UBS

Global Equity Research

India

Heavy Construction

12-month rating	Sell *Unchanged*
12m price target	Rs120.00/US$2.59 *Prior: Rs170.00/US$3.67*
Price	Rs137.45/US$2.97

RIC: PUJL.BO BBG: PUNJ IB

31 May 2010

UBS Investment Research

Punj Lloyd

Large losses in the quarter

■ Pre-ex loss of Rs5.9bn in Q4FY10, led by Ensus project

Punj reported Q4 loss (consolidated) of Rs5.9bn, excluding gain of Rs2.9bn from sale of Pipavav shipyard stake (reported loss of Rs3bn). Pre-ex loss in FY10 was Rs4bn (reported loss of Rs1.1bn in FY10, Rs2.3bn in FY09). Simon Carves had losses of Rs4bn in Q4, led by the Ensus project. Punj (standalone) also reported a pre-ex loss of Rs1.4bn in Q4. Execution during FY10 was also low at Rs105bn (-12% y/y), led by delays in various projects and order booking.

■ Ensus testing to be completed in Q1FY11; delays in Libyan projects

Though the Ensus project has been commissioned, testing will be fully completed in Q1FY11 (likely leading to some additional costs in our view). Near-term revenue booking is likely to remain muted due to delays in Libyan projects (US$1.2bn Sembawang orders to commence over next few quarters) and larger proportion of backlog arising from longer-execution cycle infrastructure orders (FY10 backlog is Rs278bn, with 63% infrastructure orders compared to 36% in FY09 with a backlog of Rs208bn; Africa comprises 35% of the FY10 backlog).

■ Revise estimates based on lower orders, revenues and higher interest costs

We downgrade our EPS estimates to Rs(7.1)/8.1/12.1 from Rs8.4/12.4/16.1 for FY10/11/12, respectively, led by lower revenues and higher interest costs. Higher interest cost is led by higher-than-expected working capital (~147 days of sales in FY10) and debt levels (net-debt equity ratio of 1.3x in FY10).

■ Valuation: Maintain Sell

We revise our PT (DCF-based) to Rs120 from Rs170 and maintain our Sell rating.

Highlights (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Revenues	77,529	119,120	105,388	106,396	132,729
EBIT (UBS)	5,459	7,396	1,507	6,839	8,905
Net Income (UBS)	3,213	2,958	(2,348)	2,692	4,011
EPS (UBS, Rs)	10.59	9.75	(7.09)	8.12	12.10
Net DPS (UBS, Rs)	0.40	0.30	0.18	0.32	0.48

Profitability & Valuation	5-yr hist av.	03/09	03/10E	03/11E	03/12E
EBIT margin %	8.2	6.2	1.4	6.4	6.7
ROIC (EBIT) %	-	16.0	2.4	10.2	13.5
EV/EBITDA (core) x	-	9.1	21.4	8.7	6.6
PE (UBS) x	-	21.7	-19.4	16.9	11.4
Net dividend yield %	-	0.1	0.1	0.2	0.4

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs137.45 on 28 May 2010 23:39 HKT

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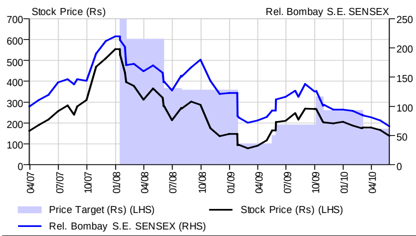
Trading data (local/US$)	
52-wk range	Rs294.95-126.55/US$6.40-2.65
Market cap.	Rs45.6bn/US$0.98bn
Shares o/s	331m (ORD)
Free float	53%
Avg. daily volume ('000)	2,111
Avg. daily value (Rsm)	338.0

Balance sheet data 03/10E	
Shareholders' equity	Rs30.3bn
P/BV (UBS)	1.5x
Net Cash (debt)	(Rs44.6bn)

Forecast returns	
Forecast price appreciation	-12.7%
Forecast dividend yield	0.2%
Forecast stock return	-12.5%
Market return assumption	12.9%
Forecast excess return	-25.4%

EPS (UBS, Rs)	03/10E			03/09
	From	To	Cons.	Actual
Q1	3.84	3.84	-	4.81
Q2	1.59	1.59	-	6.05
Q3	0.38	0.38	-	2.78
Q4E	2.57	(12.89)	-	(1.02)
03/10E	8.37	(7.09)	*8.60*	
03/11E	12.55	8.12	*12.96*	

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.

