

# Punj Lloyd

## Hold

**Price** Rs 110

**Target Price** % **Upside**  
Rs 110 0%↑

**Market Capitalisation**  
Rs33,368mn (US\$668mn)

**52 wk range H/L (Rs)** 385/67

**Shares o/s (mn)** **Daily vol (mn shares)**  
304 11.95

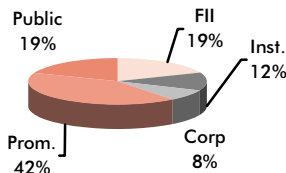
**Reuters** **Bloomberg**  
PUJL.BO PUNJ IN

**Performance (%)**

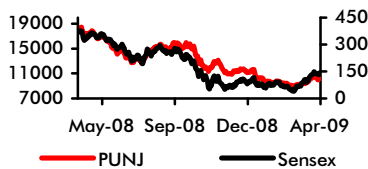
	1M	3M	12M	YTD
Absolute	37.4	19.1	-68.9	-25.2
Relative	16.9	-7.2	-53.2	-35.2

Source: Bloomberg

### Shareholding pattern



### Price performance



Source: Capitaline

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### SABIC ruling against Punj lloyd; impact a write off Rs2170mn

We write-off Rs2170mn against SABIC Bank Guarantee invocation in FY09, adjusting it for extraordinary items in P&L.

#### Case background

During Q3FY09 PLL has filed adjudication proceedings against invocation of bank guarantee (BG) by SABIC amounting to Rs2170mn on account of liquidated damages for delay in commissioning of its Wilton Teeside plant UK, the adjudicator has passed a ruling against PLL.

#### Management take on SABIC ruling

PLL would appeal against the decision in a Higher court and we believe that a final resolution would take 12-14months to settle down.

#### Retain our 'HOLD' rating on the stock

We believe that the stock has a limited upside as macro-economic outlook still continues to look grim and economic activity in middle-east would need some time to recover, resulting in a more back ended order flows.

Further with this news already in the price, downside protection comes in from the present robust order book of Rs245bn (2.2x book/bill visibility). We believe that the key drivers of further re-rating would be new order inflows, margin expansion post completion of legacy orders, and higher crude prices.

We retain our 'HOLD' rating on the stock with with a SOTP-based target price of Rs110 (PLL valued at Rs98 based on 8xFY10E earnings), Pipavav Shipyard at Rs12 (book value).

#### Key Risks

(a) Working capital cycle has expanded by 7-10days to 112 days b) About 18% order book is delayed c) Currency risk persists d) Further delay/ incremental LDs.

#### Key Financials - consolidated entity

YE March (Rs mn)	FY08	FY09E	FY10E	FY11E
Operating income	77,529	111,223	114,061	116,892
EBITDA	6,923	6,059	9,144	9,652
Net profit	3,583	1,881	3,713	4,070
EPS (Rs)	10.6	6.2	12.2	13.4
RoE (%)	16.1	6.7	12.1	11.8
RoCE (%)	14.8	9.0	12.6	12.9
P/E (x)	10.4	17.7	9.0	8.2

Source: Company, Ambit Capital Research Estimates \*adjusted for Rs2070mn cost SABIC write - off

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## Explanation of Investment Rating

<b>Investment Rating</b>	<b>Expected return (over 12-Month period from date of initial rating)</b>
Buy	>15%
Hold	5% to 15%
Sell	<5%

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