

# Chairman's Message

*Dear Shareholders,*

## **Greetings from C&C Constructions Ltd.**

Over the last few years, the infrastructure sector has been passing through a very unstable phase inter to bad phase of economy where problems from all aspects have multiplied and our Company is no exception.

The Banks were very conservative and cautious while extending financing facilities. For companies already in debt stress, a turnaround or improvement in this situation is extremely challenging and calls for an urgent re-look of current scenario in the interest of stakeholders.

Project progress remains tardy. Major projects are hit due to liquidity issues. This has shaken the confidence of the industry players.

Due to all this and primarily due to constrained banking facilities, currently we are working at around 60% of our expected execution capacity.

Your Company is currently focused on and concentrating its efforts to control and reduce the elongated working capital cycle and bring about the profitable growth on the back of the robust order book and encouraging the potentials of the Indian economy and the infrastructure sector.

The Indian economy has demonstrated a high order of resilience and remains an island of stability amidst global volatility. Meanwhile, setting its sights on the future, the Government has initiated a number of structural reforms whose positive outcomes should be tangible in long term growth.

The global scenario is being colored by protectionist policies in various hues adopted by a few developed countries. While such populist measures tend to impede trade and discourage revival of the investment cycle, it is up to international industry to address these challenges by reconfiguring its offerings and recasting its operations.

I believe that the medium to long term prospects in India are favorable and that the structural reform process will continue over the next few years, culminating in an uptick in the investment momentum.

The Government's increased emphasis on infrastructure development through a number of flagship programmes has been widely welcomed. Infrastructure spends have a multiplier effect, enabling pan-industry growth, while contributing to an enhanced quality of life. Your Company

is uniquely positioned to respond to these initiatives of the Government. Our capabilities in turnkey execution of large scale infrastructure are virtually unmatched, and we look forward to the speedy transition of these publicly-announced proposals into implementation mode.

India has the second largest road network across the world at 5.4 million km. This road network transports more than 60 per cent of all goods in the country and 85 per cent of India's total passenger traffic. Road transportation has gradually increased over the years with the improvement in connectivity between cities, towns and villages in the country.

The construction of highways reached 122,432 km during FY2017-18 which was constructed at an average of 28 km per day. Total length of roads constructed under Prime Minister's Gram Sadak Yojana (PMGSY) was 47,447 km in 2017-18. The Government of India is targeting construction of highways at an average of 40 km. per day, offering a great opportunity for the industry.

One of the major strength of your Company is its unflinching focus on timely and quality execution of projects. Having executed many projects in India and overseas over the years, it has established a reputation of a dependable contractor of top choice among its growing list of customers. The Company cautiously bids for the new projects with a greater focus on projects with shorter duration, client credentials, funding and profitability, leveraging its versatility and diverse multi-sector skills and expertise, it has created a strong business model of diversified projects in multiple sectors, insulating itself from down cycle in any one sector or location.

At C & C, we recruit the bright young minds from across the Country and their knowledge and skills are refined by imparting practical training as well as on job and on site training. In addition, the Company has extensively trained the unskilled labor and enhanced their skills and earnings. The Company accords utmost importance to R & D to facilitate innovation in development of products and processes for enhanced operational efficiencies in construction, which immensely benefits the Company, its clients and the society at large.

The Government is focusing on speeding up the Country's infrastructure development by raising public investment in areas such as roads, railways, ports, mass and affordable housing, urban infrastructure, rural electrification and infrastructure, water & sewerage and



power transmission. The Government of India has recognised the need to fill the gap in urban housing. With announcements of various housing schemes like 'housing for all by 2020, 'Pradhan Mantri Awas Yojana, housing industry of India is one of the fastest growing sectors. With so much in store, the sector is on threshold of seeing tremendous opportunities for the years to come in foreseeable future.

**Year under review**

Your Company's turnover on a standalone basis stood at INR 943.29 crore for the financial year ended on 31st March, 2018 as compared to the turnover of INR 948.62 crore for the previous financial year ended on 31st March, 2017. The Company posted a Net Profit of INR 41.50 for the period under review as against the Net Profit of INR 36.21 crore for the previous year. The order book in hand of the Company as on March 31, 2018 was INR.3,235 crore.

Further, on the request of the Company to address banking overdues issues, the State Bank of India (SBI) vide its letter no. SAMB/CL IV/373 dated 14th June, 2018, has agreed towards full and final settlement of all the dues of the Company to the Bank for a total sum of INR .280.00 Crores, payable in stages over next one year.

As a process of de-risking the Company, we continue to focus on international market as well, whereby 40% of the current order book is from overseas business. Going forward, the Company also intends to work on similar lines only.

**Way Forward**

The government, through a series of initiatives, is working on policies to attract significant investor interest. The Indian government plans to develop a total of 66,117 km of roads under different programmes such as National Highways Development Project (NHDP), Special Accelerated Road Development Programme in North East (SARDP-NE) and Left Wing Extremism (LWE). The government has identified development of 2,000 km of coastal roads to improve the connectivity between ports and remote villages.

The National Highways Authority of India (NHAI) plans to build 50,000 km of roads worth US\$ 250 billion by 2022 as part of a long-term goal of doubling the length of the national highway network to 200,000 km.

The Government of India will spend around INR 1 lakh crore (US\$ 15.26 billion) during FY 18-20 to build roads in the country under Pradhan Mantri Gram Sadak Yojana (PMGSY).

The Government of India has decided to invest INR 7 trillion (US\$ 107.82 billion) for construction of new roads

and highways over the next five years.

The Government is committed to introducing structural reforms to revive the investment cycle, boosting tax revenues through widening of the tax base, strengthening indigenous manufacturing and bringing about infrastructure development in rural and urban areas. Implementation of GST is expected to have far reaching effects by inducting large parts of the informal economy into the formal system. Ultimately leading to increased tax revenues. Introduction of GST is considered progressive and a step in the right direction. Your Company does not see any adverse impact due to GST implementation.

The domestic economy is expected to steadily improve in the current year on the back of structural reforms and supportive monetary policy. The Government has reiterated its emphasis on infrastructure build-out in the areas of transportation, augmentation of water resources, power, affordable housing and smart cities. Increased private sector participation in the Defence business affords strong business opportunities for your Company. Various upcoming projects provide the Company with a broad perspective of the opportunity basket opening.

The Government has kick-started major road projects and has committed significant budgetary allocations for roads and highways development. The Company expects this impetus to gain aided by increased investments in specialized bridges and tunnels.

We are streamlining our business processes, reinforcing our project management skills, trimming our structure costs, disposing our non-core assets, improving our operational efficiencies and working capital cycle.

Efforts of the Company will be towards capacity building of various stakeholders including employees and contractors for effective delivery. Going forward, we want to be a very lean and thin organization and want to utilize our resources in an optimum manner.

Before I conclude, I would like to acknowledge the contributions made by team C & C and thank our customers, vendors and other stakeholders who made it possible for the Company to maintain its growth momentum and improve financial performance. I also take this opportunity to thank steadfast support and the confidence they have reposed in our pursuit of delivering high quality, sustainable growth.

Thank you,

**Gurjeet Singh Johar**  
Chairman