns to at least a breakeven if not a profit situation. I am fairly confident and, this is, as I said, par for the course in our trade that you have a situation where a contract specification change happens, scope of change changes towards the end of it, the client tries to impose a cleaning or a conditioning cost on to you, alright, which you dispute, alright, which in this particular case has happened and we are quite hopeful that this is not going to be a loss position, this is going to be a cost position. As I said, the audit that you will see after one quarter will have this amount reduced by 15 million pounds and God willing by the next, if not the next, the one after that, we should see this thing completely taken away. So, this is not something that I would, write off as a loss or any such thing and there seems to be a fair degree of concern on this, which is fair enough, but the fact of life is it is not anywhere close to what it appears like, but the auditors have their own requirements that they have to be fulfill, which they have done.

Shilpa Krishnan: Any time frame for the resolution of the remaining amount apart from the 15 million pounds?

Atul Punj: No, as I said, I am hoping to get it dissolved by the December quarter, on the outside. If I can it done before that, so be it, all for the better, but definitely by this December quarter, I think we should know exactly what the position is, and the trend does not indicate it is going to be close to what you are saying.

Shilpa Krishnan: Okay, thank you. Sir, my second question is mainly on your balance sheet numbers, if you could throw some light on individual working capital numbers. For instance, what was your inventory at the end of fiscal 2008 and so on.

Ravi Keswani: Shilpa, I can revert to you later with regard to specific figures, but overall I can give you a flavor that on a consolidated basis the working capital requirement is roughly about 105 days.

Shilpa Krishnan: 105 days of sales?

Ravi Keswani: Yes.

Shilpa Krishnan: And this is obviously excluding the cash in hand?

Ravi Keswani: Including the cash in hand. After reducing the cash in hand, it will further go down.

Shilpa Krishnan: Okay. And what is this statement in your press release; it says that the debt/equity ratio is 0.58:1. You also said your shareholders funds are Rs 27 billion, so does that mean your debt is Rs 50 billion rupees up?

Ravi Keswani: Currently, the debt including FCCB is Rs 1,580 crores.

Shilpa Krishnan: Okay. Then, how is the debt/equity ratio in your press release is 0.58?

Ravi Keswani: We have a net worth at Rs 2,743 crore.

Shilpa Krishnan: Okay . Thank you so much.

Moderator: Thank you very much ma'am. Next in line, we have Shreya Doshi from Enam Securities. Over to you ma'am.

Shreya Doshi: Sir, could you just give us the gross interest figure instead of the net interest cost?

Ravi Keswani: Interest expenses?

Shreya Doshi: Interest expenses for the year.

Pratima Ram: Can we have some questions addressed to Mr. Atul Punj because these are details that we will have to just do a little bit searching.

Ravi Keswani: Our share is Rs 129 crores.

Shreya Doshi: Sir, that is the grossed up figure is it?

Ravi Keswani: Interest expenditure is always shown in the expenditure. I am unclear what is the difference between net expenditure and the gross expenditure.

Shreya Doshi: Sir, netted off interest income is any because in the fourth quarter the other income has come down; I just wanted to check with you.

Ravi Keswani: No, this is Rs129 crores gross income as expenditure. We don't net off the incomes from the expenditure.

Shreya Doshi: Sir, as far as the new mega orders which we were working on is concerned, when do we see these coming in?

Atul Punj: Well, I think we have had a fair number of the mega orders coming in already including the Malaysian Pipeline which is over 500 million dollars. So, these orders are all coming in. There are the other ones that we are working that are in the billion dollar range. So, those will be projects that hopefully within this fiscal we should start seeing coming in, but having said that, you know, our emphasis really is on delivery at the moment because in terms of order backlog, we are approaching a 6 billion dollar number and just to put things in perspective, when we came on our IPO road shows two and a half years ago, our order backlog, Ravi correct me if I am wrong, were about 400 million dollars…

Ravi Keswani: That's right.

Atul Punj: So, you know, two and a half years, we have seen a move in backlog up from that level, you have seen the revenues move from the levels that we were in the post IPO year to the current level which is close to I think 2 billion dollars if I remember correctly, and we are on track to see a substantial growth in the coming year. So, in terms of order backlog, we fortunately find ourselves in an environment where there is more work out there than there are companies like us to execute them. So, we are now busy building alliances with major clients of ours which includes SABIC and that is the reason for my confidence because they have a lot more work than they can find people to execute, so finding a great pool from customers and we are really building up positions in terms of capability to be able to service those. So, the mega orders will come, but just to put in perspective, we have gone from Rs 400 million to, a level of Rs 6 billion today and I expect to see the same kind of growth curve happening, but the single order size is definitely going to be increasing as we go forward.