Q4FY10 and FY10 Results

Table 1: Q4FY10 and FY10 Results

(Rs m)	Q4FY10A	4QFY09A	% change	Q3FY10A	% change	FY10A	FY09	% change
Revenues	17,765	32,173	-45%	29,178	-39%	105,388	119,120	-12%
EBITDA	(5,147)	1,450	-455%	2,242	-330%	2,183	8,280	-74%
Other Income	(14)	134	-111%	83	-117%	136	745	-82%
PBIDT	(5,161)	1,584	-426%	2,325	-322%	2,320	9,025	-74%
Interest	728	729	0%	923	-21%	3,063	2,208	39%
Depreciation	680	508	34%	535	27%	2,270	1,771	28%
PBT	(6,569)	347	-1993%	867	-858%	(3,013)	5,047	-160%
Tax	(687)	667	-203%	771	-189%	1,007	2,260	-55%
PAT	(5,881)	(320)	1736%	96	-6227%	(4,021)	2,786	-244%
Share in profits of associates	14	(23)	-164%	29	-106%	78	(6)	-1429%
Extraordinary items	2,858	(2,213)	-229%	-		2,858	(5,033)	-157%
Net Profit	(3,009)	(2,556)	18%	125	-2507%	(1,084)	(2,253)	-52%
Raw Material Consumed	45.1%	34.5%	10.6%	33.2%	11.9%	35.8%	31.5%	4.3%
Sub contracting exp	21.3%	38.4%	-17.1%	27.9%	-6.6%	27.7%	35.6%	-7.8%
Employee Expenses	21.5%	11.8%	9.7%	11.2%	10.3%	12.8%	10.8%	1.9%
Other Expenses	41.1%	10.9%	30.3%	20.1%	21.1%	21.7%	15.2%	6.5%
Operating margin (%)	-29.0%	4.5%	-33.5%	7.7%	-36.7%	2.1%	7.0%	-4.9%
Interest/Sales	4.1%	2.3%	1.8%	3.2%	0.9%	2.9%	1.9%	1.1%
Depreciation/Sales	3.8%	1.6%	2.2%	1.8%	2.0%	2.2%	1.5%	0.7%
PBT Margin	-37.0%	1.1%	-38.1%	3.0%	-39.9%	-2.9%	4.2%	-7.1%
Net Profit margin (%)	-33.1%	-1.0%	-32.1%	0.3%	-33.4%	-3.8%	2.3%	-6.2%
Tax rate	10.5%	192.3%	-181.9%	88.9%	-78.5%	-33.4%	44.8%	-78.2%

Note: Adjusting capital gain on stake sale for ~11% tax

Source: Company data

- The results for Q4FY10 were impacted by additional costs in Simon Carves and ONGC. Simon Carves UK incurred a loss of Rs4bn in Q4FY10 including provisioning of Rs1.6 billion for LDs in the Ensus project and cost over runs (though there are some dues recoverable from its sub-contractors, Punj does not expect to recover any claims from the client; additionally there would have been restructuring-related costs in Simon Carves). Punj (standalone) also reported a pre-ex loss of Rs1.4bn in Q4, due to extra costs in ONGC project (project has been completed and the completion certificate is expected in June; Punj will then file for arbitration; all costs have been provided for), lower revenue-booking (for example there are delays in the Assam road projects) and likely extra costs in some other projects. Punj Lloyd expects issues related to cost over runs to be over in 1HFY11.

- In addition to the recognition of Rs2.4bn as revenues in FY10 in the Heera project that has not yet been accepted by ONGC, there was also a levy of Rs655m as liquidated damages (deducted by the customer) which has not been accounted by Punj as it is of the view that delays are due to the client.

