

SIMPLEX INFRASTRUCTURES LTD.

CMP Rs488
UNDER REVIEW

01 June 2010

Simplex Infrastructure (SIL) ended FY10 on a positive note with a margin improvement of 220bps to 10.3% against 8.1%, and a 46% reduction in interest cost enabling 54% growth in PAT for Q4FY10. For FY10, SIL reported a 1% growth in PAT aided by 70bps improvement in margin and 22% decrease in interest cost.

Business traction will return in FY11

During FY10, SIL reported a 5% de-growth in sales, during the year SIL resorted to a cautious approach to order execution as execution risk increased in international segment (Gulf region) also aided by a general slow down in domestic order in private and government segment. Order inflows also slackened during the same period impacting execution. But since Jan'2010 the scenario has improved with order inflow momentum gaining pace in Q4FY10. Consequently, SIL booked Rs22bn of orders in fourth quarter; Rs13bn in the first two months of FY11 and has a L1 position of Rs13bn. Although the management has guided 15-20% sales growth, with Rs115bn order book in hand (excl L1 Rs13bn), sales for month of April'10 being up 57% YoY to Rs4.2bn and the current order book execution of 30 months, SIL, is in a good position to post 20-25% sales growth in FY11.

Growth drivers – Power, Urban and Industrial segments

SIL is witnessing strong traction from Power, Urban Infra and building & industrial segment. Order inflow during FY10 was Rs60bn and current order pipeline is Rs400bn and are especially in the above mentioned segments. Within the power segment order traction is strong in thermal & hydro civil engineering and T&D. Capex for FY11 is expected to be Rs1.5bn.

VALUATIONS AND RECOMMENDATION

At the CMP of Rs488, Simplex trades at a P/E of 15.6x & EV/EBIDTA of 6.9x its FY11E earnings. We would be reviewing our FY11 & FY12 estimates and keep our target price under review.

KEY FINANCIALS (STANDALONE)						Rs mn
	FY07	FY08	FY09	FY10	FY11E	
Net Sales	17,110	28,121	46,948	44,538	54,698	
YoY Gr. (%)	27.2	64.4	66.9	(5.1)	22.8	
Operating Profit	1,619	2,675	4,337	4,440	5,307	
OPM (%)	9.5	9.5	9.2	10.0	9.7	
Adj. Net Profits	537	901	1,208	1,226	1,556	
YoY Gr. (%)	29.0	67.7	34.1	1.5	26.9	
KEY RATIOS						
Dil. EPS (Rs)	10.8	18.1	24.3	24.7	31.3	
ROACE (%)	16.2	18.4	16.8	12.6	13.8	
ROANW (%)	21.1	17.5	14.5	12.9	14.7	
PER (x)	45.1	26.9	20.1	19.8	15.6	
EV/Sales (x)	1.6	1.1	0.8	0.9	0.7	
EV/EBIDTA (x)	15.9	10.4	7.9	8.4	6.9	

Vinod Nair +91-22-6618 6379

vinod.nair@pinc.co.in

Subramaniam Yadav +91-22-6618 6371

subramaniam.yadav@pinc.co.in

QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Sep-09	Dec-09	Mar-10
Net Sales	10,252	10,668	12,521
YoY Gr. (%)	1.7	(16.0)	(9.8)
Op.Profit	1,065	969	1,287
OPM (%)	10.4	9.1	10.3
Adj.Net Profit	279	264	459
YoY Gr. (%)	(0.5)	4.7	3.7

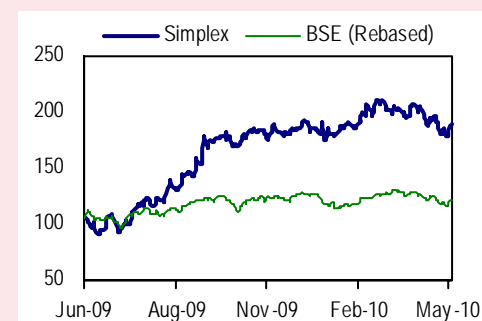
STOCK DATA

Market cap	Rs24.2bn
Book Value per share	Rs227
Shares O/S (F.V. Rs2)	Rs49.7mn
Free Float	45.3%
Avg Trade Value (6 months)	Rs15.8mn
52 week High/Low	Rs563/360
Bloomberg Code	SINF IN
Reuters Code	SINF.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(5.7)	0.4	79.4
Relative	(3.2)	(2.6)	55.3

