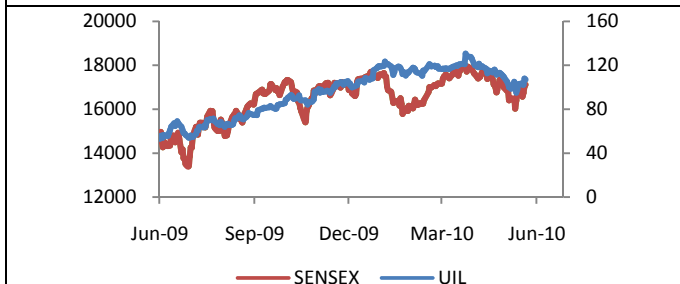


**Quarterly Update**
**Unity Infraprojects Ltd.**

<b>Recommendation</b>	<b>HOLD</b>
<b>CMP (16/06/2010)</b>	<b>Rs. 112</b>
<b>Sector</b>	<b>Construction</b>

<b>Stock Details</b>	
BSE Code	532746
NSE Code	UNITY
Market Cap (Rs. cr)	833
Free Float (%)	39.92
52- wk HI/Lo	138.4/52.2
Avg. volume BSE (Monthly)	29176
Dividend	50%
Shares o/s (Cr)	1.48

<b>Relative Performance</b>	<b>1Mth</b>	<b>3Mth</b>	<b>1Yr</b>
<b>UIL</b>	4.09%	-6.24%	206.36%
<b>Sensex</b>	3.43%	1.44%	117.06%



<b>Shareholding Pattern as of 30/06/2010</b>	
Indian Promoter Holding	62.72%
FII, banks & Institutions	18.85%
Corporate Bodies	8.97%
Public & others	9.46%

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<b>Year</b>	<b>Net Sales</b>	<b>Growth %</b>	<b>EBIDTA</b>	<b>EBIDTAM (%)</b>	<b>PAT</b>	<b>PATM (%)</b>	<b>EPS (Rs.)</b>	<b>P/E(x)</b>	<b>P/BV</b>
FY09	1,165.9	37.0%	142.5	12.2%	70.4	6.0%	64.8	7.9	1.0
FY10	1,525.5	30.8%	197.7	13.0%	87.4	5.7%	11.8	8.6	1.3
FY11E	1,858.8	21.9%	236.1	12.7%	101.7	5.5%	13.7	7.4	1.1
FY112E	2,390.0	28.6%	305.9	12.8%	141.7	5.9%	19.1	5.3	0.9

**Background**

Unity Infraprojects Ltd (UIL) is the flagship company of the Mumbai based KK Group of Companies. UIL is one of the leading engineering & construction companies in India with a significant experience of around 30 years and a strong track record. The company is focused in areas, such as civil construction, transportation engineering and irrigation & water supply projects.

**Result Analysis – Revenues growth in line, but Profit above estimate.**

UIL witnessed top line growth of 22% y-o-y to Rs. 339.8 crs in Q1 FY11 as compared to Rs. 278.6 crs in Q1 FY10. On q-o-q basis revenues decline by 31% over Q4 FY10.

In Q1 FY11, UIL witnessed EBITDA growth of 16% y-o-y to Rs. 45 crs as compared to Rs. 39 crs in Q1 FY10. Whereas on a q-o-q basis EBITDA registered decline of 24.0%.

EBITDA margins were recorded at 13.3%, which was lower than Q1 FY11 margin of 14%. EBITDA Margin decline by 70bps due increase in construction expenses.

Interest expenses were recorded at Rs. 16 crs for Q1FY11 as compared to Rs. 13.6 crs in Q1FY10 witnessing an increase of 3.8%.

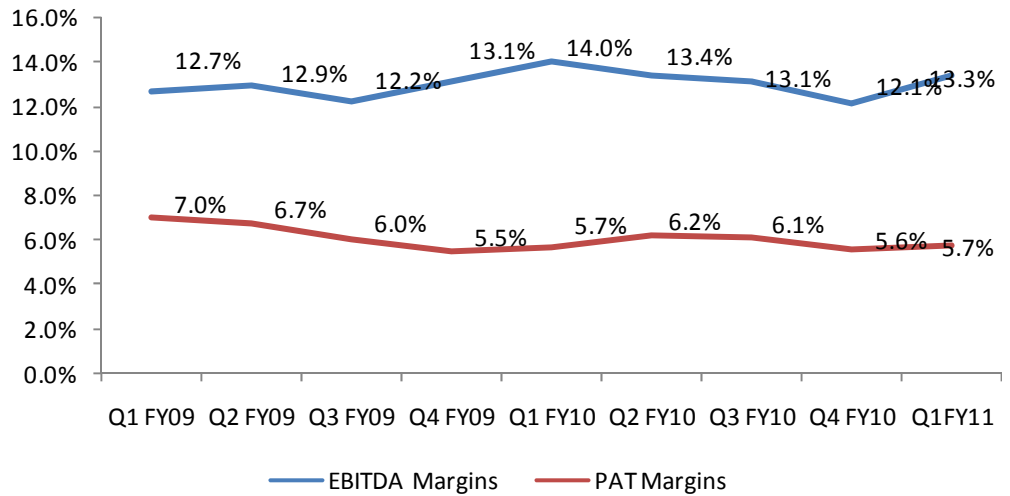
The company reported EPS of Rs. 2.64 per share for Q1 FY11 as compared to Rs. 2.13 for Q1 FY10 showing a 24% increase y-o-y. Tax rate for Q1 FY11 decline to 30.0% as a percentage of Profit Before Tax (PBT) as compared to 37% in Q4 FY10.