- Punj Lloyd sold its entire stake in Pipavav Shipyard, which it had acquired two years ago for Rs3,493m, realizing a gain of Rs3,071m. The company said that they exited as the partnership between the co-promoters was not working. Punj now intends to set-up a similar facility on its own, though much smaller.

Balance Sheet update

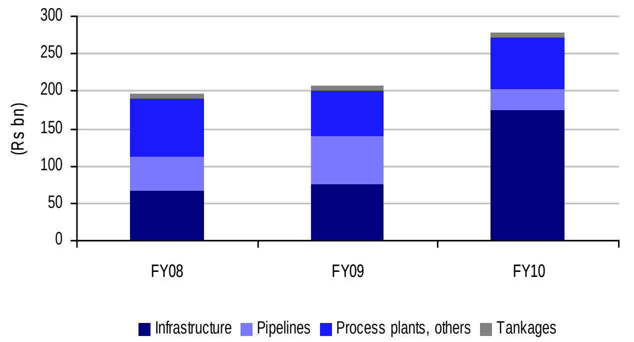
- Consolidated debt is Rs44.5bn, cash Rs6.1bn and net-debt-equity ratio is 1.25x. The debt increase has been due to high working capital requirements primarily in the Qatar pipeline project and capex during the year (about Rs3.8bn). The company expects some marginal increase in debt over the next 6-8months due to working capital, post which it is expected to decrease.
- Total current assets were Rs89bn (inventory Rs46bn, debtors Rs23bn and loans and advances Rs13bn) and current liabilities were Rs40bn.
- Shareholders funds are Rs30.7bn, net block is Rs23.3bn (the company stated that it has one of the largest equipment banks among construction companies in India) and investments are Rs5.2bn.

Libyan projects

- Punj has five packages out of which it has received advances on two projects. There have been delays in the three contracts of Sembawang (total value of US$1bn), wherein the projects are currently in the design phase and expected to commence over the next two quarters.
- The delays are due to lack of proper organization at the client side and Punj expects strong revenue booking in the second half.

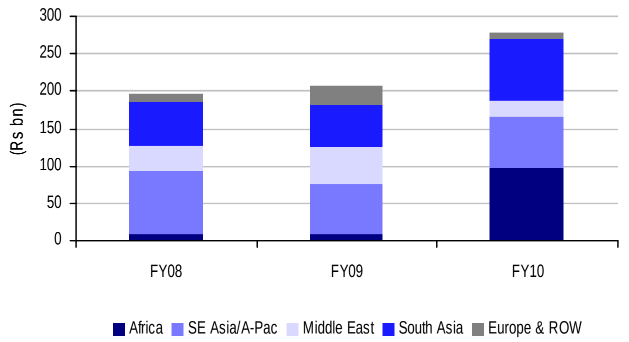
Order book breakup

Chart 1: Order book: Segmental break-up



Source: Company data

Chart 2: Order book: Geographical break-up



Source: Company data

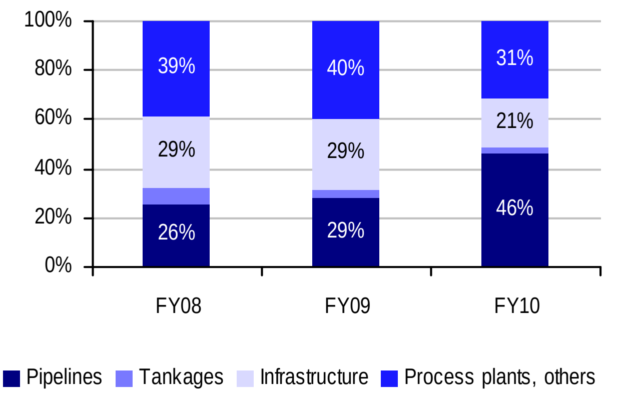
- **Simon Carves:** currently has two EPC orders– PTT, Thailand and Aluminium Fluoride project in Abu Dhabi. The company has highlighted that both these projects are being executed smoothly by Punj Lloyd's team.
- **Oil & gas:** Punj Lloyd is pursuing US$10bn of opportunities in international markets, particularly the Middle East and Africa. It believes that the oil majors have revived their investment plans that were deferred due to the economic crisis. The company expects the decreasing trend of refining capacity addition to reverse from FY12 onwards. Punj is also now eyeing construction opportunities in the refining space (as is the case in the Mangalore refinery order) as opposed to focusing only on EPC earlier. On

the offshore side it expects large ordering in India, S-E Asia and the Caspian region.

