



Registered Office: 70, Sector 32, Gurgaon – 122001, India

C&C Constructions Limited

Investors / Analysts Conference Call Transcript

February 6, 2008 12:00 pm IST

-
- Moderator** Good morning ladies and gentlemen, I am Rochelle the moderator for this conference call. Welcome to the quarter results with the management of C&C Constructions Limited. For the duration of this presentation all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Arya of Citigate Dewe Rogerson. Thank you, and over to you Mr. Arya.
- Kunal Arya** Good afternoon ladies and gentlemen and welcome to C&C Constructions Limited Q2 FY 2008 conference call. Thank you for joining us today. Today we have with us Mr. G. S. Johar, Chairman and Mr. Tapash Majumdar, Chief Financial Officer of the company. We will begin this conference call with opening remarks from Mr. Johar after which we will have a question and answer session. I would like to invite Mr. Johar to now give us a brief overview on the operations of the company during the period under review.
- G. S. Johar** Thank you. Good morning ladies and gentlemen. Thank you and a warm welcome to all of you to the C&C Constructions Q2 FY08 conference call. I would like to state that certain statements made during the call might be forward-looking in nature and might differ from our actual results going forward. During the quarter, we have delivered good operating progress across all projects and we continue to implement our business plans with a view to create sustainable value over a long term.
- I will quickly run you through the financial performance and then move to our key developers during the quarter before taking any questions. Our net revenue for the quarter was at Rs 862 million, up 47%, the PAT was at Rs 74 million, up 41%. EPS was Rs 4, for the for the Quarter ending December 2007. Our revenues increased by 42% to 1354 million, Net profits went up by 35% at Rs 123 million translating into an EPS of Rs 6.73 for the half year ending December 2007. Moving on to our operations, presently we have an order backlog of Rs 9.5 billion scheduled to be completed over the next two years. Of this 9.5 billion, 78% is through the joint venture with our partner B. Seenaiiah & Co. (Projects) Limited. Our JV with BSCPL enables us to continuously enhance our bid capacity allowing us to bid for larger projects and to derive operative synergies in terms of



equipment and manpower. Just to site an example, our bid capacity was Rs 4.7 billion in `03; today it is in the region of Rs 17 billion.

Our projects in Afghanistan have achieved completion in `08, going forward we expect our international business to contribute about 20% of our revenues. Currently about 90% of our revenues comes from the road construction verticals where we have several large projects including one BOT project. This is a Rs 4 billion project for the design, construction and maintenance of a 44 km stretch of National Highway from Kurali to Kiratpur. Kurali is about 22 km outside Chandigarh on a road leading to Manali in Himachal. In New Delhi, we have also secured an order from the transport commission for the widening of a 14.5 km stretch of an existing road to accommodate the high capacity bus corridor. In `08 we have also forayed into 3 new business verticals, water and sewerage, urban infrastructure and power transmission. In the water and sewerage segment, we secured a Rs 720 million subcontracting from Ramky Industries in Jabalpur, Madhya Pradesh. In the urban infrastructure segment we also have approximately Rs 250 million currently under development in the form of commercial buildings and warehouses located mostly in the NCR region. In the power segment, the Company has bid for various projects with PDCI and others to lay transmission lines.

Our expertise lies in the timely execution of projects in inhospitable conditions. Such projects require careful logistical planning to maintain adequate supplies of material, manpower and equipment. We will continue to expand and grow our business segments by actively pursuing new and existing regions which provide us with growth opportunities going forward.

I would once again like to thank you all for joining me in this conference call and now we will be happy to discuss any queries, questions or comments that you may have.

Thank you.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. At this time participants who wish to ask the question may press “*” and “1” on their phone. Participants are reminded to use only handsets while asking a question.

Anyone who has the question may press “*” and “1” now.

The first question is from the line of Mr. M. S. Arun from Capital Markets. Please go ahead.

M. S. Arun

Good morning sir.

G. S. Johar

Good morning.

M. S. Arun

What is the timeliness of the execution of the current order book now? How much of it will get over by FY 2008, fourth quarter?

G. S. Johar

We have 45%.

M. S. Arun

You mean for Rs 430 crore of projects will get over by the fourth quarter?

G. S. Johar

Yes.

M. S. Arun

That's the thing I wanted to confirm.



G. S. Johar Right.

M. S. Arun Exactly Rs 430 crore.

G. S. Johar Right.

M. S. Arun Rs 430 crore is unexecuted part of it or the company has already billed actually?

G. S. Johar No, this is the un-billed portion.

M. S. Arun Un-billed portion only?

G. S. Johar Right.

M. S. Arun Ok sir. Thank you. I will come again if any question is there.

G. S. Johar Thank you.

Moderator Thank you Mr. Arun. The next question is from the line of Mr. Kaushik K from Cholamandalam. Please go ahead.

