

CONSTRUCTION FIRM BUILDING A BETTER FUTURE

Christiani & Nielsen (Thai) Plc (CNT) is a listed construction company operating in Thailand for 82 years, with more than 1,500 projects. Managing director Khushroo Kali Wadia discusses the company's strategy and outlook.

What is CNT's business model?

We are a pure construction company offering a wide range of services including the design and construction of buildings, civil engineering projects, the design, fabrication and erection of steel structures and finally mechanical and electrical installations. We expect our backlog will show 10 billion baht as of the end of 2013.

Does CNT plan to expand its offerings?

Our goal is to expand towards higher-level projects and more design and build services, as generally within the local industry we see each client has his own consultants providing designs and specifications, which may not be tailored to the client or the specific location where the client's project is located. This may lead to a disconnect between the designer and the construction firm, as the designer works in isolation and issues may arise during the construction phase. And while these issues can be resolved, time is lost and costs increase. Thus, what we would like to offer in the near future is the ability for a customer to approach us with his land and say, for example, that the client wants to build a factory. Then CNT makes the design based upon the requirements, ensures the right specifications are specified, that the right standard of materials are used and then hands over a completed project to the client within the time required. This makes sense, because as a construction company we're able fully to control the process from design to completion and pass on our industry knowledge to our clients.

Who are CNT's customers?

Our clients are from both the private and the government sectors in a 70:30 proportion. For the private sector, we provide our construction services for a range, from the industrial sector to hypermarkets to general buildings as well as others such as resorts and hotels. For the government sector, we focus mainly upon infrastructure projects but also take on others such as buildings.

CNT recently developed its own training centre and steel fabrication facility. Why is this?

We want to compete better and more effectively versus our peers. The construction industry in Thailand is



CNT wants to compete better and more effectively versus its peers, says Mr Wadia.



very competitive, and with gross margins ranging from 6-8% this is an extremely tough business, so we decided to invest in our own training centre and steel structure and fabrication facility to give CNT a competitive edge. The training centre will allow us to build up our own people, designers, engineers and specialist workers, and with this we ensure our people are well trained, in turn ensuring good quality. We try to mitigate the labour shortage problem plaguing Thailand by improving our own employees' skills and knowledge, and our staff then feel more involved in the company and want CNT to be successful. For the steel structure and fabrication facility, we see continued demand in industry segments in which we're involved. Previously we outsourced up to 80%, but with this facility we can increase our monthly capacity to between 600 and 1,000 tonnes from 200 tonnes, which will lower the outsourced element to 50% or even less. This will allow us to also control quality, design and schedules, all of which benefits us, and we can pass on this benefit to our customers.

What are your biggest risks?

In construction there are many operating risks that we must be mindful of, especially loss of life and property. We must also ensure we have enough projects on hand to keep all our people employed, particularly since construction is a very cyclical business and directly linked to GDP growth. And we want to ensure a stable workforce — we have nearly 7,000 employees with

families, so that makes about 20,000 lives we're affecting. Finally, as gross margins in this industry are 6-8%, a construction firm can easily make a loss if only one customer does not pay on time, so we employ strong risk management across all functions of the business, which is why our performance has been very consistent in recent years.

What effect will the Asean Economic Community (AEC) have on you?

The AEC will definitely make an impact, and it's up to us whether it's going to be a positive or a negative one. There may potentially be more competition, not only for business but for people as well, but if we are good enough and have the capability, we can expand into new markets. Where we lack capabilities, we can do cross-border hiring, so there are positives and negatives, but it will have an effect.

Where do you see CNT in the near future?

We're working on our "Vision 2020", which entails two core elements. One is the development and succession of the management team and employees of CNT to be able to drive the company going forward for the next 10, 20, even 30 years. The other is that we expect to see CNT much bigger in every regard. There will be a natural evolution in the types of work that we do in the future, and we also hope to have 20-30% of revenue from non-construction work to ensure greater stability and visibility of our future revenue.

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