

**STOCK DATA**

Market Cap	Rs4.8bn
Book Value per share	Rs256
Eq Shares O/S (F.V. Rs.10)	13.4mn
Median Vol (12 mths)	61,135 (BSE+NSE)
52 Week High/Low	Rs1,074/373
Bloomberg Code	UIP IN
Reuters Code	UTIL.BO

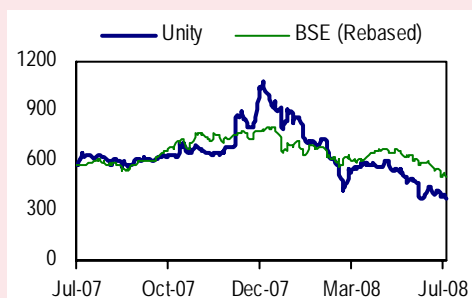
**SHAREHOLDING PATTERN (%)**

Qtr. Ended	Sep-07	Dec-07	Mar-08
Promoters	69.5	69.5	69.5
MFs/FIs	6.0	4.7	4.8
FIIIs	12.6	16.4	17.0
PCBs	3.1	2.9	2.4
Indian Public	8.8	6.5	6.3

**STOCK PERFORMANCE (%)**

	1M	3M	12M
Absolute	(24.2)	(35.1)	(37.2)
Relative	(12.6)	(26.0)	(30.5)

**STOCK PRICE PERFORMANCE**



**KEY HIGHLIGHTS**

**Unity Infraprojects Ltd's (UIL) net sales rose 77% YoY to Rs3.2bn in Q4FY08 riding on a strong order book. OPM stood at 11.4%, a marginal decline of 10bps due to rising construction expenses (up 94% to Rs1.2bn). Net profit rose 80% to Rs202mn.**

**● Strong order book**

UIL's current order book (as on Jul'08) stands at ~Rs30.9bn with ~65% accounted for by civil construction segment. The company has bid for orders worth ~Rs26bn in Q1FY09 and has already bagged orders worth ~Rs9bn till date. It has L1 status for orders worth ~Rs1.5bn; while orders totalling ~Rs3.5bn are in advanced stages of negotiation.

**● Status of BOT projects**

Currently, UIL is jointly developing over 4.5mn sqft under various real estate BOT projects. UIL is undertaking the construction for ~Rs7bn (included in the order book mentioned above) for these projects.

**Nagpur project:** Its 2.7mn sqft Nagpur project is facing delays where the company is yet to receive possession of 3 plots out of the total 6. Consequently, only ~1.2mn sqft is under construction.

**Ulhasnagar Muni. Corp. water supply project:** With UMC facing difficulties in acquiring land, the project has been significantly delayed. The *UIL-Pratibha Ind. JV* is reviewing the cost of the project and has pegged the same at ~Rs1.2bn vs initial estimates of Rs940mn.

**Pune hotel project:** Clearwater Capital Partners (Cyprus) Ltd, a 49% investor in the *UIL-BSEL-Kamat Hotels JV* has infused Rs480mn so far with a total commitment of Rs805mn.

**VALUATIONS AND RECOMMENDATION**

At the CMP of Rs365, the stock is trading at a P/E of 5.9x and EV/EBIDT of 4x discounting its FY10E core earnings. With its strengths in civil construction, UIL is set to capitalise on the burgeoning infrastructure opportunities in India. We have arrived at a fair value of Rs634/share based on SOTP method. Thus, we upgrade our recommendation to 'BUY' with an 18-month price target of Rs634.

**KEY FINANCIALS**

Rs mn	Quarter Ended			Yr Ended (March)				
	Sep-07	Dec-07	Mar-08	2006	2007	2008	2009E	2010E
Net Sales	1,527	2,315	3,171	3,287	5,429	8,495	11,044	13,805
YoY Gr. (%)	52.2	48.4	77.1	22.7	65.1	56.5	30.0	25.0
Op. Profits	205	316	361	429	687	1,062	1,327	1,670
Op. Marg.(%)	13.4	13.7	11.4	13.1	12.7	12.5	12.0	12.1
Net Profits	108	178	202	246	423	600	659	823
Eq. Capital	134.0	134.0	134.0	106.0	134.0	134.0	134.0	134.0

