

C&C moves to higher value orders

Niche in rough terrains provides an edge

IMPACT

BL Research Bureau

C&C Constructions' recent order reflects the company's ability to quickly qualify for 'higher value' orders. From very little presence in India a couple of years ago, the present order also demonstrates its ability to ramp up operations in the country.

C&C, a transportation engineering company, announced the bagging of a contract worth Rs 574 crore from Jaypee Associates for construction of a four-lane road passing through Himachal Pradesh, Haryana and Punjab.

ORDER SIZE

The company's average size of orders stood at Rs 250

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crore when it came out with an initial public offering in February 2007 as against the current order of over Rs 500 crore. Larger valued orders spell economies of scale and better allocation of resources.

ROUGH TERRAINS

The order also indicates the company's strength in rough terrains. The company has steadily looked at business opportunities in Bihar and in Eastern parts of the country, which hold higher profit mar-

gins and inspire fewer bids. The current project will take the company's order book to over Rs 1,500 crore.

SHIFTING GEOGRAPHIES

C&C, with its experience in building roads in rough terrain in Afghanistan, has been able to quickly ramp up operations in India. The shift is evident from its order book mix. While it had over 92 per cent of orders from Afghanistan until 2005, the same has declined to 20 per cent at present. Its focus on India from the highly lucrative Afghanistan market also spelt a decline in operating profit margins (OPMs) for the company. From 25 per cent in 2005, OPMs have now declined to about 20 per cent.