Shreya Doshi: Fine. Sir, given that there may be these kinds of changes in terms of say design or scope in particular order in the normal course of business, what would be the amount of exposure that you would be looking for any particular client, for a single client?

Atul Punj: Well, this is an aberration. If you really look at it, the typical kind of disputes that we have are generally, you know, 10 million dollar range. This is one aberration that has happened to us after a long time on a Legacy order and because of the positioning of the project being in the UK, with the way that the English unions function, etc., and we are not looking to bid any additional work in the UK. So, I won't say that we have substantial exposure on these accounts going forward and in case, as I said, the typical variance number is within a contingency that we take, which is 2% to 3%, you know, on our project values.

Shreya Doshi: Is it that we have already billed… the construction work in progress is what is being shown in the notes to accounts, has it already been billed to the client by now, after the March numbers?

Ravi Keswani: 15 million is the additional work revenue which SABIC has agreed to pay us. As Mr. Punj said, we are awaiting the documentation to be carried out in this regards. We are hopeful that this documentation will be completed in a week's to 10 days' time and the money will flow in within the month of June. So, once the documentation is completed, then only we will be doing the billing.

Shreya Doshi: Okay sir. And also, on the working capital front, could you just separately give us the working capital of SembCorp?

Ravi Keswani: I don't have that figure in front of me.

Shreya Doshi: Okay. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Ms. Madhuchanda Dey of Kotak Securities Limited. Over to you ma'am.

Madhuchanda Dey: My question is this Rs 709 crores Legacy backlog that you mentioned, is it entirely on account of SABIC or is there anything else in it?

Ravi Keswani: No, there are four-five projects ongoing both in Simon Carves as well as in Sembawang.

Madhuchanda Dey: Okay. And what would be the amount of this SABIC order which there was an auditor qualification which is still there in the backlog?

Atul Punj: Original amount was 150 million pounds, which is now as we said we have come to an agreement that the number will be increased to 155 million pounds. So, that is the number.

Madhuchanda Dey: No, I wanted to find out sir that in this Rs 19,000 crores order backlog that you have reported, what would be the share of this order, SABIC order?

Ravi Keswani: SABIC order share backlog is about 11 million pounds.

Madhuchanda Dey: I have a general question which is addressed to Mr. Punj. In view of the rising commodity prices globally, do you see any change in the attitude of developers in terms of rolling out new projects?

Atul Punj: Well, our exposure to developers is fairly limited. In terms of the building scope of work, it is really an area that we are now launching and wherever we are launching, in India for example through Sembawang India, we are passing on the commodity price increases to the developers and they are accepting them. So, we are not seeing any change in attitude of these people. On the side, Middle East where we are also very aggressively the building, I mean infrastructure opportunity, there fortunately for us with the advent of the petro-dollar boom, we are not seeing any pushback at all from the clients excepting the commodity price increases. So, we are okay on that front.

Madhuchanda Dey: If you could give us some guidance on your outlook on overall operating margin in the coming year?

Ravi Keswani: We still maintain the guidance on the order backlog. Punj Lloyd order backlog which is about Rs 12,640 crores, we still maintain the order backlog to give us EBITDA margin of roughly about 11.5%. SEC new order are at Rs 6,245 crores, our outlook on the margin is still the same between 7% to 7.5%. Legacy orders which is Rs 709 crore, we don't expect any large margins, it should be in the range of 1% only.

Madhuchanda Dey: Okay, thanks a lot and all the best.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Rajesh Panjwani of Credit Lyonnais Securities India Pvt. Limited. Over to you sir.

Rajesh Panjwani: You mentioned in response to an earlier question that the contracts where you would be more susceptible to the increase in input costs are the civil construction contracts, so the MRT Station project in Singapore, the Sentosa Resort, and the Marina Bay Sands Resort, these will fall into that category, correct ?

Atul Punj: Correct.

