

Unity Infraprojects (UNIINF)

Rs 104

WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY11E)	Changed from Rs 13.7 to Rs 13.6
EPS (FY12E)	Changed from Rs 15.6 to Rs 15.5
RATING.....	Changed from Add to STRONG BUY

Healthy future ahead...

Unity Infraprojects' (Unity) operating performance in Q4FY10 was largely in line with our expectation. The bottomline, however, came below our expectation due to one-time loss booking in JV. Unity's current order book stands at Rs 3,477 crore, 2.4x FY10 revenues. Going forward, the management has given a healthy growth guidance of 30-35% in order inflow and 20-25% in the topline. We have fine-tuned our earning estimates marginally and upgraded it to **STRONG BUY** recommendation with a price target of Rs 125.

- **Order book stands at Rs 3477 crore, 2.4x order book to bill ratio**

Unity's order book stood at Rs 3,477 crore, 2.4x order book to bill (on FY10 revenues). The order book provides revenues visibility over the next couple of years. Additionally, the company is L1 bidder for projects worth ~Rs 800 crore, largely in water and irrigation. In terms of vertical wise break up, water & irrigation projects account for 55% followed by civil construction (35%) and road & transportation (10%).

- **Healthy order inflow & revenues guidance for FY11**

Unity's management has guided for strong order inflow growth of 30-35% and revenue growth of 20-25% in FY11.

- **Net income dragged down by one-time loss in JV**

Revenues grew strongly by 28.6% YoY to Rs 493 crore on the back of strong order book execution. The EBITDA margin was, however, down 30 bps YoY and flat sequentially at 12.6%. The net profit margin declined 10 bps YoY and 50 bps sequentially to 5.6% due to a JV loss of Rs 2.4 crore.

Valuation

Given the recent correction, the stock is trading at an attractive valuation of 6.7x FY12 earning estimates and 1x FY12 P/BV at the current level. Given the strong order book ensuring earning CAGR of 15% during FY10-12E, we remain positive on the stock and upgrade it to **STRONG BUY** with a price target of Rs 125.

Exhibit 1: Valuation Metrics

Particulars	Q4 FY10	Q4FY10E	Q4FY09	Q3FY10	YoY Gr (%)	QoQ Gr (%)
Net sales	493.3	486.9	383.6	401.5	28.6	22.9
EBITDA	62.3	63.7	49.5	50.4	26.0	23.6
EBITDA Margin (%)	12.6	13.1	12.9	12.6		
Depreciation	4.6	7.5	6.8	4.3	-32.4	7.4
Interest	16.1	14.7	17.6	15.5	-8.8	3.5
PAT	27.7	30.3	21.0	24.4	31.6	13.4

Source: Company, ICICIdirect.com Research

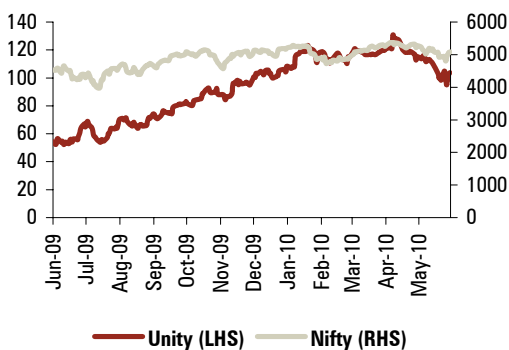
Rating matrix	
Rating	: Strong Buy
Target	: Rs 125
Target Period	: 12-15 months
Potential Upside	: 20%

Key Financials (Rs Crore)				
	FY09	FY10	FY11E	FY12E
Net sales	1130.8	1476.8	1801.0	2055.0
EBITDA	142.8	191.3	228.0	254.5
Adj. Net profit	69.7	86.6	100.8	114.6

Valuation summary				
	FY09	FY10	FY11E	FY12E
EPS (Rs)	10.4	11.7	13.6	15.5
PE(x)	10.0	8.9	7.6	6.7
Target PE(x)	59.7	53.3	45.8	40.3
EV/EBITDA(x)	7.4	5.9	5.0	4.4
P/BV(x)	1.7	1.4	1.2	1.0
RoNW(%)	18.0	17.6	16.5	16.2
RoCE(%)	18.8	18.8	18.7	19.2

Stock data	
Mcap	761 crore
Debt	680 crore
Cash & Invst	161 crore
EV	1280 crore
52 week H/L	649/93
Equity cap	14.8 crore
Face Value	Rs 2
MF Holding (%)	6.8
FII Holding (%)	13.1

Price movement (Stock vs. Nifty)



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The operating performance was largely in line with our expectation. However, the bottomline came below our expectation due to one-time loss booking in the JV

The debt on books has increased significantly to Rs 680 crore in Q4FY10. This may lead to higher interest outgo in the coming quarters

Unity has a strong order book of Rs 3477 providing revenue visibility over the next couple of years. Additionally, the company is L1 bidder for projects worth ~Rs 800 crore, largely in water & irrigation

