

## CONSOLIDATED CONSTRUCTION CONSORTIUM LTD.

BUY  
CMP Rs77  
TP Rs107

29 October 2010

### Dismal quarter; expect pick up ahead

Stoppage of work in Chennai Airport, cost over run in DMRC project, and unprecedented high rainfall during Aug-Sept'10 in south India resulted in lower sales and EBITDA margin. Topline was 5% below our estimate at Rs4.9bn, a 8.5% YoY growth. EBITDA margin was lower at 7.8% vs 8.5% expected, while PAT was lower at Rs137mn, (35.1)% YoY vs expected Rs194mn.

### Revenue loss of Rs500mn due to accident

During the quarter, a fatal accident caused stoppage of work in Chennai Airport for 3 weeks, resulting in loss of work to about Rs500mn. Whereas overheads and idle wages continued to eat into operating margin. However, now the work has resumed and management expects to cover up the lost work in second half. The outstanding work in hand stands approximately at Rs5bn.

### Cost over run in DMRC project leads to Rs82mn loss

Technical and design changes for the DMRC car parking project, which is a fixed contract has lead to cost over run of Rs82mn. The company is working at recovering the loss through arbitration process, the full cost has been taken to books.

### Multiple factors leading to lower margin

In order to cover the lost work due to unprecedented rainfall, the company hired large equipments which cost dearer by Rs27mn. Apart from this idling labor force and fixed overheads during the stoppage period resulted in lower margin at 7.8% in Q2FY11.

### Lowering margin expectation

Due to lower EBITDA margin in H1FY11 at 8% and the cost overrun we marginally tone down our margin for FY11 to 8.9% from 9.2%, consequently reducing our earnings to Rs5.5 from Rs5.7 for FY11. However we take this as a short-term phenomenon and continue to value the company on FY12 earning, which is unchanged at Rs7.6.

### Strong order inflow

Current order book stands at Rs44.9bn, 2.3x FY10 revenue. The company has booked strong orders of Rs21.3bn in first half, which is inline with our expectation of Rs42.5bn for the whole FY11.

### VALUATIONS & RECOMMENDATION

Considering strong order inflow and expectation of ramp up of work in second half of the year, we continue with our BUY rating with target price of Rs107. We have valued the company at 14x FY12 earning of Rs7.6.

KEY FINANCIALS (STANDALONE)						Rs mn
	FY08	FY09	FY10	FY11E	FY12E	
Net Sales	14,757	18,413	19,759	24,412	31,173	
YoY Gr. (%)	70.9	24.8	7.3	23.5	27.7	
Operating Profit	1,392	1,223	1,847	2,173	2,868	
OPM (%)	9.4	6.6	9.3	8.9	9.2	
Adj. Net Profits	889	728	916	1,009	1,410	
YoY Gr. (%)	86.5	(18.1)	25.8	10.1	39.7	
KEY RATIOS						
Dil. EPS (Rs)	4.8	3.9	5.0	5.5	7.6	
ROACE (%)	30.6	18.1	20.9	19.8	22.0	
ROANW (%)	27.7	15.0	16.6	15.9	18.9	
PER (x)	16.0	19.5	15.5	14.1	10.1	
EV/Sales (x)	1.0	0.8	0.8	0.6	0.5	
EV/EBIDTA (x)	10.5	12.2	8.6	7.2	5.7	

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### QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Mar-10	Jun-10	Sep-10
Net Sales	6,363	5,080	4,895
YoY Gr. (%)	33.2	23.4	8.5
Op Profit	723	420	382
OPM (%)	11.4	8.3	7.8
Adj. Net Profit	390	188	137
YoY Gr. (%)	89.8	6.6	(35.1)

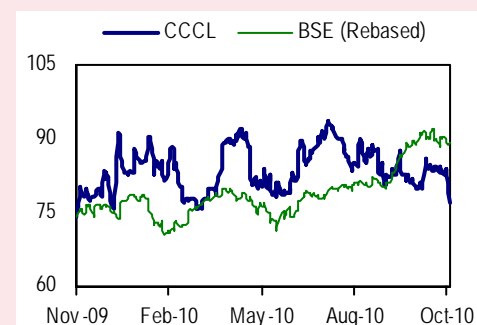
### STOCK DATA

Market cap	Rs14.2bn
Book Value per share (FY12)	Rs44
Shares O/S (F.V. Rs2)	184.8mn
Free Float	49.4%
Avg Trade Value (6 months)	Rs17.9mn
52 week High/Low	98/63
Bloomberg Code	CCCLIN
Reuters Code	CCON.BO

### PERFORMANCE (%)

	1M	3M	12M
Absolute	(4.9)	(9.5)	3.5
Relative	(3.0)	(18.1)	(13.8)