Rajesh Panjwani: So, if we look at your order backlog, you say that 35% of the current order backlog is roughly from the infrastructure segment and would it be fair to say that is the most susceptible part of the order backlog?

Atul Punj: No, as I said that the newer orders that we have got with some of these, there is a lot of pass-through of the commodity price increases to the clients. So, it won't be as high as 35%. If you were to ask me a broad global number as to which would be susceptible, I would probably reduce that to about 10% of the order backlog where we could possibly get an effect of about a percent or a percent and a half.

Rajesh Panjwani: Okay. What appears is that, the initial contract size was 140 million Euros or so, 140 million pounds, the actual cost came out to something like 170-180 and out of that 15 million pounds, the customer has already agreed and you are hopeful that remaining 15-20, it will agree, is that understanding broadly correct?

Luv Chhabra: Correct. That is what we are working towards. As I said, 15 has already been agreed immediately where the documentation, as Ravi mentioned, is in progress right now. This was an agreement that I reached with the client, and he has promised he will start reviewing the balance claims that we have on the project for a variety of reasons once we start moving on the project to closure. There were some delays as I mentioned because of the, about the labor issues in the UK, so the client has moved the completion period also which could be the other risk that we could have had with liquidated damages, he has moved that end date out also, so we have got a good comfort from the client on that front as well. So, we are on track on that. Best efforts are being made and we are hopeful that we should, in the next three to six months after the June quarter ending, we should start seeing that number substantially reduce or preferably become positive. I just want to add one more thing. I think we need to keep these projects in perspective. This is probably the largest single stream LDPE plant in the world today, right. It is coming to mechanical completion by October of this year. When you have a contract of this complexity for a period of…which is executed over a period of, you know, 24 to 36 months, there are bound to be design changes during the course of the contract. These are very, very complex projects and typically most clients will settle or come to an agreement on settlement towards the end of the contract, right. They don't do it mid course because they wait for all the changes to come in and that is exactly what has happened in this case. So, we are fortunate that because of Mr. Punj's intervention and repeated meetings, the client has agreed to some interim settlement and then as we execute and complete the contract, we are hopeful that, you know, we will at least break even.

Rajesh Panjwani: Okay. Sir, my other question is about is the entire…there is negative other income in the fourth quarter, is that because of the write-back of the forex income which we had taken in the first nine months, which we had to write back because of change in the ICI guidelines in the fourth quarter?

Ravi Keswani: Yes Rajesh, it is primarily because of that reason.

Rajesh Panjwani: Okay. Thank You

Moderator: Thank you very much sir. Next in line, we have Mr. Sumeet Agrawal from HSBC Securities and Capital Market (India) Pvt. Ltd. Over to you sir.

Sumeet Agrawal: Sir, just wanted to know if I look at your fourth quarter number for the standalone Punj Lloyd, there has been a significant margins improvement and this margins improvement is more than 700 basis points and if I look at your order backlog mix going ahead, the South Asia that is typically the Indian market, our order backlog has declined to 30%. So, my questions are two. What has resulted into this 700 basis points improvement in the margin in the fourth quarter itself and was there some project that has got executed?

Luv Chhabra: I will leave the actual numbers to Ravi to respond to separately, but, you talk about India and you talk about outside, you have to understand that as a group we are positioning ourselves as a global group. We are not looking at any one country as a particular dominant market in our space which is very different to what a lot of our peer group does. Now, if you really look at it, the reason why we are spread all over from North Africa all the way across to South East Asia and South Asia is that we have the option of cherry picking our projects going forward, okay. So, you will see that consistently that in one quarter there may be a lift up in one country, a drop in another country, but that is par for the course, that is part of our overall strategy. So, I would urge you not to look at us as, you know, one country or one region or one continent. We are present between North Africa, between Middle East, between Central Asia, between South Asia, between all of South East Asia and that is the way we are building the businesses and all the building blocks are now in place. So, on this particular 700 basis point question, I will let Ravi take that.

Ravi Keswani: Sumit, first of all, I would not like to comment entity by entity. We, as I said in the previous question that our margin outlook for Punj Lloyd order backlog is roughly around 11.5%. You should understand that Punj Lloyd is working on five or six segments; pipelines, storage terminal, process plant. Within civil, we have power, we have road, and all these segments have different kinds of margin and even within the segment, different projects will have different margins. So, in a particular entity, what is the product mix residing, that determines the profit. So, it is hypothetical, I can't give you the margin percentages by project or by segment. It is a factor of that in one entity higher profitable segments were there in a particular quarter, because of which the margins have increased, while in other entity, low margin segment. So, you need to look at the Company as a whole.

