

Q2FY2012 Review  
Sector: Construction  
BSE Sensex: 17,705

## CONSOLIDATED CONSTRUCTION CONSORTIUM

Maintain HOLD  
CMP Rs19  
TP Rs19

### Margin plunges; stability will take time

CCCL's bad performance continues, we now factor 4.1% and 6% EBITDA margin for FY12E and FY13E for the standalone entity (we value on consol basis). It seems CCCL has learned the hard lesson and corrective actions have been initiated to protect project level margins. This should take care of the concern at the micro level and CCCL is expected to achieve normative margins by H2FY13. But alongside the macros are yet to fall in place most importantly India's state and central government functionary for statutory work and recreation of a conducive investment climate.

### OPM dipped by 641bps

Operating margin dipped by 641bps YoY to 1.4% in Q2FY12 largely due to higher raw material cost which the company is unable to pass on due to fixed nature of orders, scattered buying of raw materials due to non payment of dues by clients, one time payment of loyalty bonus to employees and interim increment in July which affected margin adversely.

### Depressing trend to continue in the medium term

Q2FY12 suggests Rs250mn of project loss at PBT level Ex-Chennai Airport (~Rs120mn-130mn PBT). We understand that most of these cumulative project losses are from 4-5 jobs and the current order book of Rs59bn has about Rs13bn-14bn of such slow moving & cost over run projects. Hence we can conclude that current depressing trend would continue over the next 2-4 quarters and management has indicated 4-5% EBITDA margins for FY12E.

### Material prices and Government actions are the key

As far as the margins are concerned, they can come back to normative levels at the scope of material prices moving down. Today fixed price contracts are 19% of OB against 21.7% in FY11. We understand that new contracts are priced protectively and should fetch 6-8% EBITDA margins. Hence quicker the material price correction and statutory clearances for projects will bring CCCL to normative growth and profits. The two large power orders of Rs12bn and Delhi car parking project are facing delay and yet to start, which can impact FY13 sales estimate. The management indicated slow down in execution and enquiries for Industrial and infrastructure segments.

### VALUATIONS & RECOMMENDATION

At CMP, the stock is currently trading at 8x FY13E earning. We believe that concern about growth and margin will continue and await for a revamp of micro and macro concerns. We downward revise our topline by 7% and 9% and bottomline to loss of Rs71mn (earlier Rs569mn) and profit of Rs441mn (earlier Rs850mn) for FY12 and FY13 resp. We cut our target price to Rs19 (8x FY13e earning) from Rs31 (10x FY12e). Maintain our HOLD rating on the stock.

KEY FINANCIALS (CONSOLIDATED)					
	(Rs mn)				
	FY09	FY10	FY11	FY12E	FY13E
Net Sales	18,413	19,759	21,987	23,732	28,187
YoY Gr.(%)	24.8	7.3	11.3	7.9	18.8
EBITDA	1,223	1,847	1,531	878	1,593
EBITDA Marg.(%)	6.6	9.3	7.0	3.7	5.7
Adjusted Net Profit	728	916	469	(71)	441
YoY Gr.(%)	(18.1)	25.8	(48.8)	(115.1)	(722.3)
KEY RATIOS					
Dil. EPS (Rs)	3.9	5.0	2.5	(0.4)	2.4
ROCE (%)	18.1	20.9	14.0	6.9	11.7
RoE (%)	15.0	16.6	7.7	(1.1)	7.0
PER (x)	4.9	3.9	7.6	(50.6)	8.1
EV/Net sales (x)	0.2	0.3	0.3	0.3	0.3
EV/EBDITA (x)	3.5	2.9	4.6	9.2	5.8

31 October 2011

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### QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Mar-11	Jun-11	Sep-11
Net Sales	6,430	5,069	5,358
YoY Gr. (%)	1.1	(0.2)	9.5
EBITDA	225	246	75
EBITDA Mar. (%)	3.5	4.8	1.4
Adj. Net Profit	15	6	(187)
YoY Gr. (%)	(95.5)	(97.0)	-

