

Company Overview

Incorporated on 22 August, 2002, Udayshivakumar Infra Limited (UIL) is a company engaged in the construction of roads including national highways, state highways, district roads, smart roads under PM's Smart City Mission projects, smart roads under municipal corporations, Bruhat Bengaluru Mahanagara Palike (BBMP), local area roads in various taluka places, etc. in the state of Karnataka. The company is also engaged in construction of bridges across major and minor rivers, Railway Over Bridges (ROB), construction of major and minor irrigation and canal projects in Karnataka. As on December 31, 2022, the company's equipment base comprised 111 construction pieces of equipment, 46 dumpers, 51 other construction vehicles, and seven Ready Mix Concrete (RMC) plants (out of which one is taken on lease). Also, they have one stone quarry owned by M/s. Udayshivakumar Stone Crusher.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Funding incremental working capital requirements of the company.
- ⇒ General corporate purposes.

Investment Rationale

Large and consistent order book of roads, flyovers, and irrigation projects from the Karnataka state government

The primary focus on roads, bridges, flyovers and irrigation projects has helped UIL in gaining technical expertise for undertaking projects of different sizes involving varying degrees of complexities by establishing a modern fleet of construction machinery, equipment, and skilled manpower. As on 31 December, 2022, UIL had an order book of 46 projects (including 24 roads, 7 smart roads, 1 bridge, 9 irrigation projects, 3 civil construction works, and 2 toll plazas) with a total value of Rs. 12,903.8 million, out of which 30 projects are underway and work is yet to begin on the remaining 14 projects. The consistent growth in order book in the past was primarily due to UIL's ability to successfully bid and win new projects. Technical capabilities, timely performance, reputation for quality and timely delivery, financial strength as well as price competitiveness have enabled the company to successfully bid and win projects. UIL has developed long-standing relationships with clients like PWD, NH, Morth, BBMP KBJNL, VJNL, KIADB, DHUDA, KPWP & IWTD, and other local bodies.

Strong execution capabilities and experienced management team

Since fiscal 2015, UIL along with the erstwhile partnership firm, M/s. Udayshivakumar has completed 30 projects, having an aggregate contract value of Rs. 6,846.8 million. UIL has three important ingredients required by any infrastructure company i.e., an in-house design and engineering team, a fleet of modern construction machinery and equipment to ensure high-quality construction, and skilled manpower to execute projects on time. The in-house engineering team of 27 engineers has the necessary skills and expertise in preparing detailed architectural and/or structural designs based on the conceptual requirements of clients. UIL's management team is well qualified and experienced in the roads, bridges, and irrigation projects' construction and has been responsible for the growth of their business and operations. The company's promoter has more than 25 years of experience in the infrastructure sector and has been instrumental in driving growth since the inception of the business.

Valuation and Outlook

Going forward, UIL intends to capitalize on its experience and continue to selectively pursue larger roads, bridges, and irrigation projects, both independently and in partnership with other players. In-house integration has been an integral part of growth over the years and the company seeks to further enhance its in-house competencies by expanding into various functional aspects of projects, thereby eliminating dependence on third parties to avoid risks and minimizing costs associated with these functions. On the financial front, UIL's EBITDA margin (11.19% in FY21 vs 13.35% in FY22 vs 16.16% in 6MFY23) and PAT margin (4.41% in FY21 vs 6.52% in FY22 vs 9.35% in 6MFY23) have shown an improving trend. However, the company carries concentration risk as it is primarily focused on the State of Karnataka and there has been no meaningful growth in revenues over the past few years. At the upper end of the price band, the issue is valued at a P/E of 11x based on FY2022 earnings which we feel is reasonable. Hence, we recommend a "SUBSCRIBE" rating for the benefit of listing gains.