Sumeet Agrawal: No sir, I agree that possibly , for a company like you, it has to be on a consolidated basis; however, the standalone, the Punj Lloyd is again one of the biggest chunk of the consolidated, so that the margins or the financers of that segment would…this entity, standalone will probably have an impact on the consolidated, so I just wanted to know what was the reason.

Ravi Keswani: It is basically some of the higher profitable business segments have done more revenue in this entity as compared to the other.

Sumeet Agrawal: Okay. Sir, and also just wanted to know if you can just give us a sense in terms of what would be the margin geographical-wise, say typically because you are based out of India, is the margins in Indian projects much more. I agree that you are spread across the geography, but can we have some sense of the margins across the geographies?

Ravi Keswani: Well, the margins are almost similar in India and overseas, there are not major differences, and even Punj Lloyd standalone which you are looking at, it does not represent India geography. It includes the overseas branch offices of Punj Lloyd as well. So, don't look Punj Lloyd standalone as the only business in India, it includes a lot of overseas as well.

Atul Punj: So, lot of the Middle East orders that Punj Lloyd gets are through Punj Lloyd standalone entity in accounting perspective.

Sumeet Agrawal: And there you are saying you are enjoying something like11% to 12% margins?

Atul Punj: Well, I think we have just averaged out and said as a business Punj Lloyd's margins are in the range of 11.5% to 12% at a project level.

Sumeet Agrawal: Fine, thanks a lot.

Moderator: Thank you very much sir. Next question comes from Mr. Atul Rastogi of UBS Securities (India) Pvt. Limited. Over to you sir.

Atul Rastogi: Just one thing on order backlog. You said that our new order inflow, you said you are basically bidding for very large contracts and this year would probably need consolidation in terms of execution, so are we likely to see, I mean there could be a lumpy order flow and you are not really focused on smaller orders, so if those orders don't come through, we could see some, you know, kind of flattish order book, you think that…

Atul Punj: No, not at all, that is not what I was saying for a moment. Yes, we are consolidating organizationally, operationally in terms of execution, but at the same time, we are pursuing new projects quite aggressively, but we are being extremely selective about the nature of those orders, in which vertical they fall and in terms of managing the risk and making sure that we are covered on the risk on each one of these. So, it is not that we are looking at a different trend, our order booking in any case is lumpy. You know, you see a spate of announcements for, you know, two months and then you see a flattish action for the following two months and then again you see a burst of activity, but that is the nature of our business, you know, so you don't see…it is not like consumer products where you could have high season sale or a low season sale. So, the trends will be pretty much similar, but the nature of the complexity of the order is going to improve favorably is what we are predicting.

Atul Rastogi: Sir,Can you please update us on the Ramprastha JV, what is happening over there?

Atul Punj: On the Ramprastha JV, our plans have been finalized now. The plans have been finalized and we are meeting them for approval some time next week and we expect the tool to come in about two months from now and then we should expect to start work.

Atul Rastogi: Sir, when do you expect to start the construction work on the project and when will you open the project for bookings?

Atul Punj: I would estimate we should start construction work some time in October. And in terms of booking, we are not too sure at the moment for the simple reason we are trying to negotiate one block deal, and if that block deal happens, then we will not need to open the booking at the moment, but that is all the work in progress, and I think the next two months should be more clear on that, but in terms of construction work, we should start by October.

Moderator: Thank you very much sir. Next question comes from Mr. Rajesh Kothari from Voyager Investment Advisors (P) Limited. Over to you sir.

Rajesh Kothari: Sir, what kind of top line growth are we looking at for next year?

Ravi Keswani: Rajesh, we don't give any guidance on the numbers.

Atul Punj: Yes. And I think the easy answer to that Rajesh is you know what our order backlog number is, you know what the average execution cycles of these projects are. That should give you an indication of what our top line numbers would be.

Rajesh Kothari: Right. Out of the entire order backlog of Rs 19,000 crores, how much percentage of the order has price variation clause?

Ravi Keswani: Rajesh, as Mr. Punj said that, 90% of the contract we have the pass-through mechanism whether through the pass-through the client or measures like placing the orders, etc.