Kaushik K Good morning sir.

G. S. Johar Good morning.

Kaushik K Congratulations on a good set of numbers. Just wanted to know the order book which you said how much is your share of the order book?

G. S. Johar Rs 952 crore is my share.

Kaushik K Ok, the entire Rs 952 crore?

G. S. Johar Yes.

Kaushik K And what will be the break-up in terms of Indian and overseas?

G. S. Johar Most of this is Indian. Currently I have one very small order that is under finalisation in Afghanistan. The next set of bidding is due only later during this month.

Kaushik K So what sort of EBITDA margins are you looking at given that your overseas orders come down? Do you expect it to go down?

G. S. Johar Yes there would be a marginal reduction but since we work in more difficult areas, in difficult terrains it will still be a healthy EBIDTA margin.

Kaushik K So can we take that the margins you have achieved for the first half will continue?

G. S. Johar Yes.

Kaushik K Or it will be further reduced?

G. S. Johar No, it would be same more or less

Kaushik K So it will be around 20-21%, EBITDA?

G. S. Johar Right, yes.



Kaushik K Thank you sir.

G. S. Johar Thank you.

Moderator Thank you Mr. K. The next question is from the line of Mr. Pritesh Jani from Keynote Capital. Please go ahead, Mr. Jani.

Pritesh Jani Good afternoon sir.

G. S. Johar Good afternoon.

Pritesh Jani Sir I wanted to know about the one BOT project that we have got, about the project details like how much will be the IRR?

G. S. Johar This is a Rs 400 crore project to do a 44 km stretch just about 22 km away from Chandigarh to the road leading to Manali. This road also services industrial areas Baddi and Nalagarh. We have bagged this order on a Government grant of Rs 43 crore and we expect our equity IRR of 18%.

Pritesh Jani And project IRR?

G. S. Johar Project IRR would be marginally lower.

Pritesh Jani And the rest of the amount you said Rs 43 crore is funded through grants, how do we intend to achieve closure?

G. S. Johar Rs 104 crore is equity contributed by both the parties.

Pritesh Jani Rs 104 crore.

G. S. Johar Yes and Rs 260 crore of debt.

Pritesh Jani What would be the cost of capital, sir?

G. S. Johar Between 11 - 11.25 %. The financial closure is in the process and we have offers from various institutions at 11-11.25%.

Pritesh Jani When do you expect this project to get commenced and what kind of cash flows are we looking at from this project?

G. S. Johar This project will be implemented as an SPV which under the current laws are entitled to tax breaks, and we would look at generating revenues of about Rs 300 crore a year from the toll.

Pritesh Jani This would come from which year sir?

G. S. Johar This is 2.5 years from now.

Pritesh Jani Rs 300 crore is what we expect of 2.5 years from now

G. S. Johar Correct.

Pritesh Jani Ok. Thank you for the moment. I will surely comeback. Thanks.

Moderator Thank you Mr. Jani. The next question is from the line of Mr. Suman Memani from Religare Securities. Please go ahead, Mr. Memani.

Suman Memani Good afternoon sir.



G. S. Johar Good afternoon.

Suman Memani I just want to check that 20% of the revenue is going to come from the international market but your current order books says that your orders are fully from the Indian market. So have you bid for any international orders and do you expect some orders to get into your order kitty?

G. S. Johar Yes we have got roughly 40 million under bidding in February and another 170 million under bidding in March, in Afghanistan.

Suman Memani It is in Afghanistan?

G. S. Johar Right. Since we are fully mobilised in Afghanistan, we should be able to start operations fairly quickly.

Suman Memani And when is it expected to come, just the rough idea?

G. S. Johar This will happen in next 2 months.

Suman Memani Ok. You have got about nearly Rs 3.5 billion orders in your L1 stage, has this order being confirmed to you?

G. S. Johar There were elections in Himachal and during election court they cannot announce any projects. Now that the Government has come in, we expect that during the next 4 weeks, they would release some of the orders.

Suman Memani And sir when is the BOT financial closure expected?

G. S. Johar By the end of this month.

Suman Memani Ok sir. Thank you.

Moderator Thank you Mr. Memani. The next question is from the line of Mr. M. S. Arun from Capital Market. Please go ahead.

M. S. Arun Hello sir. What is the overseas project contribution in Q3 to the topline?

Tapash Majumdar You mean revenue in Q2, right?

M. S. Arun Revenue mix from overseas orders.

Tapash Majumdar Overseas orders in Q2, right?