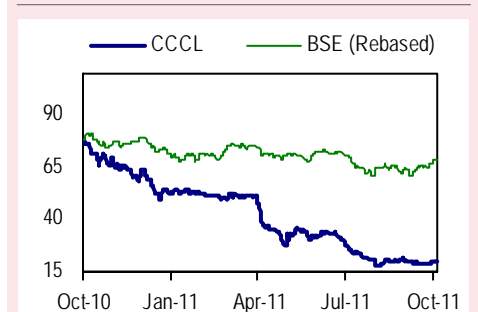
### STOCK DATA

Market cap	Rs3.6bn
Book Value per share (FY12)	Rs32.7
Shares O/S (F.V. Rs2)	185mn
Free Float	49.3%
Avg Trade Value (6 months)	Rs2.1mn
52 week High/Low	93/17
Bloomberg Code	CCCLIN
Reuters Code	CCON.BO

### PERFORMANCE (%)

	1M	3M	12M
Absolute	(3.2)	(26.7)	(75.0)
Relative	7.6	(3.3)	(11.6)

### RELATIVE PERFORMANCE



Financial Table (Standalone)								(Rs mn)
Particulars	Q2'FY12	Q2'FY11	YoY (%)	Q1'FY12	QoQ (%)	FY11	FY12	YoY(%)
<b>Net Sales</b>	<b>5,358</b>	<b>4,895</b>	<b>9</b>	<b>5,069</b>	<b>6</b>	<b>21,366</b>	<b>22,722</b>	<b>6</b>
EBITDA	75	382	(80)	246	(69)	1,511	932	(38)
EBITDA Margins (%)	1.4	7.8	(641)bps	4.8	(344)bps	7.1	4.1	(297)bps
Other Income	15	13	9	12	26	50	50	(1)
Interest	172	121	42	155	11	473	694	47
Depreciation	36	32	13	32	12	129	144	11
PBT	(118)	250	(147)	70	(268)	966	144	(85)
Tax (%)	-	34.2	-	58.3	-	34.9	94.1	-
<b>PAT</b>	<b>(187)</b>	<b>137</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>507</b>	<b>(89)</b>	<b>-</b>
EPS	(1.01)	0.7	-	0.0	-	2.7	(0.5)	-

Source: PINC Research, Company

Variance from our estimates			(Rs mn)
Particulars	Q2'FY12	Q2'FY12E	Change (%)
<b>Net Sales</b>	<b>5,358</b>	<b>5,249</b>	<b>2.1</b>
<b>EBITDA</b>	<b>75</b>	<b>257</b>	<b>(70.7)</b>
EBITDA Margins (%)	1.4	4.9	(349)bps
Other Income	15	10	39.6
Interest	172	161	7.0
Depreciation	36	36	1.4
PBT	(118)	71	-
Tax (%)	-	34.0	-
<b>PAT</b>	<b>(187)</b>	<b>26</b>	<b>-</b>
EPS	(1.0)	0.1	-

Source: PINC Research, Company

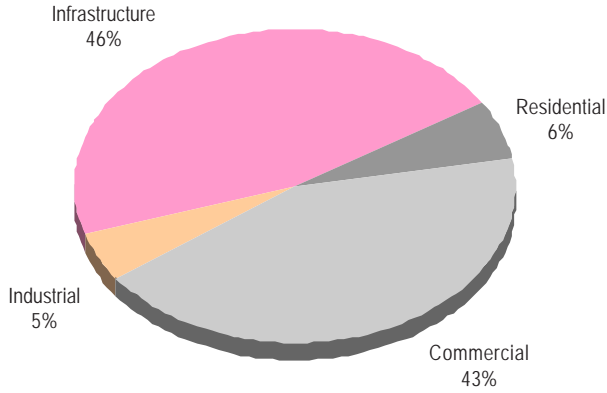
Change in estimates (Consolidated)					(Rs mn)	
Particulars	Previous		Revised		Change (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Sales	25,398	31,122	23,732	28,187	(7)	(9)
Operating Profit	1,778	2,365	878	1,593	(51)	(33)
OPM Margin	7.0	7.6	3.7	5.7	(330)	(195)
Interest	704	945	733	907	4	(4)
Depreciation	173	217	173	217	-	-
PAT	569	850	(71)	441	-	(48)
PAT Margin	2.2	2.7	(0.3)	1.6	-	(117)

Source: PINC Research, Company

Infrastructure and commercial orders continue to dominate order book which stands at Rs59.4bn

