

**Strong order book shall drive growth**

**Results Highlights**

- ⇒ The company has registered revenue growth of 5.2% yoy to Rs. 3,968 mn. This subdued growth has been due to slower execution of the order book.
- ⇒ During the quarter we saw improvement in EBIDTA margins which stood at 14.0% up by 64 bps yoy, primarily due to change in order book mix.
- ⇒ During the quarter PAT margins declined by 64 bps yoy at 4.6%, primarily down due to rise in borrowing cost by 33%% yoy .

**Other Highlights**

- ⇒ The order book of the company stands at Rs. 42bn translating into 2.1x FY12 sales giving us the revenue visibility for next 24 months. The order book is well diversified amongst different segments viz., 48.5% from building, 22.8% from water and balance 28.7% from transport. Order bagged till date stands at Rs. 4,700 mn and the company has a L1 order book of Rs. 13.4 bn as on Aug 31,2012. Order book is dominated from government clients at 86.3% while balance 13.7% from private clients. Geographically the company has well diversified order book which stands at 43.2% form West, 44.6% form North, 6.5% form East, 5.3% from South and balance 0.4% Overseas.
- ⇒ Revenue mix for Q1FY13 stands at 75% form building, 10% Water and balance 15% from transport. The company has ~64 ongoing projects and we expect the same run rate to continue.
- ⇒ The construction work at its BOT project Chomu – Mahala has started and the financial closure for its other two BOT projects is yet to be achieved. The additional equity requirements for these BOT projects is to the extent of ~2.2 bn going forward.

**Valuation & Outlook**

We expect the company's top line to grow at a healthy CAGR rate of ~17% during FY12 to FY14E. 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 3.5X and 3.0X to its FY13E and FY14E EPS of Rs. 14 and Rs 16.5 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 14.0 by ~5.0x; an upside of 29%.

**Key Financials (Standalone)**

YE March (Rs. Mn)	FY10	FY11	FY12P	FY13E	FY14E
<b>Net Sales</b>	<b>14,790</b>	<b>17,038</b>	<b>19,756</b>	<b>22,761</b>	<b>26,850</b>
Sales Growth (Y-o-Y)	30.6%	15.2%	16.0%	15.2%	18.0%
<b>EBIDTA</b>	<b>1,935</b>	<b>2,295</b>	<b>2,747</b>	<b>3,074</b>	<b>3,609</b>
EBIDTA Growth (Y-o-Y)	34.1%	18.6%	19.7%	11.9%	17.4%
<b>Net Profit</b>	<b>851</b>	<b>943</b>	<b>1,036</b>	<b>1,039</b>	<b>1,219</b>
Net Profit Growth (Y-o-Y)	22.3%	10.8%	9.8%	0.3%	17.4%
<b>Diluted EPS</b>	<b>11.5</b>	<b>12.7</b>	<b>14.0</b>	<b>14.0</b>	<b>16.5</b>
Diluted EPS Growth (Y-o-Y)	22.3%	10.8%	9.8%	0.3%	17.4%

**Key Ratios**

EBIDTA (%)	13.1%	13.5%	13.9%	13.5%	13.4%
NPM (%)	5.8%	5.5%	5.2%	4.6%	4.5%
RoE (%)	17.2%	15.4%	14.7%	13.0%	13.5%
RoCE (%)	11.5%	10.8%	11.7%	11.0%	11.3%

**Valuation Ratios**

P/E (x)		3.5x	3.5x	3.0x
P/BV (x)		3.8x	3.7x	3.6x
EV/EBITDA(x)		0.5x	0.4x	0.4x
Debt/Equity (x)		0.2x	0.2x	0.1x

Source: Company reports, BP Equities Research

**Stock Rating**

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

**Sector Outlook**

Positive

**Stock**

CMP (Rs)	49
Target Price (Rs)	63
BSE code	532746
NSE Symbol	UNITY
Bloomberg	UIP IN
Reuters	UTIL.BO

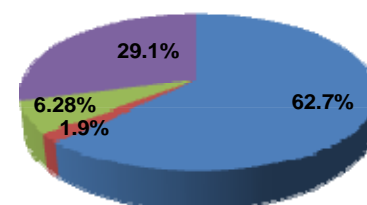
**Key Data**

Nifty	5,747
52WeekH/L(Rs)	56.4/22.4
O/s Shares (mn)	74
Market Cap (Rs mn)	3,612
Face Value (Rs)	2