- **Infrastructure:** Punj intends to focus on roads (targets 3-4 projects with order values ranging from Rs5-13bn), power, railways (tying up for pre-qualifications, 2 projects with order values ranging from Rs2.5-5bn), metro (2 projects with order values in the range of Rs2-2.5bn), airports, buildings (3-4 projects with order values ranging from Rs1.5-2bn), urban infrastructure and port sectors. Punj intends to tie-up with financial partners for expressway projects. It is also eyeing opportunities in Sri Lanka and Bangladesh wherein a large number of projects are coming up.
- **Sembawang**: currently intends to target metro and water treatment opportunities in Singapore and Hongkong; power, coal mining and infrastructure opportunities in Indonesia, residential buildings in Libya and infrastructure opportunities in India. Sembawang accounts for 34% of the backlog.

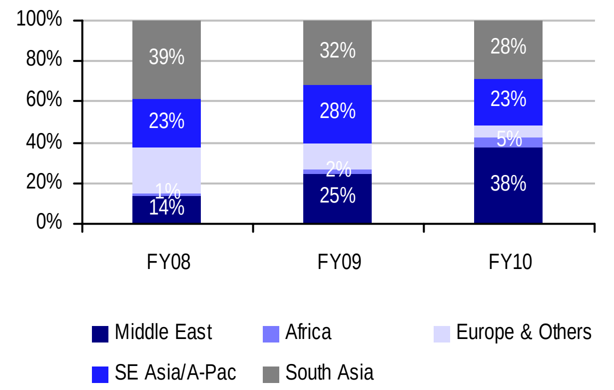
Revenue breakup

Chart 3: Revenues: Segmental break-up



Source: Company data

Chart 4: Revenues: Geographical break-up



Source: Company data

- In FY10, 72% of revenues were derived from international operations.
- Work on the Sabah pipeline project is again picking up as there have been supplies of pipes and provision of right of way. Petronas is not in a hurry to completed the terminal, it is likely to be commissioned by 2013-14 and Punj is benefitting from the same as the client has recognized its claims. Punj has already added US$95m to its backlog due to client-side delays, there are claims of US$60m pending with the client and there is also a likely scope addition of another US$100m.

Others

- In SABIC, a complicated legal process is on for claim recovery, but it is likely to be a long drawn process.

- Punj Lloyd intends to re-align Simon Carves into an engineering company, focusing on Europe and Middle-East (with the back-end work done out of India). Going forward, it will not execute any further EPC projects and is expected to undergo a slow turnaround during the year.
- Punj's engineering arm employs 700 engineers across Gurgaon, Hyderabad and Abu Dhabi. 75% of the work undertaken by it is for international projects. It intends to offer a diversified portfolio of engineering services and will also pursue inorganic growth opportunities.

Changes in estimates

Changes in our estimates are led by 1) lower revenues (due to delays in various projects, lower order booking and larger part of order book being comprised of longer-duration infrastructure orders) and 2) higher interest costs due to higher debt levels (primarily due to higher working capital).

