

Steady performance; a value play in tough time

Results Highlights

- ⇒ The company has registered revenue growth of 12.6% yoy to Rs. 3,903 mn. The growth was supported by higher execution of orders from the building segment. The overall execution was slow due to heavy monsoons during the quarter which resulted in modest topline growth. Revenue contribution from various segments; building 70%, water & irrigation 18% and transport 12% respectively. For the half year H1FY12 we saw revenue growth of 11.7% yoy to Rs. 7,675 mn. Management has guided a topline growth of ~20% during FY12.
- ⇒ EBIDTA margins improved by 190 bps yoy to 16.2%. We saw this improvement mainly due to reduction in construction expenses as a percentage of sales by 240 bps yoy and reduction in other expenses by 9.5% yoy. Lower construction expenses was due to lower sub contracting of equipments and usage of own equipments. For the half year H1FY12 margins stood at 14.8% an improvement of 98 bps yoy. Management has guided to maintain EBIDTA margins in the range of 13% to 14% during FY12.
- ⇒ PAT margins has taken a hit and stood at 5.3% decline of 93 bps yoy. Decline in margins was due to rise in cost of borrowing which stood at Rs. 314 mn as against Rs. 176 mn yoy, a rise of 78.5% yoy. Interest cost as a percentage of sales stood at 8% rise of 297 bps yoy. Average cost of borrowing for the quarter stood at 14.25%. Effective tax rate for the quarter stood at 30%. Management has guided a bottom line growth of ~25% during FY12.

Other Highlights

- ⇒ Closing order book as on date stands at Rs. 37,960 mn which stands at 2.2x FY11 sales. Favorable order book gives us the revenue visibility of next 24-30 months. The order book break up stands at 54% from building segment, 30% from water segment and balance 16% from transport segment. The company is L1 for orders worth Rs. 15,250 mn divided amongst building ~90% and water ~10%. Of the present order book 92% of the orders are covered by escalation clause.
- ⇒ For the H1FY12 company has added orders worth of Rs. 14,920 mn which is remarkable on the part of the company considering the present scenario of slow down in order book flow. Management has guided on maintenance of closing order book of ~Rs. 45,000 mn by end of FY12, a growth of 30% to 35% to present order book.
- ⇒ Realty projects of the company are yet to pick up and as informed by the management the investment made in these projects stands at Rs. 12,000 mn. Management is upbeat for these projects and expects this segment to start generating revenue from FY13.
- ⇒ The company's BOT project in Rajasthan will get its financial closure done by end of Dec, 2011.

Valuation & Outlook

In view of the growing order book, efficient execution of ongoing projects and improving track record, we expect the company's top line to grow at a healthy CAGR rate of ~23% 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 2.3X and 1.9X FY12E and FY13E EPS of Rs. 13.1 and Rs 15.9 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. 48 per share which discounts FY13E EPS of Rs 15.9 by 3.0x; an upside of 60%.

Key Financials					
YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Net Sales	11,323	14,790	17,038	20,536	25,849
Growth%	33.2%	30.6%	15.2%	20.5%	25.9%
EBITDA	1,443	1,935	2,295	2,823	3,458
Growth%	35.0%	34.1%	18.6%	23.0%	22.5%
Net Profit	696	851	943	974	1,180
Growth%	15.9%	22.3%	10.8%	3.2%	21.1%
Diluted EPS	9.4	11.5	12.7	13.1	15.9
Growth%	15.9%	22.3%	10.8%	3.2%	21.1%
Key Ratios					
EBITDA Margins(%)	12.7%	13.1%	13.5%	13.7%	13.4%
NPM (%)	6.1%	5.8%	5.5%	4.7%	4.6%
RoE (%)	17.8%	17.2%	15.4%	13.9%	14.8%
RoCE (%)	12.6%	11.5%	10.8%	11.4%	11.9%
BV/Per Share Rs.	56.5	76.3	87.9	99.8	114.6
Valuation Ratios					
P/E (x)			2.4x	2.3x	1.9x
EV/EBITDA (x)			3.7x	3.4x	3.1x
P/BV (x)			0.3x	0.3x	0.3x
Market Cap./ Sales (x)			0.1x	0.1x	0.1x

