

## Gaining Traction in Margins

### Results Highlights

- ⇒ The company has registered a moderate revenue growth of 10% yoy to Rs. 4,904 mn. The growth was supported by higher execution of orders from the building segment.
- ⇒ We saw a significant improvement in EBITDA margins by 213 bps yoy to 14.6%. This improvement was mainly due to reduction in construction expenses as a percentage of sales by 364 bps yoy and reduction in other expenses as a percentage of sales by 63 bps yoy. Lower construction expenses was due to lower sub contracting of equipments and usage of own equipments.
- ⇒ PAT margins remained flat and stood at 5%. Flat margin was due to rise in Interest cost as a percentage of sales by 238 bps yoy at 6.8% for the quarter. Average cost of borrowing for the quarter stood at 14%. Effective tax rate for the quarter stood at 33%.

### Other Highlights

- ⇒ Closing order book as on date stands at Rs. 39,317 mn while, the L1 orders stands at Rs. 10,150.2 mn. The order book to bill ratio stands at ~2.0x FY11 sales. Favorable order book gives us the revenue visibility of next 24-30 months. The order book break up stands at 61% from building segment, 29% from water segment and balance 10% from transport segment. Order inflow year to date FY12 has been phenomenal and stands at ~Rs 21 bn while it was ~Rs. 12 bn for the full year FY11. Management expects to end the year with the closing order book of ~Rs 45 to Rs 50 bn.
- ⇒ The company's BOT project in Rajasthan will gets it financial closure done by end of FY12.
- ⇒ The company is now looking to enter into Sri Lanka and South Africa with some projects and hopes that in next 2-3 years, a good part of the company's revenue would come from overseas segment.
- ⇒ The company is about to raise money to the extent of Rs. 1,750 mn by diluting its stake in two SPV's. The company is in talks with a couple of Private Equity firms to raise the amount under two SPV's at project level. The management hopes to finalize the deal in next 2-3 months. The company has identified one real estate and a transportation project in which it would dilute stake to private equity firms, but did not identify the projects.

### Valuation & Outlook

We expect the company's top line to grow at a healthy CAGR rate of ~33% during FY11 to FY13E. We have valued the business on relative valuation basis by assigning P/E multiple to its standalone business. UIL trades at a P/E of 3.8X and 3.2X FY12E and FY13E EPS of Rs. 13.0 and Rs 15.7 per share, which we think is available at a discount to its peers considering its healthy order book, high growth rate and healthy return ratios. We maintain "Buy" and arrive at a target price of Rs. 63 per share which discount FY13E EPS of Rs 15.7 by 4.0x; an upside of 26%.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Neutral

### Stock

CMP (Rs)	50.00
Target Price (Rs)	63.00
Prev. Reco. (Rs)	48.00
BSE code	532746
NSE Symbol	UNITY
Bloomberg	UIP IN
Reuters	UTIL.BO

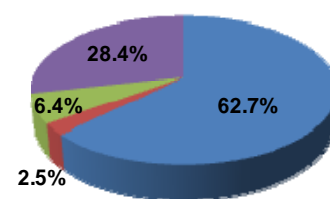
### Key Data

Nifty	5483.30
52WeekH/L(Rs)	79.4/22.4
O/s Shares (mn)	74.08
Market Cap (Rs mn)	3,704
Face Value (Rs)	Rs. 2.00

### Average volume

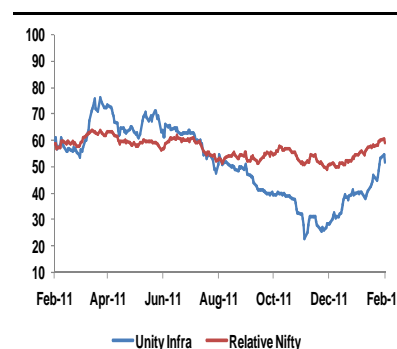
3 months	393,125
6 months	263,877
1 year	191,836