M. S. Arun Yes. Billing in Q3.

Tapash Majumdar We are a June ending company, Arun.

M. S. Arun Pardon me, I am not hearing you properly.

Tapash Majumdar We are a June ending company so this December ending we would be in the second quarter.

M. S. Arun Yes sorry, sorry.

Tapash Majumdar It's alright. Overseas order, revenues from the half year is for Rs 43 crore?

M. S. Arun Yes, ok.



Tapash Majumdar Does that answer your question?

M. S. Arun Thanks sir.

Moderator Thank you Mr. Arun. The next question is from the line of Mr. Ketan Shah from Tower Capital. Please go ahead.

Ketan Shah Hello sir.

G. S. Johar Yes.

Ketan Shah Sir Can you tell me more about your power division?

G. S. Johar We are looking at this to establish a contracting arm. To take transmission lines that are currently being booked by various private power companies and various state projects

Ketan Shah Ok sir, do you expect good EBITDA margins in this segment?

G. S. Johar We are starting this operation and our understanding is that, we would be able to maintain the current industry level.

Ketan Shah Ok sir. Thank you sir.

Moderator Thank you Mr. Shah. Ladies and gentlemen at this time if you have a question, please press "*" and then "1". The next question is from the line of Mr. Kartik Ganesan from IREVNA Research. Please go ahead.

Kartik Ganesan Good morning sir. My question relates to the BOT project. I have been hearing that some companies have been facing land acquisition problems. So your view on the same and you think this would eventually delay your projects as well?

G. S. Johar No as far as this particular project is concerned, the land acquisition process is completely on schedule and we do not foresee any trouble or any delays in acquisitions on that.

Kartik Ganesan Ok but sir on a general level, how do you see the problem of land acquisition? And what advice NHAH has given you regarding the same?

G. S. Johar Land acquisition is an issue that the Government definitely needs to address. As contractors what we have learned is that we have to have a very positive interactive session with the acquisition process, we need to facilitate the whole thing, the problem is then much less.

Kartik Ganesan And in case delays happen due to land acquisitions, is there a clause in the contract, are you in some way compensated?

G. S. Johar Yes, there is a clause for delay in land acquisition being an event for extension of the contract.

Kartik Ganesan Ok. Alright sir. Thanks a lot.

G. S. Johar Thank you.

Moderator Thank you Mr. Ganesan. The next question is from the line of Mr. Vikas Gupta from B&K Securities. Please go ahead Mr. Gupta.

Vikas Gupta Good afternoon sir.



G. S. Johar Good afternoon.

Vikas Gupta Sir my question is related to this high capacity bus system which the company is developing in Delhi. When is it likely to be completed? And is any delay going to affect the profitability of the project as such?

G. S. Johar The project has been delayed and it is now likely to be completed only by July of 2008. Any delay like this does have some bearing on the profitability and this cannot be any different.

Vikas Gupta Are the expected losses written in the contract to minimise the interest damages?

G. S. Johar Yes we have already initiated steps, wherever delays have taken place for no fault of ours, they have been put to the dispute review board which meets regularly and gives decision fairly quickly on a number of issues.

Vikas Gupta And also sir, Delhi Government is also planning to develop a few more projects along the same lines?

G. S. Johar Yes they are.

Vikas Gupta What is the current status on that?

G. S. Johar Come again please.

Vikas Gupta How many projects has the Government managed to develop on the same lines in Delhi?

G. S. Johar About 5 more projects.

Vikas Gupta And our Company I believe will be bidding for them also?

G. S. Johar Yes we will.

Vikas Gupta Sir, any idea in terms of what will be the quantum in terms of size or amount?

G. S. Johar They would be of the size of Rs 100 or Rs 150 crore each.

Vikas Gupta Ok sir. Thanks.

G. S. Johar Thank you.

Moderator Thank you Mr. Gupta. The next question is from the line of Mr. Vipul Goyal from Adhar Securities. Please go ahead Mr. Goyal.

Vipul Goyal Yes could you give us light on the order book pipeline or the current orders in the pipeline?

G. S. Johar In addition to Rs 300 crore we talked of earlier, there are another Rs 1,500 crore worth of business that we will bid for. But is too early to be talking about the individual contracts, but during the next two quarters you will have a steady flow of contracts coming through.

Vipul Goyal Yeah my question is over so that's the only question I had.

G. S. Johar Ok. Thank you.



Moderator Thank you Mr. Goyal. The next question is from the line of Mr. Suman Memani from Religare Securities. Please go ahead Mr. Memani.

