



Economy News

- ▶ Companies may soon find it unviable to take large loans for claiming tax deduction on the interest paid on debt. The government is planning to introduce 'thin capitalisation' rules to check such tax avoidance, by capping the debt proportion that will qualify for tax deduction. Interest paid on loans is deductible for calculating taxable profits, whereas dividends are paid post-tax. With thin capitalisation rules, tax authorities will be able to reclassify some part of the interest paid as dividend and deduct tax on it. (BS)
- ▶ Net profits of 2,850 companies for which results are available, excluding banks and those in financial services, went up 40% compared with the same period a year ago. Excluding the refineries, the remaining companies reported a robust 71% jump in net profit to Rs 860bn, against Rs 504bn in the previous comparable quarter. (BS)

Corporate News

- ▶ **Reliance Industries**, freed from its non-compete agreement with the Anil Dhirubhai Ambani Group (ADAG) that barred it from investing in high-growth sectors, is likely to make its first big-ticket investment in coal-fired power plants. RIL, which is looking to invest surplus cash, is likely to settle on coal-based power plants thanks to the surging demand for electricity and the attractive rates of return, a person familiar with the group's thinking said. An RIL spokesperson declined to comment on the issue. (ET)
- ▶ Bank of Ireland has shortlisted **HCL Technologies** and IBM for an outsourcing contract potentially worth over \$600 million, replacing incumbent vendor HP, which had signed a seven-year deal with the bank in 2004. The outsourcing contract will involve management of the bank's IT infrastructure including desktops, servers, printers and other communication networks. When contacted, a spokesperson for the Bank of Ireland confirmed that both HCL and IBM have been shortlisted. (ET)
- ▶ **Aptech** has said that, it recorded a consolidated net loss of Rs 223mn for the 15-month period ended March 31, 2010. In comparison, the company posted a net profit of Rs 444mn for the January 1, 2008-December 31, 2008, period, Aptech said in a filing to the Bombay Stock Exchange. The company will now follow the April-March financial year instead of the earlier January-December fiscal. The company's consolidated net income for the 15 months ended March 31, 2010, stood at Rs 1.6bn. This was against a total income of Rs 2.74bn for the fiscal ended December 31, 2008. (ET)
- ▶ **Maruti Suzuki** registered its highest ever domestic sales last month, at 90,041 units as against 70,785 units in May last year, growth of 27.2%. The earlier record for highest ever monthly sale was this February, at 84,765 units. Even Ford numbers are a record high, with the company posting a 272% jump in May at 8,080 units vis-à-vis 2,168 units in May 2009.
- ▶ **Bajaj Auto** reported a 62% rise in total sales for May at 299,442 units, compared to 185,341 vehicles it sold in the year-ago period. **Hero Honda** reported its highest monthly sales ever at 4,35,933 units in May, registering 13.9% increase over the same month last year. **TVS Motor** reported a 30.4% increase in two-wheeler sales in May to 1,54,667 units (ET)

Equity

	1 Jun 10	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	16,572	(2.2)	(5.6)	0.9
NIFTY Index	4,970	(2.3)	(5.8)	1.0
BANKEX Index	10,394	(2.5)	(6.8)	5.8
BSET Index	5,111	(1.2)	(4.6)	(1.2)
BSETCG INDEX	13,420	(1.7)	(4.3)	(0.4)
BSEOIL INDEX	9,923	(2.5)	(0.0)	3.4
CNXMcap Index	7,659	(1.3)	(5.0)	6.9
BSESMCAP INDEX	8,463	(1.0)	(8.1)	4.9
World Indices				
Dow Jones	10,024	(1.1)	(8.9)	(3.7)
Nasdaq	2,222	(1.5)	(9.7)	(2.6)
FTSE	5,163	(0.5)	(7.0)	(5.8)
Nikkei	9,712	(0.6)	(11.8)	(4.6)
Hangseng	19,497	(1.4)	(7.1)	(6.2)

Value traded (Rs cr)

	1 Jun 10	% Chg - Day
Cash BSE	3,897	10.5
Cash NSE	13,223	7.5
Derivatives	81,961	31.1

Net inflows (Rs cr)

	31 May 10	% Chg	MTD	YTD
FII	801	66	(9,175)	20,537
Mutual Fund	190	(144)	(835)	(8,100)

FII open interest (Rs cr)

	31 May 10	% Chg
FII Index Futures	12,642	1.5
FII Index Options	40,094	4.1
FII Stock Futures	24,755	(2.0)
FII Stock Options	564	11.2

Advances / Declines (BSE)

