

RETAIL

RESEARCH 

C & C Constructions Ltd.

Sector: Construction – Civil

Initial Public Offering Prospectus Extracts

Company overview

C & C Construction Ltd. is an infrastructure project development company that provides engineering, procurement and construction services for infrastructure projects in India and Afghanistan. Their project expertise is primarily in transportation engineering projects including roads, bridges, flyovers and airport runways.

Profile

■ High profitability margins and continued growth

The company has experienced continued growth in their revenues and profitability in recent years. Their revenues have increased from 864.18m in FY03 to Rs.2,380.4m in FY06. During the same period, their Profit after Tax (PAT) has grown from Rs.130.8m to Rs.309m. Their EBIDTA and PAT margins for FY06 were 24.9% and 12.9% respectively. Their profit margins are attributable to their ability to focus on high growth and high revenue potential projects. Their Afghanistan operations also have comparatively higher margins which have translated into higher PAT margins.

■ Ownership of high end equipment

C & C Constructions Ltd. has ownership of critical high end and modern construction equipment such as crushers, excavators, cranes, batching plants, pavers, etc. Their asset base as on June 30, 2006 stood at Rs.883.9m. Ownership of such high end equipment enables quick mobilization besides ensuring continuous availability of critical equipment. This ownership model of equipment aids the company significantly in Afghanistan by giving them an edge over competition.

■ Acumen in sourcing and maintaining supply chain for raw material and achieving benefits of backward integration

The company's management places significant emphasis on the sourcing and logistics for raw materials such as aggregate, bitumen, etc. Their ability to source key raw materials close to their operating sites has resulted in reducing their transportation costs. Procurement of aggregate from their captive quarries have also enabled an assured supply on a timely basis at reasonable prices. They have also setup mechanical lines for loading and unloading and use railway sliding at some of their sites for transportation of material.

■ Sustained growth of the company's Afghanistan operations has built high levels of credibility regarding their construction expertise

Historically, a significant portion of their operations and their revenues have been from Afghanistan where the company has been operating since the year 2003, where they have deployed substantial resources in terms of their management's time, capital equipment, etc. Their Afghanistan operations cater to projects that are funded by agencies such as for USAID, World Bank, ADB and are executed through international contractors such as Louis Berger, etc. These projects fall within the ambit of "Rebuilding Afghanistan" program which would continue upto FY09.

The company has been able to execute its projects within their contractual timelines with requisite quality standards and have as a result also have an edge over their competitors due to significant presence of their machinery in Afghanistan which enables quick mobilisation and also have good local contacts enabling smooth execution. Their Afghanistan operations also enable the company to obtain premium pricing and assured payments.

Issue Details

Type of Issue	: Book Built
Issue Size	: 4.2m Equity Shares
Price	: Rs. 270 – Rs. 291
Issue Opens	: February 05, 2007
Issue Closes	: February 09, 2007
Minimum Bid Lot	: 20 Equity shares and in multiples of 20 thereafter
Listing	: BSE and NSE
Book Running Lead Managers	: • Edelweiss Capital Ltd.
Registrar to the Issue	: Intime Spectrum Registry Ltd.

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Production & Database

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Objects to the issue

- Investment in Capital equipment.
- Investment in BOT projects
- Augmenting working capital requirements.
- To meet the Issue Expenses.

Intended use of proceeds

■ Fund requirement

(Rs m)

Particulars	FY07	FY08	Total
Investment in Capital Equipment	150	126	276
Investment in BOT projects	450	400	850
Augmenting working capital requirements	250	-	250
Issue Expenses	[•]	[•]	[•]
Total	[•]	[•]	[•]

Source: Company data, IDBI Capital Market Services

■ Means of Finance

(Rs m)

Particulars	Amount
Profit after Tax	309.0
Depreciation	148.8
Cash Profit	457.8

Source: Company data, IDBI Capital Market Services

Financial history

■ Profit & loss account

(Rs m)

Year-end: March	FY04	FY05	FY06
Net Sales	1,636.1	1,719.7	2,117.3
Other Income	3.3	8.9	96.3
Stock Adjustments	71.0	30.1	166.7
Total Income	1,710.4	1,758.7	2,380.3
Total Expenditure	1,283.8	1,298.7	1,787.9
Operating Profit	426.6	460.0	592.4
Interest	39.2	42.2	41.6
Depreciation	71.6	89.5	148.8
Tax	31.3	37.1	95.8
Deferred Tax	2.1	3.0	(3.9)
Reported Net Profit	282.4	288.2	309.0
Extraordinary Items	-	-	0.3
Adjusted Net Profit	282.4	288.2	308.7

Source: Company data, IDBI Capital Market Services

Balance sheet

(Rs m)

Year-end: March	FY04	FY05	FY06
Share Capital	43.1	42.6	127.8
Reserves Total	479.2	752.6	927.9
Total Shareholders Funds	522.3	795.2	1,055.7
Secured Loans	122.6	325.2	982.0
Unsecured Loans	-	-	-
Total Debt	122.6	325.2	982.0
Total Liabilities	644.9	1,120.4	2,037.7
Net Block	347.6	462.3	683.7
Capital Work in Progress	38.5	102.5	200.2
Investments	0.1	0.1	0.1
Total Current Assets	643.7	1,120.2	2,008.9
Total Current Liabilities	366.8	543.6	838.0
Net Current Assets	276.9	576.6	1,170.9
Net Deferred Tax	(18.2)	(21.1)	(17.2)
Total Assets	644.9	1,120.4	2,037.7

Source: Company data, IDBI Capital Market Services

Ratio's

Year-end: March	FY04	FY05	FY06
Earnings Per Share-Unit Curr	66.6	67.2	23.7
Book Value-Unit Curr	123.6	186.7	82.6
Debt-Equity Ratio	0.3	0.3	0.9
Long Term Debt-Equity Ratio	0.2	0.2	0.7
Current Ratio	1.5	1.6	1.9
Turnover Ratios			
Fixed Assets	4.9	3.1	2.1
Inventory	15.6	10.2	4.5
Debtors	5.7	4.1	2.8
Interest Cover Ratio	9.1	8.8	10.7
PBIDTM (%)	26.1	26.8	28.0
PBITM (%)	21.7	21.5	21.0
PBDTM (%)	23.7	24.3	26.0
CPM (%)	21.6	22.0	21.6
APATM (%)	17.3	16.8	14.6
ROCE (%)	68.8	42.0	21.8
RONW (%)	73.1	43.8	29.3

Source: Company data, IDBI Capital Market Services

Disclaimer

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