Suman Memani Just a follow-up question. I just want to say, you said that international orders are expected to come in the next 2 months and the current order book doesn't have any of the overseas orders. So the margins from the Indian context are generally about 16% - 17.5%. So in the next quarter, or next to next quarter, you won't be getting any overseas projects, at least in the next quarter. So will you be able to sustain the 20-21% margins?

G. S. Johar As I have answered this question earlier that with the current order backlog there would be a marginal decrease in the EBITDA margins.

Suman Memani The marginal decrease means how much? 200 - 300 business points?

G. S. Johar No, 100 basis points. If you see I have already done about 30% international business in the 6 months ending December.

Suman Memani But 30% comes to near about 26-27% margins which has averaged your margins to 23%, and Indian margins you have seen that it is 16 to 18%. So what sort of margins are we going to see in the next quarter?

G. S. Johar There will be a minor reduction but since the volume of business has really gone up, in absolute terms the figure will be more.

Suman Memani Ok. Thank you sir.

Moderator Thank you Mr. Memani. The next question is from the line of Mr. Kaushik K from Cholamandalam. Please go ahead sir.

Kaushik K Yeah sir, just a follow-up question. I wanted a small clarification. What would the L1 order be that you said are getting added?

G. S. Johar Come again please.

Kaushik K Your L1 order, I didn't get that properly.

G. S. Johar We have Rs 300 crores of World Bank orders in the state of Himachal Pradesh which were held up because of the elections, we should start getting those.

Kaushik K Ok, ok. Thank you sir. That's it. Thank you very much.

Moderator Thank you sir. The next question is from the line of Mr. Navin Jain from Emkay Shares. Please go ahead.

Navin Jain Hello sir.

G. S. Johar Yes.

Navin Jain Sir I joined a little late. Can you just give me what is the order book and what is the break-up of that order book?

G. S. Johar We have Rs 957 crore of orders, about 78% are in the joint venture and the balance are independent contracts.

Navin Jain Now all these are in the road segments only?

G. S. Johar Most of them are in road segments, about 90%.



Navin Jain And the remaining 10%?

G. S. Johar This is water and civil structures.

Navin Jain Ok sir, when we say JV, I mean that we have only taken our part in the Rs 957 crore, is it right?

G. S. Johar Yes. Exactly. When we talk of pending orders, we talk of only our share of that.

Navin Jain Ok sir, out of this Rs 957 crores, there are no orders from the international operations like Afghanistan or anywhere else?

G. S. Johar Rs 30 odd crore of pending work in respect of an order that is under execution and that's about all.

Navin Jain It is in Afghanistan.

G. S. Johar Right.

Navin Jain Ok sir, and any new orders that you are expecting from Afghanistan?

G. S. Johar There are about \$40 million worth of work is due for bidding in the middle of February and another \$170 million due in the middle of March.

Navin Jain Another \$170 million, all are in the roads segment?

G. S. Johar Yes.

Navin Jain So who are the key competitors in the Afghanistan market for us?

G. S. Johar There are 3 Turk companies and a Korean company.

Navin Jain 3 which companies?

G. S. Johar Turkish companies.

Navin Jain Ok and no other Indian companies?

G. S. Johar No Indian companies.

Navin Jain Ok sir I will come back for the follow-up question, thank you sir.

G. S. Johar Right. Thank you.

Moderator Thank you Mr. Jain. The next question is from the line of Mr. Vaibhav Jain from CLSA India. Please go ahead.

Vaibhav Jain Hello sir.

G. S. Johar Hello.

Vaibhav Jain Just wanted to get your sense on how the industry margins are going in terms of competition getting reduced in the Indian market? And how they would translate in EBITDA margins going forward?

G. S. Johar Here the Indian market is again a function of the flow of orders and in the past we have seen that there was a little restriction in the flow of orders and people were trying to grab business and margins were lower. Now we see that the order size



is increasing and you would require international contractors as well as the larger Indian contractors to join hands, there will enough business for everybody. We expect the margins to be maintained at a sensible level.