Source: Company, BP Equities Research

Stock Rating

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

Sector Outlook

Negative

Stock

CMP (Rs)	30.00
Target Price (Rs)	48.00
Prev. Reco. (Rs)	56.70
BSE code	532746
NSE Symbol	UNITY
Bloomberg	UIP IN
Reuters	UTIL.BO

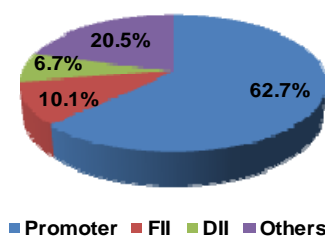
Key Data

Nifty	4706.45
52WeekH/L(Rs)	112.00/29.60
O/s Shares (mn)	74.08
Market Cap (Rs mn)	2,222.40
Face Value (Rs)	Rs. 2.00

Average volume

3 months	124,912
6 months	105,398
1 year	147,327

Share Holding Pattern (%)



Relative Price Chart



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Quarterly Result Analysis

Financial Statement

YE March (Rs mn)	Q2FY12	Q1FY12	QoQ %	Q2FY11	YoY %	H1 FY12	H1 FY11	YoY %
Total Income	3,903	3,773	3.5%	3,465	12.6%	7,675	6,873	11.7%
Less:								
Consumption of materials	1,759	1,654	6.4%	1,522	15.6%	3,413	3,008	13.5%
Construction Expenses	1,264	1,400	-9.7%	1,206	4.9%	2,665	2,476	7.6%
Employee Cost	181	139	30.0%	147	23.2%	301	276	8.8%
Other Expenses	86	77	11.9%	95	-9.5%	163	164	-0.8%
Total Operating Expenditure	3,291	3,270	0.6%	2,970	10.8%	6,541	5,924	10.4%
EBIDTA	612	502	21.9%	495	23.6%	1,135	949	19.6%
Less: Depreciation	31	45	-32.3%	42	-26.5%	96	81	18.1%
Operating Profit	582	457	27.3%	454	28.2%	1,039	868	19.7%
Add: Other Income	26	45	-41.1%	38	-31.2%	71	63	12.5%
Less: Interest	314	222	41.4%	176	78.5%	536	336	59.6%
Profit Before Tax	294	280	5.2%	316	-7.0%	574	595	-3.5%
Less: Total Tax	88	84	5.2%	101	-12.6%	172	185	-6.8%
Profit After Tax	206	196	5.2%	215	-4.3%	402	410	-2.1%
Less: Minority Interest	0	0	N.A	0	N.A	0	0	N.A
Adjusted PAT	206	196	5.2%	215	-4.3%	402	410	-2.1%
Reported Diluted EPS (Rs)	2.8	2.7	4.9%	2.9	-4.5%	5.4	5.5	-2.2%
			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
Margin Analysis %								
EBIDTA Margin	15.7%	13.3%	238	14.3%	139	14.8%	13.8%	98
Operating Margin	14.9%	12.1%	279	13.1%	181	13.5%	12.6%	91
PAT Margins	5.3%	5.2%	9	6.2%	(93)	5.2%	6.0%	(74)
Adjusted NPM	5.3%	5.2%	9	6.2%	(93)	5.2%	6.0%	(74)
Effective Tax Rate	30.0%	30.0%	0	31.9%	(194)	30.0%	31.0%	(104)
			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
Cost Analysis %								
Consumption of Materials/Net Sales	45.1%	43.8%	123	43.9%	115	44.5%	43.8%	16
Construction Expenses/Net Sales	32.4%	37.1%	(472)	34.8%	(240)	34.7%	36.0%	(124)
Employee Cost/Net Sales	4.6%	3.7%	95	4.2%	40	3.9%	4.0%	23
Other Expenses/Net Sales	2.2%	2.0%	17	2.7%	(54)	2.1%	2.4%	36
Interest cost/Net Sales	8.0%	5.9%	216	5.1%	297	7.0%	4.9%	19