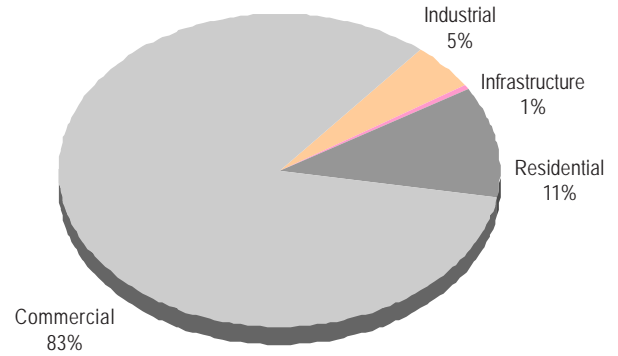
Order inflow has been low during the quarter at Rs3.2bn

**Order book break up**



Source: PINC Research, Company

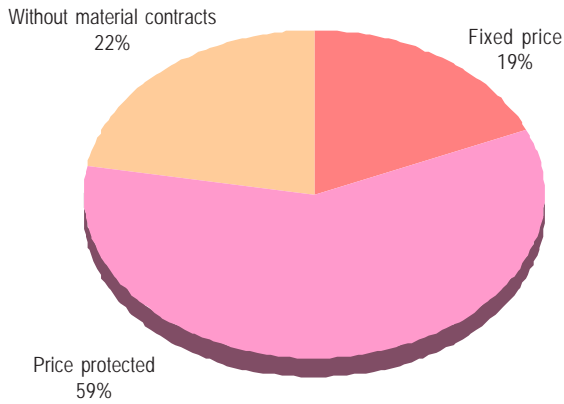
**Q2FY12 Order Inflow break up**



Source: PINC Research, Company

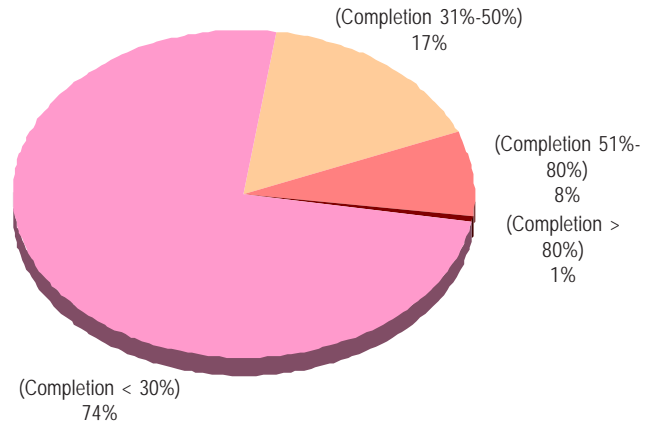
Order book of Rs14bn which is either fixed price or slow moving with lower margin

**Order book type (OB - Rs59.4bn)**



Source: PINC Research, Company

**Order book completion**



Source: PINC Research, Company

**Consolidated Financial Statement**

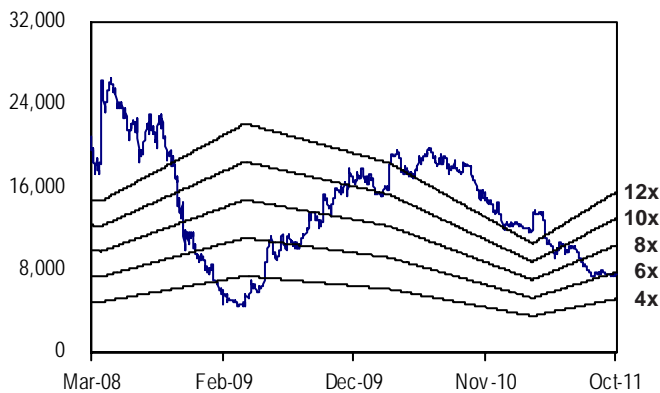
<b>Income Statement</b>	FY09	FY10	FY11	FY12E	FY13E
Net sales	18,413	19,759	21,987	23,732	28,187
<i>Growth (%)</i>	<i>24.8</i>	<i>7.3</i>	<i>11.3</i>	<i>7.9</i>	<i>18.8</i>
Operating profit	1,223	1,847	1,531	878	1,593
Operating income	94	64	52	69	94
EBITDA	1,317	1,911	1,583	947	1,687
<i>Growth (%)</i>	<i>(10.4)</i>	<i>45.1</i>	<i>(17.2)</i>	<i>(40.2)</i>	<i>78.1</i>
Depreciation	89	110	140	173	217
EBIT	1,228	1,801	1,443	774	1,470
Interest paid	118	326	495	733	907
PBT (before E/o items)	1,110	1,474	948	41	563
Tax provision	382	504	357	14	122
Net profit	728	970	591	27	441
Minority Interest	-	54	122	98	-
Adjusted net profit	728	916	469	(71)	441
<i>Growth (%)</i>	<i>(18)</i>	<i>26</i>	<i>(49)</i>	<i>(115)</i>	<i>(722)</i>
<i>Basic EPS (Rs)</i>	<i>3.9</i>	<i>5.0</i>	<i>2.5</i>	<i>(0.4)</i>	<i>2.4</i>
<b>Diluted EPS (Rs)</b>	<b>3.9</b>	<b>5.0</b>	<b>2.5</b>	<b>(0.4)</b>	<b>2.4</b>
<i>Diluted EPS Growth (%)</i>	<i>(18.1)</i>	<i>25.8</i>	<i>(48.8)</i>	<i>(115.1)</i>	<i>(722.3)</i>