### Share Holding Pattern (%)



■ Promoter ■ FI ■ DII ■ Others

### Relative Price Chart



### Research Analyst

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### Key Financials

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>11,323</b>	<b>14,790</b>	<b>17,038</b>	<b>19,023</b>	<b>22,884</b>
Growth%	33.2%	30.6%	15.2%	11.6%	20.3%
<b>EBITDA</b>	<b>1,443</b>	<b>1,935</b>	<b>2,295</b>	<b>2,738</b>	<b>3,261</b>
Growth%	35.0%	34.1%	18.6%	19.3%	19.1%
<b>Net Profit</b>	<b>696</b>	<b>851</b>	<b>943</b>	<b>964</b>	<b>1,164</b>
Growth%	15.9%	22.3%	10.8%	2.2%	20.7%
<b>Diluted EPS</b>	<b>9.4</b>	<b>11.5</b>	<b>12.7</b>	<b>13.0</b>	<b>15.7</b>
Growth%	15.9%	22.3%	10.8%	2.2%	20.7%

### Key Ratios

<b>EBITDA Margins(%)</b>	<b>12.7%</b>	<b>13.1%</b>	<b>13.5%</b>	<b>14.4%</b>	<b>14.3%</b>
NPM (%)	6.1%	5.8%	5.5%	5.1%	5.1%
<b>RoE (%)</b>	<b>17.8%</b>	<b>17.2%</b>	<b>15.4%</b>	<b>13.8%</b>	<b>14.6%</b>
RoCE (%)	12.6%	11.5%	10.8%	11.2%	11.8%
<b>BV/Per Share Rs.</b>	<b>56.5</b>	<b>76.3</b>	<b>87.9</b>	<b>99.7</b>	<b>114.3</b>

### Valuation Ratios

P/E (x)		3.9x	3.8x	3.2x
<b>EV/EBITDA (x)</b>		<b>4.3x</b>	<b>3.8x</b>	<b>3.4x</b>
P/BV (x)		0.6x	0.5x	0.4x
<b>Market Cap/ Sales (x)</b>		<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>