	1 Jun 10	A	B	S	Total	% total
Advances	38	545	125	708	32	
Declines	164	1057	251	1,472	66	
Unchanged	1	44	15	60	3	

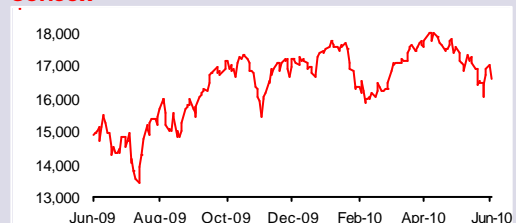
Commodity

	1 Jun 10	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	73	0.2	(15.5)	(8.7)
Gold (US\$/OZ)	1,226	0.8	3.8	7.8
Silver (US\$/OZ)	18	(0.7)	(0.8)	9.3

Debt / forex market

	1 Jun 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.62	7.61	7.80	7.81
Re/US\$	47.1	46.4	44.5	46.1

Sensex



RESULT UPDATE

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+91 22 6621 6302**SIMPLEX INFRASTRUCTURES****PRICE: Rs.479**
TARGET PRICE: Rs.474**RECOMMENDATION: ACCUMULATE**
FY11E P/E: 14.2x**Result Highlights**

- ❑ Simplex Infra reported 10% and 5% de-growth for Q4FY10 and full year FY10 revenues respectively as against same period last year. This was lower than our estimates as well as management's guidance of achieving a flat growth in FY10.
- ❑ Operating margins were better than our estimates and stood at 10.2% and 9.8% for Q4FY10 and FY10 respectively, led by selective bidding by the company.
- ❑ Net profits registered 82% growth for Q4FY10 but declined by 3% for the full year FY10. This was impacted by flattish revenue growth as well as higher tax outgo.
- ❑ Based on lower than expected growth in revenues in FY10, we revise our future estimates for revenues marginally downwards. However, we increase our operating margin assumptions upwards going forward.
- ❑ At current price of Rs 479, stock is trading at 14.2x and 11.7x P/E and 6.5x and 5.8x EV/EBITDA multiples for FY11 and FY12 estimates respectively. With expected increase in overall order inflows and increased traction from international order inflows, we revise our target multiple upwards for the company to 14x one-year forward estimated earnings. We, however, continue to maintain ACCUMULATE rating on the stock with a revised price target of Rs 474 on FY11 estimates (Rs 447 earlier) and would advise investors to use declines in stock price to buy the stock.

Summary table

(Rs mn)	FY10	FY11E	FY12E
Revenues	44,476	53,371	61,376
% change YoY	(5.1)	20.0	15.0
EBITDA	4,378	5,230	6,015
% change YoY	2.4	19.5	15.0
Other Income	178	175	175
Depreciation	1,534	1,618	1,735
EBIT	3,023	3,788	4,455
% change YoY	(2.6)	25.3	17.6
Net interest	1,112	1,278	1,413
Profit before tax	1,911	2,509	3,041
% change YoY	13.4	31.3	21.2
Tax	685	828	1,004
as % of PBT	35.8	33.0	33.0
Profit after tax	1,226	1,681	2,038
Net income	1,226	1,681	2,038
% change YoY	1.5	37.1	21.2
Shares OS (m)	49.7	49.7	49.7
EPS (reported) (Rs)	24.7	33.9	41.0
P/E (x)	19.4	14.2	11.7
EV/EBITDA (x)	7.8	6.5	5.8
RoE (%)	12.8	15.4	16.1
RoCE (%)	13.6	15.1	15.7

Source: Company, Kotak Securities - Private Client Research

Financial highlights

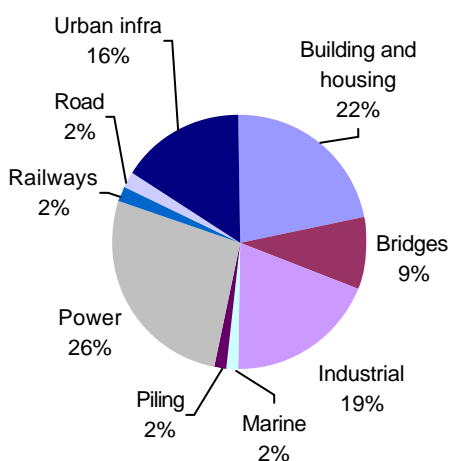
(Rs mn)	Q4FY10	Q4FY09	YoY (%)	FY10	FY09	YoY (%)
Net Sales	12,510	13,861	-10	44,476	46,888	-5
Expenditure	11,234	12,753		40,098	42,611	
EBITDA	1,276	1,108	15	4,378	4,277	2
EBITDA margin (%)	10.2	8.0		9.8	9.1	
Depreciation	379	374		1,534	1,299	
EBIT	897	734	22	2,844	2,977	-4
Interest	214	392		1,112	1,418	
EBT (exc other income)	683	341	100	1,732	1,559	11
Other Income	41	45		178	186	
EBT	724	386	87	1,911	1,746	9
Tax	265	134		685	477	
Tax (%)	36.6	34.7		35.8	27.3	
Net profit	459	252	82	1,226	1,268	-3
NPM (%)	3.7	1.8		2.8	2.7	
Equity Capital	99	99		99	99	
EPS (Rs)	9.3	5.1	81	24.7	25.5	-3

