

STOCK DATA

Market Cap	Rs2.2bn
Book Value per share	Rs169
Eq Shares O/S (F.V. Rs.10)	18.3mn
Median Vol.	14,219 (BSE+NSE)
52 Week High/Low	Rs318/100
Bloomberg Code	CCON@IN
Reuters Code	CCCL.BO

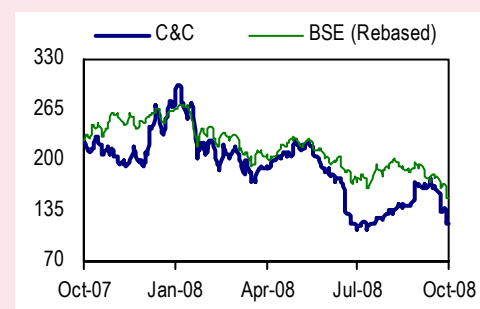
SHAREHOLDING PATTERN (%)

Qtr. Ended	Dec-07	Mar-08	Jun-08
Promoters	69.3	69.3	69.3
MFs/FIs	5.0	9.9	10.6
FIIIs	12.6	9.1	8.5
PCBs	2.7	2.0	2.5
Indian Public	10.5	9.8	9.2

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(30.4)	2.0	(43.5)
Relative	(11.0)	17.9	(15.5)

STOCK PRICE PERFORMANCE



KEY HIGHLIGHTS

C&C Constructions Ltd. (C&C) posted Q4FY08 results in line with our expectations. Net sales for the quarter stood at Rs2.3bn (up 78.3% YoY) fuelled by contract revenues from Indian operations. While OPM dipped to 12.5% (down 1,258bps YoY), other income of Rs37mn propelled net profits to Rs161mn.

● Order book remains robust

C&C currently possesses a healthy order book position of Rs16.1bn spread across 18 projects. Additionally, it stands L1 for projects worth Rs12bn clarity on which, should emerge by end-Q2FY09. In FY08, the company bagged fresh orders worth Rs11.8bn (Vs Rs6bn in FY07). ~81% of these orders were bagged independently, signifying a much lesser dependence on JVs for bidding. The average execution period of the backlog stands at 30 months.

● Maintains geographical work preference

Geographically, C&C continues to maintain its work focus across difficult operating terrains & in adverse weather conditions. Out of the Rs11.8bn of fresh orders bagged during FY08, ~81% accrue from Punjab, Haryana & Himachal Pradesh. Orders from Afghanistan (~15%) & Madhya Pradesh (3.5%) filled the remaining chunk.

VALUATIONS AND RECOMMENDATION

C&C has depicted a continuous growth in its business volumes over the years. Its contract revenues have grown at a CAGR of ~34% from FY04-08. Having successfully demonstrated its execution skills & resource mobilizing abilities, we strongly believe that C&C should command a P/E of 3.3x (~35% discount to its peer group) its FY10E earnings.

At the CMP of Rs120, C&C trades at a P/E of 3.1x and EV/EBIDT of 3.2x its FY10E earnings. We value C&C's core business operations at Rs130 (3.3x FY10E EPS of Rs38.6) and its 49% stake in Kurali Kiratpur BOT at Rs40/share. Thus, on a SOTP basis we arrive at Rs170/share as the fair value of the stock. Hence, we maintain our 'BUY' recommendation on the stock with a revised 12-month price target of Rs170.

KEY FINANCIALS

Rs mn	Quarter Ended			Yr Ended (June)				
	Dec-07	Mar-08	Jun-08	2006	2007	2008	2009E	2010E
Net Sales	862	1,660	2,319	2,117	3,304	5,333	8,890	12,911
YoY Gr. (%)	47.1	57.6	78.3	23.1	56.1	61.4	66.7	45.2
Op Profits	174	265	291	496	716	928	1,467	2,195
Op. Marg.(%)	20.2	16.0	12.5	23.4	21.7	17.4	16.5	17.0
Net Profits	74	125	161	309	332	408	474	705
Eq Capital	183	183	183	128	183	183	183	183

KEY RATIOS

	Yr Ended (June)				
	2006	2007	2008	2009E	2010E
Dil. EPS (Rs)	16.9	18.2	22.4	26.0	38.6
ROCE (%)	30.7	20.5	17.5	19.0	21.8
RONW (%)	33.4	17.6	14.1	14.4	18.4
P/E (x)	7.1	6.6	5.4	4.6	3.1
EV/ Sales (x)	1.1	1.2	0.8	0.6	0.6
EV/EBDIT (x)	3.9	4.9	4.3	3.6	3.2

PERFORMANCE OVERVIEW

In Q4FY08, C&C registered net sales of Rs2.3bn (+78.3% YoY) fuelled by contract revenues from Indian operations (~92%). While ~76% of revenues can be attributed to projects in JV with BSCPL (where the company holds 50% stake), the balance comes from independently bagged projects.