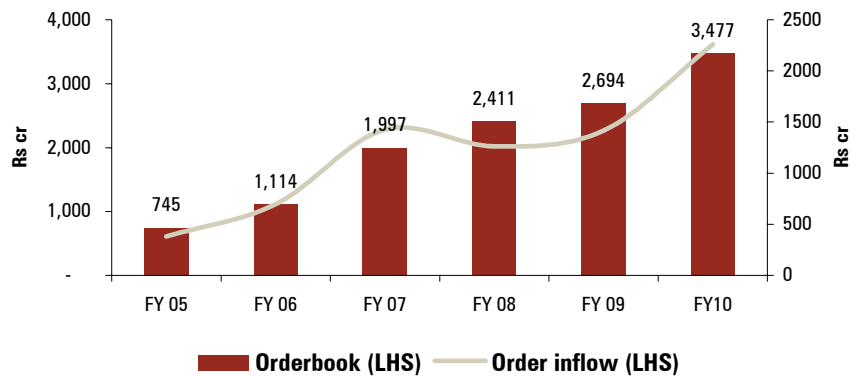
Result Analysis

- Revenues grew strongly by 28.6% YoY to Rs 493 crore on the back of strong order book execution
- Unity reported marginally better-than-expected net sales but lower-than-expected PAT margin due to one-time JV loss of Rs 2.4 crore. The EBIDTA margin was, however, down 30 bps YoY and flat sequentially at 12.6%
- The net profit margin declined by 10 bps YoY and 50 bps sequentially to 5.6%
- The debt on books has increased significantly from Rs 525 crore in Q3FY10 to Rs 680 crore in Q4FY10. This may lead to higher interest outgo in the coming quarters

Order book at Rs 3477crore, 2.4x order book to bill ratio

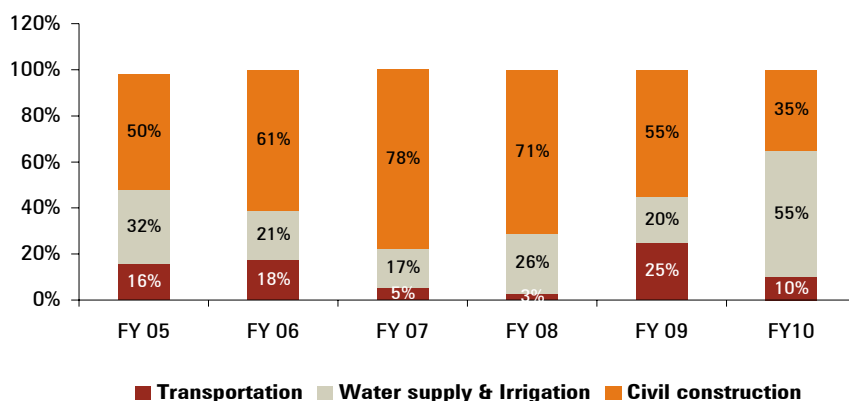
- Unity’s order book stood at Rs 3477 crore, 2.4x order book to bill (on FY10 revenues). The current order book provides revenue visibility over the next couple of years
- In terms of vertical wise break-up, the water & irrigation projects accounts for 55% followed by civil construction (35%) and road & transportation (10%)
- Additionally, the company is L1 bidder for projects worth ~Rs 800 crore, largely in water & irrigation. The management has guided for 30-35% growth in order booking in FY11

Exhibit 2: Trend in pre-sales volume



Source: Company, ICICIdirect.com Research

Exhibit 3: Vertical wise order book break-up (%)



Higher margin orders from irrigation and civil construction make up 90% of the order book

Source: Company, ICICIdirect.com Research

Valuation

Given the recent correction, the stock is trading at attractive valuations of 6.7x FY12 earning estimates and 1x FY12 P/BV at the current level. Given the strong order book ensuring earning CAGR of 15% during FY10-12E, and better return ratio, we remain positive on the stock. We are upgrading it to **STRONG BUY** with a price target of Rs 125.

Exhibit 4: Valuation table

	Sales (Rs cr)	Sales Gr (%)	EPS (Rs)	EPS Gr (%)	P/E (x)	P/BV(x)	RoNW(%)	RoCE(%)
FY09	1130.8	33.1	10.4	16.2	10.0	1.7	18.0	18.8
FY10	1476.8	30.6	11.7	12.0	8.9	1.4	17.6	18.8
FY11E	1801.0	22.0	13.6	16.4	7.6	1.2	16.5	18.7
FY12E	2055.0	14.1	15.5	13.7	6.7	1.0	16.2	19.2

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Construction)

JP Associates			Sales (Rs Crore)	EPS (Rs)	PE (x)	P/BV(x)	RoNW (%)	RoCE (%)
Idirect Code	JAIASS CMP	124 FY09	5,764.2	4.2	29.7	4.0	15.9	8.4
Mcap (Rs crore)	26523 Target	160 FY10	10,088.9	4.2	29.7	3.5	12.5	10.0
	% Upside	29% FY11E	12,933.0	5.5	22.8	3.1	14.4	10.3
		FY12E	14,383.2	5.7	21.9	2.7	13.1	10.1
Simplex Infra			Sales (Rs Crore)	EPS (Rs)	PE (x)	P/BV(x)	RoNW (%)	RoCE (%)
Idirect Code	SIMCON CMP	488 FY09	4,662.7	23.2	20.5	2.6	13.9	14.7
Mcap (Rs crore)	2467 Target	521 FY10	4,455.6	21.4	22.2	2.4	11.2	12.3
	% Upside	7% FY11E	5,403.5	31.6	15.0	2.1	14.7	14.7
		FY12E	6,430.3	40.5	11.7	1.8	16.3	17.2
Unity Infra			Sales (Rs Crore)	EPS (Rs)	PE (x)	P/BV(x)	RoNW (%)	RoCE (%)
Idirect Code	UNIINF CMP	104 FY09	1,130.8	10.4	12.3	2.0	18.0	18.8
Mcap (Rs crore)	761 Target	125 FY10	1,476.8	11.7	11.0	1.7	17.6	18.8
	% Upside	20% FY11E	1,801.0	13.6	9.4	1.4	16.5	18.7
		FY12E	2,055.0	15.5	8.3	1.2	16.2	19.2

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

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