

RESULTS

REVIEW

Simplex Infrastructures Ltd.

Strong execution continues

BUY

Analyst

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Nifty: 5,532; Sensex: 18,202

CMP	Rs224
Target Price	Rs288
Potential Upside/Downside	+29%

Key Stock Data

Sector	Construction
Bloomberg / Reuters	SINF IN / SINF.BO
Shares o/s (mn)	49.5
Market cap. (Rs mn)	11,082
Market cap. (US\$ mn)	225
3-m daily average vol.	3,000

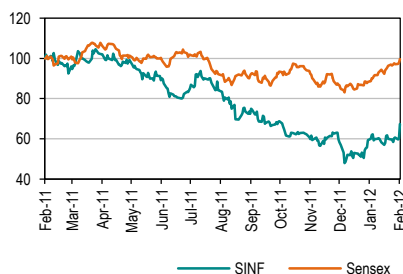
Price Performance

52-week high/low	Rs366/157		
	-1m	-3m	-12m
Absolute (%)	12	13	(33)
Rel to Sensex (%)	0	5	(32)

Shareholding Pattern (%)

Promoters	54.9
FII/IRIs/OCBs/GDR	14.7
MFs/Banks/FIs	18.8
Non Promoter Corporate	6.4
Public & Others	5.2

Relative to Sensex



Source: Capitaline

Summary

Revenue was 21% above estimate at Rs15.9 bn (+37% YoY), led by better than expected execution in the domestic business (+40% YoY). Order inflow continues to remain strong – Rs10.2 bn in Q3 and Rs20.9 bn QTD. OPM at 8.3% (excluding forex loss) was 119bps lower than our estimate (-98bps YoY), due to start-up cost incurred with respect to new projects. Management expects OPM to revert to ~10% levels from Q1FY13 onwards. APAT was 10% above estimate at Rs213 mn (-8% YoY). Net working capital improved from 136 days of revenue in Q2 to 120 days in Q3FY12. We continue to prefer Simplex among mid-cap construction companies due to strong execution momentum and minimal exposure to BOT business. Maintain BUY; TP stays at Rs288.

Result Highlights

■ Revenue 21% above estimate at Rs15.9 bn (+37% YoY)

Revenue came 21% above estimate at Rs15.9 bn (+37% YoY), led by better than expected execution in the domestic business. Domestic revenue grew 40% YoY to Rs14.3 bn, while international revenue was up 15% YoY to Rs1.6 bn. The management has revised its FY12 revenue growth guidance from earlier 10-15% to 20%. Also, the management expects to achieve a revenue growth of 15-20% in FY13.

■ Q3 order inflow at Rs10.2 bn; Rs20.9 bn orders won QTD

Order inflow for Simplex continues to remain strong. While Q3 order inflow was Rs10.2 bn (Rs38.4 bn in 9MFY12), the company has won orders of Rs20.9 bn QTD. O/B at the end of Q3FY12 stood at Rs144.6 bn, with an average execution period of ~2.5 years.

■ OPM 119bps below our estimate; EBITDA 6% above expectation

OPM at 8.3% was 119bps lower than our estimate (-98bps YoY), due to start-up cost incurred with respect to new projects. The management expects OPM to revert to ~10% levels from Q1FY13 onwards. EBITDA was 6% above estimate at Rs1.3 bn (+22% YoY).

■ APAT 10% above estimate at Rs213 mn (-8% YoY)

Adjusted for forex loss, PAT was 10% above estimate at Rs213 mn (-8% YoY). Interest expense increased 8%/52% QoQ/YoY to Rs550 mn. Net working capital improved from 136 days of revenue in Q2 to 120 days in Q3FY12.

■ Maintain BUY; TP stays at Rs288

We continue to prefer Simplex among mid-cap construction companies due to its strong execution momentum and minimal exposure to BOT business. We have kept our FY12/13 earnings estimates largely unchanged. Maintain BUY rating on the stock; TP stays at Rs288 (10x FY13 EPS).

Table: Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY09	46,627	3,955	8.5	1,208	24.4	9.2	5.6	13.4	9.0
FY10	44,427	4,330	9.7	1,226	24.8	9.0	5.4	12.6	7.9
FY11	47,624	4,707	9.9	1,171	23.7	9.5	5.7	10.9	7.6
FY12E	58,100	5,252	9.0	925	18.7	12.0	5.6	8.0	7.5
FY13E	67,017	6,367	9.5	1,424	28.8	7.8	4.7	11.1	8.8

Source: Company; IDBI Capital Research

Table: Quarterly performance

(Rs mn)

Year-end: March	Q3FY11	Q3FY12	YoY (%)	Q3FY12E	% Variation
Revenue	11,676	15,964	36.7	13,172	21.2
Operating Expense	10,591	14,637	38.2	11,921	22.8
EBDITA	1,085	1,327	22.3	1,251	6.0
<i>EBDITA margin (%)</i>	9.3	8.3	<i>(98bps)</i>	9.5	<i>(119bps)</i>
Depreciation	402	487	20.9	460	5.8
EBIT	683	840	23.1	791	6.2
Other Income	21	10	(55.4)	35	(72.9)
Interest	362	550	52.0	546	0.9
Forex loss	0	33	nm	0	nm
PBT	342	267	(22.0)	281	(5.0)
Tax	110	87	(21.4)	87	(0.8)
<i>Tax Rate (%)</i>	32.2	32.4	0.8	31.1	4.4
Reported PAT	232	180	(22.3)	194	(6.9)
Adjusted PAT*	232	213	(8.2)	194	10.0
<i>Net Profit margin (%)</i>	2.0	1.1	<i>(86bps)</i>	1.5	<i>(34bps)</i>
EPS (Rs)	4.7	4.3	(8.2)	3.9	10.0

