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Raffles Conversation

Building His Own Legacy

Atul Punj comes from a well-known business family, but his success story diverges from that of most scions of the privileged. By Arthur Sim

THERE is a saying that family wealth does not last more than three generations. This was anathema to Atul Punj. His grandfather, Kanahya Lal Punj, had built up a thriving business selling construction materials in the earlier half of the 1900s. But by the 1990s, when the business was divided up among Kanahya Lal's many descendents, all that Atul Punj inherited was a small construction company that was deep in debt.

The construction company did have a top line of about Rs 3 crore (less than S$1 million at today's rates) but it also had a debt of Rs 5 crore. 'I was broke, I had no money. The first two years after I had taken over were nightmarish times,' he remembers.

The company Mr Punj had inherited eventually became Punj Lloyd, now India's second biggest construction company, estimated to be worth around US$2 billion.

Atul Punj's success story - he is now in the league of India's Top-20 richest men - diverges from that of most scions of the privileged. There was no financial support to fall back on, for starters. And while his company did bear the family name, he decided early on that he would be independent.

Still, the legacy of coming from a well-known family was hard to shake off. 'To come from a three-generation business family and to have to start as a first generation entrepreneur was much worse because of the baggage of the family name and history,' says the 50-year-old Mr Punj.

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Perhaps even more of a handicap to his business was that it was difficult to change the public perception that he was rich, making business loans hard to get. 'People thought I was wealthy because of my family, but I really had nothing,' he adds.

Big break

Jobs were also not plenty in India at the time when Mr Punj took over the reins of Punj Lloyd. So with business lumbered in red tape and his staff working without pay, he decided he had to leave India to look for work.

He found it in Indonesia.

It was the time of the 'Asian Miracle' and his first big break - a US$13 million contract to lay infrastructure pipes in Indonesia - was perhaps not so uncommon.

However, by the time Punj Lloyd had been offered the contract, the company had already run out of money. 'We didn't even have money to send people to Indonesia to finalise the contract,' reveals Mr Punj.

Unperturbed, he sent his Indonesian client a fax inviting them to India instead, expounding on the clement weather and lovely sights, while cleverly diverting attention away from the company's penurious state of affairs. It was a gamble but the Indonesian client came.

Without meeting Atul Punj personally, it is perhaps difficult for anyone reading this to understand the sense of sincerity and earnestness that the man can invoke. The re-telling of this brief encounter serves to address this:

Preceding the interview that would lead to this article, the interviewer was led into an unremarkable room in an ordinary office tower. The room was barely furnished and the man with a slight build sitting behind a computer without a tie, and who was also obviously hot-desking, turned out to be the CEO of Punj Lloyd.

After being introduced by his minders, a particularly over-zealous one asked if the CEO would put on a tie for the photo-taking, upon which Atul Punj replied: 'I never wear a tie when I work so I don't see why I should wear one now.'

Everyone appreciates a straight-talking businessman and Atul Punj is certainly one. Still it took Mr Punj a while to secure the bank guarantee he needed to kick-start the Indonesian contract. 'I had already had 50 to 60 meetings with bankers and there was not any effort that I did not make,' he remembers of those early futile meetings.

Despite being treated to the lovely sights of India, the Indonesian client was also threatening to rescind the award if a bank guarantee was not obtained.

A last-ditch attempt to see then ICICI chairman N Vaghul turned his fortunes, and those of Punj Lloyd around. 'The meeting was one of the shortest I have ever had. I had no security to offer but I told the chairman that if he would trust me, I would not let him down,' he recalls, the memory of the meeting still vivid.

Almost instantly persuaded, the ICICI chairman then picked up the phone to an assistant and told him to make the necessary arrangements. ' 'Give the boy what he wants', he said, and then he put the phone down and looked at me,' Mr Punj remembers clearly.

But when the chairman looked at Atul Punj, he only saw a face downcast - 'I was actually disappointed because in my mind, I was thinking it seemed like a weak sort of instruction. The chairman must have sensed this because he picked up the phone again and this time he actually yelled over the phone that I was to be given anything I wanted and that there would be no discussion on the matter.'

After this, all that was left for Mr Punj to do was to build the company, its reputation, and address certain lingering biases.

On the day the pipe-laying project in Indonesia was completed, a director of the company actually confided that when he heard the job had gone to an Indian company, he believed that he would be attending the ceremony only to assess how much work still had to be completed. Instead, the project was completed four months ahead of schedule. It was quite a feat considering Atul Punj has no training in engineering or construction. Indeed, he read commerce at Shri Ram College of Commerce at the University of Delhi.

But as many know, a degree will only get you so far. And even if you are lacking in terms of letters, you can always ride on those who are not. 'My philosophy in life is to surround myself with people who are smarter than I am. I don't try to impose my weaknesses on others,' adds Mr Punj.

Also, what he lacked by way of hands-on knowledge, he made up for with a flair for business.

Since its success in Indonesia, Punj Lloyd's strategy has been to focus on international markets. Today, about 50 per cent of its business comes from the Middle East and only 20 per cent from

India. The rest comes from the Caspian, Asia Pacific, Africa, China and Europe. 'Its a natural hedge,' he says.

Engineering, procurement and construction makes up the bulk of Punj Lloyd's business. But its aggressive growth through acquisitions has also helped revenue grow from US$50 million in 2001 to about US$3 billion today.