Atul Punj: And in that 10%, we probably have an exposure to about 1% to 1.5% which typically should fall within the contingency numbers, but, you know, that only time will tell, but generally reasonably well covered on that front.

Rajesh Kothari: Okay. Sir, my question is basically with reference to such kind of large projects where there can be some dispute with the clients and I appreciate it takes some time, but is it possible from company's corporate governance point of view that whenever you realize that there can be some kind of a delay in what is expected to receive, what is the reality, you inform the shareholders immediately rather than, you know, auditors…waiting for the auditors' qualification on 31st May?

Atul Punj: Typically, we always make those announcements, like for example when we wrote back the profit that we considered the moment we discovered the event, we reported it. Now, in this particular instance, we may not agree with the auditors, but they had their point of view, so they had to put the qualification in. As I just said, this is not something that we consider to be a final outcome. The outcome has already moved by 15 million pounds since the time the audit report went in and our conversation today. So, from that point of view, I am not really looking at this as an event. That is something which is deserved to be reported immediately because I am also the most significant shareholder in the group and I am equally if not more affected than most people. So, it is a matter of great concern. We address it in a manner that it deserves to be addressed at a very senior level. So, please be rest assured that we from the corporate governance point of view definitely want to establish the best standards and we are not for the moment trying to do anything that would compromise shareholders' value.

Rajesh Kothari: Thank you sir.

Moderator: Thank you very much sir. Next question comes from Mr. Sunil Kumar from Birla Sunlife Insurance, Investments and Treasury. Over to you sir.

Sunil Kumar: Sir, my question is again on the consolidated and standalone numbers which is in the last eight quarters, this is the first quarter, quarter four 2008, that consolidated numbers have been lower the standalone numbers. So, trying to understand what is so specific which has happened in this quarter? I understand you mentioned that you don't want to answer entity by entity, but at least we want to understand the direction what is so significant which is happened in this quarter?

Ravi Keswani: As I said in the earlier question also it is a factor, because we are working in five or six difference business segments and each business segment has different margins. Now, some of the more profitable business segments…the standalone entity, because of which, in this quarter, it is a just a factor of product mix. So, it is just that factor, nothing else.

Sunil Kumar: Okay. Is it because of some more provisioning which has been done in other entities?

Ravi Keswani: Besides Simon Carves, UK, we have not done any provisioning and the margins in all other projects including Sembawang, they are in line with the budgets and the estimates on which we are giving you the future margin outlook.

Sunil Kumar: Yes, wanted to understand how much provisioning has been done in this quarter?

Ravi Keswani: Simon Carves, UK has done additional provisioning of about 1.8 million pounds. This additional loss which is there in Simon Carves is just because of the….

Moderator: Next question comes from Mr. Sudesh from Emkay Shares. Over to you sir.

Sudesh: Just wanted to get the outlook and your business plan on four subsidiaries where you have invested close to about Rs 3 billion. One is Punj Lloyd Upstream, second is Punj Lloyd Aviation, third is Punj Lloyd Infrastructure, and I think there is some investment as well in Pipavav Shipyard. So, could you throw light on all the four areas in terms of plans for the next three years?

Atul Punj: Luv, will you take that?

Luv Chhabra: Yes, let me take the largest investment first. The investment in Pipavav Shipyard is strategic in nature. It is to support the Group's initiative into the offshore sector. So, the first steel for the project by the shipyard has been cut in the month of March. The sheds, etc., are under construction, and we expect the shipyard to be fully functional by February next year. So, there will be two parts in the shipyard. One will be the ship making business where they have an order of, they already have an order of over 25 Panamax and that still not over, I think the number is probably 2.5 billion US dollars, and in parallel, we are now making facilities or Pipavav Shipyard is making facilities to facilitate the aggressive entry of Punj Lloyd into the offshore sector for fabrication of platforms, jackets, etc. So, that is on the Pipavav Shipyard.

Sudesh: What is the total money invested in Pipavav Shipyard as of now?

Luv Chhabra: About Rs 350 crores. We have a co-promoter status there and we have invested about…

Sudesh: And do you have the capital employed figures of Pipavav Shipyard?

Luv Chhabra: You want the total equity investment and the total debt?

