

Strong order book to support growth

Results Highlights

- ⇒ The company has registered a decent revenue growth of 25.7% yoy to Rs. 7,176 mn. The growth was supported by strong execution of orders especially from the civil construction segment. The company has guided a revenue growth of 15-20% going forward.
- ⇒ During the quarter we saw a decline in EBITDA margins by 136 bps yoy to 12.5%. The decline was mainly due to rise in material cost as a percentage of sales by 450 bps yoy. The management has guided to maintain its EBITDA margins in the range of 13-13.5% going forward.
- ⇒ PAT margins remained flat and stood at 5.4% during the quarter. Margins were flat due to decline in effective tax rate by 757 bps yoy to 31.2%. The management has guided to maintain its PAT margins at -5% going forward. Average cost of borrowing stood at 14% during the quarter.

Other Highlights

- ⇒ Closing order book as on date stands at Rs. 42 bn (83% govt. orders and balance private) while, the L1 orders stands at Rs. 10.5 bn (L1 break up - 72% building, 23% transport and 5% water segment). The order book to bill ratio stands at ~2.1x FY12 sales. Favorable order book gives us the revenue visibility of next 24-30 months. The segmental order book break up stands at 49% from building, 24% from water & irrigation and balance 28% from transport segment. Order inflow during FY12 had been phenomenal and stood at ~Rs. 30.2 bn and the management expects ~Rs 50 bn of order inflow during FY13 (which includes L1 orders). The region wise break up of order book stands at 51% from North, 41% from West, 7% from South, 1% from East and ~0.85% from overseas market.
- ⇒ The construction work is at its peak at Chomu to Mahla road BOT project awarded by PWD, Jaipur at Rajasthan. The other two road BOT project bagged by the company is for Punjab/Haryana border and other for Suratgarh - Sriganganagar, Rajasthan. The concession agreement for the new BOT road project is underway and the management expects to complete the financial closure within 3-4 months post confirmation of concession agreement.
- ⇒ The company is expected 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 Bangalore real estate project and another Nagpur hotel project in which it would dilute its stake to private equity firms.

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 2.8X and 2.6X FY13E and FY14E EPS of Rs. 15.3 and Rs 16.8 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. 61 per share which discount FY13E EPS of Rs 15.3 by 4.0x; an upside of 42%.

Key Financials

YE March (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
Net Sales	14,790	17,038	19,756	23,303	27,203
Growth%	30.6%	15.2%	16.0%	18.0%	16.7%
EBITDA	1,935	2,295	2,746	3,088	3,509
Growth%	34.1%	18.6%	19.7%	12.4%	13.7%
Net Profit	851	943	1,035	1,137	1,248
Growth%	22.3%	10.8%	9.7%	9.8%	9.7%
Diluted EPS	11.5	12.7	14.0	15.3	16.8
Growth%	22.3%	10.8%	9.7%	9.8%	9.7%

Key Ratios

EBITDA Margins(%)	13.1%	13.5%	13.9%	13.3%	12.9%
NPM (%)	5.8%	5.5%	5.2%	4.9%	4.6%
RoE (%)	17.2%	15.4%	14.7%	14.2%	13.7%
RoCE (%)	12.3%	12.2%	13.1%	12.1%	11.7%
BV/Per Share Rs.	76.3	87.9	100.7	114.9	130.5

Valuation Ratios

P/E (x)		3.1x	2.8x	2.6x
EV/EBITDA (x)		3.1x	3.2x	3.3x
P/BV (x)		0.4x	0.4x	0.3x
Market Cap./ Sales (x)		0.2x	0.1x	0.1x

Source: Company, BP Equities Research

Stock Rating

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

Sector Outlook

Neutral

Stock

CMP (Rs)	43
Target Price (Rs)	61
Prev. Reco. (Rs)	63
BSE code	532746
NSE Symbol	UNITY
Bloomberg	UIP IN
Reuters	UTIL.BO

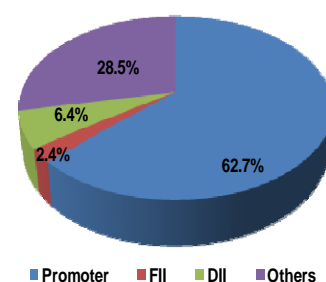
Key Data

Nifty	5,115
52WeekH/L(Rs)	66.5/22.4
O/s Shares (mn)	74.08
Market Cap (Rs mn)	3,189
Face Value (Rs)	2

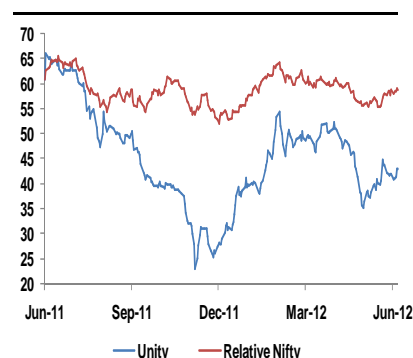
Average volume

3 months	1,99,765
6 months	2,35,178
1 year	2,19,762

Share Holding Pattern (%)