**Average volume**

3 months	88,871
6 months	82,971
1 year	1,25,586

**Share Holding Pattern (%)**



■ Promoter ■ FII ■ DII ■ Others

**Relative Price Chart**



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## Quarterly Result Analysis

## Financial Statement (Standalone)

YE March (Rs mn)	Q1FY13	Q4FY12	QoQ %	Q1FY12	YoY %
<b>Total Income</b>	<b>3,968</b>	<b>7,176</b>	<b>-44.7%</b>	<b>3,773</b>	<b>5.2%</b>
Less:					
Consumption of materials	1,739	4,188	-58.5%	1,651	5.3%
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	(15)	(249)	NA	3	NA
Construction Expenses	1,485	1,458	1.8%	1,400	6.0%
Employee Cost	165	129	27.8%	139	18.2%
Other Expenses	41	755	-94.6%	77	-46.9%
<b>Total Operating Expenditure</b>	<b>3,415</b>	<b>6,281</b>	<b>-45.6%</b>	<b>3,270</b>	<b>4.4%</b>
<b>EBIDTA</b>	<b>554</b>	<b>895</b>	<b>-38.1%</b>	<b>502</b>	<b>10.3%</b>
Less: Depreciation	49	56	-12.1%	45	7.9%
<b>Operating Profit</b>	<b>505</b>	<b>840</b>	<b>-39.8%</b>	<b>457</b>	<b>10.5%</b>
Add: Other Income	46	69	-32.6%	45	3.2%
Less: Interest	294	345	-14.7%	222	32.6%
<b>Profit Before Tax</b>	<b>257</b>	<b>563</b>	<b>-54.4%</b>	<b>280</b>	<b>-8.2%</b>
Less: Total Tax	76	176	-56.7%	84	-9.4%
<b>Profit After Tax</b>	<b>181</b>	<b>387</b>	<b>-53.3%</b>	<b>196</b>	<b>-7.7%</b>
Less: Minority Interest	-	-	N.A	-	N.A
<b>Adjusted PAT</b>	<b>181</b>	<b>387</b>	<b>-53.3%</b>	<b>196</b>	<b>-7.7%</b>
<b>Reported Diluted EPS (Rs)</b>	<b>2.4</b>	<b>5.2</b>	<b>-53.3%</b>	<b>2.6</b>	<b>-7.6%</b>
<b>Margin Analysis %</b>			<b>Change in bps</b>		<b>Change in bps</b>
EBIDTA Margin	14.0%	12.5%	148	13.3%	64
Operating Margin	12.7%	11.7%	103	12.1%	61
PAT Margins	4.6%	5.4%	-84	5.2%	-64
Adjusted NPM	4.6%	5.4%	-84	5.2%	-64
Effective Tax Rate	29.6%	31.2%	-161	30.0%	-39
<b>Cost Analysis %</b>			<b>Change in bps</b>		<b>Change in bps</b>
Consumption of Materials/Net Sales	43.8%	58.4%	-1,453	43.8%	5
Construction Expenses/Net Sales	37.4%	20.3%	1,710	37.1%	30
Employee Cost/Net Sales	4.2%	1.8%	236	3.7%	46
Interest cost/Net Sales	7.4%	4.8%	261	5.9%	153