Sudesh: Yes please

Luv Chhabra: We are co-promoters, so both SKIL which is Sea King Infrastructure and ourselves between us have about 44% to 45% of the equity and they have long-term debt, The entire debt fund financing has already been closed with a number of bankers.

Sudesh: What about Upstream, Aviation, and Infrastructure ?

Luv Chhabra: Punj Lloyd Upstream is an onshore drilling company.The Company has placed an order and in fact the delivery of the first two rigs of 1500 HP are expected towards the end of next months and then typically like any other drilling company, what it does is these drilling rigs will go on contract or lease with the upstream oil companies for periods ranging from a year to three years and they earn revenue on carrying out drilling operations. So, the first set of rigs come in June, thereafter we will evaluate place the order for the next set of rigs which are likely to be 2000 HP. I guess that delivery will happen by February and March and then the business of the Company will start. So, it is a startup right now. Towards the third quarter of this year, we should start seeing revenues flowing into that Company.

Sudesh: Could you guide on the total investment that you plan over the next two years in that company?

Luv Chhabra: Again, I can give you the figures off hand because there are three shareholders in this. There is ourselves, IFCI Washington…will be stakeholder with about 11% equity. So, we can you give those details. It actually comes in phases, so when the next set of rigs get ordered, there will be more equity investment by the three shareholders.

Sudesh: And Aviation?

Luv Chhabra: Punj Lloyd Aviation is primarily set up as an investment vehicle to enter the high-growth aviation sector. We have taken a one-third stake, 33% stake along with GTI which is a private equity firm based out of the US and AirWorks which is India's largest private jet MRO service. So, they have the largest number of private jets in India, almost 70% of the fleet under maintenance. The idea is that over a period of time, we will look at other opportunities in this space. When I say we, I mean AirWorks will look at other opportunities in this space. So, we already have on contract six hangers at an airport close to Bangalore, which is Hosur Airport. We will build six hangers and lease to AirWorks for carrying out over a period of time. So, the first hanger gets ready in a couple of months and then the second and the third and the fourth and the idea is to branch out from just pure corporate jet maintenance to commercial MRO. And then look at opportunities around that airport to see how we can build in and provide facilities.

Sudesh: So, you have about three shareholders in Punj Lloyd Aviation?

Luv Chhabra: There are three significant shareholders .Promoters, the old promoters…no, not in Punj Lloyd Aviation. Punj Lloyd Aviation is an investment vehicle which has invested in AirWorks…and AirWorks has three shareholders. The original promoters which are the Menons, Punj Lloyd Aviation, and GTI.

Sudesh: Okay. And last is the Infra.I think I read in your press release about total of 350 crores being invested in these four subsidiaries, so just wondering…

Luv Chhabra: Yes, I mean the investment is actually in…the Rs 350 crores investment is in Pipavav Shipyard. The bulk of it is already there.

Sudesh: Just one clarification, Mr. Atul Punj when you said that 90% of the order backlog has pass-through mechanisms, will it work even in the current price rise scenarios and is it an 100% pass-through or there is some other mechanism which typically works between a contractor and a purchaser of those things.

Atul Punj: No, the pass-through typically is for cement and steel. You know, these are the two commodities that have been most volatile as far as they are concerned. There are other costs also that do tend to spike at times. For example, one other cost that is spiking in the industry is manpower cost Sudesh. It doesn't seem to be talked about as much as cement and steel. But these are issues that we now cover in our contingency in our bids that we put out increasingly. So, we are trying to be as intelligent as is possible in the environment and overall if you really look at it on an average blended basis, I think we are doing okay. So, I expect that this situation is going to only carry on. The pressure on companies like us to deliver on projects, if you start looking at total infra spend, in fact, I think somebody was mentioning a Bear Stearns report that 40 trillion is to be invested between now and 2025. Now, that is a lot, you know, even if you halve that number, I think we are talking about very serious construction volume. So, increasingly, you are finding competitors to move from the bottom of the food chain to close to the top of the food chain. So, we are really positioning ourselves to take advantage of that opportunity.

Sudesh: Okay. So, when you say that it is a complete pass-through in the case of cement and steel and in others it is negotiable?

Atul Punj: Yes, the other aspect you have to really take in, you know, do some kind of sensitivity yourself and try to figure out where do you expect salaries and wages to be, where do you expect interest rates to be, you know, foreign currency is another area that, you know, we are constantly monitoring. So, there are these issues that come with a global business, you know. These are no issues that are unique to us. These are issues that are true to any global business. And I think our understanding of it is only improving everyday that passes.