Table 2: Estimate changes

(Rs m)	FY10	FY11E	FY12E
Revenues- New	105,388	106,396	132,729
Revenues- Old	115,685	121,131	140,898
% Change	-8.9%	-12.2%	-5.8%
EBITDA margin- New	3.6%	8.8%	8.8%
EBITDA margin- Old	8.5%	8.8%	8.8%
Net profit - New	(1,084)	2,692	4,011
Net profit - Old	2,676	4,105	5,337
% Change	-140.5%	-34.4%	-24.8%

Source: Company data, UBS estimates

We change our PT (DCF-based) from Rs170 to Rs120 based on our earnings estimate revisions, higher working capital and debt levels. We maintain our Sell rating due to concerns on 1) further costs in the Ensus project (though the company does not expect them to be large as the plant is commissioned and in the testing stage), 2) delays in Libyan projects that comprise ~30% of order backlog (as per the company they could start over the next few quarters), 3) overhang because of the ONGC project (Rs2.4bn booked as revenues not yet been accepted by ONGC and LDs of Rs655m not accounted by Punj) and 4) completion of the restructuring process at Simon Carves (Punj expects a slow turnaround this year; it has two projects under execution, though both are being executed smoothly by Punj Lloyd teams). Though order flows could be robust, strong competition is likely to pressurize margins (the company stated in the analyst meet that pricing by competition has been quite aggressive, which was one of the reasons for muted order booking).

Punj Lloyd

Income statement (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Revenues	17,900	16,846	51,266	77,529	119,120	105,388	-11.5	106,396	1.0	132,729	24.8
Operating expenses (ex depn)	(15,788)	(15,104)	(47,163)	(70,608)	(109,953)	(101,611)	-7.6	(97,086)	-4.5	(121,115)	24.8
EBITDA (UBS)	2,112	1,742	4,103	6,922	9,167	3,777	-58.8	9,310	146.5	11,614	24.8
Depreciation	(839)	(604)	(1,062)	(1,462)	(1,771)	(2,270)	28.2	(2,470)	8.8	(2,708)	9.6
Operating income (EBIT, UBS)	1,273	1,138	3,041	5,459	7,396	1,507	-79.6	6,839	353.8	8,905	30.2
Other income & associates	1,200	277	497	517	795	136	-82.9	400	193.5	400	0.0
Net interest	(1,228)	(744)	(879)	(1,530)	(2,973)	(3,063)	3.0	(3,506)	14.5	(3,687)	5.2
Abnormal items (pre-tax)	(48)	0	0	371	(5,211)	1,264	-	0	-	0	-
Profit before tax	1,198	671	2,660	4,818	7	(155)	-	3,733	-	5,618	50.5
Tax	(194)	(291)	(690)	(1,235)	(2,260)	(1,007)	-55.4	(1,120)	11.2	(1,685)	50.5
Profit after tax	1,004	380	1,970	3,583	(2,253)	(1,162)	-48.4	2,613	-	3,933	50.5
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	2	7	(1)	1	0	78	-	78	0.0	78	0.0
Net income (local GAAP)	1,006	387	1,969	3,584	(2,253)	(1,084)	-51.9	2,692	-	4,011	49.0
Net Income (UBS)	1,054	387	1,969	3,213	2,958	(2,348)	-	2,692	-	4,011	49.0
Tax rate (%)	16	43	26	26	32,286	0	-	30	-	30	0.0
Pre-abnormal tax rate (%)	16	44	26	28	43	0	-	30	-	30	0.0

Per share (Rs)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
EPS (local GAAP)	7.98	1.48	7.54	11.81	(7.42)	(3.27)	-55.9	8.12	-	12.10	49.0
EPS (UBS)	8.36	1.48	7.54	10.59	9.75	(7.09)	-	8.12	-	12.10	49.0
Net DPS	0.14	0.20	0.30	0.40	0.30	0.18	-41.3	0.32	79.9	0.48	53.5
Cash EPS	15.01	3.80	11.60	15.41	15.58	(0.24)	-	15.57	-	20.27	30.2
BVPS	19.54	42.95	48.95	90.40	81.88	91.35	11.6	99.10	8.5	110.63	11.6

