

## **PJ Valves and UK Export Finance**

### **Background**

1. PJ Valves is the specialist manufacturer and supplier of valves to the global energy industry. Since its foundation in Hertford in 1976, the company has been focused on understanding project specifications and development to deliver the right solutions, at the right price, at the right time. The company remains headquartered in Hertford, UK with offices in the United States and Singapore and manufacturing facilities in India and Italy.
2. UKEF have directly supported PJ Valves since 2015, through supporting and underwriting Guarantee facilities offered by the group's bankers (<https://www.gov.uk/government/case-studies/pj-valves-achieves-success-with-ukef-support>). That support has been critical in allowing the business to reach the global position it has today, including the receipt of the Queen's Award for Enterprise – International Trade in 2017 (<https://pjvalves.com/pj-valves-wins-queens-award-for-enterprise/>). Future support from UKEF will also be critical in allowing the business to continue to flourish and develop further in an increasingly competitive global market. Continuing UKEF support for existing markets will also provide the company with the time and breathing space to develop and implement our plans for success during Energy Transition from fossil fuels to renewable energy.

### **Nature of support & beneficial impact on PJV**

3. *Direct UKEF support*  
Since 2015 UKEF has directly supported PJ Valves through the underwriting of part of the company's guarantee facility, operated through its bankers HSBC. This level of support has varied between 25% and 75% cover, reducing and increasing depending on the business requirements and, equally importantly, the appetite of the bank for commercial exposure to the business and the industry. The UKEF support provides for a measure of stability in the level of facility offered to the business, reducing the exposure of the business to banking risk appetite, and allowing the business to negotiate customer contracts with confidence of the support available.
4. The UKEF support allows HSBC to increase the value of the facilities given to the group, over and above that which would normally be available on commercial terms. This in turn allows the business to accept more and larger contracts from customers, thus grow the revenue, profitability and staffing. Equally importantly, it also allows the business to avoid tying up cash in support for the guarantees (which would normally be requested from HSBC) which would strangle the ability to trade freely.
5. *Indirect UKEF support*  
In addition to the direct support for the banking facilities, PJ Valves also benefits indirectly from UKEF funding for Oil & Gas projects at the macro level. The requirement on borrowers to procure a proportion of their sub-contract expenditure through a UK supply chain is invaluable in providing buyers with additional reasons to place their orders with UK businesses. Whilst this is not specifically aimed at PJ Valves, it clearly benefits all UK suppliers to the projects. In a global industry, and where competition can come from competitors in low-cost jurisdictions, this point of difference can be the difference between orders won and lost into the UK economy.

6. UKEF involvement in projects also changes the nature of our conversation with customers – and works well with our customer partnership approach. We've helped customers work with UKEF for project funding and this allows us to develop our relationships with the customers. The energy team at UKEF have worked really well with us to develop these opportunities into support packages that directly enable orders for both PJV and other UK businesses at a 50m+ scale.

#### **Specific Examples of PJ Valves benefitting from UKEF support**

7. Since 2015 UKEF have provided bond/guarantee backing (through HSBC) to PJ Valves on the following large projects, these generating total revenues for the business in excess of £10m.

<b>Project</b>	<b>Customer</b>	<b>Product description</b>	<b>PJ Valves revenue</b>
Libra Guanabara	Modec	Supply of GGC valves	> \$5m
Anyala Madu	Yinson	Supply of ball valves	> \$1m
Helang/Layang	NOV	Supply of ball valves	> \$1m
OCTP	Siemens	Supply of ball valves	> \$3m
Culzean	SMOP	Supply of ball valves	> \$2m

8. In addition to the specific examples listed above, ongoing support for many smaller projects has also been utilised.

#### **Critique of the UKEF offering and how it can be improved**

9. Although the UKEF offering has developed over the last few years, there remains areas where it could be improved further, in order to better support smaller UK businesses as well as the larger ones.
10. PJ Valves has benefitted directly from the UKEF bond/guarantee support facility, as detailed earlier in this document, but to date has been unable to utilise UKEF support for working capital assistance. This is due to the schemes tending to be focussed on either large businesses, or large single value, capital-type projects. A typical PJ Valves supply, whilst contributing to an O&G project worth hundreds of millions of \$, would tend to be worth £100k-£3m. We also win significantly larger projects – but these tend to be irregular related to project schedules and capital investment levels.
11. The buyer credit schemes would not be considered by our customers due to their already having funding for the projects, and the small scale of the PJ Valves order in the scheme of things in the overall project. The same applies to the direct lending facilities, and the single project £5m cap on the Supplier Credit Financing facility is simply too large for a business with annual turnover between £10m and £20m.
12. It would be extremely beneficial to PJ Valves to be able to secure working capital funding on a smaller scale, either on a project by project basis or as general company support. Currently, we have been restricted as mentioned above, and been left to the whims of the commercial banking market to secure this support.
13. The most advantageous solution would be a generic working capital facility, along the lines of the GEF promoted by UKEF since early 2019 but not yet officially launched.