**KEY RATIOS**

	Yr Ended (March)				
	2006	2007	2008	2009E	2010E
Dil. EPS (Rs)	18.4	31.7	44.9	49.3	61.5
ROCE (%)	31.7	26.3	21.9	19.4	21.1
RONW (%)	35.2	21.3	18.2	17.0	18.0
P/E (x)	15.7	11.5	8.1	7.4	5.9
EV/Sales (x)	1.2	0.9	0.8	0.6	0.5
EV/EBDIT (x)	8.4	6.0	5.5	5.0	4.0

## PERFORMANCE OVERVIEW

*UIL continues to generate bulk of its revenues from civil construction projects...*

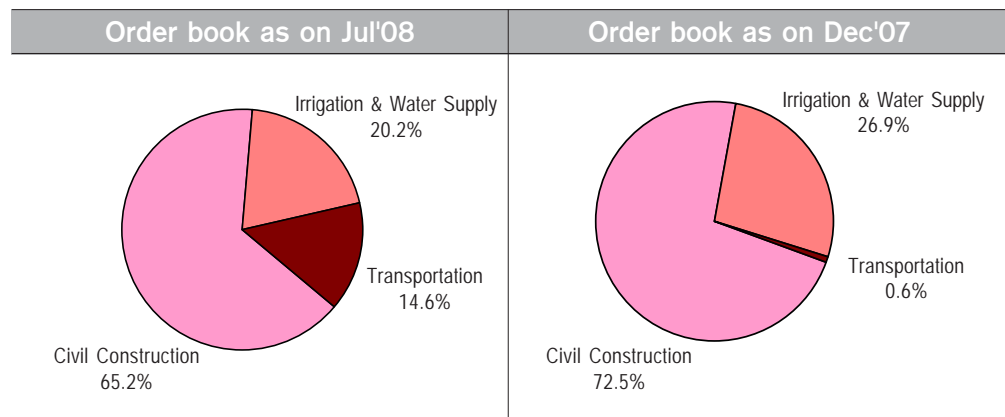
UIL reported net sales of Rs3.2bn (up 77% YoY) in Q4FY08. UIL's raw materials cost as a % of sales was lower by 502bps at ~43.7%. However, construction expenses were higher at Rs1.2bn (up 94%) due to higher amount of subcontracting. While staff costs rose 52% to Rs91mn, other expenses quadrupled to Rs120mn. Consequently, OPM was lower by 10bps at 11.4%. Operating profits rose by 75% to Rs361mn, impacted by lower margins.

Interest expenses rose 24% to Rs48mn. UIL has a debt of ~Rs2.7bn (D/E of 0.8:1). With a gross block of Rs771mn as against Rs491mn in FY07, depreciation charges doubled to Rs22mn. A lower effective tax rate of 41.5% (46.5% in Q4FY07) helped net profits rise by 80% to Rs202mn.

In FY08, UIL posted revenues of Rs8.5bn (up 56%). While 67% of revenues was contributed by civil construction projects, irrigation & water supply projects accounted for ~22% and transportation projects for the balance.

### Order book in Jul'08

The current order book stands at ~Rs30.9bn to be executed over next 28 months. The same was Rs24.1bn at end-FY08 vis-a-vis Rs20bn at end-FY07. Currently, UIL is bidding for BOT road projects in Madhya Pradesh and is also hopeful of bagging some of the modern market terminal projects in MP and Maharashtra. UIL is bidding for 3 such projects aggregating Rs5bn.



*Backed by strong order flows from civil construction and irrigation segments, UIL's current order book stands at Rs30.9bn...*

Source: Company

### Real estate projects

UIL is executing real estate BOT projects via 50:50 JVs between its 100% subsidiary, Unity Realty & Developers Ltd. (URDL) & BSEL Infrastructure Realty Ltd. The projects involve development of over 4mn sqft of IT park, hotel & malls on BOT basis. UIL will construct all projects for the JV and expects substantial revenue flows from these projects from FY10 onwards. The details of the BOT projects are as follows:

**Nagpur malls:** The project, awarded by Nagpur Municipal Corporation (NMC), involves development of ~2.7mn sqft spread over 5 malls and one hotel at an estimated cost of ~Rs5.5bn. At present, construction on only ~1.2mn sqft is underway as UIL is yet to receive possession of 3 plots from the NMC.