- Vaibhav Jain** So you don't see any rational competition coming ahead?
- G. S. Johar** No, not at all.
- Vaibhav Jain** Secondly in terms of the order awards, do you see more traction in the same as against what we have seen 6 or 12 months back?
- G. S. Johar** Yes, we definitely see a larger flow of orders coming in now.
- Vaibhav Jain** And sir do you think that any elections will have a negative impact on these order flows or order awards rather?
- G. S. Johar** No, no, I think if you look at this process of order awards, what gets initiated today, translates into a business about year and a half from now. So whatever is happening currently would translate to business from the contracting point of view about a year - year and a half from now. I don't see any order dry up on account of whatever is happening outside this.
- Vaibhav Jain** And sir in terms of your order book, can you give us a broad break-up of the geographical locations?
- G. S. Johar** I think about 60 % would be in Bihar and the rest would be between Punjab and Delhi.
- Vaibhav Jain** Sir, Rs 60 percent in Bihar and the rest in western Punjab and Delhi.
- G. S. Johar** Yes.
- Vaibhav Jain** Ok sir. Thank you.
- G. S. Johar** Thanks.
- Moderator** Thank you Mr. Jain. The next question is from the line of Mr. K. Jain from Voyager. Please go ahead.
- K. Jain** Good afternoon sir. A part of my question has been answered by you but one thing I would like to understand, the traction in various lines of your business in terms of growth outlook in the broader segment which we cater to? Also if you could throw some light as I am new to your company, why we are able to garner higher margins than the industry at large seeing the vicinity of 18-20% operating margins we do. So what is the reason for the same?
- G. S. Johar** Let me answer your second part of the question first.
- K. Jain** Sure sir.
- G. S. Johar** We are a niche player and we have demonstrated our ability to handle projects that offer some sort of difficulty whether it is in Afghanistan, Port Blair, Bihar or the North East. I continue to bid for contracts in areas like these and these areas carry a little additional risk and obviously the profits are better.
- K. Jain** Ok. But sir as I understand that these are all difficult terrains where correspondently the cost also is slightly elevated. For example if you want to post



your contractors or labourers at these locations, of course you have to compensate them from these kinds of things. So more or less you would be able to command a premium of say 400 basis points but not such a large premium to an extent. So can you just reconcile as to where this incremental premium is really coming from?

G. S. Johar

I think the incremental premium, number one comes from the overseas business. Then two, just to give you a little sense on what sort of competition we face when we work in these different areas: contracts in the range of about Rs 400 crore normally attracts 8-10 bidders. The moment you get into one of these difficult areas, the number of bidders reduce to about 3-4. Now this itself indicates that there is lesser competition and consequently margins are better, that's one aspect of the business. I mean the other aspect of the business is our ability to work under very difficult conditions and out of the box thinking. Just to give you a little sample on what we have done in Bihar. There are about 4 more contractors working in Bihar about the same size as me. We're the only ones who have gone in and setup a crusher in Nepal. I reduced my freight cost by about Rs 40 crore in this process and this translates to 4% of the projects I have in hand. So Number one I pick up my areas with a lot of deliberation and two, when I start working, there is a fair amount of out of the box thinking in terms of how to reduce cost.

K. Jain

So factoring this, what outlook on the margins you are giving from your international businesses firstly, and secondly, from the difficult terrains in India?

G. S. Johar

The international business, EBITDA margins are in excess of 25-28%. When you look at the Indian business, the EBITDA margins in the more difficult terrains are anything from 17-20%. When you look at the normal standard business where the driver is not the difficult terrain or higher margins but the speed at which you finish the job and start generating operating revenue like a BOT project. So the way forward we would look at a fair mix of these 3 areas. In the projects we have in the pipeline, there is a significant portion of bidding in states like J&K.

K. Jain

Sir, going forward which are the key segments or sub-segments which you would like to position yourself or establish yourself as significant players?

G. S. Johar

One of course is the road sector. Following this is airports. Airport properties and runaways. The other aspect is power transmission, there is water and sewerage and civil structures.

K. Jain

Fine sir. Sir could you guide us some kind of earnings guidance which an investor could vouch for say over the next 2-3 years?

G. S. Johar

I can give you revenue guidance.

K. Jain

Ok, revenue guidance would suffice.

G. S. Johar

Yes, out of the Rs 900 odd crore of orders that we have in hand plus whatever in the pipelines we intend completing both of these in the 2 financial years 2008 and 2009 where we talk about of doing 45% of this in 2008, 45% in 2009 and the balance 10% in 2010.

K. Jain

Sir what are the orders where we are L1 or are in the bidding stage? What quantum of orders?

G. S. Johar

We are L1 on Rs 330 crore and about Rs 900 crore of orders that we are bidding for.



K. Jain Ok. Fine sir. Thanks a lot from my side.

G. S. Johar Ok. Thank you.

Moderator Thank you Mr. Jain. The next question is from the line of Mr. M. S. Arun from Capital Market. Please go ahead.

M. S. Arun Hello sir.

G. S. Johar Yes.

M. S. Arun When can we expect the first orders from Sudan and Libya? What stage are you in?

G. S. Johar No I will have to, I think we look at each individual in a very different manner. Once we are in Afghanistan, the road industry needs some phenomenal requirements for capital equipment. And you don't want to go to so many countries and switch on very large capital requirement. So we are right now focused on Afghanistan and if we find that the Afghanistan business starts to taper off then we will invest in another country. So therefore when I should expect business from Sudan or Algeria, is when our business in Afghanistan closes down.