Source: Company

Revenue growth impacted by slow growth in order book

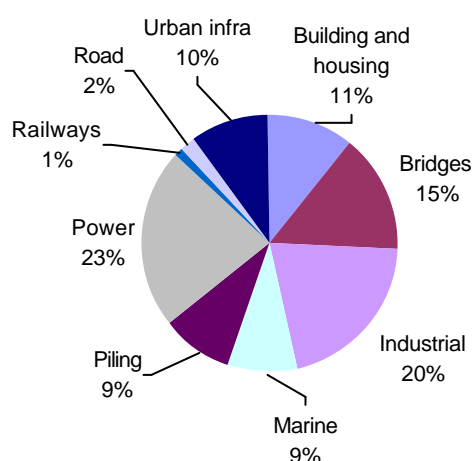
- Simplex Infra reported 10% and 5% de-growth for Q4FY10 and full year FY10 revenues respectively as against same period last year. This was lower than our estimates as well as management's guidance of achieving a flat growth in FY10.
- Lower than estimated revenue growth was on account of slowdown seen in the Middle-East region which resulted in lower than expected order inflows. Overall revenues from international segment declined by 17% during FY10 and stood at Rs 11.7bn as against Rs 14.1bn in FY09. Along with this, management also followed a prudent strategy and didn't bid for projects aggressively during FY10.
- However, order inflow has started improving across both domestic and international segment since Dec, 2009. Total order inflow for FY10 stood at Rs 60bn while during 9MFY10, it stood at only Rs 37.4bn. Also, company has bagged orders to the tune of Rs 13bn during first two months of fiscal 2011. It is also L1 for orders worth Rs 13.3 bn in power, urban infra, industrial and building & housing segment. Company expects these four areas to be future growth drivers with power contributing the maximum proportion to the expected order inflows.
- Current order book of company stands at Rs 115bn diversified across buildings and housing (22%), bridges (9%), industrial (19%), marine and piling (3%), power (27%), railways (2%), road (2%) and urban infrastructure (16%). Out of this, overseas segment contributed 22% while domestic contributes 78% of the total order book.
- Revenues for FY10 are diversified across buildings and housing (11%), bridges (15%), industrial (20%), marine (9%), piling (9%), power (23%), railways(1%), road (2%) and urban infrastructure (10%). Out of this, overseas segment contributed 26% while domestic contributes 74% of the total order book.
- Company is also foraying into road BOT segment and is expected to announce a large toll based BOT project in joint venture with other players. EPC value of the contract is expected to be Rs 10bn and most of it is likely to come to Simplex, though further details are still awaited.
- We expect revenues to grow by 20% for FY11 and management has also given the guidance for a 15-20% in FY11 revenues. We thus expect order inflow to be around Rs 84bn for FY11 to achieve the targeted growth in revenues.
- We also introduce FY12 estimates and expect revenues to grow at a CAGR of 17.5% between FY10-12.

FY10 - Order book breakup (%)



Source: Company

FY10 - Revenue breakup (%)



Source: Company

Operating margins better than our estimates

- Operating margins were better than our estimates and stood at 10.2% and 9.8% for Q4FY10 and FY10 respectively, led by selective bidding by the company.
- We upgrade our operating margin assumptions going forward and expect margins to be around 9.8% going forward.

Net profit growth impacted by flattish revenue growth

- Net profits registered 82% growth for Q4FY10 but declined by 3% for the full year FY10. This was impacted by flattish revenue growth as well as higher tax outgo.
- Capex was low in FY10 but company has targeted a capex of Rs 1.5bn for FY11 based on expected increase in the order inflows.
- We fine tune our estimates based on lower revenue growth and higher operating margins and expect net profits to grow at a CAGR of 29% between FY10-FY12.

Valuation and recommendation

- At current price of Rs 479, stock is trading at 14.2x and 11.7x P/E and 6.5x and 5.8x EV/EBITDA multiples for FY11 and FY12 estimates respectively.
- With expected increase in overall order inflows and increased traction from international order inflows, we revise our target multiple upwards for the company to 14x one-year forward estimated earnings.
- We, however, continue to maintain **ACCUMULATE** rating on the stock with a revised price target of Rs 474 on FY11 estimates (Rs 447 earlier)
- We would advise investors to use declines in stock price to buy the stock.