Relative Price Chart



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Quarterly Result Analysis

YE March (Rs mn)	Financial Statement							
	Q4FY12	Q3FY12	QoQ %	Q4FY11	YoY %	FY12	FY11	YoY %
Total Income	7,176	4,904	46.3%	5,707	25.7%	19,756	17,038	16.0%
Less:								
Consumption of materials	3,939	2,284	72.5%	2,876	37.0%	9,636	7,878	22.3%
Construction Expenses	1,458	1,623	-10.2%	1,809	-19.4%	5,745	5,923	-3.0%
Employee Cost	129	185	-30.4%	156	-17.3%	615	587	4.7%
Other Expenses	755	95	693.0%	76	887.8%	1,013	355	185.3%
Total Operating Expenditure	6,281	4,187	50.0%	4,918	27.7%	17,009	14,743	15.4%
EBIDTA	895	717	24.9%	790	13.4%	2,746	2,295	19.7%
Less: Depreciation	56	49	13.4%	57	-2.4%	201	180	11.4%
Operating Profit	840	668	25.7%	733	14.6%	2,546	2,115	20.4%
Add: Other Income	69	32	112.2%	70	-2.1%	172	150	14.7%
Less: Interest	345	332	4.1%	301	14.6%	1,213	833	45.7%
Profit Before Tax	563	368	52.9%	501	12.2%	1,505	1,432	5.1%
Less: Total Tax	176	121	44.6%	194	-9.7%	469	489	-4.0%
Profit After Tax	387	247	57.0%	307	26.1%	1,036	943	9.8%
Less: Minority Interest	0	0	N.A	0	N.A	0	0	N.A
Adjusted PAT	387	247	57.0%	307	26.1%	1,036	943	9.8%
Reported Diluted EPS (Rs)	5.2	3.5	48.7%	4.1	26.1%	14.0	12.7	9.7%
Margin Analysis %			Change in bps		Change in bps			Change in bps
EBIDTA Margin	12.5%	14.6%	-214	13.8%	-136	13.9%	13.5%	43
Operating Margin	11.7%	13.6%	-192	12.8%	-114	12.9%	12.4%	47
PAT Margins	5.4%	5.0%	37	5.4%	2	5.2%	5.5%	-30
Adjusted NPM	5.4%	5.0%	37	5.4%	2	5.2%	5.5%	-30
Effective Tax Rate	31.2%	33.0%	-178	38.8%	-757	31.2%	34.1%	-294
Cost Analysis %			Change in bps		Change in bps			Change in bps
Consumption of Materials/Net Sales	54.9%	46.6%	832	50.4%	450	48.8%	46.2%	254
Construction Expenses/Net Sales	20.3%	33.1%	-1,278	31.7%	-1,138	29.1%	34.8%	-568
Employee Cost/Net Sales	1.8%	3.8%	-198	2.7%	-94	3.1%	3.4%	-33
Other Expenses/Net Sales	10.5%	1.9%	858	1.3%	918	5.1%	2.1%	304
Interest cost/Net Sales	4.8%	6.8%	-196	5.3%	-47	6.1%	4.9%	125

Source: Company, BP Equities Research



Income Statement

YE March (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
Net Sales	14,790	17,038	19,756	23,303	27,203
Sales Growth %	30.6%	15.2%	16.0%	18.0%	16.7%
Total Revenue	14,790	17,038	19,756	23,303	27,203
Less:					
Construction expenses	11,943	13,801	15,382	18,292	21,354
Employees remuneration and welfare expenses	532	587	615	722	843
Other Expenses	379	355	1,013	1,200	1,496
EBITDA	1,935	2,295	2,746	3,088	3,509
EBITDA Growth %	34.1%	18.6%	19.7%	12.4%	13.7%
Less: Depreciation	175	180	201	251	298
Operating Profit	1,760	2,115	2,546	2,836	3,211
Operating Profit Growth %	37.1%	20.1%	20.4%	11.4%	13.2%
Less: Interest Paid	584	833	1,213	1,268	1,455
Non-operating Income	122	150	172	154	134
Extraordinary Income	0	0	0	0	0
Extraordinary Expense	0	0	0	0	0
Profit Before tax	1,299	1,432	1,505	1,722	1,890
Tax	447	489	469	585	642
Minority Interest	0	0	0	0	0
Net Profit	851	943	1,035	1,137	1,248
Net Profit Growth %	22.3%	10.8%	9.7%	9.8%	9.7%
Adjusted Profit	851	943	1,035	1,137	1,248
Reported Diluted EPS (Rs)	11.5	12.7	14.0	15.3	16.8
Diluted EPS Growth %	22.3%	10.8%	9.7%	9.8%	9.7%
Adjusted EPS	11.5	12.7	14.0	15.3	16.8
Adjusted EPS Growth %	22.3%	10.8%	9.7%	9.8%	9.7%