M. S. Arun Ok not now.

G. S. Johar There is enough business coming from Afghanistan. I have no reason why I should refocus on the others.

M. S. Arun Sir my next question is out of that Rs 9.5 billion orders, in percentage terms, how much of it would be in difficult terrain actually?

G. S. Johar 60%.

M. S. Arun 50%?

G. S. Johar 60%.

M. S. Arun 60, isn't it?

G. S. Johar Yes.

M. S. Arun Ok. Thanks a lot.

G. S. Johar Thank you.

Moderator Thank you Mr. Arun. We have a question from the line of Mr. Ketan Shah from Tower Capital. Please go ahead.

Ketan Shah Sir just few book keeping questions. What is the debt on our books?

Tapash Majumdar We have Rs 258 crore right now which includes all advances.

Ketan Shah And working capital?

Tapash Majumdar Working capital loan?

Ketan Shah Yes.



Tapash Majumdar Right now we have a sanction limit of Rs 80 crore funding and Rs 700-750 crores on non-fund basis.

Ketan Shah Sorry sir, 750?

Tapash Majumdar Rs 750 crore in non-fund based limits in the form of letter of credit and guarantees, Rs 80 crores of hardcore funding in working capital.

Ketan Shah Ok. Thank you.

Moderator Thank you Mr. Shah. The next question is from the line of Mr. Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia Sir good morning.

G. S. Johar Good morning.

Nirav Jimudia Sir right now 90% of your revenues comes from the road sector. But sir going forward how do you see your revenue pictures means which segment would be contributing to how much to our revenues? Roads how much? And power transmission lines how much it would contribute? I just want to know what would be your revenue mix going forward in the next 2-3 years down the line?

G. S. Johar We will expect 3 years from now, 70% of our revenue to be from the road sector and 30% from the other 3 verticals.

Nirav Jimudia And sir just to reconfirm this BOT project is part of your order book, isn't it? Rs 400 crore BOT project is part of your Rs 950 crores order book?

G. S. Johar No only half of it.

Nirav Jimudia Only half of it. Ok so, Rs 200 crore.

G. S. Johar Right.

Nirav Jimudia And Rs 200 crore is in the JV.

G. S. Johar No Rs 400 crore in the JV of which my share is Rs 200 crore. The entire contract would be executed by the JV of which my share would be Rs 200 crore.

Nirav Jimudia Ok sir. Thanks a lot.

G. S. Johar Yes.

Moderator Thank you Mr. Jimudia. The next question is from the line of Mr. Ronak Sachdeva from Anand Rathi Securities. Please go ahead.

Ronak Sachdeva Good morning sir.

G. S. Johar Yes good morning.

Ronak Sachdeva Most of my questions have been answered. However I have few left as of now. If you could tell me how many orders have you won over the last quarter?

G. S. Johar Last quarter. In our business, we don't track quarter orders so I would say, in the recent past we have got about 4 orders but I don't know whether they happened in last quarter or may be in the quarter before that.



Ronak Sachdeva Ok. The reason why I am asking this is because I have got your order book and the Afghanistan order book that you have, the unexecuted portion that was given to me was some Rs 6.5 crore that was as on 30th of September 2007. However you booked some Rs 25 crore of revenues from Afghanistan. So I was wondering if you have added on any orders from Afghanistan over the last quarter.

Tapash Majumdar Ronak, the figures which you have are of the orders which are getting executed. But as we told you when you are in a country for 4-5 years doing various contracts, there will be variation in the work done. These variations are claimed subsequently. As these claims are subject to separate processing, we reflect them in our revenues only after they are received.

Ronak Sachdeva Ok. So there could be more revenues that can be booked from Afghanistan over the next 2 quarters?

Tapash Majumdar Yes.

Ronak Sachdeva Can you give me the extent to how much it could be like?

Tapash Majumdar As I told you Ronak, claims are still under consideration and to indicate a figure will not be correct, but we are hoping to get to a substantial part of the claims that we have submitted. I think we will have to wait for the next quarter to actually see how much of that has materialised?

Ronak Sachdeva Alright sir. That's it for that one. Some other questions, sir can you give me the status update on the BOT projects that you had bid with L&T and IDFC?

G. S. Johar Both these contracts were taken out. The Panipat - Jalandhar with L&T went to Soma and the Jaipur - Gurgaon went to another contracting company KMC.

Ronak Sachdeva Ok sir. The other question that I have is regarding the CAPEX that you plan over next 2-3 years. If you could give me some indications in a fixed percentage?