Source: Company, BP Equities research



## Income Statement (standalone)

YE March (Rs. Mn)	FY10	FY11	FY12	FY13E	FY14E
<b>Net Sales</b>	<b>14,790</b>	<b>17,038</b>	<b>19,756</b>	<b>22,761</b>	<b>26,850</b>
Sales Growth %	30.6%	15.2%	16.0%	15.2%	18.0%
<b>Total Revenue</b>	<b>14,790</b>	<b>17,038</b>	<b>19,756</b>	<b>22,761</b>	<b>26,850</b>
<b>Less:</b>					
Construction expenses, Cost of materials and COGS	11,943	13,801	15,382	17,823	21,055
Employees remuneration and welfare expenses	532	587	615	682	778
Other Expenses	379	355	1,012	1,182	1,408
<b>EBITDA</b>	<b>1,935</b>	<b>2,295</b>	<b>2,747</b>	<b>3,074</b>	<b>3,609</b>
EBITDA Growth %	34.1%	18.6%	19.7%	11.9%	17.4%
Less: Depreciation	175	180	201	255	313
<b>Operating Profit</b>	<b>1,760</b>	<b>2,115</b>	<b>2,546</b>	<b>2,819</b>	<b>3,296</b>
Operating Profit Growth %	37.1%	20.1%	20.4%	10.7%	16.9%
Less: Interest Paid	584	833	1,213	1,355	1,558
Non-operating Income	122	150	172	109	109
<b>Profit Before tax</b>	<b>1,299</b>	<b>1,432</b>	<b>1,505</b>	<b>1,574</b>	<b>1,847</b>
Tax	447	489	469	535	628
<b>Net Profit</b>	<b>851</b>	<b>943</b>	<b>1,036</b>	<b>1,039</b>	<b>1,219</b>
Net Profit Growth%	22.3%	10.8%	9.8%	0.3%	17.4%
<b>Adjusted Profit</b>	<b>851</b>	<b>943</b>	<b>1,036</b>	<b>1,039</b>	<b>1,219</b>
<b>Reported Diluted EPS (Rs)</b>	<b>11.5</b>	<b>12.7</b>	<b>14.0</b>	<b>14.0</b>	<b>16.5</b>
Diluted EPS Growth %	22.3%	10.8%	9.8%	0.3%	17.4%
<b>Adjusted EPS</b>	<b>11.5</b>	<b>12.7</b>	<b>14.0</b>	<b>14.0</b>	<b>16.5</b>
Adjusted EPS Growth %	22.3%	10.8%	9.8%	0.3%	17.4%

Source: Company, BP Equities Research

## Key Ratios

YE March (Rs. Mn)	FY10	FY11	FY12	FY13E	FY14E
<b>Key Operating Ratios</b>					
EBITDA Margin (%)	13.1%	13.5%	13.9%	13.5%	13.4%
Tax / PBT (%)	33.3%	34.2%	33.2%	34.0%	34.0%
Net Profit Margin (%)	5.8%	5.5%	5.2%	4.6%	4.5%
RoE (%)	17.2%	15.4%	14.7%	13.0%	13.5%
RoCE (%)	11.5%	10.8%	11.7%	11.0%	11.3%
Current Ratio (x)	4.2x	4.6x	4.0x	3.8x	3.8x
Dividend Payout (%)	10.2%	9.2%	8.3%	8.3%	7.1%
BV Per Share (Rs.)	76.3	87.9	100.7	113.5	128.8
<b>Financial Leverage Ratios</b>					
Debt/ Equity (x)	1.2x	1.3x	1.2x	1.2x	1.2x
Interest Coverage (x)	3.3x	2.8x	2.3x	2.3x	2.3x
Interest / Debt (%)	10.1%	10.9%	13.8%	14.2%	14.4%
<b>Growth Indicators %</b>					
Gross Block Growth (%)	7.0%	24.8%	15.5%	27.1%	21.3%
Sales Growth (%)	30.6%	15.2%	16.0%	15.2%	18.0%
EBITDA Growth (%)	34.1%	18.6%	19.7%	11.9%	17.4%
Net Profit Growth (%)	22.3%	10.8%	9.8%	0.3%	17.4%
Diluted EPS Growth (%)	22.3%	10.8%	9.8%	0.3%	17.4%
<b>Turnover Ratios</b>					
Debtors days	139	156	164	160	150
Inventory days	41	21	47	44	39
Creditors days	92	87	72	75	70