Source: Company, BP Equities Research

Balance Sheet

YE March (Rs. mn)	FY10	FY11	FY12P	FY13E	FY14E
Liabilities					
Equity Capital	148	148	148	148	148
Reserves & Surplus	5,504	6,361	7,310	8,361	9,522
Equity	5,652	6,509	7,459	8,509	9,671
Preference Share Capital	0	0	0	0	0
Net Worth	5,652	6,509	7,459	8,509	9,671
Net Deferred tax liability/ (Asset)	15	13	0	0	0
Total Loans	5,444	6,666	7,420	9,057	10,585
Capital Employed	11,110	13,187	14,878	17,567	20,256
Assets					
Gross Block	1,538	1,871	2,219	2,719	3,219
Less: Depreciation	535	715	905	1,156	1,454
Net Block	1,003	1,157	1,314	1,563	1,765
Capital WIP	7	111	0	0	0
Intangible Assets	0	2	4	0	0
Investments	342	679	543	907	1,357
Current Assets					
Inventories	1,330	781	1,998	2,215	2,272
Sundry Debtors	5,616	6,133	6,763	8,300	9,316
Cash and Bank Balance	1,610	2,152	2,179	2,256	2,324
Loans and Advances	6,093	8,552	8,620	9,204	10,609
Total Current Assets	14,649	17,617	19,559	21,975	24,521
Less: Current Liabilities & Provisions					
Sundry Creditors	4,657	6,238	3,096	3,323	3,570
Provisions	234	141	189	233	247
Other Current Liabilities	0	0	3,274	3,323	3,570
Total Current Liabilities & Provisions	4,890	6,379	6,560	6,879	7,387
Deferred Tax Asset (Net)	0	0	18	0	0
Capital Applied	11,110	13,187	14,878	17,567	20,256

Source: Company, BP Equities Research

Key Ratios

YE March (Rs. mn)	FY10	FY11	FY12P	FY13E	FY14E
Key Operating Ratios					
EBITDA Margin (%)	13.1%	13.5%	13.9%	13.3%	12.9%
Tax / PBT (%)	33.3%	34.2%	33.2%	34.0%	34.0%
Net Profit Margin (%)	5.8%	5.5%	5.2%	4.9%	4.6%
RoE (%)	17.2%	15.4%	14.7%	14.2%	13.7%
RoCE (%)	12.3%	12.2%	13.1%	12.1%	11.7%
Current Ratio (x)	3.0x	2.8x	3.0x	3.2x	3.3x
Dividend Payout (%)	10.2%	9.2%	8.3%	7.6%	6.9%
BV Per Share (Rs.)	76.3	87.9	100.7	114.9	130.5
Financial Leverage Ratios					
Debt/ Equity (x)	1.0x	1.0x	1.0x	1.1x	1.1x
Interest Coverage (x)	3.3x	2.8x	2.3x	2.4x	2.4x
Interest / Debt (%)	11.5%	13.8%	17.2%	15.4%	14.8%
Growth Indicators %					
Gross Block Growth (%)	7.0%	21.7%	18.6%	22.5%	18.4%
Sales Growth (%)	30.6%	15.2%	16.0%	18.0%	16.7%
EBITDA Growth (%)	34.1%	18.6%	19.7%	12.4%	13.7%
Net Profit Growth (%)	22.3%	10.8%	9.7%	9.8%	9.7%
Diluted EPS Growth (%)	22.3%	10.8%	9.7%	9.8%	9.7%
Turnover Ratios					
Debtors days	139	131	125	130	125
Inventory days	38	19	43	40	35
Creditors days	132	154	66	60	55

Source: Company, BP Equities Research

Cash Flow Analysis

YE March (Rs. mn)	FY10	FY11	FY12P	FY13E	FY14E
EBITA	1,760	2,115	2,546	2,836	3,211
Less: Adjusted Taxes	606	722	794	964	1,092
NOPLAT	1,154	1,393	1,752	1,872	2,120
Plus: Depreciation	175	180	201	251	298
Less: Increase in Working Capital	1,839	983	1,701	2,178	2,047
Operating Cash flow	-510	590	251	-54	371
Less: Net Capex	111	438	247	500	500
Less: Increase in Net Other Assets	-14	4	119	-108	0
FCF From Operation	-607	148	-115	-446	-129
Less: Inc./(Dec.) in Investment	32	337	-136	364	450
FCF after Investment	-639	-189	21	-810	-579
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	0
Total Free Cash Flow	-639	-189	21	-810	-579
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	303	450	716	735	872
Inc/(dec) in Excess Cash and Marketable Securities	399	497	-27	6	-10
Dec/(Inc) in Debt	-723	-1,222	-754	-1,638	-1,528
Dividends	87	86	86	86	86
Share Repurchase/ (Issues)	-705	0	0	0	0
Total Financing Flow	-639	-189	21	-810	-579

Source: Company, BP Equities Research

Valuation Ratios

YE March (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
P/E (x)			3.1x	2.8x	2.6x
P/BV (x)			0.4x	0.4x	0.3x
EV/EBIDTA (x)			3.1x	3.2x	3.3x
EV/Sales			0.4x	0.4x	0.4x
Market Cap./ Sales (x)			0.2x	0.1x	0.1x
Dividend Yield (%)			2.3%	2.3%	2.3%

Source: Company, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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