

# BusinessLine

## The turn is now beginning to happen: Atul Punj

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ATUL PUNJ, Chairman, Punj Lloyd

“I would not let water go above my nose,” says Atul Punj, Chairman, Punj Lloyd, as he describes the turnaround that his businesses are seeing now and facing a slump.

“The turn is now beginning to happen. There are some issues that are still niggling, which we are hoping to put behind us in the next couple of months...,” he said.

In conversation with *BusinessLine* as he gears up for inauguration of his small arm manufacturing facility with Israel Weapon Industries, at Gwalior on May 4, Punj shares the companies various business plans and how he has dealt with the issue of debt. *Excerpts:*

### **When are you expecting a turnaround of your business?**

The turn is now happening. There are some niggling issue, which we are hoping to put behind us in the next couple of months. Some of them are within our control and some are not. There are a couple of issues in the construction sector such as the long-term debt restructuring norms for the industry and additional bank guarantees that PSUs are seeking (for public private partnerships) that still need to be sorted out.

### **How are you managing debt as most of your projects have long gestation periods?**

We are maintaining our debt levels and have not allowed it to increase it in last two years. We are managing from within the cash flows of the businesses. Fortunately, the banks have also understood our issues. They don't want to suffocate business because the recovery will happen from business.

The fact that we have been able to deliver to the banks has made them realise that we are seriously want to fix it. We are cutting overheads, reducing our working capital cycles, cutting of all non-core investments, liquidating all of those and putting them back in the business.

That is how we have been surviving. We exited almost ₹ 4,000 crore worth of investments made that we put back into the business. In our company every investment was made within the company or its wholly owned subsidiary.

### **Where the challenges faced in power business similar to your EPC business?**

Construction is a different animal with faulty contracts, unreasonable clients and mindset problem. This is because technically the Corruption Act that is there in the books today means anybody doing anything in the government to give profit outside the government is difficult. There has to be the element of reasonableness.

But, the Prime Minister's Office has made it clear that the government has to be an enabler of business and not a regulator. The understanding now clearly is that more profit the private sector makes, the more money the government collect in taxes, and the more the exchequer has for its development expenditure, so it's a win-win for all. If the private sector or the wealth creators are being compromised and if they cannot produce the profits because of certain structural faults then it is a downward slide for all.

### **Exiting solar business was part of debt management...**

It was a part of exiting the businesses that were giving us the cash that we needed to put into our debt restructuring. This is not really what I ideally wanted to do because these were projects that were given at prices that were much more remunerative than what it is today. But, the reality is you need to bite the bitter pill. You cannot shy away from taking painful decisions.

### **Defence seems to be the buzz word today...**

We decided to get into defence nine years back when we applied for our licenses and got a whole slew of them to manufacture various things. We then invested in a manufacturing facility in Gwalior in Malanpur where we set a high-end and high capacity machine-shop.

We have the capability to do all kinds of aero structures. We are doing hydroelectric components, locomotive components, wings for the Sukhoi 30, components that are going for the Dhanush programme to the OFB. In last eight years we have built up competence, capability, certifications for aero structures which are time consuming. Nobody can set up a factory today and say I want build aero structures tomorrow. The certification process is time-bound and milestone bound. We have gone through the learning curve and kept our head below the radar.

### **What is the progress of your small arms business? Have you got order from the Defence Ministry for these weapons?**

About three years back we went into the small arms business. We had earlier got into a partnership with Kalashnikov, which did not happen for various reasons. And fortunately for us we have very good partner now – Israel Weapons Industries (IWI). Their weapons are already being used by all the special forces in India. We are not trying to bring in an inferior technology and then try to put on the ‘Make in India’ label on it. We have come up with a solution that is in vogue right now.

We are still awaiting the order from MoD. We are expecting it in weeks time.

But, whether there is a programme or not, IWI is loading us for the next 12 months in a three-shift operation. I cannot make investments based on what MoD will do. Our partnership is such that IWI will use us to manufacture the components to export.

### **On the policy front do you think this government is more receptive to the concerns of the private sector? Do you think new Defence Procurement Policy will get larger investments?**

There is an understanding that the construction sector is the largest employer and also that we need to do something to fix it is there. The main problem that the construction industry is facing is that of one-sided contracts.

From 2011 suddenly the workload fell off the cliff. So earlier we used to have disputes, claims, other outstandings, but they were never life-threatening because there was always a churn with new projects coming and cash flowing in. Suddenly, when the businesses fell off the cliff everything became life threatening. Interest rates, on the other side, went to 12 per cent from 8 per cent. So things got caught in a logjam.

But, now overall things are in a good place. But, there are some legacy issues which have to go. If we get debt restructuring norms, which is specific for the EPC sector then it will sort out a lot of issues.

As regards the DPP, we have not seen any visible changes as yet.

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