Balance sheet (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Net tangible fixed assets	5,231	7,176	13,329	16,233	21,728	23,303	7.3	23,833	2.3	24,274	1.9
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	6,961	9,486	16,458	23,426	34,374	48,429	40.9	41,963	-13.3	45,755	9.0
Other liabilities	(147)	(288)	(1,647)	(1,391)	(1,853)	(1,640)	-11.5	(1,655)	1.0	(2,065)	24.8
Operating invested capital	12,046	16,373	28,141	38,269	54,248	70,092	29.2	64,141	-8.5	67,964	6.0
Investments	259	416	1,698	5,458	6,609	5,160	-21.9	5,160	0.0	5,160	0.0
Total capital employed	12,305	16,789	29,840	43,726	60,857	75,252	23.7	69,301	-7.9	73,124	5.5
Shareholders' equity	5,102	11,215	12,789	27,433	24,845	30,278	21.9	32,847	8.5	36,671	11.6
Minority interests	17	9	59	222	420	420	0.0	420	0.0	420	0.0
Total equity	5,118	11,224	12,847	27,655	25,265	30,698	21.5	33,267	8.4	37,090	11.5
Net debt / (cash)	7,187	5,565	16,992	16,072	35,592	44,554	25.2	36,034	-19.1	36,034	0.0
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	12,305	16,789	29,840	43,726	60,857	75,252	23.7	69,301	-7.9	73,124	5.5

Cash flow (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Operating income (EBIT, UBS)	1,273	1,138	3,041	5,459	7,396	1,507	-79.6	6,839	353.8	8,905	30.2
Depreciation	839	604	1,062	1,462	1,771	2,270	28.2	2,470	8.8	2,708	9.6
Net change in working capital	0	0	0	0	0	0	-	0	-	0	-
Other (operating)	0	0	0	0	0	0	-	0	-	0	-
Operating cash flow	2,112	1,742	4,103	6,922	9,167	3,777	-58.8	9,310	146.5	11,614	24.8
Net interest received / (paid)	(1,228)	(744)	(879)	(1,530)	(2,973)	(3,063)	3.0	(3,506)	14.5	(3,687)	5.2
Dividends paid	(21)	(60)	(92)	(142)	(106)	(58)	-45.2	(122)	110.5	(188)	53.5
Tax paid	(194)	(291)	(690)	(1,235)	(2,260)	(1,007)	-55.4	(1,120)	11.2	(1,685)	50.5
Capital expenditure	(829)	(2,548)	(7,215)	(4,366)	(6,543)	(3,845)	-41.2	(3,000)	-22.0	(3,150)	5.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	1,154	284	497	890	(4,416)	1,479	-	478	-67.7	478	0.0
Share issues	0	0	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	996	(1,617)	(4,276)	539	(7,131)	(2,717)	-61.9	2,039	-	3,382	65.8
FX / non cash items	1,684	3,239	(7,151)	382	(12,390)	(6,244)	-49.6	6,481	-	(3,382)	-
Balance sheet (inc)/dec in net debt	2,680	1,622	(11,427)	920	(19,520)	(8,962)	-54.1	8,520	-	0	-
Core EBITDA	2,112	1,742	4,103	6,922	9,167	3,777	-58.8	9,310	146.5	11,614	24.8
Maintenance capital expenditure	(829)	(2,548)	(7,215)	(4,366)	(6,543)	(3,845)	-41.2	(3,000)	-22.0	(3,150)	5.0
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	1,284	(806)	(3,112)	2,556	2,624	(68)	-	6,310	-	8,464	34.1

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

Global Equity Research

India

Heavy Construction

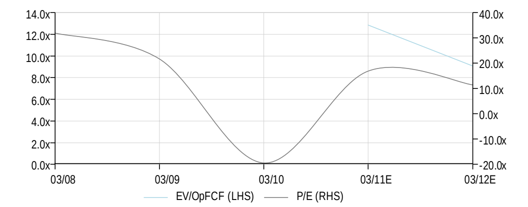
12-month rating	Sell
12m price target	Rs120.00

Punj Lloyd

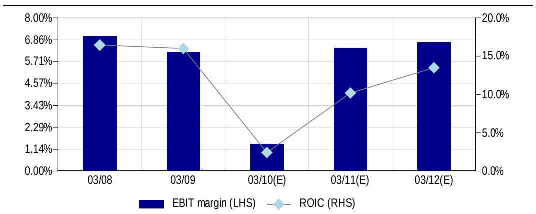
Company profile

Punj Lloyd is the second largest company in the E&C space in India, specialising in laying pipelines, building oil & gas storage tanks, terminals and process facilities. It has an extensive geographical presence, having executed projects in the Middle East, Asia Pacific, and the Caspian region. In 2006, Punj acquired Singapore-based Sembawang E&C and its UK-based subsidiary, Simon Carves. This acquisition enables the company to acquire pre-qualification in new verticals of infrastructure such as airports, jetties, MRT/LRT, tunnelling and EPC capabilities in the petrochemical domain.