**Donna Paula IT park:** The JV has bagged a 0.8mn sqft IT park project at 'Rajiv Gandhi IT Habitat' at Donna Paula, Goa. It has been allotted land on a perpetual lease to develop this IT park with a timeline of 24 months. Construction of the IT park is expected to commence during Q3FY09.

**Balewadi (Pune) hotel:** The project involves construction of a 400 room hotel (200 business rooms and 200 five star rooms) at Shiv Chhatrapati Sports Complex, Balewadi, Pune for the upcoming Commonwealth Youth Games 2008. The construction of the project will be completed by Oct'08. The project, being executed by a 3-way JV of URDL, BSEL & Kamat Hotels, has off-loaded 49% equity to Clearwater Capital Partners (Cyprus) Ltd. with the original partners retaining 17% each. The fund has so far infused Rs480mn in the SPV with a total commitment of Rs805mn, linked to the construction schedule.

## OUTLOOK

UIL derives bulk of its revenues from civil construction projects. While the real estate sector will see a slowdown in the coming quarters, prominent developers are expected to continue expanding their scale. Construction of realty projects is increasingly being outsourced to players like UIL and its recent foray into real estate development should enable it to garner a large chunk of volumes. Further, its presence in the high-margin micro-tunneling segment should increasingly contribute to margins.

The Pune hotel project had faced protests with respect to usage of Shiv Chhatrapati Sports Complex land for commercial purposes. However, with the execution now running smoothly, UIL expects to complete the project, as initially planned, by Q4FY09.

We have excluded the UMC water supply project from our estimates as it has witnessed significant delays. UIL will not face any liabilities due to the same as they are due to non-transfer of land, which is the responsibility of UMC.

Riding on a healthy order book of ~Rs30.9bn, we expect UIL to register net sales and net profit CAGR of 36% and 25% respectively over FY08-10E. This should lead to net sales of Rs13.8bn (4% lower than our earlier estimates) and net profits of Rs823mn (18% lower than our earlier estimates) in FY10E. With rising steel and cement prices, we have lowered our OPM estimates by ~50bps and the same is expected to be at ~12% in FY10. While the revision in sales is largely due to delays in Nagpur project, earnings revision comes on the back of lower margins and rising capital charges.

*UIL is focussing on core construction opportunities as well as those emanating from the PPP projects segment...*

## VALUATIONS AND RECOMMENDATION

*At the CMP of Rs365, UIL trades at a P/E of 5.9x and EV/EBDIT of 4x FY10E core earnings. While we value UIL's core business at Rs615/share (10x FY10E EPS of Rs62), UIL's BOT projects can add another Rs18/share. Thus, we value UIL on SOTP basis at Rs634/share. We upgrade our recommendation to 'BUY' with an 18 month price target of Rs634.*

UIL's Valuations	
FY10E Core EPS (Rs)	61.5
PE (x)	10.0
<b>Value/share of core business (Rs) - 'A'</b>	<b>615</b>
Nagpur project NPV (Rs Mn)	372
NPV of Goa Project (Rs Mn)	247
Pune project NPV (Rs Mn)	253
<b>Total NPV (Rs Mn)</b>	<b>872*</b>
<b>UIL's share in NPV (Rs Mn)</b>	<b>353</b>
Equity (mn no.)	13.4
<b>NPV/sh (Rs)</b>	<b>26</b>
<b>Holding company disc. to NPV</b>	<b>30%</b>
<b>Value/sh (Rs) - 'B'</b>	<b>18</b>
<b>Total Value/Share (Rs) - (A+B)</b>	<b>634</b>
CMP (Rs)	365
Potential Upside	73.7%

*Assumptions: Nagpur project- valuation only for 1.2mn sqft; \*Disc rate: 15%*

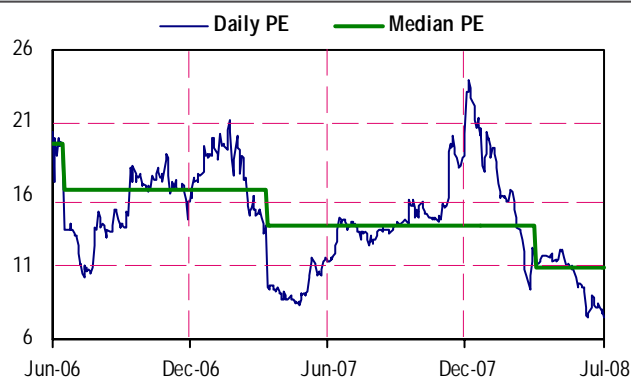
### Company description

Incorporated in 1997, UIL is one of the leading civil contractors in the country. It is also present in irrigation and water supply segment alongwith road projects. UIL has been associated with development of some of the notable projects like the Millennium Business Park, Seawoods Estate for NRI's at Navi Mumbai, Sardar Vallabhbhai Patel stadium, Mumbai etc.