Construction expenses rose by 111% YoY to ~Rs1.8bn. The major reasons for the same being reclassification of depreciated assets, cost overrun on the Delhi BRT & the Kurali Kiratpur BOT projects. Personnel (Rs156mn) & other expenses (Rs80mn) were stable at 6.7% & 3.4% of the net sales respectively. Affected by the exceptional rise in construction expenses, C&C posted operating profit of Rs291mn (-11% YoY). OPM for the period was at 12.5% (down 1,258bps YoY).

While interest charges rose to Rs126mn (Vs Rs116mn in Q4FY07) on account of an increased debt base of Rs2.7bn (Vs ~Rs1.9bn in FY07), depreciation charges were at Rs31mn. Backed by an other income of Rs37mn, net profits stood at Rs161mn (-7.7% YoY). EPS for the period stood at Rs8.8.

For full year FY08, C&C posted net sales of Rs5.3bn (+61.4% YoY). While OPM stood at 17.4% (down 428bps YoY), net profits were at Rs408mn (Vs Rs332mn in FY07). The same translates into an EPS of Rs22.4.

Contract revenues from Indian operations formed a major chunk of C&C's revenues in FY08...

Additions in Construction expenses (Q4FY08)

Particulars	Amount (Rs mn)
Provision for bad & doubtful debt	18.6
Charge off of temporary sheds	51.3
Cost overrun of the Delhi BRT project	25.6
Cost overrun of Kurali Kiratpur BOT	84.5
Total	180.0

Source: Company

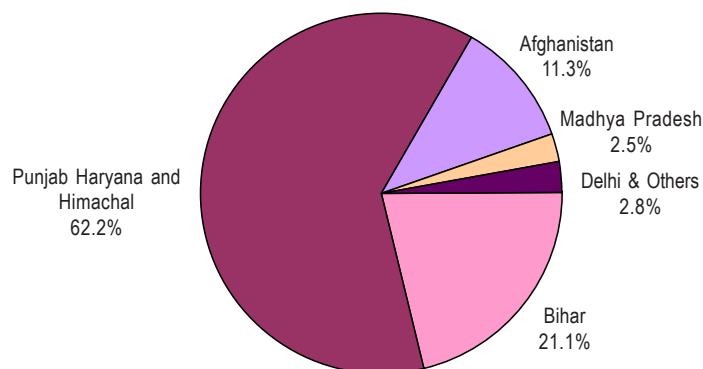
Orders bagged in Q4FY08

C&C in JV with BSCPL bagged the following order in Afghanistan during the quarter. The details of the same are undermentioned.

(a) *Rehabilitation & construction of ~103kms Gardez Khost Road in Eastern Afghanistan.* Valued at USD86mn, the project is scheduled to be completed by Dec'09 (18 months). The project bagged from the American consortium of the Louis Berger Group Inc and Black & Veatch Special Projects Corp, stands as the single largest order received by C&C-BSCPL JV in the region till date.

A geographically diversified order book allows the company to capitalize on opportunities both in India & Afghanistan...

Order Book Break up (Jun'08)



Source: Company

VALUATIONS AND RECOMMENDATION

We believe that infrastructure will be a major growth driver for the Indian construction industry in the foreseeable future backed by increased levels of government & private sector investments. Going forward, we expect C&C's fresh order inflows to grow at a CAGR of ~21% over the period FY09-12, which should enable it to achieve a substantial ramp up in its topline. Consequently, the net sales of the company should surge at a CAGR of ~56% from Rs5.3bn in FY08 to Rs12.9bn by FY10.

Around 20% of the company's current order backlog consists of fixed price contracts. The remaining backlog is covered either by Star Rate contracts or WPI linked escalations. Though any adverse fluctuation in prices of essential construction commodities are fully compensated for in Star Rate contracts; we believe C&C will face pressure on the margins front in case of fixed price & WPI linked contracts. Having incorporated the impact of the same in our calculations, we expect the company's OPM to hover around 16.5-17% over the next couple of years.

Following higher interest expense (fresh loans assumed at 13.5-14%) & depreciation charges on account of additional capex (~Rs2.3bn during FY08-FY10), we expect net profit CAGR growth to be contained at ~31%. Subsequently, C&C's net profits should briskly rise from Rs408mn in FY08 to Rs705mn by FY10.

Over the years, C&C has successfully demonstrated its execution skills & resource mobilizing abilities. However, given the lumpy nature of its Afghanistan revenues & relatively higher risks involved in Indian operations, we are of the opinion that C&C should command a P/E of 3.3x (~35% discount to its peer group) its FY10E earnings.

