

Unity Infraprojects

Rs 651-732

Avoid

20th May 2006

Issue Details	
Offer Price	Rs 651-732
Face Value	Rs 10
Shares Offered (in lakhs)	34.43
Type	Fresh Issue and offer for sale
Promoter	Avarsekar family
Listing (Stock Exchange)	NSE & BSE
Offer Open Date	May 19, 2006
Offer Close Date	May 24, 2006
Website: www.unityinfra.com	

Scrip Estimates (at Rs 732)	
Market Cap (Rs Crores)	980.9
EPS - FY06 (E)	16.2
P/E(x) - FY06(E) (fully diluted)	45.2
Market Cap/Sales (x) FY06(E)	2.7

Share Holding Pattern	Pre Offer	Post Offer
Promoters	94.0	69.5
Public	-	25.8
Others	6.0	4.7

Financials (Rs Crores)	FY04	FY05	FY06(E)
Sales	202.2	267.9	360.0
EBITDA	18.5	23.5	40.0
EBIT	17.4	21.8	36.9
Other Income	2.4	2.7	2.9
PBT	12.2	17.6	30.3
PAT	6.8	11.9	21.7
Equity	10.0	10.0	13.4
EPS (Rs)	6.8	11.9	16.2

Investors should read the risk factors and more detailed information in the Prospectus and the Application form before investing in the issue.

Website: www.way2wealth.com

Analyst: Nisha Khuman

Email: nishakhuman@way2wealth.com

Telephone: 022 - 4019 2900

Unity Infraprojects, based in Mumbai, with operations in eight states, provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects.

Strong track record with experience in diverse segments: Unity Infraprojects has presence in various segments of civil construction projects and infrastructure space. Some significant projects undertaken are construction of "Millennium Business Park" for MIDC in Mumbai, expansion and modification of Terminal I-B at Chhatrapati Shivaji International Airport for AAI, development of road connectivity to Jawaharlal Nehru Port for NHAI, and design and construction of Junone Dam & Lift Irrigation Scheme for Tapi Irrigation Development Corporation.

Ability to undertake projects, both on turnkey and design-build basis: Apart from design-build projects, the Company also undertakes ventures on turnkey basis, providing a range of specialised construction and operational services, including electrical, fire prevention and control, plumbing and air-conditioning. It's experience in executing turnkey and design-build projects enables it to pre-qualify for assignments which require turnkey or design-build solutions.

Timely execution of projects: The Company has, in the past, executed projects on time or prior to the scheduled completion date. The Pedestrian Subway at Chhatrapati Shivaji Terminus in Mumbai was completed within ten months as against to the scheduled 24 months. Similarly, the Flyover at Khodadad Circle in Dadar, Mumbai was completed in 16 months as compared to the scheduled 24 months. It has successfully completed the refurbishment of the Kala Academy in Goa, on a turnkey basis, within the scheduled period of 110 days.

Strong Order Book position: As on December 31, 2005, the order book (including unfinished and uncertified portions of commenced projects) was Rs 1,171.8 crores, which is 4.4 times its FY05 revenue. It has further added two more projects worth Rs 219.4 crores, in the period from 1st January 2006 to 8th May 2006.

Impressive Financials: The revenues have grown at a CAGR of 54% during 2001-05 and the PAT has grown at a CAGR of 67.2% during the same period. Topline for FY05 grew by 32.5%, to Rs 267.9 crores, while the PAT has risen by 75%, to Rs 11.9 crores. For 9mFY06, sales recorded were Rs 223.5 crores and PAT has been Rs 16.3 crores - more than that of FY05. Civil Construction projects formed a major part of revenues, 82% for FY05, and 76% for 9mFY06. In FY05, the top ten clients formed 82% of total revenues.

Valuations not cheap: At the upper end of the price band of Rs 732, the Issue is available at a PE of 45.2x its FY06 (E) EPS of Rs 16.2 and 40.2x at the lower end of Rs 651, on fully diluted equity capital of Rs 13.4 crores. Looking at the current order book, which is 4.4 times its FY05 revenues and its improving prospects, the Company is likely to maintain a high growth momentum in the coming years. However, at the current valuations, the risk-reward looks unfavorable; one can avoid subscribing to the issue.

Company Background

Unity Infraprojects is one of India's leading engineering and construction companies, with its headquarters in Mumbai and its operations across eight states. It provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects. It executes many projects on a turnkey basis, and thus provides a range of specialised construction and operational services, including electrical, fire prevention and control, plumbing and air conditioning.

Objects of the Issue

The Company intends to utilise the net proceeds of the issue for purchase of capital equipments, to meet requirements for its various projects, for prepayment of debt, for equity investments in SPVs, wholly owned subsidiaries and joint ventures over FY07 and FY08, which shall be set up for BOT projects, for funding working capital requirements and for other general corporate purposes.

Particulars (in Rs crores)	Estimated amount	Utilisation of proceeds as on	
		2007	2008
Investment in capital equipment	45.0	25.0	20.0
Prepayment/repayment of debt	45.0	45.0	-
Investment in BOT projects	30.0	15.0	15.0
Funding working capital margin requirements	20.0	-	20.0
General corporate purposes and other expenses	*	*	*

Business Details

Unity Infraprojects is engaged in Civil construction projects, which includes commercial and residential buildings, mass housing projects and townships, industrial structures, information technology parks, corporate offices, Transportation engineering projects, including roads, bridges, flyovers and subways, and Irrigation and water supply projects, including dams, tunnels, lift irrigation projects and sewerage schemes.