In 2006, it diversified into urban construction, when shareholder Temasek-linked Merlion Fund brought the acquisition of Sembawang Engineers and Constructors to the table. Through Sembawang, it also got a foothold in Europe by way of Sembawang's UK subsidiary Simon Carves.

More recently, it acquired Technodyne International UK in 2008, a cryogenic storage tanks and petrochemicals design firm.

The complete package

Giving some insight into the acquisition, Mr Punj said: 'Technodyne was a great multiplier event. We can now bid for the complete (contract) package.'

There was a 'small ticket price' for Technodyne but Mr Punj said that the overall impact has been 'phenomenal'. 'And this is the kind of acquisition we are looking for. We are are not looking at headline acquisitions,' he added.

Mr Punj is someone who believes in scaling up quickly. 'As a group, we are now in almost every aspect of construction. We started by doing pipelines, then highways, and then power. With Sembawang we went into housing. Ordinarily, it would have taken us 20 years to build up such a track record.'

With the acquisitions of Pipavav Shipyard Ltd and Air Works India as well, Punj Lloyd also hopes to rule the air and seas.

Weapons manufacturing is also in the works with a deal with Singapore Technologies Kinetics Ltd just signed in June.

Punj Lloyd was listed on the Indian stock exchange in 2006, and the growth of the company has been 'phenomenal'. But it is a growth story that is somehow overshadowed by Mr Punj's own.

He appears to have out-grown the mantle of the Punj family name. Comfortable in his own skin, he can also speak candidly of that other name - Lloyd - which actually belongs to no one and was only adopted because in post-colonial India, a European association still somehow mattered.

Now, whenever he is asked where Mr Lloyd is, he is no longer demure but says with a smile: 'Mr Lloyd is on his way.'

Atul Punj, however, has arrived.

ATUL PUNJ

- Chairman of Punj Lloyd Group since 1989
- Born 1957, married with one child
- Graduated with a Bachelor's Degree in Commerce from Shri Ram College of Commerce, University of Delhi, in 1979
- Established Punj Lloyd Engineering Pte Ltd in 1988
- Awarded Ernst & Young Entrepreneur of the Year 2007 in the infrastructure and construction category
- Member of the Construction Federation of India, Construction Industry Development Council and the National Council of Confederation of Indian Industry. Also director of Jacob Ballas and member of GE's India Infrastructure Advisory Board

Looking good and planning ahead

PUNJ Lloyd, which has an order backlog of around US$6 billion in construction contracts, expects to see itself comfortably through the next two years at least.

The group includes Punj Lloyd Ltd in India, Sembawang Engineers & Construction Pte Ltd in Singapore and Simon Carves Ltd in UK. Some landmark infrastructure projects are the Baku-Tbilisis-Ceyhan pipeline in Georgia and Turkey, Changi Water Reclamation Plant in Singapore and the Ensus Bioethanol Plant in the UK. 'Developing economies are not cutting back on infrastructure spend,' adds Punj Lloyd CEO Atul Punj.

Punj Lloyd is exposed to the residential and commercial building sectors through Sembawang, which it acquired in 2006 for $40 million, but a large part of the business remains in the construction of infrastructure projects like oil and gas facilities, refineries and power stations, says Mr Punj. 'We have a clear visibility for at least two years, which is a lot more than other businesses out there,' he adds.

While Mr Punj agrees that the 'pressure on commodity prices was unsustainable', the worse seems to be over for construction companies anyway. 'Construction costs did affect us in the initial stages and margins were compressed. But now, most clients have accepted the prices,' he adds.

Price hikes have instead been passed on to developers and Mr Punj believes it could be crunch time for them. 'Earlier, developers had been making enough profit to cover themselves. But the stress will come now when property prices are falling off and they are not making the kind of development margins that they were making earlier. So (the environment) may get contentious and every now and then there may be conflict,' he says.

Mr Punj is already looking ahead.

The company's growth has been quite rapid over the last few years. Its revenue increased from US$50 million in 2001 to US$2 billion this year while its order backlog grew from US$400 million two-and-a-half years ago to US$6 billion today. Much of the growth of the company has depended on inorganic growth through acquisitions of new businesses. Yet, lateral growth is also firmly in place. For instance, while the number of projects has only grown by about 10 per cent per year, the average size of projects has grown exponentially from about US$50 million to US$300 million.

'The project teams have not had to be multiplied because the same number of people can manage the larger projects,' says Mr Punj. Still, he adds: 'At some point, we will need to have some other business.' And this is where the shipyard comes in.

Punj Lloyd has a stake in Pipavav Shipyard Ltd in India which provides fabrication facilities for platforms, rigs and jackets. More interestingly, it is an opening for Punj Lloyd into the defence sector through the fabrication of navy frigates and furbishment of ships. Mr Punj's plans for the shipbuilding company are even more ambitious - 'It gives us the capability to build aircraft carriers,' he reveals.

Recently, the company entered into a joint venture with Singapore Technologies Kinetics to manufacture barrels for light Howitzer guns for the Indian Army. Adding to the mix is a stake in Air Works India which offers aircraft charters, maintenance, crew training and infrastructure development.

Analysts have begun to worry about Punj Lloyd's diversification but Mr Punj cannot resist the thrill of an acquisition. 'This is a great time to spot opportunities globally,' he says.