

SIMPLEX INFRASTRUCTURES LTD.

OUTPERFORMER

CMP: 138

BSE Code	523838
NSE Code	SIMPLEXINF

Key Data

Sensex	9301
52 week H/L (Rs)	685/108.1
Market Cap (Rs Cr)	682.5
Avg. daily vol. (6m)	16631
Face Value (Rs)	2

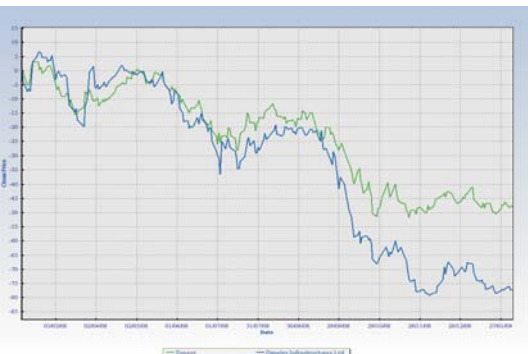
Source: Capitaline

Shareholding Pattern (%)

Promoters	49.42
Institution	13.35
Foreign holding	17.11
Non-promoter corp. holding	11.83
Public & Others	8.29

Source: Capitaline

One-Year Performance (Rel. to Sensex)



Source: Capitaline

Result Highlights

Notwithstanding the prevailing economic slowdown, Simplex Infrastructure continued to exhibit strong execution capabilities. The company registered far better than expected top line growth of 80.4% yoy to Rs 1270 Cr and bottom line growth of 14.6% yoy to Rs 25.3 Cr.

Operating profit was 63.9% higher yoy to Rs 115.6 Cr. While the margins were lower by 90 bps from the corresponding quarter previous year, they improved 40 bps sequentially to 9.1%

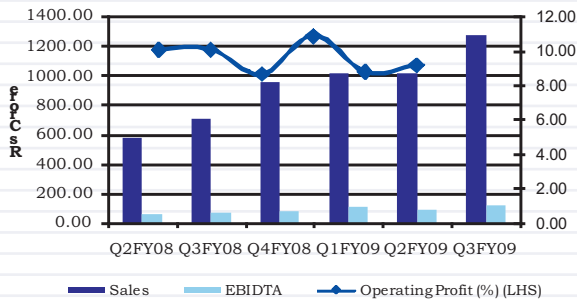
The better than expected performance at the top line did not translate in to equally good bottom line due to spurt in interest (47% yoy) and depreciation (121% yoy) costs.

Order intake during Q3 was robust at Rs 1449 Cr of which 89% orders were domestic and the rest were from overseas markets. The current order book stands at Rs 10231 Cr.

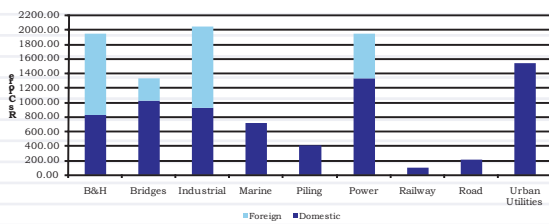
Financials

(Rs crores)	Q3 FY09	Q3 FY08	YoY%	Q2 FY09	QoQ%
Net Sales	1270.29	703.98	80.44	1008.09	26.01
Total Expenditure	1154.70	633.44	82.29	920.30	25.47
Core EBITDA	115.59	70.54	63.86	87.79	31.67
EBITDA Margins (%)	9.10	10.02		8.71	
Other Income	3.66	4.09		0.88	
Depreciation	37.02	16.73	121.28	18.38	101.41
EBIT	82.23	57.90	42.02	70.29	16.99
Interest	43.58	29.56	47.43	32.42	34.42
Profit Before Tax	38.65	28.34	36.38	37.87	2.06
Tax	13.40	6.31	112.36	9.80	36.73
Reported Net Profit	25.25	22.03	14.62	28.07	-10.05
Extra Ordinary Items	0.00	0.00		0.00	
Adjusted Net Profit	25.25	22.03	14.62	28.07	-10.05
NPM (%)	1.99	3.13		2.78	
No of shares	4.97	4.95		4.97	
EPS (Ann.)	5.09	4.46		5.65	

SIL: Operating Performance



Order Book Composition



Simplex infra reported a strong growth of 80.4% in the top line and 14.6% rise in bottom line outperforming its peers. The margins while declining from same quarter previous year, improved by 40 bps on qoq basis. The bottom line, however, came under pressure due to financing costs which soared 47.4% to Rs 43.6% and 121% rise in depreciation. The management has indicated that incremental capital expenditure would be funded through debt and internal accruals. While the over all debt level may increase going forward, we believe that will be offset partly due to softening interest rates.

During the quarter, due to unexpected rise in interest cost and depreciation, the net profit margins sunk to 2% from 3.1% in the corresponding quarter. Though not expected, any further rise in interest rates will not augur well for the company considering its plan to borrow more to fund its capital expenditure.

The order inflows during the Q3FY09 remained strong at Rs 1449 Cr taking the total order book to Rs 10230 Cr which is 2.40 times its TTM sales of Rs 4242 Cr. 69% of the total order book is domestic and the remaining orders come from overseas markets - mainly Middle East.

Valuation & Recommendation

We are confident of SIL posting strong top line growth going forward backed by the order book of Rs 10230 Cr. We believe there is still room for operating margins to improve further due to weak outlook for the most of the input commodities. The stock currently trades at $5.6 \times$ TTM EPS of Rs 24.4 which we think offers attractive investment opportunity. We maintain our out performer rating on the stock.

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RATING INTERPRETATION

Outperformer Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Neutral Expected to remain in a narrow range

Underperformer Expected to depreciate more than 10% over a 12-month period

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