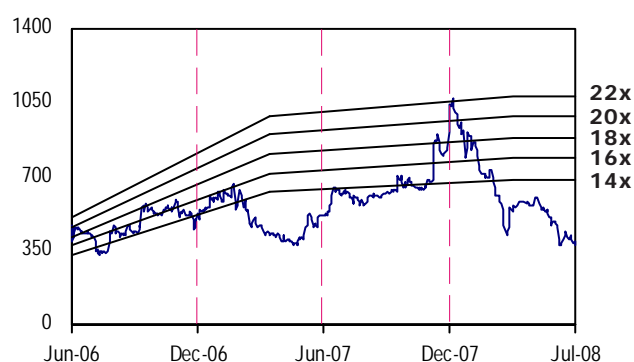
## Financial Results for the quarter & year ended 31 March 2008 (Standalone)

Particulars (Rs Mn)	Quarter Ended			Year Ended		
	31/03/08	31/03/07	Gr %	31/03/08	31/03/07	Gr %
<b>Net Sales</b>	<b>3,171</b>	<b>1,791</b>	<b>77.1</b>	<b>8,495</b>	<b>5,429</b>	<b>56.5</b>
Share of profit from JVs	2	-		6.5	7	
<b>Total Income</b>	<b>3,173</b>	<b>1,791</b>	<b>77.2</b>	<b>8,502</b>	<b>5,435</b>	<b>56.4</b>
<b>Total Expenditure</b>	<b>2811</b>	<b>1,586</b>	<b>77.3</b>	<b>7433</b>	<b>4741</b>	<b>56.8</b>
Inc/dec in stock in trade	(59)	2		(53)	4	
Consumption of raw material	1,443	870	58.8	3,821	2,029	85.4
Staff cost	91	60	52.2	265	155	71.5
construction expenses	1,215	627	93.9	3,198	2,442	31.0
Other expenditure	120	27	342.0	202	112	79.7
<b>Operating profit</b>	<b>361</b>	<b>205</b>	<b>75.5</b>	<b>1,062</b>	<b>687</b>	<b>53.1</b>
Other Income	54	54	(0.2)	122	100	21.5
<b>PBDIT</b>	<b>417</b>	<b>259</b>	<b>60.6</b>	<b>1,190</b>	<b>794</b>	<b>49.9</b>
Interest	48	39	24.4	206	121	70.9
Depreciation	22	10	124.3	73	55	34.0
<b>PBT &amp; extra-ordinary items</b>	<b>346</b>	<b>211</b>	<b>64.2</b>	<b>911</b>	<b>619</b>	<b>47.2</b>
Provision for current tax	136	96	41.4	300	192	56.1
Provision for deferred tax	6	-		6	-	
Fringe benefits	1	1		5	3	
Tax provisions of earlier years	-	41		-	41	
<b>PAT before extra-ordinary items</b>	<b>202</b>	<b>72</b>	<b>180.8</b>	<b>600</b>	<b>383</b>	<b>56.9</b>
Extra ordinary items		40			40	
<b>Net Profit</b>	<b>202</b>	<b>113</b>	<b>79.9</b>	<b>600</b>	<b>423</b>	<b>41.9</b>
Equity Capital (F.V. Rs 10)	134	134		134	134	
Reserves (excl. rev. res.)	3,423	2,885		3,423	2,885	
<b>EPS for the period (Rs)</b>	<b>15.1</b>	<b>5.4</b>		<b>44.9</b>	<b>28.6</b>	
Book Value (Rs)	256.0	215.8		256.0	215.8	
<b>OPM (%)</b>	<b>11.4</b>	<b>11.5</b>		<b>12.5</b>	<b>12.8</b>	
<b>NPM (%)</b>	<b>6.4</b>	<b>4.0</b>		<b>7.1</b>	<b>7.0</b>	
<b>Expenditure (% of Net Sales)</b>						
Raw materials (incl. stock adj.)	43.7	48.7		44.4	37.4	
Staff cost	2.9	3.3		3.1	2.9	
construction expenses	38.3	35.0		37.6	45.0	
Other expenses	3.8	1.5		2.4	2.1	