Tapash Majumdar The CAPEX increase let's say for the year ending `07-`08, will be in the range of Rs 60 crore and for `08-`09, will be another Rs 35-36 crore.

Ronak Sachdeva Ok. Rs 35 crore.

Tapash Majumdar That's for the year ending 2009.

Ronak Sachdeva Ok sir. I guess most of the questions have been answered. If there is anything I will come back.

Tapash Majumdar Thank you.

Moderator Thank you Mr. Sachdeva. The next question is from the line of Mr. Deepak Purswani from Sharekhan Limited. Please go ahead.

Deepak Purswani Hello sir. Good morning.

G. S. Johar Good morning.

Deepak Purswani Sir just wanted to know about the international Afghanistan projects; you mentioned about the higher EBITDA margins, I was just trying to get the sense in terms of the uncertainty over the execution of the project?



G. S. Johar Working in Afghanistan has its own sets of problems. Over the past few years we have demonstrated our ability to work in this environment and we've completed all projects on time to the absolute satisfaction of the employers.

Deepak Purswani So historically there is no problem in terms of the execution?

G. S. Johar No, not at all.

Deepak Purswani Ok. And sir in terms of the other BOT projects, you mentioned about L&T and IDFC financing, sir could you just give us some details regarding this?

G. S. Johar These were the BOT projects run by the Government of India and we bid for these contracts but both these contracts went to other contractors.

Deepak Purswani And sir in terms of revenues and cost side IRR?

G. S. Johar All these projects that we had bid for?

Deepak Purswani Yes.

G. S. Johar Yes we normally expect project IRR of 15% and equity IRR of 18%.

Deepak Purswani Ok sir. That's it. Thank you sir.

Moderator Thank you Mr. Purswani. The next question is from the line of Mr. Navin Jain from Emkay Shares. Please go ahead.

Navin Jain Sir just a few follow-up questions. Regarding your BOT projects that you had won in Chandigarh, what is the share of our company in that?

G. S. Johar 49% in SPV and 50% at the contracting level.

Navin Jain And who is the other partner?

G. S. Johar B. Seenaiiah & Co.

Navin Jain And sir is this a toll based project or annuity?

G. S. Johar This is a toll based projects.

Navin Jain It would be under the new model construction agreement?

G. S. Johar No this is the old one.

Navin Jain So basically in this agreement there would not be any.

G. S. Johar Revenue sharing.

Navin Jain It is a standard 20 year kind of BOT project?

G. S. Johar Right.

Navin Jain And out of that Rs 200 crores of EPC work will come to us?

G. S. Johar Right.

Navin Jain Ok sir. And sir, are there any other BOT projects that we are bidding for in the coming future?



G. S. Johar No, not yet.

Navin Jain Sir a gentleman asked about a project in Delhi, can you just throw some light on that? What this project is all about?

G. S. Johar This project is to remodel an existing road to take on the high capacity buses the Delhi Government wants to introduce on Delhi roads. It is Rs 130 crore job, it primarily would be feeder routes that feed the metro. There are 5 such projects planned in the next few months.

Navin Jain We have already bagged one?

G. S. Johar There are 5 additional projects.

Navin Jain Has there been any other projects of similar nature given out apart the one given to C&C?

G. S. Johar This is the first one.

Navin Jain Ok. Thank you sir.

Moderator Thank you Mr. Jain. We have a question from the line of Mr. Pritesh Jani from Keynote Capital. Please go ahead.

Pritesh Jani Sir I would like to know about how much does the equipment contribute as of our gross block, the equipments that we have?

G. S. Johar How much of this is equipment?

Pritesh Jani Correct.

G. S. Johar The major portion of the gross block is may be about 90% would be equipment.

Pritesh Jani Even in Afghanistan, we would be having our own equipment, right?

G. S. Johar Yes.

Pritesh Jani We don't do any hiring of equipments?

G. S. Johar None of the essential equipment is hired, especially when you look at the project and if I need about 300 trucks then may be I will have 100 of my own and 200 I would contract out for moving material from Point A to Point B. Most of the equipments are purchased.

Pritesh Jani What is our total fixed asset turnover sir?

Tapash Majumdar The fixed asset turnover?

Pritesh Jani Right.

Tapash Majumdar The fixed asset turnover is 2.

Pritesh Jani So when you said that we shall do a CAPEX of about Rs 60 crore in `08 and Rs 35 crore in `09, right?

Tapash Majumdar Yes.

Pritesh Jani So how do you see this going forward, asset turnover?



Tapash Majumdar What we have to also see is that this turnover and fixed asset investment is done at various stages of our project. To begin a project most of the investment in CAPEX is already done. The turnover of using this CAPEX is over the life of the project. So as we go forward you don't have to invest as much to get the same kind of turnover.