RELATIVE PERFORMANCE



Order book mix

Current order book is Rs115bn (14% up YoY), which comprises of Power 27%, Building & Housing 22%, Industrial 19%, Urban Infra 16%, Bridges 9%, Marine & Piling 3% and Roads & Rail 2%. Domestic and International mix is 78:22. International includes Qatar 8%, Oman 6%, Abu-Dhabi 5% and Ethiopia & Dubai 3%.

First BOT project

SIL has won the first BoT toll project Bhubaneswar-Chandikhol NHAI project. SIL is likely to hold 34% while remaining will be held by SREI and Galfar. SIL interest in this BoT project stems from the high EPC contract work expected in the project in the form of 4 major bridges and 7 flyovers, the total EPC work expected in this project is between Rs9-10bn, the project size is Rs10.5bn.

Financial Table (Standalone)

Rs mn	Mar'10	Mar'09	YoY (%)	Dec'09	QoQ (%)	FY09	FY10	YoY(%)
Net Sales	12,521	13876	-9.8	10,668	17.4	46948	44538	(5.1)
EBIDTA	1287	1123	14.6	969	32.8	4337	4440	2.4
EBIDTA Margins (%)	10.3	8	27.0	9.1	13.1	9	10	7.9
Other Income	30	30	(1.3)	44	(31.9)	126	116	(8.0)
Interest	214	392	(45.5)	262	(18.5)	1418	1112	(21.6)
Depreciation	379	220	71.9	391	(3.2)	1299	1534	18.0
PBT	724	386	87.4	359	101.6	1685	1911	13.4
Tax (%)	37	23	61.0	26	38.4	28	36	26.5
PAT	459	299	53.8	264	73.8	1208	1226	1.5
EPS	9.3	6.0	53.9	5.3	73.8	24.3	24.7	1.5

Source: PINC Research, Company

Standalone Financials

Year Ended March (Figures in Rs mn)

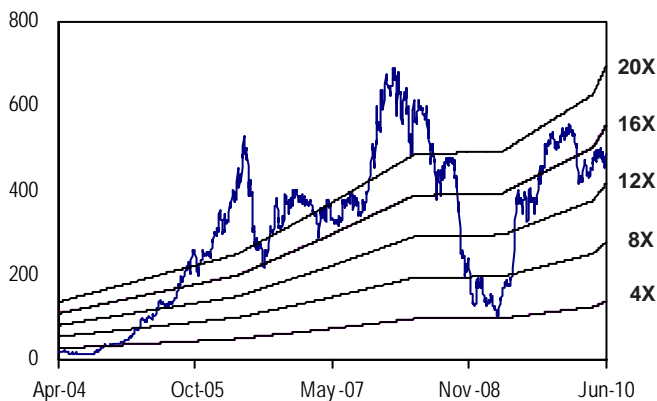
Income Statement	FY07	FY08	FY09	FY10	FY11E
Revenues	17,110	28,121	46,948	44,538	54,698
Growth (%)	27.2	64.4	66.9	(5.1)	22.8
Operating Profit	1,619	2,675	4,337	4,440	5,307
Other Income	106	246	126	116	165
EBIDTA	1,725	2,921	4,463	4,556	5,472
Growth (%)	42.1	69.3	52.8	2.1	20.1
Depreciation & Amortization	391	643	1,299	1,534	1,775
EBIT	1,334	2,278	3,163	3,023	3,697
Interest Charges (Net)	632	1,007	1,418	1,112	1,340
PBT (Before E/o items)	702	1,271	1,746	1,911	2,357
Tax provision	164	370	477	685	801
E/o Income / (Loss)	-	-	-	-	-
Net Profits	537	901	1,208	1,226	1,556
Adjusted Net Profits	537	901	1,208	1,226	1,556
Growth (%)	29.0	67.7	34.1	1.5	26.9
Basic EPS (Rs)	12.5	18.1	24.3	24.7	31.3
Diluted EPS (Rs)	10.8	18.1	24.3	24.7	31.3
Growth (%)	29.0	67.7	34.1	1.5	26.9

