

February 25, 2011

BUY

MEDIUM RISK

PRICE Rs.58

TARGET Rs.106

INFRA

EARLIER RECO

Buy	
Price	Rs. 88
Target	Rs. 151
Date	14 th Jan, 2011

SHARE HOLDING (%)

Promoters	62.7
FII	12.1
FI	6.6
Body Corporates	7.3
Public & Others	11.3

STOCK DATA

Reuters Code	UTIL.BO
Bloomberg Code	UIP IN
BSE Code	532746
NSE Symbol	UNITY
Market Capitalization*	Rs. 4357.1mm
	US\$ 95.7 mn
Shares Outstanding*	74.1 mn
52 Weeks (H/L)	Rs.138 / 57
Avg. Daily Volume (6m)	71,626 Shares
Price Performance (%)	
1M	3M
3	(22)
6M	(22)
200 Days EMA:	Rs. 104

*On fully diluted equity shares

Part of  Bonanza



ANALYST

Shreyas Bhukhanwala | +91 22 4093 5096
shreyas.bhukhanwala@sushilfinance.com

SALES:

Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com
Nishit Shah | +91 22 4093 5074
nishit.shah@sushilfinance.com

Unity Infraprojects Ltd. (Unity Infra) has reported dismal set of numbers for the quarter ended December'10 which was below our expectations. Revenues grew by 10% YoY to Rs.4457 mn whereas PAT witnessed de-growth of ~8% YoY to Rs.225 million. We attended the conference call of the company and following are the key highlights of the results which are summarized below:

Key Highlights of Q3FY11 & 9MFY11 results

- Revenues grew by ~10% YoY from Rs.4036 mn in Q3FY10 to Rs.4457 mn in Q3FY11 which was mainly on back of strong order-backlog of the Company. On 9-monthly basis, Revenues increased by ~15% from Rs.9879 mn in 9MFY10 to Rs. 11,330 mn in 9MFY11. Lower revenue growth in the last quarter was mainly on account of extended monsoons & delay in execution of some of its project in & around Mumbai mainly on back of unavailability of sand which is used for construction. Of the total revenue in Q3FY11, ~56% was contributed from Irrigation segment, 38% from Civil Construction while remaining was from Transportation segment.
- Its Operating profit grew marginally by 6% YoY to Rs.556 mn in Q3FY11, whereas margins declined slightly by ~50 bps to 12.5% which was mainly on account of higher raw-material & other operating expenses. Operating profit for 9MFY11 increased by 13% to Rs.1505 mn, while margins remained flat at 13.3%.
- Higher operating expenses coupled with lower other income led to decline in net profit by ~8% YoY from Rs.244 mn in Q3FY10 to Rs.225 mn in Q3FY11. Net margins dipped by 100 bps from 6% to 5% over the same period. Net profit for 9MFY11 grew by ~8% YoY from Rs.589 mn to Rs.636 mn whereas margins declined by 40 bps to 5.6%.
- EPS for Q3FY11 and 9MFY11 stood at Rs.3 & Rs.8.6 respectively.

Order-book Position & other developments

- Unity has a healthy order-book position of ~ Rs.35.7 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 also has L1 position in contracts worth Rs.3 bn. Also the Company has outstanding bids to the tune of Rs.30 bn.
- Of the total order book position, 56% is attributed towards Civil Construction, 38% is from Irrigation while the remaining comes from Roads & Transportation segment. During 9MFY11, the company was successful in securing orders worth Rs.12 bn.
- The Company plans to incur a capex of ~Rs.100 Crs by FY12 of which majority would be utilized for the purchase of TBM & other equipments.

OUTLOOK & VALUATION

Unity Infra has reported dismal set of numbers for the quarter ended December'10 which was below our expectations. Extended monsoon coupled with execution delays in some of its projects resulted into lower topline growth for this quarter. Also increasing raw material cost and rising interest rates led to decline in margins which in turn impacted its net profit. However considering the dismal quarterly performance, rising raw material cost coupled with slowdown in order-inflows, we have downgraded our earnings estimate for FY11E & FY12E by ~15 % & 20% respectively. The stock has corrected sharply in last couple of months and at the CMP of Rs.58, it is quoting at 4.4x & 0.6x its FY12E EPS and BV of Rs.13.2 & Rs.99 respectively. We thus maintain our BUY rating on the stock with the revised target price of Rs.106.

KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	RPAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY10	15254.6	856.4	11.6	9.9	5.0	11.8	17.7	0.8
FY11E	16785.0	887.4	12.0	3.6	4.8	10.7	14.6	0.7
FY12E	19302.8	975.4	13.2	10.0	4.4	10.9	14.1	0.6

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q3FY10	Q2FY11	Q3FY11
Net Sales	4,036.1	3,465.0	4,457.4
(%) YoY	37.2	13.7	10.4
Total Expenditure	3,510.9	2,969.5	3,900.9
PBIDT	525.2	495.6	556.5
% Margin	13.0	14.3	12.5
Interest	155.1	175.9	195.6
PBDDT	370.1	319.7	360.9
Depreciation	43.1	41.7	41.7
Other Income	31.8	38.4	16.7
PBT	358.8	316.4	335.9
Tax	114.8	100.9	110.8
RPAT	244.0	215.5	225.1
% Margin	6.0	6.2	5.0
(%) YoY	34.5	14.9	(7.7)

PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY09	FY10	FY11E	FY12E
Net Sales	11658.6	15254.6	16785.0	19302.8
Raw Material Cost	4634.9	5692.1	6294.4	7335.0
Construction Exps.	4768.2	6606.1	7276.3	8338.8
Staff Cost	483.9	561.5	612.7	694.9
Other Expenses	279.0	421.2	453.2	521.2
PBIDT	1492.6	1973.8	2148.5	2412.8
Interest	435.7	605.2	765.0	885.0
Depreciation	162.6	178.5	180.0	212.0
Other Income	155.9	127.7	141.0	162.0
PBT	1050.2	1317.7	1344.5	1477.8
Tax	346.5	447.0	457.1	502.5
RPAT	703.3	856.4	887.4	975.4

BALANCE SHEET STATEMENT

Rs.mn

As on 31 st March	FY09	FY10	FY11E	FY12E
Share Capital	133.7	148.2	148.2	148.2
Reserves & Surplus	4054.0	5513.8	6314.5	7203.1
Net Worth	4187.7	5662.0	6462.6	7351.3
Total Loan funds	4820.7	6866.3	7266.3	7766.3
Deferred Tax Liability	15.9	14.6	28.0	42.8
Capital Employed	9024.4	12542.9	13757.0	15160.5
Net Block	1098.6	1024.7	1344.7	1732.7
Cap. WIP	15.2	25.7	25.7	25.7
Investments	249.8	459.1	351.7	351.7
Sundry Debtors	3793.1	5120.3	5288.4	5817.3
Cash & Bank Bal	1167.8	1651.1	1975.8	1873.7
Loans & Advances	5472.1	6030.3	6834.7	7607.2
Inventory	1841.3	2354.7	2342.3	2662.4
Curr Liab & Prov	4614.1	4124.2	4406.3	4910.2
Net Current Assets	7660.3	11032.2	12034.9	13050.4
Total Assets	9024.4	12542.9	13757.0	15160.5

Source : Company, Sushil Finance Research Estimates

FINANCIAL RATIO STATEMENT

Y/E March	FY09	FY10	FY11E	FY12E
Growth (%)				
Net Sales	37.0	30.8	10.0	15.0
EBITDA	39.4	32.2	8.9	12.3
APAT	17.4	21.8	3.6	9.9
Profitability (%)				
EBIDTA Margin (%)	12.8	12.9	12.8	12.5
Net Profit Margin (%)	6.0	5.6	5.3	5.1
ROCE (%)	13.1	11.8	10.7	10.9
ROE (%)	18.2	17.7	14.6	14.1
Per Share Data (Rs.)				
EPS	10.5	11.6	12.0	13.2
CEPS	13.0	14.0	14.6	16.2
BVPS	62.7	76.4	87.2	99.2
Valuation				
PER (x)	5.5	5.0	4.8	4.4
PEG (x)	0.3	0.5	1.3	0.4
P/BV (x)	0.9	0.8	0.7	0.6
EV/EBITDA (x)	5.0	4.8	4.5	4.2
EV/Net Sales (x)	0.6	0.6	0.6	0.5
Turnover				
Debtors Days	112	107	115	110
Creditors Days	89	87	86	84
Gearing Ratio				
D/E	1.2	1.2	1.1	1.1

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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