Pritesh Jani Alright. Going back to the BOT project we had mentioned that for about 2.5-3 years from now cash flows would be generated to the tune of about Rs 300 crore, am I right?

G. S. Johar Yes.

Pritesh Jani And you said 50% will be attributed to us, right?

G. S. Johar 49%.

Pritesh Jani 49% of Rs 300 crore?

G. S. Johar Right.

Pritesh Jani Alright sir. Thank you.

Moderator Thank you Mr. Jani. The next question is from the line of Mr. Saurin Jhaveri from Parag Parikh Financial Advisory Services. Please go ahead.

Saurin Jhaveri Hello.

G. S. Johar Yes.

Saurin Jhaveri Good afternoon sir. Sir could you just explain to me in terms of the operations, you mentioned that you plan to increase the bid capacity for EPC contracts so what would be the method of computation for the same?

G. S. Johar The bid capacity is the function of your last year's turnover multiplied by a factor varying from 1.5 to 2.5, into the number of years a project is to last. So if I closed last year at Rs 330 crore and if I am bidding for a contract which is due to be completed in three years, then it is 3.3 into 1.5 into 3. Is that clear?

Saurin Jhaveri Yes sir. Thanks a lot.

G. S. Johar Ok.

Moderator Thank you Mr. Jhaveri. Ladies and gentlemen a reminder once again, if you have a question please press "*" and then "1".

We have a question from the line of Mr. Navin Jain from Emkay Shares. Please go ahead.

Navin Jain Sir Navin here again. Sir just looking at the turnover, has there been a slow down in turnover in the last couple of quarters as compared to the previous two quarters to that?

G. S. Johar No, there hasn't been any slow down.

Navin Jain Because I can see a turnover of Rs 49 crore in the last quarter as compared to say Rs 130 crore in the June quarter and again Rs 105 crore in the March quarter?



G. S. Johar Let me explain our business to you.

Navin Jain Yeah sure.

G. S. Johar Contracting is a fairly seasonal business, when it rains or snows you can't do any work and in the last quarter we had some phenomenal floods in Bihar. We try to structure the business on a geographical basis that the spread gives us a little more even business but there is no slow down per se.

Navin Jain Ok sir. Can you just give us some indication as to every quarter what proportion of your yearly revenue generally comes in a particular quarter? For example in September quarter would that be say 10% of your revenue or say 15-20%. Can there be such indications?

G. S. Johar July – September quarter is normally about 10%. The 6 months ending December is normally about 30% and then between January and June we have put the balance 70%, out of which 30% happens in January-March and the balance 40% in April-June.

Navin Jain Ok the June quarter becomes the most important quarter for your company?

G. S. Johar Yes.

Navin Jain That is quite different from other construction companies or say road construction companies where you know March is the most important quarter and June is not so. Is it because of the geographical spread since you are present in Afghanistan also?

G. S. Johar It is primarily the geographical spread. If you look at Bihar, from there I have most of my business. This is the period when you can do maximum work because the weather permits you. June onwards weather goes down.

Navin Jain Ok. So out of the current order book we have around Rs 60 crores in Bihar?

G. S. Johar 60%.

Navin Jain 60%?

G. S. Johar Yes.

Navin Jain Ok 60% of the orders in Bihar.

G. S. Johar Right.

Navin Jain Ok sir. Fine. Thank you.

Moderator Thank you Mr. Jain. The next question is from the line of Mr. Ketan Shah from Tower Capital. Please go ahead.

Ketan Shah Hello sir.

G. S. Johar Yes.

Ketan Shah Just a clarification, you said in your BOT projects you will receive 49% of the revenue of Rs 300 crores, this will come 2.5 years from now, right?

G. S. Johar Right.



Ketan Shah And you have 49% stake in the SPV, right?

G. S. Johar I have a 49% stake.

Ketan Shah Yes and sir what is the life of the BOT project?

G. S. Johar 2.5 years for construction and 17.5 years for operation.

Ketan Shah Ok. Thank you sir.

Moderator Thank you Mr. Shah. At this time there are no further questions from the participants. I would now like to hand the floor over to Mr. G. S. Johar, the Chairman of C&C Constructions for any closing remarks or comments.

G. S. Johar Thank you very much for being with us this afternoon. I hope we have dealt with all your questions. If you have any additional questions please do not hesitate to contact us our investor relations team and we look forward to further interactions with you in the future.

Thank you.

Moderator Thank you Mr. Johar. Thank you gentlemen of the management and Mr. Arya. Ladies and gentlemen that concludes this conference call. Thank you for joining the Chorus Call conferencing service and you may now disconnect your lines.

Thank you.