<b>Cash Flow Statement</b>	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	728	916	469	41	563
Depreciation	89	110	140	173	217
Inc. from invt & int (profit)	(94)	(64)	(52)	(69)	(94)
Interest paid	118	326	495	733	907
Taxes	(235)	(377)	(341)	(11)	(83)
(Inc)/Dec in working capital	(888)	(2,206)	(1,892)	(587)	(1,220)
Other operating activities	400	563	293	3	39
<b>Cash from operations</b>	<b>118</b>	<b>(732)</b>	<b>(887)</b>	<b>283</b>	<b>329</b>
Net capital expenditure	(708)	(382)	(506)	(434)	(547)
Net Investments	422	475	64	98	-
Interest & dividend recd	-	64	49	69	94
<b>Cash from inv. activities</b>	<b>(286)</b>	<b>156</b>	<b>(394)</b>	<b>(267)</b>	<b>(452)</b>
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	721	1,412	926	960	1,336
Dividend (incl. tax)	(108)	(108)	-	(108)	(108)
Other financing activities	(118)	(326)	(495)	(733)	(907)
<b>Cash from financing activ</b>	<b>589</b>	<b>978</b>	<b>431</b>	<b>117</b>	<b>322</b>
<b>Incl/(Dec.) in cash</b>	<b>422</b>	<b>403</b>	<b>(849)</b>	<b>134</b>	<b>198</b>

<b>Balance Sheet</b>	FY09	FY10	FY11	FY12E	FY13E
Equity capital	370	370	370	370	370
Reserves & surplus	4,791	5,523	5,914	5,735	6,068
<b>Shareholders' funds</b>	<b>5,161</b>	<b>5,892</b>	<b>6,284</b>	<b>6,105</b>	<b>6,438</b>
Minorities Interest	-	-	-	-	-
Total Debt	1,975	3,388	4,314	5,272	6,609
Deferred Tax liability	442	595	612	615	654
<b>Capital Employed</b>	<b>7,578</b>	<b>9,876</b>	<b>11,210</b>	<b>11,992</b>	<b>13,700</b>
Fixed Assets	1,449	1,721	2,090	2,352	2,683
Cash & cash eq.	1,299	1,701	852	786	944
Net current assets	5,437	8,046	9,088	9,609	10,987
Investments	569	95	31	31	31
<b>Total assets</b>	<b>7,578</b>	<b>9,876</b>	<b>11,210</b>	<b>11,992</b>	<b>13,700</b>

<b>Key Ratios</b>	FY09	FY10	FY11	FY12E	FY13E
OPM margin (%)	6.6	9.3	7.0	3.7	5.7
Net margin (%)	4.0	4.6	2.1	(0.3)	1.6
Dividend yield (%)	2.6	2.6	2.6	2.6	2.6
Net debt/Equity (x)	0.1	0.3	0.6	0.7	0.9
Net Working Capital (days)	82	117	137	136	130
ROCE (%)	18.1	20.9	14.0	6.9	11.7
RoE (%)	15.0	16.6	7.7	(1.1)	7.0
EV/Net sales (x)	0.2	0.3	0.3	0.3	0.3
EV/EBITDA (x)	3.5	2.9	4.6	9.2	5.8
PER (x)	4.9	3.9	7.6	(50.6)	8.1
PCE (x)	4.4	3.5	5.9	35.2	5.4
Price/Book (x)	0.7	0.6	0.6	0.6	0.6

**1 year forward rolling EV/EBIDTA Band**



## T E A M

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