

CNT BUILDS ON ESTABLISHED SKILLS TO DIVERSIFY

EXECUTIVE Q&A

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Christiani & Nielsen (Thai) Plc (CNT) has been a leading construction company in Thailand for the past 85 years, having taken part in more than 1,500 projects. Managing director Khushroo Kali Wadia discusses the company's strategy and outlook.

Please explain the history of CNT.

CNT has a reputable history, having built many of Thailand's landmarks including Democracy Monument, Klong Toey Port and the Rama VI Bridge among others. In 1991, CNT became the first construction company to list on the Stock Exchange of Thailand.

Like many contractors, the company was hurt by the Asian financial crisis and had to undergo restructuring. It is now a stronger entity with a new shareholder group, the GP Group, and a focused management team dedicated to ensuring its future growth path.

What is CNT's business model?

We are a pure construction company offering a wide range of services including design and construction of buildings, civil engineering, the design, fabrication and erection of steel structures, and mechanical and electrical installations.

Who are CNT's target customers?

About 70% of our clients are from the private sector and 30% from the public sector. Within the private sector we focus on the industrial and hypermarket sectors and are expanding our capabilities with hotel and property projects.

We have built nearly all of the Makro stores in Thailand and aim to deliver an average of almost one new Makro a month this year. We also built the new Tesco retail distribution centre, which Tesco directors in the UK described

as the best-built distribution centre in the world.

In the industrial sector, we are a subcontractor for international contractors such as SK Engineering and Posco for petrochemical projects with the PTT Group. Finally, for the public sector we focus on infrastructure projects and we expect that as the government continues to expand infrastructure spending, we will be awarded more work as a direct contractor or subcontractor.

Will CNT look to expand to other sectors in the construction industry?

We want to expand into areas where there is limited local expertise. An example is major EPC (engineering, procurement and construction) work for petrochemical projects where the Koreans, Japanese and Chinese are thriving. This progression is typical of a country that is developing its skills. Forty years ago, Thailand required international companies' knowledge to develop highways and mass-transit projects, but today local contractors can build some of the best infrastructure in the world.

We are also going to look into high-rise development because of the continued long-term shift in the mindset of the Thai population from living in houses to living in condominiums. Finally, we are developing our own team to execute high-quality and luxury projects, whether it be for property, hotel or industrial clients.

CNT's profitability has declined in recent years. What are the reasons for this?

Financially we were negatively affected by two projects. One was due to wage escalation as a result of the government's increase in minimum wages, and the second was due to unsettled claims. However, apart from these two projects, we have successfully completed almost 30 other projects each year without issues.



Wadia: CNT aims to be in the top three

What are the biggest risks facing your business?

Execution and control are the most important factors in this business. Recently, with reduced supply of construction projects, the demand pie has shrunk and as such, every company is chasing a slice of this smaller pie. This has led to low, if not negative margins, just to ensure that assets and employees remain employed. Thus, we have to be very focused on execution and control to ensure that we will be able to successfully manage our projects and remain profitable.

What impact will the Asean Economic Community have on your business?

The AEC will definitely have an impact and it's up to us whether it will be positive or negative. 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 with professional management, we can expand into new markets and retain our people without getting poached by competitors. Moreover, in cases where we lack

capabilities, we will have an opportunity to do cross-border hiring. So there are positives and negatives but it will have an impact for sure.

Where do you expect to see CNT in five years?

We have a 10-year vision to be among the top three construction firms and in order to reach this position, we have a definitive action plan with specific milestones to achieve during this 10-year period.

The actions include building skill sets, developing our internal teams to be sector-specific, employing specialists for different fields, and expanding to new sectors in the industry.

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