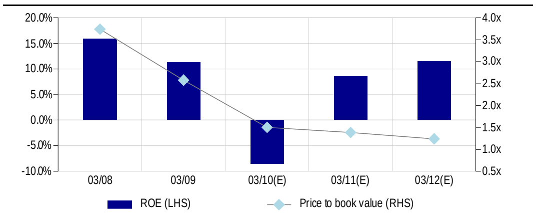
Value (EV/OpFCF & P/E)



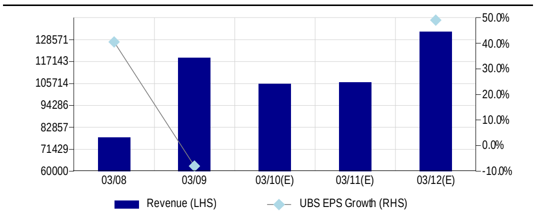
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
P/E (local GAAP)	-	28.6	NM	NM	16.9	11.4
P/E (UBS)	-	31.9	21.7	-19.4	16.9	11.4
P/CEPS	-	21.9	13.6	NM	8.8	6.8
Net dividend yield (%)	-	0.1	0.1	0.1	0.2	0.4
P/BV	-	3.7	2.6	1.5	1.4	1.2
EV/revenue (core)	-	1.4	0.7	0.8	0.8	0.6
EV/EBITDA (core)	-	15.5	9.1	21.4	8.7	6.6
EV/EBIT (core)	-	19.6	11.3	NM	11.9	8.6
EV/OpFCF (core)	-	NM	NM	NM	12.9	9.1
EV/op. invested capital	-	3.2	1.8	1.3	1.2	1.2

Enterprise value (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Average market cap	95,786	64,098	45,560	45,560	45,560
+ minority interests	140	321	420	420	420
+ average net debt (cash)	16,532	25,832	40,073	40,294	36,034
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(5,458)	(6,609)	(5,160)	(5,160)	(5,160)
Core enterprise value	107,000	83,641	80,893	81,113	76,853

Growth (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue	48.5	51.2	53.6	-11.5	1.0	24.8
EBITDA (UBS)	23.9	68.7	32.4	-58.8	146.5	24.8
EBIT (UBS)	24.5	79.5	35.5	-79.6	NM	30.2
EPS (UBS)	0.2	40.5	-7.9	-	-	49.0
Cash EPS	-2.4	32.8	1.1	-	-	30.2
Net DPS	12.5	33.3	-25.4	-41.3	79.9	53.5
BVPS	87.4	84.7	-9.4	11.6	8.5	11.6

Margins (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBITDA / revenue	11.5	8.9	7.7	3.6	8.8	8.7
EBIT / revenue	8.2	7.0	6.2	1.4	6.4	6.7
Net profit (UBS) / revenue	4.6	4.1	2.5	NM	2.5	3.0

Return on capital (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT ROIC (UBS)	-	16.4	16.0	2.4	10.2	13.5
ROIC post tax	-	11.9	9.1	2.4	7.1	9.4
Net ROE	-	16.0	11.3	(8.5)	8.5	11.5

Coverage ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT / net interest	2.3	3.6	2.5	0.5	2.0	2.4
Dividend cover (UBS EPS)	NM	26.5	NM	-	25.8	25.0
Div. payout ratio (%, UBS EPS)	5.1	3.8	3.1	-	3.9	4.0
Net debt / EBITDA	3.1	2.3	3.9	NM	3.9	3.1