### Median PE v/s Daily PE



### PE Band



<b>Income Statement</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>
<b>Revenues</b>	<b>2,679</b>	<b>3,287</b>	<b>5,429</b>	<b>8,495</b>	<b>11,044</b>	<b>13,805</b>
<i>Growth (%)</i>	32.5	22.7	65.1	56.5	30.0	25.0
<b>Total Expenditure</b>	<b>2,445</b>	<b>2,858</b>	<b>4,741</b>	<b>7,433</b>	<b>9,717</b>	<b>12,135</b>
<b>Operating Profit</b>	<b>235</b>	<b>429</b>	<b>687</b>	<b>1,062</b>	<b>1,327</b>	<b>1,670</b>
<i>Growth (%)</i>	26.8	82.9	60.2	54.5	24.9	25.9
Interest & dividend income	27	28	100	122	70	55
<b>EBIDT</b>	<b>261</b>	<b>473</b>	<b>794</b>	<b>1,190</b>	<b>1,397</b>	<b>1,725</b>
(-) Interest	69	129	121	206	310	365
(-) Depreciation	17	38	55	73	88	114
<b>PBT &amp; extraordinary items</b>	<b>176</b>	<b>306</b>	<b>619</b>	<b>911</b>	<b>999</b>	<b>1,246</b>
(-) Tax provision	57	61	196	311	340	424
<b>Net Profits</b>	<b>119</b>	<b>246</b>	<b>423</b>	<b>600</b>	<b>659</b>	<b>823</b>
<i>Growth (%)</i>	74.9	107.2	72.2	41.8	9.8	24.8
Fully diluted Eq. sh. O/s (mn no)	10.0	10.6	13.4	13.4	13.4	13.4
Book Value (Rs)	44	90	226	267	313	371
Basic EPS (Rs)	11.9	23.2	31.7	44.9	49.3	61.5
<b>Diluted EPS (Rs)</b>	<b>8.9</b>	<b>18.4</b>	<b>31.7</b>	<b>44.9</b>	<b>49.3</b>	<b>61.5</b>

<b>Balance Sheet</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>
<i>Equity Share Capital</i>	100	106	134	134	134	134
Reserves & Surplus	344	847	2,885	3,440	4,053	4,830
<b>Net worth</b>	<b>444</b>	<b>953</b>	<b>3,018</b>	<b>3,573</b>	<b>4,187</b>	<b>4,964</b>
Total Debt	595	746	902	2,708	2,973	3,128
Deferred Tax liability	6	4	5	11	11	11
<b>Capital Employed</b>	<b>1,045</b>	<b>1,703</b>	<b>3,925</b>	<b>6,292</b>	<b>7,170</b>	<b>8,102</b>
Fixed Assets	104	238	356	563	1,075	1,261
Net current assets	878	1,389	2,969	5,287	5,654	6,400
Investments	62	76	599	440	440	440
Misc exp.	-	1	1	1	1	1
<b>Total Assets</b>	<b>1,045</b>	<b>1,703</b>	<b>3,925</b>	<b>6,292</b>	<b>7,170</b>	<b>8,102</b>