At the CMP of Rs120, C&C trades at a P/E of 3.1x & EV/EBITD of 3.2x its FY10 earnings estimates. We value C&C's core business operations at Rs130 (3.3x FY10E EPS of Rs38.6) and its 49% stake in Kurali Kiratpur BOT at Rs40/share. Thus, on a SOTP basis we arrive at Rs170/share as the fair value of the stock. Hence, we maintain our 'BUY' recommendation on the stock with a revised 12-month price target of Rs170.

With growth drivers in place, C&C's prospects appear bright for the next couple of years...

Peer Comparison (Rs mn)					
Particulars(Cons.FY10E)	Sadbhav	Unity Infra.	C&C	Madhucon	Gayatri Proj.
Revenues	13,935	13,805	12,911	14,182	19,302
Op. Profit	1,728	1,670	2,195	1,901	2,500
Net Profit	953	823	705	726	1,053
OPM(%)	12.4	12.1	17.0	13.4	13.0
EPS (Rs)	72.7	61.5	38.6	18.7	83.6
P/E (x)	8.3	4.6	3.1	6.0	1.8

Source: PINC Research

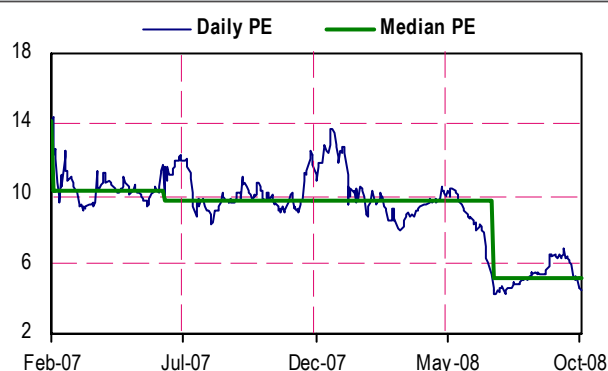
Company description

Incorporated in Jul'96, Gurgaon-based C&C Constructions Ltd. (C&C) is an infrastructure development company providing EPC services in India & Afghanistan. Its expertise primarily lies in executing transportation engineering projects including roads, bridges, flyovers & airport runways. Since inception, C&C has successfully completed 29 projects aggregating over Rs12bn. In FY07, it diversified operations across 3 new business verticals namely urban infrastructure, power transmission and water sanitation & sewerage.

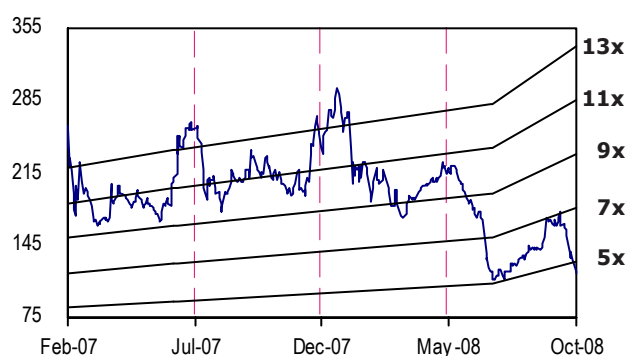
Financial Results for the quarter & year ended 30 June 2008

Particulars (Rs Mn)	Quarter Ended			Year Ended		
	30/06/08	30/06/07	Gr %	30/06/08	30/06/07	Gr %
Net Sales	2,319	1,300	78.3	5,333	3,304	61.4
Total Expenditure	2,028	974	108.2	4,405	2,588	70.2
(Increase) / decrease in stock in trade	-	(73)			(173)	
Raw material	1,551	731	135.5	3,086	1,684	104.3
Project execution expenses	240	189	27.3	651	602	8.1
Personnel Expenses	156	90	72.9	396	305	29.8
Other expenditure	80	36	123.8	272	170	60.2
Operating profits	291	327	(11.0)	928	716	29.5
Other Income	37	54	(31.6)	79	58	37
PBDIT	328	381	(13.9)	1,007	774	30.1
Interest	126	116	8.6	329	197	67
Depreciation	31	65	(51.8)	155	160	(3)
PBT	171	200	(14.8)	524	418	25.5
Provision for current tax	(45)	62	(172.8)	75	111	(32)
Provision for deferred tax	54	(37)		39	(27)	
Fringe benefits	1	1		2	2	
Net Profits	161	174	(7.7)	408	332	23.1
Equity Capital (F.V. Rs 10)	183	183		183	183	
Reserves (excl. rev. res.)	-	-		2,907	2,533	
EPS for the period (Rs)	8.8	9.6		22.4	18.2	
Diluted EPS (Rs)	8.8	9.6		22.4	18.2	
Book Value (Rs)	-	-		169	149	
OPM (%)	12.5	25.1		17.4	21.7	
NPM (%)	6.9	13.4		7.7	10.0	
Expenditure (% of Net Sales)						
Raw material	66.9	50.7		57.9	45.7	
Project execution expenses	11.8	19.4		12.2	18.2	
Personnel Expenses	6.7	7.0		7.4	9.2	
Other expenditure	3.4	2.7		5.1	5.1	