Luv Chhabra: There is any universal formula which can be applied across all projects.

Atul Punj: Every country is different, you know, every shipyard is different, so from that point of view, you know, it is a learning curve. I think we are maturing and we are maturing decently well. We have come a long way in a short period of time and we see ourselves, you know, going at much further, you know, over that same period in the future.

Sudesh: Okay. So, when we shared these margins for Punj Lloyd's Rs 12,000 crores, a backlog at 11% to 11.5% or SembCorp at 7% to 7.5%, have we factored for the current jump in the raw material side or any cost escalations, have the same been factored here or there is scope for revision?

Atul Punj: Yes, as best as is reasonably possible to do and barring something bizarre that happens in the world and bizarre things are happening in the world. I think on a prudent basis, we have been fairly conscious about whatever we are putting out there.

Sudesh: Okay. So, these figures do factor in the current trend which we are seeing to a certain extent or to a large extent.

Atul Punj: To the extent that is possible for us to do, we have done it.

Mr. Sudesh: Okay, Thank you sir and all the very best.

Moderator: Thank you very much sir. Next question comes from Mr. Tushar Jain from ING Investment Management. Over to you sir.

Tushar Jain: Yes. Sir, just a couple of book keeping questions. You mentioned that your CAPEX for the year is going to be somewhere around Rs 350 to Rs 400 crores. That would include all the CAPEX which would go as an investment also?

Atul Punj: No, this is CAPEX in our businesses that we are doing and in terms of investments going forward, those I think would be looked at separately, but this is for the ongoing business that we are looking at right now.

Tushar Jain: So, the rigs that would be coming in the upstream company, they would be categorized into investment?

Atul Punj: Yes, absolutely, that would be an investment. That is the CAPEX by Punj Lloyd Upstream which was a separate entity.

Tushar Jain: Alright. So, what is the kind of payment due or has it been made towards the two rigs that you will be getting next month?

Atul Punj: Do you want specific details of every payment that we make?

Tushar Jain: No sir, it is just to get a sense of the cash flows basically that I am trying to understand.

Atul Punj: Yes, as I mentioned to earlier, what we can do is we will give you details of how the equity infusion in Punj Lloyd Upstream happens by the three shareholders, right, and then they raised some debt in Punj Lloyd Upstream for buying these rigs.

Tushar Jain: So far, how has been the investment, what is the investment so far?

Atul Punj: As we have said at the time of announcement that our total exposure in Punj Lloyd Upstream will be about 11 million dollars. It will happen over a period of two years.

Tushar Jain: Okay. And about Ramprastha, I think you had an idea, you had somewhere estimated around Rs180-170 crores something like that initially.

Atul Punj: Rs 180 crores, that's right.

Tushar Jain: So, is that still Rs 90 crores per annum kind of thing?

Ravi Keswani: On per annum basis, Ramprastha will invest up to Rs 170 to Rs 180 crores

Atul Punj: Let me explain that. Ramprastha is an investment where we will make an investment of Rs 180 crores, which is our share of the land. It is a 50:50 joint venture and thereafter, as the building starts, as the construction starts, working capital loans will be raised by this joint venture and then they will start selling the, you know, the assts which is the residential apartments.

Tushar Jain: Okay. Sir, just one more thing, Pipavav, we had an investment of Rs 330 crores, right?

Vimal Kaushik: Rs 350 crores approximately.

Tushar Jain: And Ramprastha, we already have an investment of Rs 90 crores.

Atul Punj: Yes, about that, I don't remember the exact figure, but yes, around that.

Tushar Jain: So, round about Rs 420 crores of investment that went into the company in this year FY2008?

Atul Punj: Into these two companies.

Tushar Jain: Yes, in FY2008 itself.

Atul Punj: There has been an investment in Punj Lloyd Upstream also.

Tushar Jain: Yes. So, I am not taking those, I am just taking these two.

Atul Punj: Right.

Tushar Jain: And last year the investment book was somewhere at around Rs 170 crores. So, if I add these two up, my investment book as of now or the investments headline in the balance sheet will look somewhere around Rs 600 crores?