Cash Flow Statement	FY07	FY08	FY09	FY10E	FY11E
Profit before tax	702	1,271	1,732	1,911	2,357
Depreciation	391	643	1,830	1,534	1,775
Income from inv & int. (profit)	0	(6)	(0)	(116)	(165)
Interest paid	541	852	1,156	1,112	1,340
Taxes	(216)	(228)	(298)	(380)	(801)
(Inc)/Dec in working capital	(1,605)	(2,034)	(3,581)	(4,095)	(484)
Other operating activities	47	90	394	-	-
Cash from operations	(140)	587	1,233	(35)	4,022
Net capital expenditure	(1,790)	(3,157)	(4,069)	(1,350)	(2,000)
Net Investments	(21)	(40)	(12)	(20)	(10)
Interest & dividend recd	18	70	63	116	165
Cash from inv. activities	(1,734)	(3,588)	(4,072)	(1,254)	(1,845)
Equity raised/(repaid)	-	4,161	-	(350)	-
Debt raised/(repaid)	2,420	622	4,438	4,000	(800)
Dividend (incl. tax)	(49)	(80)	(116)	(116)	(128)
Other financing activities	(516)	(894)	(1,184)	(1,112)	(1,340)
Cash from fina. activities	1,855	3,808	3,144	2,422	(2,268)
Inc/(Dec.) in cash	(20)	807	305	1,132	(91)

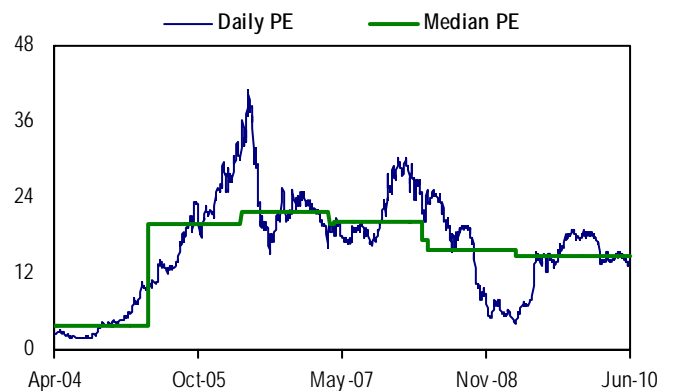
Balance Sheet	FY07	FY08	FY09	FY10E	FY11E
Equity Share Capital	86	99	99	99	99
Reserves & Surplus	2,673	7,219	8,777	9,749	11,177
Shareholders' Funds	2,759	7,531	9,088	9,848	11,276
Minorities Interest	-	-	-	-	-
Total Debt	6,877	7,493	12,205	16,205	15,405
Deferred Tax liability	181	371	579	579	579
Capital Employed	9,816	15,396	21,872	26,632	27,259
Fixed Assets	3,619	6,537	10,249	10,066	10,291
Cash & cash eq.	425	1,232	1,191	2,018	1,927
Net current assets	6,145	8,760	11,616	16,539	16,932
Investments	53	99	21	41	51
Total Assets	9,816	15,396	21,872	26,632	27,259

Key Ratios	FY07	FY08	FY09	FY10E	FY11E
OPM (%)	9.5	9.5	9.2	10.0	9.7
Net Margin (%)	3.1	3.2	2.6	2.8	2.8
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.5
Net Debt/Equity (x)	2.3	0.8	1.2	1.4	1.2
Net working capital (days)	120.4	96.4	79.9	117.4	98.8
ROACE (%)	16.2	18.4	16.8	12.6	13.8
ROANW (%)	21.1	17.5	14.5	12.9	14.7
EV/Sales (x)	1.6	1.1	0.8	0.9	0.7
EV/EBIDTA (x)	15.9	10.4	7.9	8.4	6.9
PER (x)	45.1	26.9	20.1	19.8	15.6
PCE (x)	26.1	15.7	9.7	8.8	7.3
Price/Book (x)	7.6	3.2	2.7	2.5	2.1