Some of the civil construction and infrastructure projects currently under execution are:

Project	Client	Location
Expansion and Modification of Terminal I-B of the Chhatrapati Shivaji International Airport	Airports Authority of India	Mumbai, Maharashtra
Re-construction of the Sardar Vallabhbai Patel Indoor Stadium	National Sports Club of India	Mumbai, Maharashtra
Construction of single line broad gauge tunnel	Northeast Frontier Railway	Ambassa, Tripura
Construction of Tadipudi Lift irrigation scheme – 2nd lift	Government of Andhra Pradesh	District Warangal, Andhra Pradesh
Construction of new secretariat complex	Government of Assam	Dispur, Assam
Strengthening of the Tansa Dam	Municipal Corporation of Greater Mumbai	Dispur, Assam
Strengthening of the Tansa Dam	Municipal Corporation of Greater Mumbai	Shahpur, Maharashtra
Construction of Low Income Group housing projects on a turnkey basis	Delhi Development Authority	Bakkarwala and Narela, Delhi
Construction of new transformer factory	Siemens Limited	Navi Mumbai, Maharashtra

It enters into contracts primarily through a competitive bidding process and solely executes most of its projects as the contractor. For certain larger projects, it enters into project-specific joint ventures, with other construction companies. Out of the 51 contracts that were outstanding as of December 31, 2005, ten were being executed by joint ventures.

Order Book position

The order book position as on December 31, 2005 stands at Rs 1,171.8 crores, out of which 50% comprises projects in the civil construction segment, 32% is related to projects in the irrigation & water supply segment and the balance 18% covers projects in the transportation and engineering segments. The Company expects to complete approximately 70% of the existing order book in the next two years. Additional contracts of Rs 47.7 crores were added between January 1, 2006 and March 26, 2006.

In terms of client-wise break up, around 67% of the order book is related to projects sponsored by government or government agencies' clients and 29% by the private sector clients. Around 76% of the projects are located in Maharashtra, and Mumbai alone comprises 46%.

Rs crores	as of Dec 31, 2005	as of Mar 31, 2005	as of Mar 31, 2004
Civil Construction	582.1	239.4	315.4
Transportation Engineering	216.1	117.8	78.8
Irrigation & Water Supply	373.6	387.3	234.6
Total	1,171.8	744.5	628.8

Major Clients

The Company's major clients include Airports Authority of India, The National Sports Club of India, Northeast Frontier Railway, Department of Irrigation, Government of Andhra Pradesh, Public Works Department, Government of Assam, Municipal Corporation of Greater Mumbai and Delhi Development Authority.

Competition

Key competitors are Larsen and Toubro, Nagarjuna Construction Company, Shapoorji Pallonji, Patel Engineering Limited, Gammon India Limited and IVRCL Infrastructures and Projects Limited.

Financials

YE September 30 (in Rs crores)	FY03	FY04	FY05	9mFY06
Net Sales	90.0	202.2	267.9	223.5
- Contract Revenue	89.2	200.9	265.3	222.5
- Share of profit from Joint Ventures	0.8	1.3	2.6	1.0
EBIDTA	10.4	18.5	23.5	30.3
PBT	5.5	12.2	17.6	20.7
PAT	2.8	6.8	11.9	16.3
Equity Paid Up	10.0	10.0	10.0	10.0
Networth	28.9	34.0	44.4	60.7
Capital Employed	74.3	87.6	104.5	136.9
Gross Block	5.8	10.1	14.6	30.2
EPS (Rs)	2.8	6.8	11.9	16.3
CEPS (Rs)	3.6	7.9	13.5	18.9
Dividend (%)	-	15.0	15.0	-
Payout (%)	-	249.2	142.9	-
Debt:Equity (times)	1.6	1.6	1.4	1.3
ROCE (%)	32.8	22.6	25.4	24.2
RONW (%)	9.7	20.0	30.3	31.1
EBIDTM (%)	11.6	9.1	8.8	13.5

Revenues have grown at a CAGR of 54% during 2001-05 and PAT has grown at a CAGR of 67.2% during the same period. Topline for FY05 grew by 32.5%, to Rs 267.9 crores, while the PAT has risen by 75%, to Rs 11.9 crores. For 9mFY06, sales recorded were Rs 223.5 crores and PAT has been Rs 16.3 crores - more than that of FY05. Civil Construction projects form a major part of the revenues - 82% for FY05 and 76% for 9mFY06. In FY05, the top ten clients formed 82% of the total revenues.

Investment Argument

With the government's thrust on building infrastructure and the demand for housing and civil construction facilities, the construction sector is all set for an explosive growth. Unity Infraprojects has operations in diverse segments and geographies, and will be able to benefit for the current infrastructure boom. At the upper end of the price band of Rs 732, the Issue is available at a PE of 45.2x its FY06 (E) EPS of Rs 16.2 and 40.2x at the lower end of Rs 651, on fully diluted equity capital of Rs 13.4 crores. Looking at the current order book, which is 4.4 times its FY05 revenues and its improving prospects, the Company is likely to maintain a high growth momentum in the coming years. However, at the current valuations, the risk-reward looks unfavorable; one can avoid subscribing to the issue.

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