Source: Company, BP Equities Research

## Balance Sheet (standalone)

YE March (Rs. Mn)	FY10	FY11	FY12	FY13E	FY14E
<b>Liabilities</b>					
Equity Capital	148	148	148	148	148
Reserves & Surplus	5,504	6,361	7,310	8,263	9,396
<b>Equity</b>	<b>5,652</b>	<b>6,509</b>	<b>7,459</b>	<b>8,411</b>	<b>9,545</b>
<b>Net Worth</b>	<b>5,652</b>	<b>6,509</b>	<b>7,459</b>	<b>8,411</b>	<b>9,545</b>
Net Deferred tax liability/(Asset)	15	13	0	0	0
<b>Total Loans</b>	<b>6,863</b>	<b>8,481</b>	<b>9,055</b>	<b>10,033</b>	<b>11,538</b>
<b>Capital Employed</b>	<b>12,530</b>	<b>15,003</b>	<b>16,513</b>	<b>18,445</b>	<b>21,082</b>
<b>Assets</b>					
Gross Block	1,538	1,918	2,217	2,817	3,417
Less: Depreciation	535	704	902	1,157	1,470
<b>Net Block</b>	<b>1,003</b>	<b>1,214</b>	<b>1,314</b>	<b>1,659</b>	<b>1,947</b>
Capital WIP	7	111	0	0	0
Intangible Assets	0	0	4	3	2
<b>Investments</b>	<b>342</b>	<b>623</b>	<b>543</b>	<b>1,093</b>	<b>2,093</b>
<b>Current Assets</b>					
Inventories	1,330	781	1,998	2,157	2,229
Sundry Debtors	5,616	7,304	8,895	9,977	11,034
Cash and Bank Balance	1,610	2,229	2,179	2,341	2,289
Loans and Advances	6,093	6,400	6,487	6,828	7,518
Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>14,649</b>	<b>16,713</b>	<b>19,560</b>	<b>21,304</b>	<b>23,069</b>
<b>Less: Current Liabilities &amp; Provisions</b>					
Sundry Creditors	3,237	3,513	3,375	4,043	4,444
Provisions	234	146	189	210	224
Other Current Liabilities	0	0	1,361	1,361	1,361
<b>Total Current Liabilities &amp; Provisions</b>	<b>3,470</b>	<b>3,659</b>	<b>4,925</b>	<b>5,614</b>	<b>6,029</b>
Deferred Tax Asset (Net)	0	0	18	0	0
<b>Capital Applied</b>	<b>12,530</b>	<b>15,003</b>	<b>16,513</b>	<b>18,445</b>	<b>21,082</b>

Source: Company, BP Equities Research

## Cash Flow Analysis

YE March (Rs. Mn)	FY10	FY11	FY12	FY13E	FY14E
<b>EBITA</b>	<b>1,760</b>	<b>2,115</b>	<b>2,546</b>	<b>2,819</b>	<b>3,296</b>
Less: Adjusted Taxes	606	722	794	958	1,120
<b>NOPLAT</b>	<b>1,154</b>	<b>1,393</b>	<b>1,752</b>	<b>1,861</b>	<b>2,176</b>
Plus: Depreciation	175	180	201	255	313
Less: Increase in Working Capital	3,259	1,289	1,610	954	1,485
<b>Operating Cash flow</b>	<b>-1,930</b>	<b>284</b>	<b>342</b>	<b>1,162</b>	<b>1,003</b>
Less: Net Capex	111	496	189	600	600
Less: Increase in Net Other Assets	-14	14	109	-19	-1
<b>FCF From Operation</b>	<b>-2,027</b>	<b>-227</b>	<b>45</b>	<b>581</b>	<b>404</b>
Less: Inc./(Dec.) in Investment	32	281	-80	550	1,000
<b>FCF after Investment</b>	<b>-2,059</b>	<b>-508</b>	<b>125</b>	<b>31</b>	<b>-596</b>
<b>Total Free Cash Flow</b>	<b>-2,059</b>	<b>-508</b>	<b>125</b>	<b>31</b>	<b>-596</b>
<b>Financing Cash Flow</b>					
Interest Exp/(inc) After Tax, Net	303	450	717	822	956
Inc/(dec) in Excess Cash and Marketable Securities	399	574	-104	101	-134
Dec/(Inc) in Debt	-2,143	-1,617	-574	-979	-1,504
Dividends	87	86	86	86	86
Share Repurchase/(Issues)	-705	0	0	0	0
<b>Total Financing Flow</b>	<b>-2,059</b>	<b>-508</b>	<b>125</b>	<b>31</b>	<b>-596</b>

Source: Company, BP Equities Research

## Valuation Ratios

YE March (Rs. Mn)	FY10	FY11	FY12	FY13E	FY14E
P/E (x)			3.5x	3.5x	3.0x
P/BV (x)			0.5x	0.4x	0.4x
EV/EBITDA (x)			3.8x	3.7x	3.6x
EV/Sales (x)			0.5x	0.5x	0.5x
Market Cap./ Sales (x)			0.2x	0.2x	0.1x
Dividend Yield (%)			2.1%	2.1%	2.1%

Source: Company, BP Equities Research

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

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