UIL reported PAT of Rs. 19.5crs for Q1 FY11 as compared to Rs. 15.8 crs in Q FY10 registering a growth of 24% y-o-y. Better than expected operating profit margin (OPM) and lower depreciation resulted in better than expected. PAT margins remain stable at 5.7% for Q1 FY11.

**Quarterly Update**

**Unity Infraprojects Ltd.**

**UIL has one of the highest EBITDA margins amongst its peers. Given stable commodity prices, the company expects to maintain its EBITDA Margin at current levels**



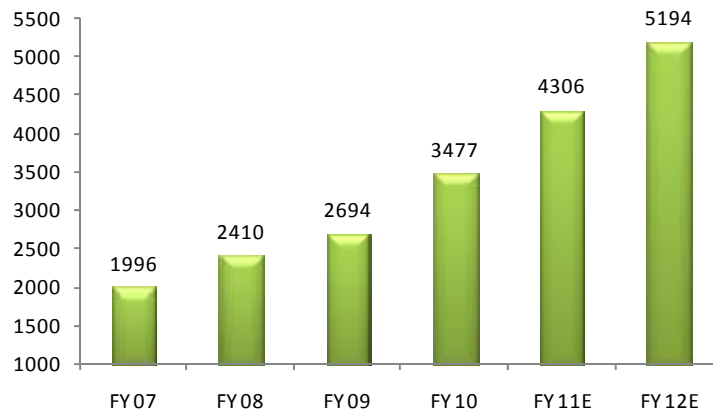
Source: Nirmal Bang Research

**Order Book Position**

UIL has an order book of Rs. 3550 crs at the end of Q1FY11 and has L1 status for orders worth Rs. 600 crs. The company currently has bid for orders worth Rs.1700 crs, off which water segment constitute 30% . Apart from the tunneling project which will be completed in 60 months, the rest of the projects have an average execution period of 18-24 months. The company currently has an order book to sales ratio of 2.3x based on its FY 2010 revenues. Going forward we expect the company to witness strong order intake based on increased government thrust on infrastructure spending.

**Order book to sales ratio of 1.8x FY12 revenue provides good revenue visibility**

**Order Book Movement (Rs. Crs)**



Source: Company, Nirmal Bang Research

### Real estate projects picking up momentum...Bangalore & Kolkata Land acquisition completed

The company acquired 15 acres of land in Bangalore and will start construction and development of this property in the next 3-6 months. UIL has also finished acquisition of the 25 acres Kolkata land on which development is stated to begin in the next six months. The company plans to develop a mix of residential and commercial projects in Bangalore and Kolkata. 4 out of the 6 land parcels for the Nagpur Project is still to be handed over by the Nagpur Municipal Corporation and therefore only the existing 2 land parcels are being developed. As far as Pune is concerned, UIL is exiting from the SPV where it currently holds 19% stake and this exit is likely to occur over the next three years for a consideration of 45 crores. UIL has sold its stake in Goa to Kamat Hotels Ltd.

**We remain positive on the company due to its growing order book and high operating margin**

Region	Investment by UIL(Rs. Crs)	Status
Kolkata	75	Land acquired, Development to start in 6 months
Bangalore	39	Land acquired, Development to start in 3-6 months
Goa IT Park	10	Stake sold to Kamat Hotels Ltd.
Nagpur	36	4 out of 6 land parcels still not transferred by NMC
Pune	35	To exit the SPV over next 3 years for a sum of 45 crs

### Going Forward

UIL currently has an order book position of Rs. 3550 crs and has an order book to sales ratio of 2.3x based on FY 10 revenues. The orders for UIL in the future will be concentrated more on the infrastructure space, mainly water supply & irrigation and transportation projects. We expect UIL to achieve a top line growth of 21.9% for FY11.

### Valuation & Recommendation

We have valued UIL by assigning a multiple of 9x on FY11E earnings. Historically the company has traded at a discount to its peers. However, we believe with a revival in the real estate business coupled with strong top line and earnings growth, it should lead to rerating of the stock going forward.