### RELATIVE PERFORMANCE



**Financial Table (Standalone)**

Rs mn	Sep-10	Sep-09	YoY (%)	Jun-10	QoQ (%)	FY10	FY11E	YoY(%)
<b>Net Sales</b>	<b>4,895</b>	<b>4,513</b>	<b>8.5</b>	<b>5,080</b>	<b>(3.6)</b>	<b>19,500</b>	<b>24,412</b>	<b>25.2</b>
<b>EBITDA</b>	<b>382</b>	<b>401</b>	<b>(4.6)</b>	<b>420</b>	<b>(9.0)</b>	<b>1,830</b>	<b>2,173</b>	<b>18.7</b>
<i>EBITDA Margins (%)</i>	7.8	8.9	(107)bps	8.3	(46)bps	9.4	8.9	(49)bps
Other Income	13	5	167.8	14	(2.9)	53	75	39.8
Interest	121	63	92.2	105	14.9	313	451	44.3
Depreciation	32	23	39.1	29	11.7	91	131	44.5
PBT	250	320	(21.9)	300	(16.8)	1,480	1,665	12.5
<i>Tax (%)</i>	34	34	14bps	34	(4)bps	33	34	85bps
<b>PAT</b>	<b>137</b>	<b>211</b>	<b>(35.1)</b>	<b>188</b>	<b>(27.2)</b>	<b>935</b>	<b>1,009</b>	<b>7.9</b>
<b>EPS</b>	<b>0.7</b>	<b>1.1</b>	<b>(35.0)</b>	<b>1.0</b>	<b>(27.2)</b>	<b>5.1</b>	<b>5.5</b>	<b>7.9</b>

Source: PINC Research, Company

**Variance from our estimates**

(Rs mn)

Particulars	Q2FY11 E	Q2FY11A	Change (%)
<b>Net Sales</b>	<b>5145</b>	<b>4,895</b>	<b>(4.9)</b>
<b>EBITDA</b>	<b>437</b>	<b>382</b>	<b>(12.5)</b>
<i>EBITDA Margins (%)</i>	8.5	7.8	(69)
Other Income	9	13	57.5
Interest	120	121	0.9
Depreciation	32	32	0.0
PBT	294	250	(15.0)
<i>Tax (%)</i>	34	34	20
<b>PAT</b>	<b>194</b>	<b>137</b>	<b>(29.4)</b>
<b>EPS</b>	<b>1.0</b>	<b>0.7</b>	<b>(29.4)</b>

Source: PINC Research, Company

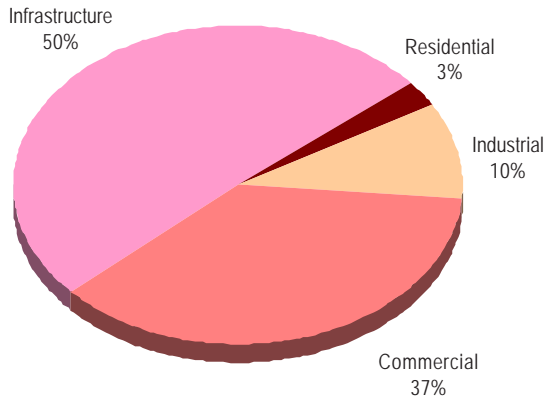
**Change in estimates**

(Rs mn)

Particulars	Old FY11E	New FY11E	Change (%)
<b>Net Sales</b>	<b>24,412</b>	<b>24,412</b>	-
<b>EBITDA</b>	<b>2,246</b>	<b>2,173</b>	<b>(3.3)</b>
<i>EBITDA Margins (%)</i>	9.2	8.9	(30)
Other Income	75	75	-
Interest	451	451	-
Depreciation	131	131	-
PBT	1,739	1,665	(4.3)
Tax	591	566	(4.2)
<b>PAT</b>	<b>1,058</b>	<b>1,009</b>	<b>(4.6)</b>
<b>EPS</b>	<b>5.7</b>	<b>5.5</b>	<b>(4.2)</b>