Efficiency ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue / op. invested capital	-	2.3	2.6	1.7	1.6	2.0
Revenue / fixed assets	-	5.2	6.3	4.7	4.5	5.5
Revenue / net working capital	-	3.9	4.1	2.5	2.4	3.0

Investment ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
OpFCF / EBIT	0.2	0.5	0.4	NM	0.9	1.0
Capex / revenue (%)	8.3	5.6	5.5	3.6	2.8	2.4
Capex / depreciation	3.2	3.0	3.7	1.7	1.2	1.2

Capital structure (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Net debt / total equity	95.3	58.6	NM	NM	NM	98.3
Net debt / (net debt + equity)	48.8	36.9	58.9	59.5	52.3	49.6
Net debt (core) / EV	-	15.5	30.9	49.5	49.7	46.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.
Valuations: based on an average share price that year, (E): based on a share price of Rs137.45 on 28 May 2010 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

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■ Punj Lloyd

Punj Lloyd is the second largest company in the E&C space in India, specialising in laying pipelines, building oil & gas storage tanks, terminals and process facilities. It has an extensive geographical presence, having executed projects in the Middle East, Asia Pacific, and the Caspian region. In 2006, Punj acquired Singapore-based Sembawang E&C and its UK-based subsidiary, Simon Carves. This acquisition enables the company to acquire pre-qualification in new verticals of infrastructure such as airports, jetties, MRT/LRT, tunnelling and EPC capabilities in the petrochemical domain.

■ Statement of Risk

The company faces numerous risks which include: 1) execution risks – with c80% of operations being executed overseas, the company is subject to the political and regulatory environment in those countries; 2) slowdown in the integration with Sembawang would affect the company's long-term plans; 3) slowdown in the oil and gas sector capex plans could lead to less demand for E&C activities and 4) increasing competition.

■ Analyst Certification

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UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	**Buy**	50%	39%
Neutral	**Hold/Neutral**	40%	33%
Sell	**Sell**	11%	24%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	29%
Sell	**Sell**	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

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UBS Securities India Private Ltd: Sandip Bansal.

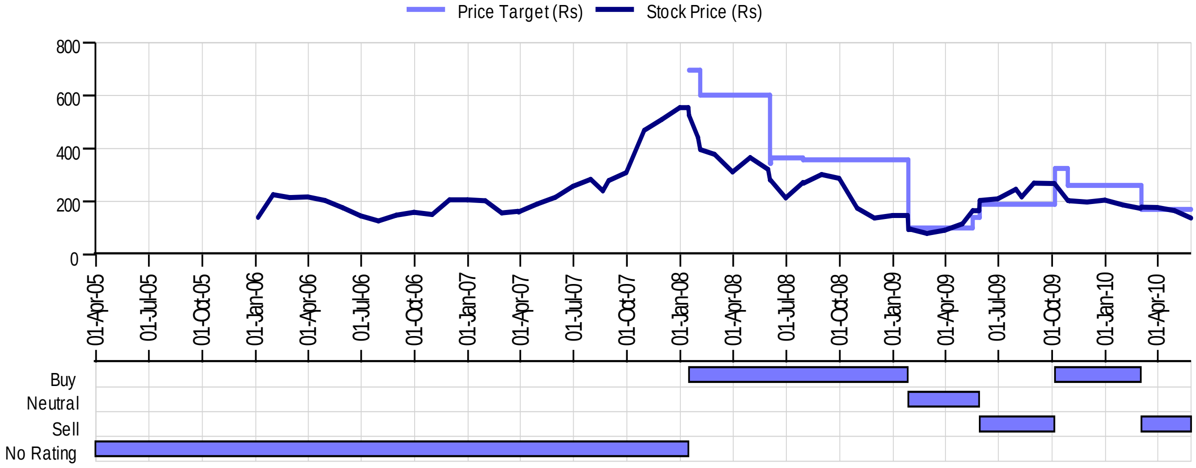
Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Punj Lloyd	PUJL.BO	Sell	N/A	Rs137.45	28 May 2010

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Punj Lloyd (Rs)



Source: UBS; as of 28 May 2010

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