At the current market price of Rs 112 per share, UIL is currently trading at a PE of 8.2x FY11E and 5.9x FY12E EPS estimates.. **We maintain our HOLD rating on the stock target price of Rs.123.5/ Share**

**Currently trading at 8.2x FY11E**

**Quarterly Update**
**Unity Infraprojects Ltd.**
**Q1 FY11 Results**

Particulars (Rs. Cr.)	Q1 FY11	Q1 FY10	y-o-y	Q4 FY10	q-o-q
Income from Operations	339.8	278.6	22.0%	493.3	-31.1%
Total expenditure	295.5	240.6	22.8%	431.1	-31.5%
EBITDA	45.4	39.0	16.4%	59.9	-24.2%
EBITDA Margins	13.3%	14.0%	(64 bps)	12.1%	121 bps
Depreciation	4.0	4.2	-5.5%	4.6	-14.1%
EBIT	41.4	34.8	19.0%	55.3	-25.1%
EBIT Margins	12.2%	12.5%	(30 bps)	12.0%	18 bps
Other income	2.5	1.3	94.2%	4.8	-48.1%
Interest	16.0	13.6	18.0%	16.1	-0.7%
PBT	27.9	22.5	23.9%	44.0	-36.5%
Total Tax	8.4	6.8	23.8%	16.4	-49.0%
PAT	19.5	15.8	23.9%	27.6	-29.1%
PAT Margins	5.7%	5.7%	9 bps	5.6%	16 bps
EPS	2.6	2.1	23.9%	3.7	-29.1%

Source: Nirmal Bang Research

**Income Statement**

Particulars (Rs. Cr.)	FY 2008	FY 2009	FY 2010	FY 2011E	FY 2012E
Income from Operations	850.9	1,165.9	1,525.5	1,858.8	2,390.0
Total expenditure	747.5	1,023.4	1,327.7	1,622.8	2,084.0
EBITDA	103.3	142.5	197.7	236.1	305.9
EBITDA Margins	12.1%	12.2%	13.0%	12.7%	12.8%
Depreciation	7.6	16.3	17.8	24.9	30.3
EBIT	95.7	126.2	179.9	211.2	275.6
EBIT Margins	11.2%	10.8%	11.8%	11.4%	11.5%
Other income	12.3	15.6	12.8	14.0	15.5
Interest	16.9	36.8	60.5	71.2	76.4
PBT	91.1	105.0	132.1	154.0	214.7
Total Tax	31.1	34.6	44.7	52.4	73.0
PAT before Minority Interest	60.0	70.4	87.4	101.7	141.7
Minority Interest	-	-	-	-	-
PAT after Minority Interest	60.1	70.3	87.4	101.7	141.7
PAT Margins	7.0%	6.0%	5.7%	5.5%	5.9%
EPS	50.6	64.8	11.8	13.7	19.1

Source: Nirmal Bang Research

**Quarterly Update**
**Unity Infraprojects Ltd.**
**Balance Sheet**

Particulars (Rs. Cr.)	FY 2008	FY 2009	FY 2010E	FY 2011E	FY 2012E
Share capital	13.4	13.4	14.8	14.8	14.8
Reserves & surplus	342.3	405.4	554.8	645.8	772.5
<b>Networth</b>	<b>355.5</b>	<b>418.8</b>	<b>569.6</b>	<b>660.6</b>	<b>787.3</b>
Minority interests	0.2	0.0	0.0	0.0	0.0
Secured Loan	250.8	442.3	640.8	690.8	740.8
Other Unsecured Loans	33.4	39.8	45.2	47.2	49.2
<b>Total Debt</b>	<b>282.8</b>	<b>482.1</b>	<b>686.0</b>	<b>738.0</b>	<b>790.0</b>
Deferred tax Liability (Net)	1.1	1.6	2.5	2.5	2.5
<b>TOTAL</b>	<b>639.3</b>	<b>902.4</b>	<b>1,258.1</b>	<b>1,401.0</b>	<b>1,579.8</b>
<b>Application of funds</b>					
Gross block	83.8	146.6	156.6	231.6	281.6
less:accumulated Depn	21.1	36.8	53.6	78.5	108.8
Net book value	62.7	109.9	103.0	153.1	172.9
Capital WIP	0.0	1.5	1.5	1.5	1.5
Investments	48.4	25.0	35.0	35.0	35.0
<b>Current assets, loans &amp; advances</b>					
Inventories	52.1	184.1	75.2	101.9	131.0
Sundry debtors	337.1	379.3	564.2	636.6	818.5
Cash & bank balance	108.6	116.8	238.9	235.8	167.4
Loans & advances	383.0	635.1	612.0	695.6	836.6
<b>Total C.Assets</b>	<b>880.7</b>	<b>1,315.4</b>	<b>1,490.3</b>	<b>1,669.8</b>	<b>1,953.4</b>
<b>Less: Current Liab &amp; provisions</b>					
Current liabilities	279.7	442.9	317.8	395.3	495.0
Provisions	71.5	106.5	53.9	63.1	87.9
<b>Net current assets</b>	<b>529.5</b>	<b>766.0</b>	<b>1,118.6</b>	<b>1,211.4</b>	<b>1,370.5</b>
Misc Expenditure	0.1	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>639.3</b>	<b>902.4</b>	<b>1,258.1</b>	<b>1,401.1</b>	<b>1,579.8</b>

Source: Nirmal Bang Research

## NOTE

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