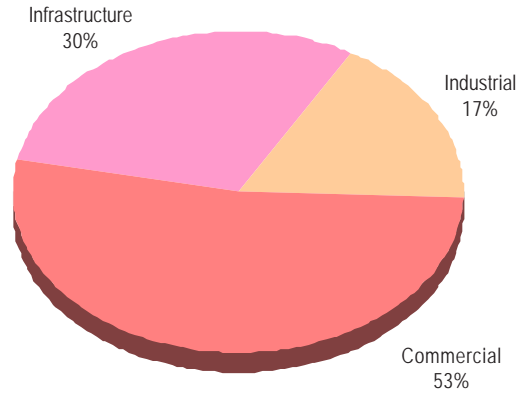
Source: PINC Research, Company

**Order book break up**



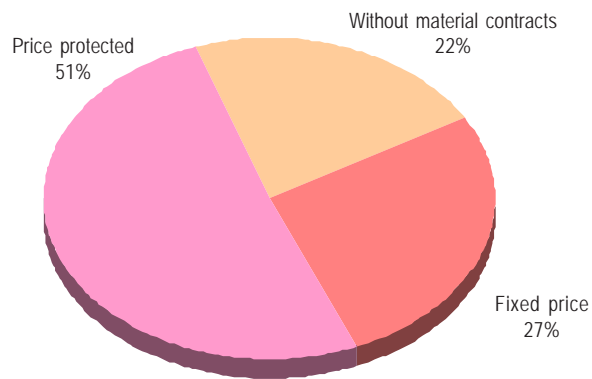
Source: PINC Research, Company

**Order Inflow break up**



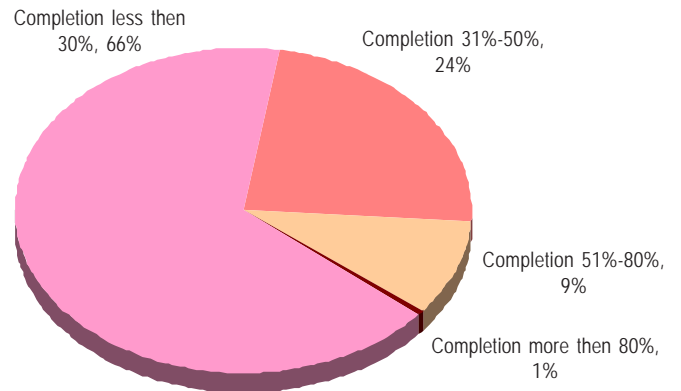
Source: PINC Research, Company

**Order book type**



Source: PINC Research, Company

**Order book completion**



Source: PINC Research, Company

Year Ended March (Figures in Rs mn)

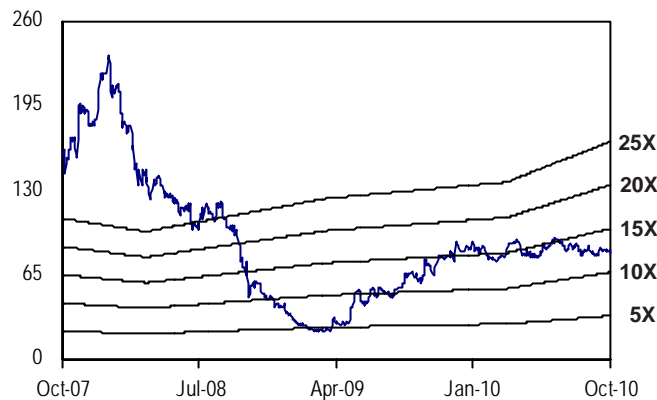
Income Statement	FY08	FY09	FY10	FY11E	FY12E
<b>Revenues</b>	<b>14,757</b>	<b>18,413</b>	<b>19,759</b>	<b>24,412</b>	<b>31,173</b>
<i>Growth (%)</i>	<i>70.9</i>	<i>24.8</i>	<i>7.3</i>	<i>23.5</i>	<i>27.7</i>
<b>Operating Profit</b>	<b>1,392</b>	<b>1,223</b>	<b>1,847</b>	<b>2,173</b>	<b>2,868</b>
Other Income	78	94	64	75	81
<b>EBIDTA</b>	<b>1,470</b>	<b>1,317</b>	<b>1,911</b>	<b>2,247</b>	<b>2,949</b>
<i>Growth (%)</i>	<i>96.9</i>	<i>(10.4)</i>	<i>45.1</i>	<i>17.6</i>	<i>31.2</i>
Depreciation & Amortization	56	89	110	131	154
<b>EBIT</b>	<b>1,415</b>	<b>1,228</b>	<b>1,801</b>	<b>2,116</b>	<b>2,794</b>
Interest Charges (Net)	74	118	326	451	547
<b>PBT (Before E/o items)</b>	<b>1,341</b>	<b>1,110</b>	<b>1,474</b>	<b>1,665</b>	<b>2,247</b>
Tax provision	452	382	504	566	764
E/o Income / (Loss)	-	-	-	-	-
<b>Net Profits</b>	<b>889</b>	<b>728</b>	<b>916</b>	<b>1,009</b>	<b>1,410</b>
<b>Adjusted Net Profits</b>	<b>889</b>	<b>728</b>	<b>916</b>	<b>1,009</b>	<b>1,410</b>
<i>Growth (%)</i>	<i>86.5</i>	<i>(18.1)</i>	<i>25.8</i>	<i>10.1</i>	<i>39.7</i>
Basic EPS (Rs)	4.8	3.9	5.0	5.5	7.6
<b>Diluted EPS (Rs)</b>	<b>4.8</b>	<b>3.9</b>	<b>5.0</b>	<b>5.5</b>	<b>7.6</b>
<i>Growth (%)</i>	<i>86.5</i>	<i>(18.1)</i>	<i>25.8</i>	<i>10.1</i>	<i>39.7</i>