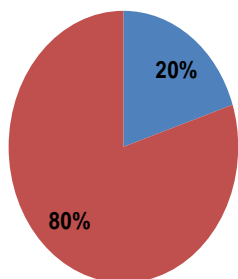
## Quarterly Result Analysis

## Financial Statement

YE March (Rs mn)	Q3FY12	Q2FY12	QoQ %	Q3FY11	YoY %	9M FY12	9M FY11	YoY %
<b>Total Income</b>	<b>4,904</b>	<b>3,903</b>	<b>25.6%</b>	<b>4,457</b>	<b>10.0%</b>	<b>12,579</b>	<b>11,331</b>	<b>11.0%</b>
Less:								
Consumption of materials	2,284	1,759	29.8%	1,994	14.5%	5,697	5,002	13.9%
Construction Expenses	1,623	1,264	28.4%	1,638	-0.9%	4,288	4,114	4.2%
Employee Cost	185	161	14.9%	155	19.7%	486	431	12.7%
Other Expenses	95	86	10.9%	115	-17.0%	258	279	-7.5%
<b>Total Operating Expenditure</b>	<b>4,187</b>	<b>3,271</b>	<b>28.0%</b>	<b>3,901</b>	<b>7.3%</b>	<b>10,728</b>	<b>9,825</b>	<b>9.2%</b>
<b>EBIDTA</b>	<b>717</b>	<b>632</b>	<b>13.3%</b>	<b>556</b>	<b>28.8%</b>	<b>1,851</b>	<b>1,505</b>	<b>23.0%</b>
Less: Depreciation	49	51	-3.3%	42	17.4%	145	123	17.8%
<b>Operating Profit</b>	<b>668</b>	<b>582</b>	<b>14.8%</b>	<b>515</b>	<b>29.7%</b>	<b>1,706</b>	<b>1,382</b>	<b>23.4%</b>
Add: Other Income	32	26	22.5%	17	93.5%	104	80	29.4%
Less: Interest	332	314	5.8%	196	69.7%	868	531	63.3%
<b>Profit Before Tax</b>	<b>368</b>	<b>294</b>	<b>25.1%</b>	<b>336</b>	<b>9.6%</b>	<b>942</b>	<b>931</b>	<b>1.2%</b>
Less: Total Tax	121	88	37.6%	111	9.6%	294	296	-0.6%
<b>Profit After Tax</b>	<b>247</b>	<b>206</b>	<b>19.7%</b>	<b>225</b>	<b>9.6%</b>	<b>648</b>	<b>635</b>	<b>2.0%</b>
Less: Minority Interest	0	0	N.A	0	N.A	0	0	N.A
<b>Adjusted PAT</b>	<b>247</b>	<b>206</b>	<b>19.7%</b>	<b>225</b>	<b>9.6%</b>	<b>648</b>	<b>635</b>	<b>2.0%</b>
<b>Reported Diluted EPS (Rs)</b>	<b>3.5</b>	<b>2.8</b>	<b>26.3%</b>	<b>3</b>	<b>15.5%</b>	<b>9</b>	<b>9</b>	<b>0.0%</b>
			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
<b>Margin Analysis %</b>								
EBIDTA Margin	14.6%	16.2%	-159	12.5%	213	14.7%	13.3%	143
Operating Margin	13.6%	14.9%	-129	11.5%	207	13.6%	12.2%	136
PAT Margins	5.0%	5.3%	-25	5.0%	-2	5.2%	5.6%	-45
Adjusted NPM	5.0%	5.3%	-25	5.0%	-2	5.2%	5.6%	-45
Effective Tax Rate	33.0%	30.0%	300	33.0%	0	31.2%	31.7%	-57
			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
<b>Cost Analysis %</b>								
Consumption of Materials/Net Sales	46.6%	45.1%	150	44.7%	184	45.3%	44.1%	114
Construction Expenses/Net Sales	33.1%	32.4%	70	36.7%	-364	34.1%	36.3%	-222
Employee Cost/Net Sales	3.8%	4.1%	-35	3.5%	31	3.9%	3.8%	6
Other Expenses/Net Sales	1.9%	2.2%	-26	2.6%	-63	2.0%	2.5%	-41
Interest cost/Net Sales	6.8%	8.0%	-127	4.4%	238	6.9%	4.7%	221