Source: Company, BP Equities Research

Figure1: Geographical break up of confirmed order book

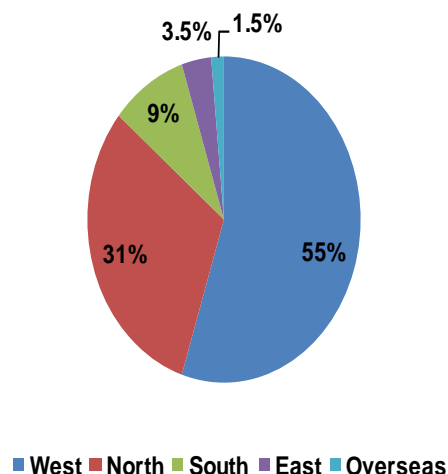


Figure2: Confirmed order book break up client wise

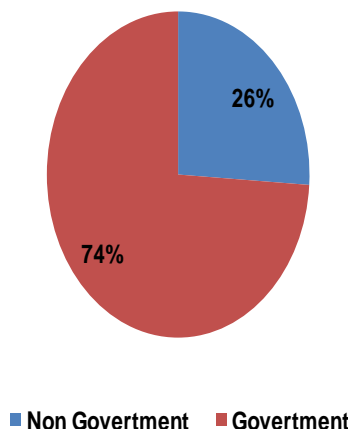
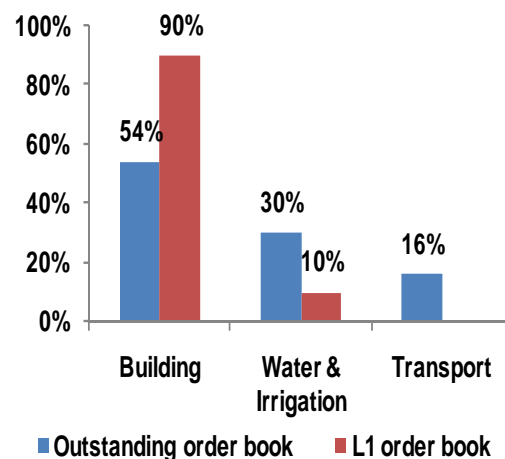


Figure3: Order book break up—L1 orders & confirmed outstanding orders



Source: Company, BP Equities Research

Income Statement

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Net Sales	11,323	14,790	17,038	20,536	25,849
Sales Growth %	33.2%	30.6%	15.2%	20.5%	25.9%
Total Revenue	11,323	14,790	17,038	20,536	25,849
Less:					
Construction expenses	9,184	11,943	13,801	16,615	20,984
Employees remuneration and welfare expenses	433	532	587	667	839
Other Expenses	264	379	355	431	568
EBITDA	1,443	1,935	2,295	2,823	3,458
EBITDA Growth %	35.0%	34.1%	18.6%	23.0%	22.5%
Less: Depreciation	159	175	180	218	282
Operating Profit	1,284	1,760	2,115	2,605	3,176
Operating Profit Growth %	28.9%	37.1%	20.1%	23.2%	21.9%
Less: Interest Paid	400	584	833	1,271	1,517
Non-operating Income	156	122	150	141	129
Extraordinary Income	0	0	0	0	0
Extraordinary Expense	0	0	0	0	0
Profit Before tax	1,039	1,299	1,432	1,476	1,787
Tax	343	447	489	502	607
Minority Interest	0	0	0	0	0
Net Profit	696	851	943	974	1,180
Net Profit Growth%	15.9%	22.3%	10.8%	3.2%	21.1%
Adjusted Profit	696	851	943	974	1,180
Reported Diluted EPS (Rs)	9.4	11.5	12.7	13.1	15.9
Diluted EPS Growth %	15.9%	22.3%	10.8%	3.2%	21.1%
Adjusted EPS	9.4	11.5	12.7	13.1	15.9
Adjusted EPS Growth %	15.9%	22.3%	10.8%	3.2%	21.1%

