

# C&C Constructions Ltd

Q2FY12 first cut – Disappointing performance

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 5/5 (CMP has strong upside)

Industry Construction & Engineering

C&C Constructions Ltd's (C&C's) Q2FY12 (June year-ending) consolidated results were below CRISIL Research's expectations. Revenue registered strong growth due to timely execution of projects and toll revenue from the Kurali-Kiratpur BOT project, which became operational in September 2011. However, EBITDA margin declined by 610 bps y-o-y to 14.8% and was much below our expectations. Working capital has stretched a lot, resulting in higher debt and interest cost which has pulled down profitability further and reported loss. We believe that amortisation of toll rights for Kurali-Kiratpur might have impacted profitability. Order intake during the quarter was sluggish as the company has not received any major order. C&C's current order book is valued at ~Rs 50 bn (3.6x TTM revenue). We maintain our fundamental grade of **2/5**. We will revise our estimates downwards post interaction with the management.

## Q2FY12 result analysis

- Consolidated Q2FY12 revenues increased by 32.6% y-o-y (40% q-o-q) to Rs 3,552 mn due to timely execution of projects and toll revenue from the Kurali-Kiratpur BOT road project, which became operational in September 2011.
- EBITDA margin declined by 610 bps y-o-y to 14.8%. Post our interaction with the management we will get more clarity on the reason for the sharp decline in margins.
- Higher working capital requirement led to high debt and interest cost, which pulled down profitability. The company reported loss of Rs 48 mn in this quarter compared to a profit of Rs 39 mn in Q2FY11.

## Key development

- During the quarter, promoter pledging has decreased from 45.2% in September 2011 to 41.9% in December 2011.

## Valuations: Current market price has strong upside

We continue to value C&C based on the sum-of-the-parts method. Our fair value is Rs 144 per share. We may revise it downwards post our interaction with the management. Based on the current market price, our valuation grade is **5/5**.

## KEY FORECAST\*

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	7,537	11,696	12,840	14,214	17,383
EBITDA	1,562	2,379	2,472	2,705	3,480
Adj PAT	410	624	235	403	489
Adj EPS-Rs	22.5	26.7	10.1	15.8	19.2
EPS growth (%)	0.5	18.7	(62.3)	57.4	21.6
Dividend yield (%)	3.4	3.4	2.4	2.3	2.8
RoCE (%)	17.1	16.6	12.7	10.1	10.6
RoE (%)	12.5	14.2	4.3	6.6	7.1
PE (x)	4.2	3.6	9.5	6.0	4.9
P/BV (x)	0.5	0.4	0.4	0.4	0.3
EV/EBITDA (x)	4.5	4.1	6.1	6.5	6.6

CMP: Current market price; \* June year-ending; NM: Not meaningful

Source: Company, CRISIL Research estimate

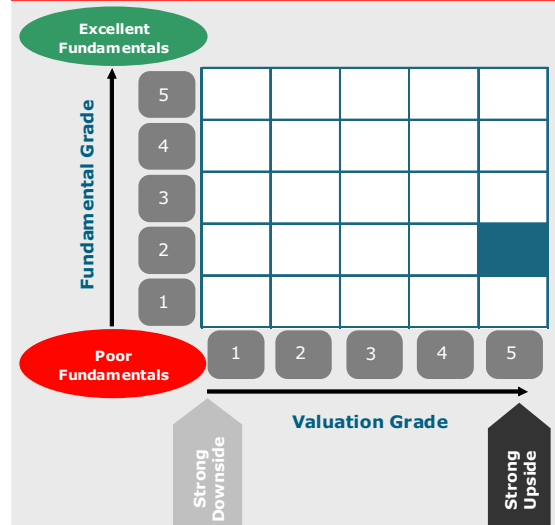


February 10, 2012

Fair Value Rs 144

CMP Rs 95

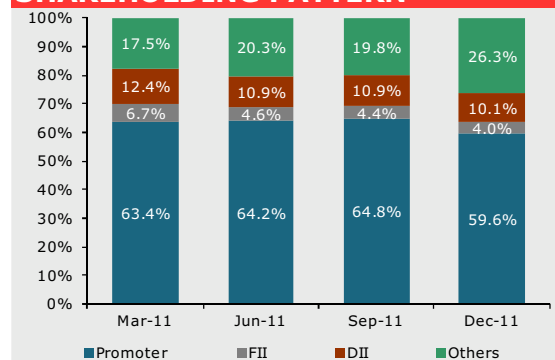
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY / SENSEX	5412/17831
NSE / BSE ticker	CANDC
Face value (Rs per share)	10
Shares outstanding (mn)	23.4
Market cap (Rs mn)/(US\$ mn)	2,222/45
Enterprise value (Rs mn)/(US\$ mn)	15,191/308
52-week range (Rs) (H/L)	178/73
Beta	1.10
Free float (%)	40.4%
Avg daily volumes (30-days)	9,591
Avg daily value (30-days) (Rs mn)	0.9

## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
C&C	10%	-13%	-19%	-39%
NIFTY	14%	4%	7%	3%

## ANALYTICAL CONTACT

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