P/E Band



Median PE v/s Daily PE



T E A M

EQUITY DESK

Sadanand Raje	Head - Institutional Sales Technical Analyst	sadanand.raje@pinc.co.in	91-22-6618 6366
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RESEARCH

Vineet Hetamasaria, CFA	<i>Auto, Cement</i>	vineet.hetamasaria@pinc.co.in	91-22-6618 6388
Nikhil Deshpande	<i>Auto, Auto Ancillary</i>	nikhil.deshpande@pinc.co.in	91-22-6618 6339
Vinod Nair	<i>Construction, Power</i>	vinod.nair@pinc.co.in	91-22-6618 6379
Subramaniam Yadav	<i>Construction</i>	subramaniam.yadav@pinc.co.in	91-22-6618 6371
Madhura Joshi	<i>Power</i>	madhura.joshi@pinc.co.in	91-22-6618 6395
Satish Mishra	<i>Fertiliser, Engineering</i>	satish.mishra@pinc.co.in	91-22-6618 6488
Rohit Kumar Anand	<i>IT Services</i>	rohit.anand@pinc.co.in	91-22-6618 6372
Karan Taurani	<i>IT Services</i>	karan.taurani@pinc.co.in	91-22-6618 6382
Rajesh Kumar Ravi	<i>Logistics, Cement, Ship-building</i>	rajeshkumar.ravi@pinc.co.in	91-22-6618 6377
Pawan Burde	<i>Metals, Mining</i>	pawan.burde@pinc.co.in	91-22-6618 6381
Dipti Vijaywargi	<i>Metals, Mining</i>	dipti.vijaywargi@pinc.co.in	91-22-6618 6393
Harleen Babber	<i>Metals, Mining</i>	harleen.babber@pinc.co.in	91-22-6618 6389
Vedang V. Bakshi	<i>Natural Gas, Capital Goods</i>	vedang.bakshi@pinc.co.in	91-22-6618 6394
Chirag Dagli	<i>Pharma, FMCG, Fertiliser</i>	chirag.dagli@pinc.co.in	91-22-6618 6462
Naveen Trivedi	<i>Pharma, FMCG</i>	naveent@pinc.co.in	91-22-6618 6384

SALES

Anil Chaurasia	<i>Equities</i>	anil.chaurasia@pinc.co.in	91-22-6618 6483
Gagan Borana	<i>Equities</i>	gagan.borana@pinc.co.in	91-22-6618 6485
Shailesh Kadam	<i>Derivatives</i>	shaileshk@pinc.co.in	91-22-6618 6349
Ganesh Gokhale	<i>Derivatives</i>	ganeshg@pinc.co.in	91-22-6618 6350

DEALING

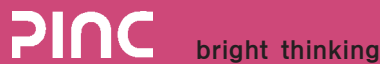
Rajeev Gupta	<i>Head - Sales Trading</i>	rajeev.gupta@pinc.co.in	91-22-6618 6486
Amar Margaje		amar.margaje@pinc.co.in	91-22-6618 6327
Ashok Savla		ashok.savla@pinc.co.in	91-22-6618 6321
Raju Bhavsar		rajub@pinc.co.in	91-22-6618 6301
Manoj Parmar		manojp@pinc.co.in	91-22-6618 6326
Hasmukh D. Prajapati		hasmukhp@pinc.co.in	91-22-6618 6325
Pratiksha Shah		pratikshas@pinc.co.in	91-22-6618 6329

DIRECTORS

Gaurang Gandhi		gaurangg@pinc.co.in	91-22-6618 6400
Hemang Gandhi		hemangg@pinc.co.in	91-22-6618 6400
Ketan Gandhi		ketang@pinc.co.in	91-22-6618 6400

COMPLIANCE

Rakesh Bhatia	Head Compliance	rakeshb@pinc.co.in	91-22-6618 6400
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