

### 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 <sup>th</sup> March, 2023 - 23 <sup>th</sup> 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
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Registrar	Mas Services Ltd
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Particulars	Pre Issue %	Post Issue %
Promoter	98.98	65.26
Promoter Group	1.02	0.67
Public	0.00	34.07
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



# Udayshivakumar Infra Ltd.

## Income Statement (Rs in millions)

Particulars	FY20	FY21	FY22	H1FY23
<b>Revenue</b>				
Revenue from Operations	1,936	2,104	1,856	1,066
<b>Total Revenue</b>	<b>1,936</b>	<b>2,104</b>	<b>1,856</b>	<b>1,066</b>
<b>Expenses</b>				
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
<b>Total Operating Expenses</b>	<b>1,693</b>	<b>1,875</b>	<b>1,615</b>	<b>898</b>
<b>EBITDA</b>	<b>243</b>	<b>229</b>	<b>241</b>	<b>168</b>
Depreciation and Amortization expenses	57	49	54	25
Other income	8	7	8	5
<b>EBIT</b>	<b>194</b>	<b>188</b>	<b>195</b>	<b>148</b>
Finance costs	52	52	35	16
Exceptional Item	-	13	-	-
<b>PBT</b>	<b>142</b>	<b>123</b>	<b>160</b>	<b>132</b>
Current tax	35	37	40	33
Deferred Tax charge/ (credit)	2	(7)	(2)	(1)
<b>Total tax</b>	<b>37</b>	<b>30</b>	<b>39</b>	<b>32</b>
<b>PAT</b>	<b>105</b>	<b>93</b>	<b>121</b>	<b>100</b>
<b>Diluted EPS</b>	<b>2.9</b>	<b>2.6</b>	<b>3.3</b>	<b>2.8</b>

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)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3)</b>	<b>50</b>	<b>100</b>	<b>34</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>2</b>	<b>53</b>	<b>152</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2</b>	<b>53</b>	<b>152</b>	<b>186</b>

Source: RHP, BP Equities Research



## Udayshivakumar Infra Ltd.

## Balance Sheet (Rs in millions)

Particulars	FY20	FY21	FY22	H1FY23
<b>Equity and Liabilities</b>				
Equity Share Capital	365	365	365	365
Other Equity	104	197	318	418
<b>Total Equity</b>	<b>469</b>	<b>562</b>	<b>683</b>	<b>783</b>
<b>Non-Current Liabilities</b>				
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	-	-	-
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>720</b>	<b>653</b>	<b>621</b>	<b>715</b>
<b>Total liabilities</b>	<b>1,114</b>	<b>906</b>	<b>943</b>	<b>1,006</b>
<b>Total Equity and Liabilities</b>	<b>1,583</b>	<b>1,468</b>	<b>1,626</b>	<b>1,789</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
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
<b>Total Non current assets</b>	<b>790</b>	<b>787</b>	<b>958</b>	<b>909</b>
<b>Current Assets</b>				
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
<b>Total Current Assets</b>	<b>792</b>	<b>681</b>	<b>668</b>	<b>880</b>
<b>Total Assets</b>	<b>1,583</b>	<b>1,468</b>	<b>1,626</b>	<b>1,789</b>

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:**

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