Median PE v/s Daily PE



PE Band



Income Statement	2006	2007	2008	2009E	2010E
Revenues	2,117	3,304	5,333	8,890	12,911
<i>Growth (%)</i>	23.1	56.1	61.4	66.7	45.2
Total Expenditure	1,621	2,588	4,405	7,423	10,716
Operating Profits	496	716	928	1,467	2,195
Other Income	96	58	79	84	93
EBIDT	592	774	1,007	1,551	2,288
Interest	42	197	329	498	764
Depreciation	149	160	155	334	456
EBT	402	418	524	718	1,068
Tax provision	93	86	116	244	363
Net Profits	309	332	408	474	705
Fully diluted Eq. sh. O/s (mn nos)	13	18	18	18	18
Book Value (Rs)	83	149	169	192	228
Basic EPS (Rs)	24.2	18.2	22.4	26.0	38.6
Diluted EPS (Rs)	16.9	18.2	22.4	26.0	38.6

Balance Sheet	2006	2007	2008	2009E	2010E
<i>Equity Share Capital</i>	128	183	183	183	183
<i>Reserves & Surplus</i>	928	2,533	2,907	3,328	3,979
Net worth	1,056	2,716	3,090	3,510	4,162
Total Debt	982	1,932	2,708	3,908	5,458
Deferred Tax liability	17	40	79	79	79
Capital Employed	2,055	4,687	5,876	7,496	9,698
Fixed Assets	884	1,555	2,224	2,790	2,934
Net current assets	1,171	2,206	3,125	4,105	6,112
Investments	0	927	527	602	652
Total Assets	2,055	4,687	5,876	7,496	9,698

Cash Flow Statement	2006	2007	2008	2009E	2010E
PBT	402	418	524	718	1,068
Depreciation	149	160	155	334	456
Interest & dividend received	(8)	(17)	(79)	(84)	(93)
Interest paid	42	197	329	498	764
Tax paid	(99)	(112)	(77)	(244)	(363)
(Inc.)/Dec in working capital	(539)	(985)	(690)	(1,038)	(2,050)
Cash from operations	(38)	(381)	161	185	(219)
Purchase of fixed assets	(520)	(932)	(824)	(900)	(600)
Sale of fixed assets	37	98	-	-	-
(Purchase)/Sale of Investments	-	(927)	424	(75)	(50)
Interest & dividend received	8	17	79	84	93
Cash from investing activities	(475)	(1,743)	(321)	(891)	(557)
Proceeds from share capital	-	55	-	-	-
Share Premium	-	1,421	-	-	-
Proceeds from NCDs	-	500	-	-	-
Proceeds/(Repayment) of short term loans	78	(53)	-	-	-
Proceeds from long term borrowings	752	377	776	1,200	1,550
Repayment of loans	(173)	(36)	-	-	-
Interest paid	(42)	(197)	(329)	(498)	(764)
Dividend & tax on dividend paid	(49)	(24)	(59)	(53)	(53)
Cash from financing activities	567	2,204	389	648	733
Inc/(Dec.) in cash	53	80	229	(58)	(43)

Key Ratios	2006	2007	2008	2009E	2010E
EBIDT (%)	28.0	23.4	18.9	17.4	17.7
ROACE (%)	30.7	20.5	17.5	19.0	21.8
ROANW (%)	33.4	17.6	14.1	14.4	18.4
Sales/Total Assets (x)	1.0	0.7	0.9	1.2	1.3
Debt:Equity (x)	0.9	0.7	0.9	1.1	1.3
Current Ratio (x)	2.4	2.7	2.7	2.2	2.5
Debtors (days)	126.8	136.8	96.5	109.8	122.4
Inventory (days)	104.5	106.4	168.4	154.8	144.0
Net working capital (days)	162.3	208.0	175.5	147.3	158.6
EV/Sales (x)	1.1	1.2	0.8	0.6	0.6
EV/EBIDT (x)	3.9	4.9	4.3	3.6	3.2
P/E (x)	7.1	6.6	5.4	4.6	3.1
P/BV (x)	1.5	0.8	0.7	0.6	0.5

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