

UB Group is rebuilding its engineering unit to tap opportunities arising from India's growing infrastructure needs. UB Engineering Ltd has set an internal target of tenfold growth in revenues in the next four years. >P7

EXPANSION MODE

UB Engineering to tap infra projects for growth

The Pune-based firm has set an internal target of 10-fold growth in revenue in the next four years

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MUMBAI

The United Breweries Group, best known for its liquor, aviation and sports businesses, is rebuilding its engineering unit to tap into opportunities arising from India's growing infrastructure needs.

"I have got a clear mandate to grow this company," said UB Engineering Ltd's managing director J.K. Sardana, who took charge in March 2007. "We are not looking at conservative 10-20% growth, but much faster growth through diversifying into new business

Vijay Mallya sees UB Engineering as a billion dollar firm in four-five years

areas."

The Pune-based firm, formerly known as Western Indian Erectors Pvt. Ltd, has set an internal target of 10-fold growth in revenue in the next four years, Sardana said in an interview.

The group is focusing on UB Engineering as India rapidly grows its infrastructure, a UB Group executive said on condition of anonymity.

UB Engineering, which booked profits of Rs21.1 crore on a revenue of Rs500 crore for the fiscal ended 31 March 2009, will enter new lines of business such as building roads, factories and refineries, Sardana said. Until now, the firm has restricted itself to mechanical and electrical works, including on-site fabrication of structures, installation, testing and commissioning of power projects.

In a conversation with analysts in October 2009, UB Group chairman, Vijay Mallya, mentioned a plan to make UB Engineering a billion-dollar company in four to five years, according to an analyst present at the meeting, who also declined to be named.

"To start with, we will be entering road construction business by next month and we have already appointed a road division head," said Sardana, adding that this will give the firm faster growth to achieve its turnover mandate.

GROWTH TRACK

UB Engineering in the green after a one-time settlement of dues.

Quarterly break-up	Net profit (Rs crore)
2006	
September	-8.02
December	-0.87
2007	
March	18.57
June	11
September	1.46
December	1.48
2008	
March	8.8
June	5.82
September	5.84
December	5.73
2009	
March	3.75
June	6.58
September	7.02
December	7.05

Source: Mint research

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The company will later venture into engineering, procurement and construction (EPC) for power and oil and gas, and might consider tying up with international firms for expertise for all of its new ventures.

Its model for growth is India's largest engineering and construction firm, Larsen and Toubro Ltd. "We would ideally want to have all resources to

enter into the entire gamut of infrastructure, like L&T," Sardana said.

The renewed focus on the division comes after years of performance problems. As recently as two years ago, when Sardana took over, the firm had been in a financial mess as it failed to keep to project schedules, as well as a lack of attention from its parent company, which had been focusing on its other businesses.

"UB Engineering, once the leading EPC contractor of the country, got stuck in the vicious debt trap owing to spat between the promoters and sheer mismanagement of the company," Salil Ultagi, an analyst at Ambit Capital Pvt. Ltd, wrote in a July 2008 report.

Earlier that year, in January, the group had infused Rs42 crore into the company, while a rights issue helped it raise another Rs60 crore even as it negotiated with banks and repaid its debts in a one-time settlement.

Funds will also not be a problem for the new expansion, said Sardana, as the company has been profitable since March 2007. However, he declined to say how much capital expenditure would be incurred as details were still being worked out.

"Hopefully, the group will inject more capital into the group," the UB Group executive mentioned earlier said, without elaborating.

UB Engineering shares, which have risen 4.29% in the past month against a 5.54% rise in the Sensex, the benchmark index of the Bombay Stock Exchange, on Monday closed at Rs144.75, down 0.10%. The Sensex rose 1.37% to close at 17,935.68 points.

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