Cash Flow Statement	2005	2006	2007	2008E	2009E	2010E
<b>PBT &amp; Extraord. items</b>	<b>176</b>	<b>306</b>	<b>619</b>	<b>911</b>	<b>999</b>	<b>1,246</b>
Depreciation	17	38	55	73	88	114
Interest & dividend inc.	(27)	(28)	(100)	(122)	(70)	(55)
Interest paid	69	129	121	206	310	365
Tax paid	(56)	(60)	(144)	(304)	(340)	(424)
Other Adjustments	3	(0)	(0)	-	-	-
(Inc)/Dec in working capital	(74)	(278)	(1,356)	(2,359)	(445)	(526)
<b>Cash from operations</b>	<b>107</b>	<b>108</b>	<b>(806)</b>	<b>(1,595)</b>	<b>543</b>	<b>720</b>
Net capital expenditure	(45)	(172)	(173)	(280)	(600)	(300)
Net investments	(26)	(13)	(524)	159	-	-
Interest recd	27	28	144	122	70	55
<b>Cash from investing activities</b>	<b>(45)</b>	<b>(158)</b>	<b>(552)</b>	<b>1</b>	<b>(530)</b>	<b>(245)</b>
Issue of eq. shares	0	6	28	-	-	-
Share premium	0	287	1,702	-	-	-
Change in Loans	62	151	157	1,806	265	155
Eq. Dividend paid	(69)	(129)	(27)	(46)	(46)	(46)
Interest paid	(15)	(15)	(121)	(206)	(310)	(365)
<b>Cash from financing activities</b>	<b>(21)</b>	<b>301</b>	<b>1,738</b>	<b>1,554</b>	<b>(91)</b>	<b>(256)</b>
<b>Inc/(Dec) in cash</b>	<b>41</b>	<b>251</b>	<b>380</b>	<b>(40)</b>	<b>(78)</b>	<b>220</b>

Key Ratios	2005	2006	2007	2008E	2009E	2010E
EBIDT (%)	8.8	13.1	12.7	12.5	12.0	12.1
ROACE (%)	25.4	31.7	26.3	21.9	19.4	21.1
ROANW (%)	30.3	35.2	21.3	18.2	17.0	18.0
Sales/Total Assets (x)	2.6	1.9	1.4	1.4	1.5	1.7
Debt:Equity (x)	1.3	0.8	0.3	0.8	0.7	0.6
Current Ratio (x)	1.8	1.9	2.3	2.5	2.3	2.1
Debtors (days)	127	146	143	148	144	144
Inventory (days)	17	24	20	18	18	18
Net working capital (days)	118	152	197	224	184	167
EV/Sales (x)	1.4	1.2	0.9	0.8	0.6	0.5
EV/EBIDT (x)	14.8	8.4	6.0	5.5	5.0	4.0
P/E (x)	30.8	15.7	11.5	8.1	7.4	5.9
P/BV (x)	8.2	4.1	1.6	1.4	1.2	1.0

## TEAM

### EQUITY DESK

R. Baskar Babu	Head - Equity Broking	<i>baskarb@pinc.co.in</i>	91-22-6618 6465
Gealgeo V. Alankara	Head - Institutional Sales	<i>alankara@pinc.co.in</i>	91-22-6618 6466
Sachin Kasera	Co-Head - Domestic Equities	<i>sachink@pinc.co.in</i>	91-22-6618 6464
Sailav Kaji	Head Derivatives & Strategist	<i>sailavk@pinc.co.in</i>	91-22-6618 6344

### SALES

Anil Chaurasia	<i>anil.chaurasia@pinc.co.in</i>	91-22-6618 6483
Alok Doshi	<i>adoshi@pinc.co.in</i>	91-22-6618 6484
Sapna Mehta	<i>sapna.mehta@pinc.co.in</i>	91-22-6618 6485
Sundeep Bhat	<i>sundeepb@pinc.co.in</i>	91-22-6618 6486

### DEALING

Chandrakant Ware	<i>chandrakantw@pinc.co.in</i>	91-22-6618 6327
Ashok Savla	<i>ashok.savla@pinc.co.in</i>	91-22-6618 6400
Raju Bhavsar	<i>rajub@pinc.co.in</i>	91-22-6618 6301
Manoj Parmar	<i>manojp@pinc.co.in</i>	91-22-6618 6326
Shivkumar R	<i>shivkumarr@pinc.co.in</i>	91-22-6618 6329
Hasmukh D. Prajapati	<i>hasmukhp@pinc.co.in</i>	91-22-6618 6325
Pratiksha Shah	<i>pratikshas@pinc.co.in</i>	91-22-6618 6329

### DIRECTORS

Gaurang Gandhi	<i>gaurangg@pinc.co.in</i>	91-22-6618 6400
Hemang Gandhi	<i>hemangg@pinc.co.in</i>	91-22-6618 6400
Ketan Gandhi	<i>ketang@pinc.co.in</i>	91-22-6618 6400

### COMPLIANCE

Rakesh Bhatia	Head Compliance	<i>rakeshb@pinc.co.in</i>	91-22-6618 6400
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