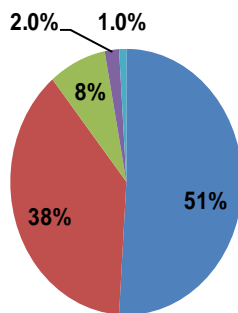
Source: Company, BP Equities Research

Figure1: Order book break up client wise



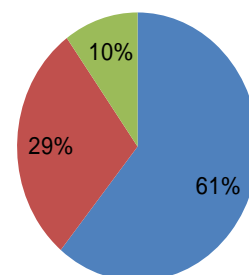
■ Non Government ■ Government

Figure2: Geographical break up of order book



■ West ■ North ■ South ■ East ■ Overseas

Figure3: Order book break up segment wise



■ Building ■ Water &amp; Irrigation ■ Transport

Source: Company, BP Equities Research

**Income Statement**

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>11,323</b>	<b>14,790</b>	<b>17,038</b>	<b>19,023</b>	<b>22,884</b>
Sales Growth %	33.2%	30.6%	15.2%	11.6%	20.3%
<b>Total Revenue</b>	<b>11,323</b>	<b>14,790</b>	<b>17,038</b>	<b>19,023</b>	<b>22,884</b>
<b>Less:</b>					
Construction expenses	9,184	11,943	13,801	15,230	18,333
Employees remuneration and welfare expenses	433	532	587	655	800
Other Expenses	264	379	355	399	491
<b>EBITDA</b>	<b>1,443</b>	<b>1,935</b>	<b>2,295</b>	<b>2,738</b>	<b>3,261</b>
EBITDA Growth %	35.0%	34.1%	18.6%	19.3%	19.1%
Less: Depreciation	159	175	180	218	297
<b>Operating Profit</b>	<b>1,284</b>	<b>1,760</b>	<b>2,115</b>	<b>2,520</b>	<b>2,964</b>
Operating Profit Growth %	28.9%	37.1%	20.1%	19.2%	17.6%
Less: Interest Paid	400	584	833	1,213	1,354
Non-operating Income	156	122	150	153	153
Extraordinary Income	0	0	0	0	0
Extraordinary Expense	0	0	0	0	0
<b>Profit Before tax</b>	<b>1,039</b>	<b>1,299</b>	<b>1,432</b>	<b>1,460</b>	<b>1,763</b>
Tax	343	447	489	496	599
Minority Interest	0	0	0	0	0
Net Profit	696	851	943	964	1,164
Net Profit Growth%	15.9%	22.3%	10.8%	2.2%	20.7%
<b>Adjusted Profit</b>	<b>696</b>	<b>851</b>	<b>943</b>	<b>964</b>	<b>1,164</b>
<b>Reported Diluted EPS (Rs)</b>	<b>9.4</b>	<b>11.5</b>	<b>12.7</b>	<b>13.0</b>	<b>15.7</b>
Diluted EPS Growth %	15.9%	22.3%	10.8%	2.2%	20.7%
<b>Adjusted EPS</b>	<b>9.4</b>	<b>11.5</b>	<b>12.7</b>	<b>13.0</b>	<b>15.7</b>
Adjusted EPS Growth %	15.9%	22.3%	10.8%	2.2%	20.7%

**Key Ratios**

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Key Operating Ratios</b>					
EBITDA Margin (%)	12.7%	13.1%	13.5%	14.4%	14.3%
Tax / PBT (%)	32.4%	33.3%	34.2%	34.0%	34.0%
Net Profit Margin (%)	6.1%	5.8%	5.5%	5.1%	5.1%
RoE (%)	17.8%	17.2%	15.4%	13.8%	14.6%
RoCE (%)	12.6%	11.5%	10.8%	11.2%	11.8%
Current Ratio (x)	2.8x	4.2x	4.6x	4.5x	4.4x
Dividend Payout (%)	10.1%	10.2%	9.2%	8.9%	7.4%
BV Per Share (Rs.)	56.5	76.3	87.9	99.71	114.25
<b>Financial Leverage Ratios</b>					
Debt/ Equity (x)	1.1x	1.2x	1.3x	1.2x	1.2x
Interest Coverage (x)	3.6x	3.3x	2.8x	2.3x	2.4x
Interest / Debt (%)	10.7%	10.1%	10.9%	13.9%	14.2%
<b>Growth Indicators %</b>					
Gross Block Growth (%)	84.0%	7.0%	24.8%	26.1%	22.7%
Sales Growth (%)	33.2%	30.6%	15.2%	11.6%	20.3%
EBITDA Growth (%)	35.03%	34.13%	18.60%	19.32%	19.10%
Net Profit Growth (%)	15.94%	22.28%	10.84%	2.17%	20.73%
Diluted EPS Growth (%)	15.94%	22.28%	10.84%	2.17%	20.73%
<b>Turnover Ratios</b>					
Debtors days	132	139	156	150	145
Inventory days	41	38	19	30	25
Creditors days	144	92	87	86	82