We recommend ACCUMULATE on Simplex Infrastructures with a price target of Rs.474

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
1-Jun	Acil Cot Inds	Abhijai Investment	B	69,300	33.2
1-Jun	Acil Cot Inds	Mukesh Jagdish Trivedi	S	62,000	33.2
1-Jun	Acil Cot Inds	Rajendra N Surana	S	81,000	33.3
1-Jun	Amulya Leas	Surendra Kumar Jain	S	50,000	39.0
1-Jun	Amulya Leas	Madhur Jain	S	70,500	39.0
1-Jun	Crew Bos	Leasemen Fin-Invest (India) Limited	S	70,000	94.0
1-Jun	Cupid Trades	Parvati Minerals Privatelt	B	10,000	54.1
1-Jun	Cupid Trades	Shamanjwali Pvt Ltd	S	10,000	54.1
1-Jun	Gujarat Capital	Bharat Shantilal Thakkar	B	100,000	54.0
1-Jun	Gujarat Capital	Sitaram Computech Private Limited	S	75,000	53.8
1-Jun	Hindusthan Nat	Ironwood Investment Holdings	B	6,348,025	200.0
1-Jun	Hindusthan Nat	Hng Trust	S	2,910,000	200.0
1-Jun	Hindusthan Nat	Spotlight Vanijya Limited	S	675,000	200.2
1-Jun	Hindusthan Nat	Topaz Commerce Ltd	S	932,000	200.0
1-Jun	Hindusthan Nat	Noble Enclave And Towers Ltd	S	1,975,000	200.0
1-Jun	Livingroom Life	Shrim Developers Pvt Ltd	B	55,000	43.9
1-Jun	Livingroom Life	Jehangir Turabali Nagree	S	55,037	43.9
1-Jun	Master	Jaya Veera Venkata Durga Prakash M	S	27,100	33.3
1-Jun	Master	Gopala Krishna Bonam	S	49,658	33.1
1-Jun	Mk Exim	Ketan Chandravadan Parikh	B	20,000	56.4
1-Jun	Mk Exim	Nishil Kantilal Malde	S	31,000	56.4
1-Jun	Mohit Inds	Rajesh Vallabhdas Kataria	B	30,000	32.4
1-Jun	Mohit Inds	Mona Manish Shah	B	32,000	32.6
1-Jun	Mohit Inds	Savitridevi Fatechand Jain	B	57,700	32.6
1-Jun	Mohit Inds	Gita Bhaini Ranjan	S	50,000	32.6
1-Jun	Moldtek Tech	Usha Kumari	S	20,900	72.7
1-Jun	Omkar Overs	Arvind Kashmirilal Punjabi	B	56,500	82.9
1-Jun	Omkar Overs	Dari Tejas K	B	33,001	82.7
1-Jun	Omkar Overs	Ambika Shyam Shukla	S	50,000	82.5
1-Jun	Oregon Comm	Bhavesh Shantilal Trivedi	B	6,400	327.0
1-Jun	Oregon Comm	Prakash Kishanchand Virwani	B	6,100	327.0
1-Jun	Oregon Comm	Dilip K Virvani	B	6,100	327.0
1-Jun	Oregon Comm	Virendrakumar Jayantilal Patel	B	14,447	336.6
1-Jun	Oregon Comm	Kinjal Girish Shah	B	18,526	336.6
1-Jun	Oregon Comm	Sonal Bhupendrabhai Kamodia	S	12,626	336.5
1-Jun	Oregon Comm	Paresh Ramjibhai Chauhan	S	12,447	336.5
1-Jun	Oregon Comm	Patel Vipul	S	8,000	337.2
1-Jun	Rai Saheb Rekh	Vibha Madhusudan Mehadia	B	22,200	98.0
1-Jun	Rai Saheb Rekh	Badjate Anuj Shantilal Huf	S	28,500	98.0
1-Jun	Ranklin Sol	Malli Khar Junarao V	B	29,617	81.6
1-Jun	Ranklin Sol	Pabbathibadari Narayana Murthy	S	32,642	81.5
1-Jun	Roselabs Inds	Swagatam Marketing Private Limited	B	100,000	72.0
1-Jun	Sark Sys	Sweta Tibrewala	B	50,000	41.7
1-Jun	Sark Sys	S K Trading (S K Chourasia)	B	50,000	41.7
1-Jun	Sark Sys	Mv Tradecom Private Limited	B	70,000	42.0
1-Jun	Sark Sys	The IL&FS Financial Services Limited	S	351,350	41.9
1-Jun	Shalibhadra Fin	Amit Aggarwal	S	27,000	35.2

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Maruti Suzuki	1257	1.6	0.9	1.5
Cipla Ltd	324	1.6	0.9	2.3
Sun Pharma	1681	1.0	0.4	0.4
Losers				
Reliance Ind	1,011	(3.4)	(20.5)	4.5
ICICI Bank	838	(3.5)	(11.7)	3.9
HDFC	2,707	(3.0)	(7.3)	0.4

Source: Bloomberg

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