Issue Details	
Offer Period	20 th March, 2023 - 23 th March, 2023
Price Band	Rs. 33 to Rs. 35
Bid Lot	428
Listing	BSE & NSE
Issue Size (no. of shares in mn)	18.85
Issue Size (Rs. in bn)	0.66
Face Value (Rs.)	10

Issue Structure	
QIB	10%
NIB	30%
Retail	60%
BRLM	Saffron Capital Advisors

Registrar	Mas Services Ltd
-----------	------------------

Particulars	Pre Issue %	Post Issue %
Promoter	98.98	65.26
Promoter Group	1.02	0.67
Public	0.00	34.07
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Udayshivakumar Infra Ltd.

Income Statement (Rs in millions)

Particulars	FY20	FY21	FY22	H1FY23
Revenue				
Revenue from Operations	1,936	2,104	1,856	1,066
Total Revenue	1,936	2,104	1,856	1,066
Expenses				
Cost of raw material and components consumed	281	361	353	317
Construction Expense	1,409	1,456	1,183	687
Changes in inventory	(39)	11	4	(137)
Employee benefit expenses	31	35	37	17
Other expenses	11	11	39	14
Total Operating Expenses	1,693	1,875	1,615	898
EBITDA	243	229	241	168
Depreciation and Amortization expenses	57	49	54	25
Other income	8	7	8	5
EBIT	194	188	195	148
Finance costs	52	52	35	16
Exceptional Item	-	13	-	-
PBT	142	123	160	132
Current tax	35	37	40	33
Deferred Tax charge/ (credit)	2	(7)	(2)	(1)
Total tax	37	30	39	32
PAT	105	93	121	100
Diluted EPS	2.9	2.6	3.3	2.8

Source: RHP, BP Equities Research

Cash Flow Statement (Rs in millions)

Particulars	FY20	FY21	FY22	H1FY23
Cash Flow from operating activities	214	172	320	40
Cash flow from investing activities	(68)	15	(167)	20
Cash flow from financing activities	(149)	(137)	(53)	(26)
Net increase/(decrease) in cash and cash equivalents	(3)	50	100	34
Cash and cash equivalents at the beginning of the period	6	2	53	152
Cash and cash equivalents at the end of the period	2	53	152	186

Source: RHP, BP Equities Research



Udayshivakumar Infra Ltd.

Balance Sheet (Rs in millions)

Particulars	FY20	FY21	FY22	H1FY23
Equity and Liabilities				
Equity Share Capital	365	365	365	365
Other Equity	104	197	318	418
Total Equity	469	562	683	783
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	159	74	56	45
(ii) Trade Payables	61	61	144	81
(iii) Other financial liabilities	172	117	121	128
Other non current assets	-	-	-	34
Provisions	0	1	1	1
Deferred Tax Liabilities (net)	2	-	-	-
Current Liabilities				
Financial Liabilities				
(i) Borrowings	181	232	209	349
(ii) Trade Payables	508	366	291	233
(iii) Other financial liabilities	3	4	3	5
Current tax liabilities	15	37	40	73
Provisions	0	0	0	0
Other current liabilities	13	14	77	56
Total Current Liabilities	720	653	621	715
Total liabilities	1,114	906	943	1,006
Total Equity and Liabilities	1,583	1,468	1,626	1,789
Assets				
Non-Current Assets				
Property, plant and equipment	312	256	256	215
Investment properties	-	-	120	120
Financial Assets				
(i) Trade Receivables	343	426	460	426
(ii) Other financial assets	135	100	116	140
Income tax assets (net)	-	-	-	-
Deferred tax assets (net)	-	5	7	7
Total Non current assets	790	787	958	909
Current Assets				
Inventories	98	95	88	217
Financial Assets				
(i) Trade Receivables	588	421	320	208
(ii) Cash and cash equivalents	2	53	152	186
(iii) Other financial assets	-	-	-	11
Other current assets	104	113	108	259
Total Current Assets	792	681	668	880
Total Assets	1,583	1,468	1,626	1,789

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company's revenue from operations is heavily reliant in the state of Karnataka
- ⇒ The company's significant portion of revenues is dependent on a limited number of clients
- ⇒ The company has outstanding litigations which may affect its business and financial conditions

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

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392