

Punj Lloyd eyes Indian Army \$1 billion contracts for artillery

It also plans to increase its stake in Pipavav Shipyard to generate extra annual income of \$500 million

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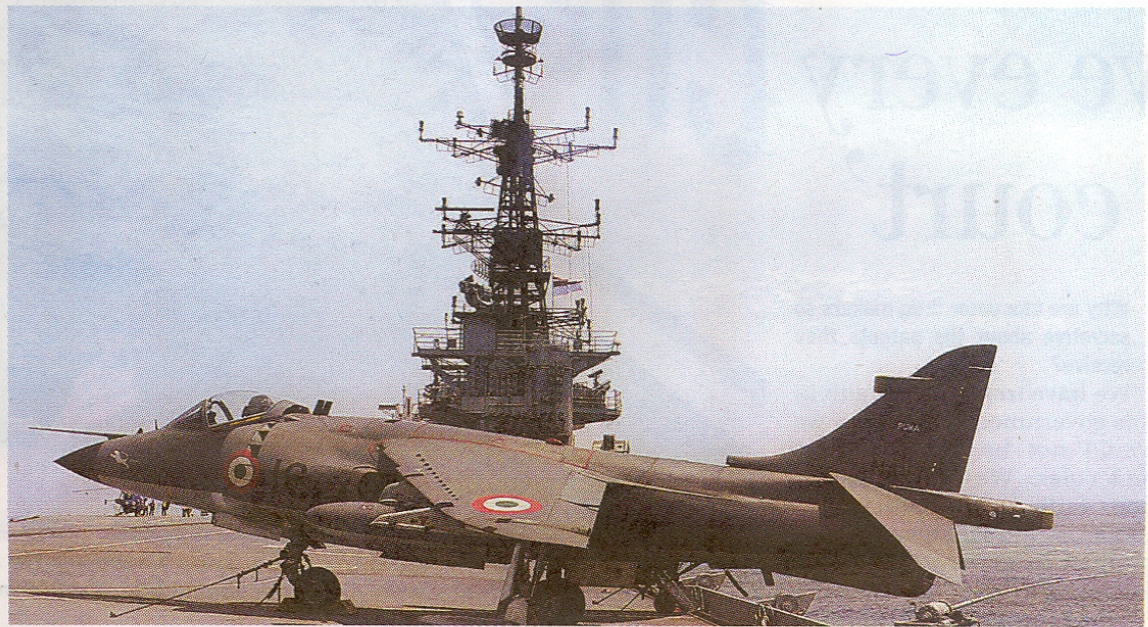
NEW DELHI

Engineering and construction company **Punj Lloyd Ltd** is eyeing a big push in picking up defence contracts, including two orders from the Indian Army having a total value of around \$1 billion (Rs4,000 crore), as the company pursues the so-called offset contracts arising from sale of armaments by foreign vendors.

In addition, the company is planning to leverage its stake in **Pipavav Shipyard Ltd** to do fabrication of frigates and refurbishing of the Indian Navy's aircraft carrier, which the company claims will generate \$500 million of extra income every year.

India's defence offset policy mandates that foreign contractors source components and systems from local vendors for at least 30% of the value of orders of more than Rs300 crore that they get from the military.

"We have a 25.1% stake in the shipyard. Apart from using it for manufacturing platforms, single buoy moorings, rigs and jackets, we will also use it for the fabrication of the Indian Navy's frigates and refurbishing its carrier. It is the only



Flight plan: A Sea Harrier tethered to the deck of INS Viraat. Punj Lloyd is looking at fabricating frigates and refurbishing the Indian Navy's carrier in its pursuit of offset contracts in the defence sector.

shipyard in the country for the carrier to dry dock. "We are also actively focusing on the the 140 ultralight howitzer guns order (due to the offset policy) and will also bid for the 155mm 52-calibre guns from the army," said a company executive who didn't want to be named.

Punj Lloyd is scouting for an overseas partner to manufacture the guns in India.

The company has invested Rs403 crore for acquiring the stake in Pipavav Shipyard and recently received an industrial licence to manufacture guns, rockets, missile artillery systems and related defence equipment.

Said defence ministry

spokesman Sitanshu Kar: "We have (offset) provision for any defence contract of Rs300 crore and above. In some cases, this is also as high as 50%. The private sector will have to play a larger role as the public sector will not be able to absorb this quantity of orders."

Industry analysts say with the defence sector placing orders worth \$120 billion in the next 10 to 15 years, the private sector will have a greater role to play in the business.

Other private sector companies in the defence sector include **Larsen and Toubro Ltd**, Tata group and **Mahindra and Mahindra** among others who have secured licences from the government to produce de-

fence equipment.

Bhashyam Kasturi, executive editor, *Agni Journal of Forum for Strategic and Security Studies*, and strategic affairs analyst said, "The private sector companies such as Punj Lloyd are chasing huge orders because of the new defence offset policy. Even the foreign companies are looking for an Indian partner. The howitzer guns are for the new mountain divisions and the order for the 155mm 52-calibre guns is long due."

Punj Lloyd posted a net profit of Rs61.5 crore in 2006-07 and has a present order book position of \$5 billion. The company is yet to announce its results for 2007-08.