

August 26, 2011

BUY

MEDIUM RISK

PRICE Rs.52

TARGET Rs.106

INFRASTRUCTURE

EARLIER RECO

Buy	
Price	Rs.71
Target	Rs.106
Date	14 th June, 2011

SHARE HOLDING (%)

Promoters	62.7
FII	12.7
FI	6.8
Body Corporates	6.3
Public & Others	11.5

STOCK DATA

Reuters Code	UTIL.BO	
Bloomberg Code	UIP IN	
BSE Code	532746	
NSE Symbol	UNITY	
Market Capitalization*	Rs. 3834.7 mn US\$ 84.3 mn	
Shares Outstanding*	74.1 mn	
52 Weeks (H/L)	Rs.121 / 46	
Avg. Daily Volume (6m)	32,336 Shares	
Price Performance (%)		
1M	3M	6M
(17)	(15)	(9)

200 Days EMA: Rs.73

*On fully diluted equity shares

Part of  Bonanza



ANALYST

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Unity Infracore Ltd. (UIL) has reported subdued numbers for the quarter ended June'11 which was slightly below our expectations. Revenues grew by ~11% YoY to Rs.3772 mn whereas PAT was flattish at Rs.196 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 Q1FY12 results

- Revenues grew by ~11% YoY from Rs.3408 mn in Q1FY11 to Rs.3772 mn in Q1FY12 which was slightly lower than our expectations. Lower revenue growth was mainly on account of early onset of monsoon coupled with delays in irrigation projects due to some local issues. Of the total revenues in Q1FY12, ~54% was contributed from Civil Construction, 32% from Irrigation while remaining was from Transportation segment.
- Operating profit grew by ~11% YoY to Rs.502 mn in Q1FY12, whereas margins remained flat at 13.3%. Raw-material consumption & Construction expenses increased by 11% and 10% to Rs.1654 mn & Rs.1400 mn respectively.
- High debt on back of higher working capital requirement coupled with rising interest rates led to spike in interest cost which increased by ~39% from Rs.160 mn in Q1FY11 to Rs.222 mn in Q1FY12. High interest cost led to flattish growth in net profits which grew by 0.3% YoY to Rs.196 mn in Q1FY12 whereas margins dipped by 50 bps to 5.2%. EPS for Q1FY12 stood at Rs.2.6 v/s our expectation of Rs.2.9.

Order-book Position & other developments

- Unity has a healthy order-book position of ~ Rs.35 bn which is executable over a period of 27-30 months, thus providing strong revenue growth visibility over the next few years. Apart from the above O/B position, the Company is L1 in contracts worth Rs.15.6 bn. Also the Company has outstanding bids to the tune of Rs.30 bn. Of the total O/B position, ~53% is attributed towards Civil Construction, 35% is from Irrigation while the remaining comes from Transportation segment. The company was successful in securing orders worth Rs.7.8 bn till August'11.
- In terms of geographical spread, majority of the O/B is from West & North region which contributes ~56% & 31% respectively. Government orders constitute ~77% of the total O/B position & ~90% of the contracts have inbuilt price escalation clause.

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 subdued numbers for the quarter ended June'11 which was slightly below our expectations. However 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.52, the stock is quoting at 3.2x & 0.4x 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	4.0	11.3	15.7	0.6
FY12E	20734.7	1079.4	14.6	12.4	3.6	11.4	15.3	0.5
FY13E	23845.0	1201.1	16.2	11.3	3.2	11.3	14.8	0.4

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q1FY11	Q4FY11	Q1FY12
Net Sales	3,408.2	5,707.4	3,772.5
(%) YoY	21.9	16.2	10.7
Total Expenditure	2,954.6	4,917.9	3,270.2
PBIDT	453.6	789.5	502.3
% Margin	13.3	13.8	13.3
Interest	159.9	301.3	222.0
PBDT	293.7	488.2	280.3
Depreciation	39.6	56.9	45.2
Other Income	24.9	70.1	44.8
PBT	279.0	501.4	279.9
Tax	83.7	194.5	83.9
RPAT	195.3	306.9	196.0
% Margin	5.7	5.4	5.2
(%) YoY	23.8	11.0	0.3

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

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)	4.5	4.0	3.6	3.2
PEG (x)	0.5	0.3	0.3	0.3
P/BV (x)	0.7	0.6	0.5	0.4
EV/EBITDA (x)	4.6	4.3	4.0	3.9
EV/Net Sales (x)	0.6	0.6	0.5	0.5
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

Source : Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Institutional 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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