

June 14, 2011
BUY
MEDIUM RISK
PRICE Rs.71
TARGET Rs.106

INFRASTRUCTURE

EARLIER RECO

Buy	
Price	Rs.58
Target	Rs.106
Date	25 th Feb, 2011

SHARE HOLDING (%)

Promoters	62.7
FII	12.1
FI	6.6
Body Corporates	6.9
Public & Others	11.7

STOCK DATA

Reuters Code	UTIL.BO	
Bloomberg Code	UIP IN	
BSE Code	532746	
NSE Symbol	UNITY	
Market Capitalization*	Rs. 5246.3 mn / US\$ 115.3 mn	
Shares Outstanding*	74.1 mn	
52 Weeks (H/L)	Rs.123 / 53	
Avg. Daily Volume (6m)	50,420 Shares	
Price Performance (%)		
1M	3M	6M
13	24	(17)

200 Days EMA: Rs.80
***On fully diluted equity shares**

 Part of  **Bonanza**


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Unity Infraprojects Ltd. (Unity Infra) has reported decent set of numbers for the quarter ended March'11 which was in-line with our expectations. Revenues grew by 16% YoY to Rs.5707 mn whereas PAT witnessed a growth of ~11% YoY to Rs.307 mn. We attended the conference call of the company and following are the key highlights of the results which are summarized below:

Key Highlights of Q4FY11 & FY11 results

- Revenues grew by ~16% YoY from Rs.4910 mn in Q4FY10 to Rs.5707 mn in Q4FY11 which was mainly on back of strong order-backlog of the Company. In FY11, Revenues increased by ~16% from Rs.15,254 mn in FY10 to Rs.17,722 mn in FY11. Of the total revenues in FY11, ~47% was contributed from Irrigation segment, 46% from Civil Construction while remaining was from Transportation segment.
- Its Operating profit grew by 32% YoY to Rs.790 mn in Q4FY11, whereas margins improved by ~160 bps to 13.8% which was mainly on account of lower operating & other expenses. Operating profit for FY11 increased by 23% to Rs.2428 mn, whereas margins improved by 80 bps to 13.7%.
- Net profit grew by 11% YoY from Rs.277 mn in Q4FY10 to Rs.307 mn in Q4FY11 whereas margins dipped marginally by 20 bps to 5.4%. Increasing interest rates coupled with higher borrowings on back of higher working capital requirement led to huge jump in interest cost which increased by ~87% & 56% in Q4FY11 & FY11 to Rs.301 & Rs.943 mn respectively resulting into lower growth in net profits. Net profit for FY11 grew by ~12% YoY from Rs.856 mn to Rs.960 mn whereas margins declined by 20 bps to 5.4%.
- EPS for Q4FY11 and FY11 stood at Rs.4 & Rs.13 respectively.

Order-book Position & other developments

- Unity has a healthy order-book position of ~ Rs.36 bn which is executable over a period of 27-30 months (except for tunnel project), thus providing strong revenue growth visibility over the next few years. Apart from the above order-book position, the Company is L1 in contracts worth Rs.8 bn. Also the Company has outstanding bids to the tune of Rs.40 bn. Of the total order book position, ~52% is attributed towards Civil Construction, 35% is from Irrigation while the remaining comes from Transportation segment. During FY11, the company was successful in securing orders worth Rs.12.5 bn.

Key Concern – 'Status-Quo on Real-estate projects' – The Company has not been able to monetize any of its real-estate projects (except – Pune project). Bangalore & Kolkata residential projects have got delayed by ~6-8 months while development of 2 malls in Nagpur has been deferred. The Company has investment to the tune of Rs.1.3 bn in these projects.

OUTLOOK & VALUATION

Unity Infra has reported decent set of numbers for the quarter ended March'11 which was in-line with our expectations. Healthy order-book position coupled with strong execution capabilities provides good revenue visibility over the next few years. Also diversification across verticals would act as cushion against slowdown in any particular segment. At the CMP of Rs.71, the stock is quoting at 4.4x & 0.6x its FY13E EPS and BV of Rs.16.2 & Rs.116 respectively. Hence considering the strong growth prospects of the Company, we maintain our 'BUY' rating on the stock with a price target of Rs.106 (based on 6.5x FY13E EPS).

KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY11	17722.0	960.6	13.0	12.2	5.5	11.3	15.7	0.8
FY12E	20734.7	1079.4	14.6	12.4	4.9	11.4	15.3	0.7
FY13E	23845.0	1201.1	16.2	11.3	4.4	11.3	14.8	0.6

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q4FY10	Q3FY11	Q4FY11
Net Sales	4,909.7	4,457.4	5,707.4
(%) YoY	27.7	10.4	16.2
Total Expenditure	4,310.1	3,900.9	4,917.9
PBIDT	599.6	556.5	789.5
% Margin	12.2	12.5	13.8
Interest	160.5	195.6	301.3
PBDT	439.1	360.9	488.2
Depreciation	46.3	41.7	56.9
Other Income	48.0	16.7	70.1
PBT	440.8	335.9	501.4
Tax	164.2	110.8	194.5
RPAT	276.6	225.1	306.9
% Margin	5.6	5.0	5.4
(%) YoY	31.8	(7.7)	11.0

PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY10	FY11	FY12E	FY13E
Net Sales	15254.6	17722.0	20734.7	23845.0
Raw Material Cost	5692.1	8131.4	9641.7	11207.1
Construction Exps.	6606.1	6113.6	7101.6	8107.3
Staff Cost	561.5	638.1	746.5	882.3
Other Expenses	421.2	410.2	466.5	548.4
PBIDT	1973.8	2428.7	2778.5	3099.8
Interest	605.2	942.9	1120.0	1240.0
Depreciation	178.5	187.1	208.0	235.0
Other Income	127.7	167.3	185.0	195.0
PBT	1317.7	1466.0	1635.5	1819.8
Tax	447.0	504.7	556.1	618.7
RPAT	856.4	960.6	1079.4	1201.1

BALANCE SHEET STATEMENT

Rs.mn

As on 31 st March	FY10	FY11	FY12E	FY13E
Share Capital	148.2	148.2	148.2	148.2
Reserves & Surplus	5513.8	6402.7	7395.4	8509.8
Net Worth	5662.0	6550.9	7543.6	8658.0
Total Loan funds	6866.3	8727.2	9427.2	10427.2
Deferred Tax Liability	14.6	13.4	29.8	48.0
Capital Employed	12542.9	15291.5	17000.6	19133.2
Net Block	1024.7	1626.7	2068.7	2483.7
Investments	459.1	514.6	514.6	514.6
Sundry Debtors	5120.3	6857.8	6930.5	7839.4
Cash & Bank Bal	1651.1	2251.8	2206.0	2129.1
Loans & Advances	6030.3	7350.5	8125.1	9249.9
Inventory	2354.7	3282.4	3302.8	3704.1
Curr Liab & Prov	4124.2	6734.8	6147.1	6787.7
Net Current Assets	11032.2	13007.7	14417.3	16134.9
Total Assets	12542.9	15291.5	17000.6	19133.2

Source : Company, Sushil Finance Research Estimates

FINANCIAL RATIO STATEMENT

Y/E March	FY10	FY11	FY12E	FY13E
Growth (%)				
Net Sales	30.8	16.2	17.0	15.0
EBITDA	32.2	23.0	14.4	11.6
APAT	21.8	12.2	12.4	11.3
Profitability (%)				
EBITDA Margin (%)	12.9	13.7	13.4	13.0
Net Profit Margin (%)	5.6	5.4	5.2	5.0
ROCE (%)	11.8	11.3	11.4	11.3
ROE (%)	17.7	15.7	15.3	14.8
Per Share Data (Rs.)				
EPS	11.6	13.0	14.6	16.2
CEPS	14.0	15.5	17.6	19.6
BVPS	76.4	88.4	101.8	116.9
Valuation				
PER (x)	6.1	5.5	4.9	4.4
PEG (x)	0.6	0.4	0.4	0.4
P/BV (x)	0.9	0.8	0.7	0.6
EV/EBITDA (x)	5.3	4.8	4.5	4.4
EV/Net Sales (x)	0.7	0.7	0.6	0.6
Turnover				
Debtors Days	107	123	122	120
Creditors Days	87	108	105	102
Gearing Ratio				
D/E	1.2	1.3	1.2	1.2

Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

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