* Adjusted for forex loss

Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY09	FY10	FY11	FY12E	FY13E
Net sales	46,627	44,427	47,624	58,100	67,017
Growth (%)	65.8	(4.7)	7.2	22.0	15.3
Operating expenses	42,671	40,097	42,916	52,848	60,650
EBITDA	3,955	4,330	4,707	5,252	6,367
Growth (%)	47.9	9.5	8.7	11.6	21.2
Depreciation	1,299	1,534	1,608	1,879	2,117
EBIT	2,656	2,797	3,099	3,373	4,249
Interest paid	1,418	1,112	1,368	2,165	2,339
Other income	447	226	163	133	133
Pre-tax profit	1,685	1,911	1,894	1,341	2,044
Tax	477	685	722	416	619
Effective tax rate (%)	28.3	35.8	33.0	31.0	30.3
Net profit	1,208	1,226	1,171	925	1,424
Adjusted net profit	1,208	1,226	1,171	925	1,424
Growth (%)	34.1	1.5	(4.5)	(21.0)	54.0
Shares o/s (mn nos)	49.5	49.5	49.5	49.5	49.5

Balance Sheet

(Rs mn)

Year-end: March	FY09	FY10	FY11	FY12E	FY13E
Net fixed assets	10,014	9,677	11,049	11,170	11,053
Capital WIP	139	187	275	275	275
Investments	201	277	491	491	491
Current assets	29,000	30,598	36,847	42,726	47,432
Inventories	6,761	6,592	7,978	10,347	11,016
Sundry Debtors	16,676	17,928	22,834	23,559	27,174
Cash and Bank	1,002	873	795	1,268	1,535
Loans and advances	3,312	3,868	3,833	4,939	5,696
Other current assets	1,250	1,337	1,408	2,615	2,010
Total assets	39,354	40,739	48,663	54,662	59,251
Shareholders' funds	9,023	9,697	10,776	11,574	12,871
Share capital	99	99	99	99	99
Reserves & surplus	8,923	9,597	10,678	11,475	12,772
Total Debt	12,205	13,024	16,607	19,607	20,607
Deferred tax liability	579	883	1,381	1,381	1,381
Curr Liab & prov	17,548	17,135	19,899	22,101	24,392
Current liabilities	17,432	17,020	19,770	21,973	24,265
Provisions	116	115	129	127	127
Total liabilities	30,331	31,042	37,886	43,088	46,380
Total equity & liabilities	39,354	40,739	48,663	54,662	59,251

Cash Flow Statement

(Rs mn)

Year-end: March	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	1,685	1,911	1,894	1,341	2,044
Depreciation	1,299	1,534	1,608	1,879	2,117
Interest	1,510	1,207	1,464	2,289	2,481
Other items	(492)	(722)	-	-	-
Chg in working capital	(2,923)	(2,140)	(3,563)	(3,204)	(2,147)
Income tax paid	(477)	(685)	(722)	(416)	(619)
Cash flow from operations (a)	603	1,106	680	1,889	3,876
Capital expenditure	(5,279)	(1,223)	(3,139)	(2,000)	(2,000)
Chg in investments	(102)	(76)	(214)	-	-
Other items	1,262	185	-	-	-
Cash flow from investing (b)	(4,119)	(1,115)	(3,353)	(2,000)	(2,000)
Change in equity	-	-	(0)	-	-
Change in debt	4,711	819	3,583	3,000	1,000
Dividend (incl. tax)	(116)	(115)	(115)	(127)	(127)
Interest	(1,510)	(1,207)	(1,464)	(2,289)	(2,481)
Other items	201	383	-	-	-
Cash flow from financing (c)	3,287	(120)	2,003	584	(1,608)
Net chg in cash (a+b+c)	(230)	(129)	(669)	473	267

Financial Ratios

Year-end: March	FY09	FY10	FY11	FY12E	FY13E
Adj EPS (Rs)	24.4	24.8	23.7	18.7	28.8
Adj EPS growth (%)	34.1	1.5	(4.5)	(21.0)	54.0
EBITDA margin (%)	8.5	9.7	9.9	9.0	9.5
Pre-tax margin (%)	3.6	4.3	4.0	2.3	3.0
RoE (%)	13.4	12.6	10.9	8.0	11.1
RoCE (%)	9.0	7.9	7.6	7.5	8.8
Turnover & Leverage ratios (x)					
Asset turnover	4.7	3.6	3.5	3.7	3.8
Leverage factor	1.4	1.3	1.5	1.7	1.6
Net margin (%)	2.6	2.8	2.5	1.6	2.1
Net Debt/Equity	1.2	1.3	1.5	1.6	1.5
WC & Liquidity ratios					
Inventory days	53	54	61	65	60
Receivable days	131	147	175	148	148
Payable days	69	85	89	85	82

Valuations

Year-end: March	FY09	FY10	FY11	FY12E	FY13E
PER (x)	9.2	9.0	9.5	12.0	7.8
Price / Book value (x)	1.2	1.1	1.0	1.0	0.9
PCE (x)	4.4	4.0	4.0	4.0	3.1
EV / Net sales (x)	0.5	0.5	0.6	0.5	0.4
EV / EBITDA (x)	5.6	5.4	5.7	5.6	4.7
Dividend Yield (%)	0.9	0.9	0.9	1.0	1.0



Notes

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Key to Ratings**Stocks:**

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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