Vimal Kaushik: It will be a larger number than that because of the other investments. Ravi, you have the exact figure?

Ravi Keswani: The exact number on CFS basis is Rs 545 crores and this doesn't include the Ramprastha investment because that is going as a part of a loan which will come back on the sale of property.

Tushar Jain: Okay. Because sir, I was trying to work out the broad number of your balance sheet from what you have given as shareholder net current assets, net block, and the debt, and it seems your net book, your investment should be somewhere around Rs 450 crores. So, just trying to understand, am I going wrong in my calculation somewhere or I am missing something?

Tushar Jain: On the second page of your release where you have given the consolidated numbers on the balance sheet, if I work out the net worth, the debt, and the net current assets and the net block and try to adjust that, the investment number turns out to be somewhere around Rs 450 crores whereas you said your investment as of now is Rs 550 crores excluding Ramprastha, is there something that I am missing here?

Ravi Keswani: The Ramprastha number is part of the working capital, Rs 545 crores is the exact investment outstanding which includes investment in Medicity about Rs 138 crores, Rs 350 crores is the investment in the Pipavav Shipyard, and besides that there are some other investments as we explained, which is AirWorks, etc. So, Rs 545 crores, the number why it is not tallying is because Ramprastha investment is part of the advance given…part of the capital.

Tushar Jain: Fine sir.Thank You

Moderator: Thank you very much sir. We will move on for the next question. Next question comes from Shrinath Mithanthaya Mithanthaya of Motilal Oswal PCG. Over to you sir.

Shrinath Mithanthaya: What we have done is we have subtracted the consolidated and standalone numbers and we have got the numbers which are broadly for Sembawang and Simon Carves.

Atul Punj: May I just put things in perspective for everybody for a moment. You have to understand when we acquire these companies, we acquire them for a very strong strategic reason which was the prequalification that they brought. Now, along with this prequalification, they did come with Legacy issues that everybody is fussing with. Most of the fussing is actually being done internally by the company. We are bringing these companies back up again after them having been in a long state of almost comatose position for many years. Now, in terms of the order booking that we have done of late, that is all steps in that direction, but there is no way, there is absolutely no way that I am going to build this business into an institution by looking at a Q1, Q2, or standalone number. We are looking at a blended number which overall we are making sure is moving northward and slowly we are expecting that these other companies will also start contributing significantly to the bottom line. So, while I understand your concerns about separating these also, you must recognize that this business is not a business that is something that you can do overnight or in one quarter. It does take a few quarters to move this big, huge organizations to a positive footprint, which is what we are really fussing and trying to make sure that we achieve. If you really look at it as I mentioned earlier on in our conversation, we are attempting strategically to become clearly the largest construction group out of India, but it is unlikely we would be the largest simply because we have a global footprint, a large part of it has come from these companies. The qualifications that we have obtained by these acquisitions, okay, are something that would have taken us 25 to 30 years to build on our own. So, if in one quarter, there is a dip in a particular number, or there is an increase, it is not something that I would urge you to focus on. Please look at the overall direction of the group, look at the growth prospects of the group, look at the improvement in quality orders of the group, and as I said these numbers will all catch up as we move along. So, as I said, we do not want to look at our numbers on a standalone basis at all, and this is something I would urge you to do if you are looking at our Group as being a high-growth opportunity going forward, which I believe we are. Okay, so in the specifics of this, you can talk to Ravi off line, but I would once again and that is the reason why we refuse to discuss standalone numbers that we are building an institution and the institutions take time to build, it is not something that is going to happen at a flick of your fingers.

Shrinath Mithanthaya: Okay sir, thank you.

Atul Punj: Thanks.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. Atul Punj for final remarks.

Atul Punj: Thank you. Thanks everyone for joining on this call. I hope it was informative. There have been some concerns, which I hope that we have answered in the best manner possible. We ourselves are seeing a very robust opportunity of deals going forward, and we are positioning ourselves to capture as many of those as possible at a time and place of our choosing. We are running off the history not as soon as we would have liked, but we are running it off and this will vanish I am sure over the next couple of quarters at the very least. Also, with the growth that we are seeing forward, any of the legacy issues that we are concerned about will really shrink in terms of importance in view of the larger picture. So, a combination of these two events is going to happen in the current financial year and we are hoping that, you know, you stay along for the ride and enjoy it along with us. Thank you all.

Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.