Source: Company, BP Equities Research

**Balance Sheet**

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Liabilities</b>					
Equity Capital	134	148	148	148	148
Reserves & Surplus	4,049	5,504	6,361	7,239	8,317
<b>Equity</b>	<b>4,183</b>	<b>5,652</b>	<b>6,509</b>	<b>7,387</b>	<b>8,465</b>
Preference Share Capital	0	0	0	0	0
<b>Net Worth</b>	<b>4,183</b>	<b>5,652</b>	<b>6,509</b>	<b>7,387</b>	<b>8,465</b>
Net Deferred tax liability/ (Asset)	17	15	13	13	13
<b>Total Loans</b>	<b>4,720</b>	<b>6,863</b>	<b>8,481</b>	<b>8,987</b>	<b>10,031</b>
<b>Capital Employed</b>	<b>8,920</b>	<b>12,530</b>	<b>15,003</b>	<b>16,386</b>	<b>18,509</b>
<b>Assets</b>					
Gross Block	1,436	1,538	1,918	2,418	2,968
Less: Depreciation	363	535	704	922	1,219
<b>Net Block</b>	<b>1,073</b>	<b>1,003</b>	<b>1,214</b>	<b>1,497</b>	<b>1,750</b>
Capital WIP	0	7	111	30	30
<b>Investments</b>	<b>338</b>	<b>342</b>	<b>623</b>	<b>893</b>	<b>1,123</b>
Others - A	0	0	0	0	0
<b>Current Assets</b>					
Inventories	1,103	1,330	781	1,338	1,344
Sundry Debtors	4,102	5,616	7,304	7,817	9,091
Cash and Bank Balance	1,114	1,612	2,225	2,187	2,711
Loans and Advances	5,269	6,091	6,399	6,590	7,025
<b>Total Current Assets</b>	<b>11,588</b>	<b>14,649</b>	<b>16,709</b>	<b>17,932</b>	<b>20,171</b>
<b>Less: Current Liabilities &amp; Provisions</b>					
Sundry Creditors	3,910	3,237	3,513	3,825	4,424
Provisions	171	234	141	141	141
Other Current Liabilities	0	0	0	0	0
<b>Total Current Liabilities &amp; Provisions</b>	<b>4,080</b>	<b>3,470</b>	<b>3,655</b>	<b>3,966</b>	<b>4,565</b>
<b>Capital Applied</b>	<b>8,920</b>	<b>12,530</b>	<b>15,003</b>	<b>16,386</b>	<b>18,509</b>

**Cash Flow Analysis**

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>EBITA</b>	<b>1,284</b>	<b>1,760</b>	<b>2,115</b>	<b>2,520</b>	<b>2,964</b>
Less: Adjusted Taxes	423	606	722	857	1,008
<b>NOPLAT</b>	<b>860</b>	<b>1,154</b>	<b>1,393</b>	<b>1,664</b>	<b>1,957</b>
Plus: Depreciation	159	175	180	218	297
Less: Increase in Working Capital	2,168	3,626	1,314	990	1,192
<b>Operating Cash flow</b>	<b>-1,149</b>	<b>-2,297</b>	<b>259</b>	<b>891</b>	<b>1,062</b>
Less: Net Capex	659	111	496	419	550
Less: Increase in Net Other Assets	-18	-382	-5	0	0
<b>FCF From Operation</b>	<b>-1,790</b>	<b>-2,026</b>	<b>-232</b>	<b>472</b>	<b>512</b>
Less: Inc./(Dec.) in Investment	139	11	171	270	230
<b>FCF after Investment</b>	<b>-1,929</b>	<b>-2,037</b>	<b>-403</b>	<b>202</b>	<b>282</b>
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	0
<b>Total Free Cash Flow</b>	<b>-1,929</b>	<b>-2,037</b>	<b>-403</b>	<b>202</b>	<b>282</b>
<b>Financing Cash Flow</b>					
Interest Exp/(inc) After Tax, Net	164	303	450	700	793
Inc/(dec) in Excess Cash and Marketable Securities	-237	421	678	-78	447
Dec/(Inc) in Debt	-1,926	-2,143	-1,617	-506	-1,045
Dividends	70	87	86	86	86
Share Repurchase/ (Issues)	0	-705	0	0	0
<b>Total Financing Flow</b>	<b>-1,929</b>	<b>-2,037</b>	<b>-403</b>	<b>202</b>	<b>282</b>

**Valuation Ratios**

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>P/E (x)</b>			<b>3.9x</b>	<b>3.8x</b>	<b>3.2x</b>
P/BV (x)			0.6x	0.5x	0.4x
<b>EV/EBITDA (x)</b>			<b>4.3x</b>	<b>3.8x</b>	<b>3.4x</b>
EV/Sales			0.6x	0.6x	0.5x
<b>Market Cap./ Sales (x)</b>			<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>
Dividend Yield (%)			2.0%	2.0%	2.0%

Source: Company, BP Equities Research



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Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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