Cash Flow Statement	FY08	FY09	FY10	FY11E	FY12E
Profit before tax	889	728	916	1,665	2,247
Depreciation	56	89	110	131	154
Income from inv & int. (profit)	(78)	(94)	(64)	(75)	(81)
Interest paid	74	118	326	451	547
Taxes	(322)	(235)	(377)	(450)	(607)
(Inc)/Dec in working capital	(1,590)	(888)	(2,206)	(481)	(1,847)
Other operating activities	327	400	563	117	157
<b>Cash from operations</b>	<b>(646)</b>	<b>118</b>	<b>(732)</b>	<b>1,359</b>	<b>571</b>
Net capital expenditure	(367)	(708)	(382)	(493)	(447)
Net Investments	(991)	422	475	90	74
Interest & dividend recd	-	-	64	89	81
<b>Cash from inv. activities</b>	<b>(1,358)</b>	<b>(286)</b>	<b>156</b>	<b>(314)</b>	<b>(292)</b>
Equity raised/(repaid)	1,887	-	-	-	-
Debt raised/(repaid)	100	721	1,412	931	676
Dividend (incl. tax)	-	(108)	(108)	(108)	(108)
Other financing activities	(74)	(118)	(326)	(451)	(547)
<b>Cash from fin. activities</b>	<b>1,992</b>	<b>589</b>	<b>978</b>	<b>369</b>	<b>21</b>
<b>Inc/(Dec.) in cash</b>	<b>(12)</b>	<b>422</b>	<b>403</b>	<b>1,414</b>	<b>300</b>

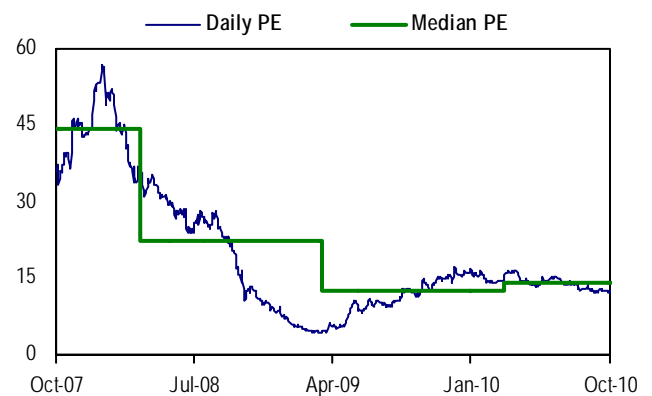
Balance Sheet	FY08	FY09	FY10	FY11E	FY12E
<i>Equity Share Capital</i>	370	370	370	370	370
<i>Reserves &amp; Surplus</i>	4,171	4,791	5,523	6,423	7,725
<b>Shareholders' Funds</b>	<b>4,541</b>	<b>5,161</b>	<b>5,892</b>	<b>6,793</b>	<b>8,095</b>
Minorities Interest	-	-	-	-	-
Total Debt	1,255	1,975	3,388	4,317	4,993
Deferred Tax liability	296	442	595	712	869
<b>Capital Employed</b>	<b>6,091</b>	<b>7,578</b>	<b>9,876</b>	<b>11,822</b>	<b>13,957</b>
Fixed Assets	830	1,449	1,721	2,084	2,377
Cash & cash eq.	877	1,299	1,701	2,818	2,813
Net current assets	4,128	5,437	8,046	9,643	11,485
Investments	991	569	95	95	95
<b>Total Assets</b>	<b>6,091</b>	<b>7,578</b>	<b>9,876</b>	<b>11,822</b>	<b>13,957</b>

Key Ratios	FY08	FY09	FY10	FY11E	FY12E
OPM (%)	9.4	6.6	9.3	8.9	9.2
Net Margin (%)	6.0	4.0	4.6	4.1	4.5
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.6
Net Debt/Equity (x)	0.1	0.1	0.3	0.2	0.3
Net working capital (days)	80.4	82.0	117.2	102.0	101.5
ROACE (%)	30.6	18.1	20.9	19.8	22.0
ROANW (%)	27.7	15.0	16.6	15.9	18.9
EV/Sales (x)	1.0	0.8	0.8	0.6	0.5
EV/EBIDTA (x)	10.5	12.2	8.6	7.2	5.7
PER (x)	16.0	19.5	15.5	14.1	10.1
PCE (x)	15.1	17.4	13.9	12.5	9.1
Price/Book (x)	3.1	2.8	2.4	2.1	1.8

P/E Band



Median PE v/s Daily PE



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