Key Ratios

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Key Operating Ratios					
EBITDA Margin (%)	12.7%	13.1%	13.5%	13.7%	13.4%
Tax / PBT (%)	32.4%	33.3%	34.2%	34.0%	34.0%
Net Profit Margin (%)	6.1%	5.8%	5.5%	4.7%	4.6%
RoE (%)	17.8%	17.2%	15.4%	13.9%	14.8%
RoCE (%)	12.6%	11.5%	10.8%	11.4%	11.9%
Current Ratio (x)	2.8x	4.2x	4.6x	4.6x	4.5x
Dividend Payout (%)	10.1%	10.2%	9.2%	8.8%	7.3%
BV Per Share (Rs.)	56.5	76.3	87.9	99.84	114.60
Financial Leverage Ratios					
Debt/ Equity (x)	1.1x	1.2x	1.3x	1.3x	1.3x
Interest Coverage (x)	3.6x	3.3x	2.8x	2.2x	2.3x
Interest / Debt (%)	10.7%	10.1%	10.9%	14.2%	14.7%
Growth Indicators %					
Gross Block Growth (%)	84.0%	7.0%	24.8%	26.1%	22.7%
Sales Growth (%)	33.2%	30.6%	15.2%	20.5%	25.9%
EBITDA Growth (%)	35.03%	34.13%	18.60%	23.01%	22.49%
Net Profit Growth (%)	15.94%	22.28%	10.84%	3.23%	21.12%
Diluted EPS Growth (%)	15.94%	22.28%	10.84%	3.23%	21.12%
Turnover Ratios					
Debtors days	132	139	156	145	140
Inventory days	41	38	19	21	20
Creditors days	144	92	87	79	77

Source: Company, BP Equities Research

Balance Sheet

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Liabilities					
Equity Capital	134	148	148	148	148
Reserves & Surplus	4,049	5,504	6,361	7,249	8,343
Equity	4,183	5,652	6,509	7,397	8,491
Preference Share Capital	0	0	0	0	0
Net Worth	4,183	5,652	6,509	7,397	8,491
Net Deferred tax liability/ (Asset)	17	15	13	13	13
Total Loans	4,720	6,863	8,481	9,411	11,238
Capital Employed	8,920	12,530	15,003	16,821	19,742
Assets					
Gross Block	1,436	1,538	1,918	2,418	2,968
Less: Depreciation	363	535	704	922	1,204
Net Block	1,073	1,003	1,214	1,497	1,765
Capital WIP	0	7	111	30	30
Investments	338	342	623	893	1,123
Others - A	0	0	0	0	0
Current Assets					
Inventories	1,103	1,330	781	1,019	1,227
Sundry Debtors	4,102	5,616	7,304	8,158	9,915
Cash and Bank Balance	1,114	1,612	2,225	2,147	2,672
Loans and Advances	5,269	6,091	6,399	7,074	7,869
Total Current Assets	11,588	14,649	16,709	18,398	21,683
Less: Current Liabilities & Provisions					
Sundry Creditors	3,910	3,237	3,513	3,855	4,718
Provisions	171	234	141	141	141
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities & Provisions	4,080	3,470	3,655	3,996	4,859
Capital Applied	8,920	12,530	15,003	16,821	19,742

Cash Flow Analysis

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
EBITA	1,284	1,760	2,115	2,605	3,176
Less: Adjusted Taxes	423	606	722	886	1,079
NOPLAT	860	1,154	1,393	1,720	2,096
Plus: Depreciation	159	175	180	218	282
Less: Increase in Working Capital	2,168	3,626	1,314	1,496	2,003
Operating Cash flow	-1,149	-2,297	259	442	375
Less: Net Capex	659	111	496	419	550
Less: Increase in Net Other Assets	-18	-382	-5	0	0
FCF From Operation	-1,790	-2,026	-232	23	-175
Less: Inc./(Dec.) in Investment	139	11	171	270	230
FCF after Investment	-1,929	-2,037	-403	-247	-405
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	0
Total Free Cash Flow	-1,929	-2,037	-403	-247	-405
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	164	303	450	746	917
Inc/(dec) in Excess Cash and Marketable Securities	-237	421	678	-148	419
Dec/(Inc) in Debt	-1,926	-2,143	-1,617	-931	-1,827
Dividends	70	87	86	86	86
Share Repurchase/ (Issues)	0	-705	0	0	0
Total Financing Flow	-1,929	-2,037	-403	-247	-405

Valuation Ratios

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
P/E (x)			2.4x	2.3x	1.9x
P/BV (x)			0.3x	0.3x	0.3x
EV/EBITDA (x)			3.7x	3.4x	3.1x
EV/Sales			0.5x	0.5x	0.4x
Market Cap./ Sales (x)			0.1x	0.1x	0.1x
Dividend Yield (%)			3.3%	3.3%	3.3%

Source: Company, BP Equities Research



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