

**Simplex Infrastructures Limited**

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs152	Rs540	Rs300	97%	BUY	Rs7.5

**About the Company:**

Simplex Infrastructures Ltd (Simplex) is a diversified company established in 1924, executing projects in several sectors like Transport, Energy & Power, Mining, Buildings, Marine, Real Estate etc. It is one of the leading construction players in India for nearly 90 years, executing projects with consistent quality assurance, cost control and adherence to milestones in a safe environment as per the customer requirements. Simplex has been closely associated with the country's infrastructure with over 2,900 completed projects spanning across almost the entire gamut of construction industry. The diverse clientele ranges from statutory bodies to national and state governments to domestic and international conglomerates. The management of the company has Mr. A.D Mundhra as the Vice-Chairman and Mr. Rajiv Mundhra as the Whole Time Director.

**Results Declared:**

- The net sales for the quarter came in at Rs14,034mn as compared to Rs13,601mn, growth of 3.2%
- The EBITDA margins stood at 12.7% almost flat as compared to 12.8% in the same quarter last year
- The net profit grew by 16.6% to Rs363mn as against Rs311mn in the comparative quarter.
- The EPS for the quarter is Rs6.5
- On the segmental front, the construction segment grew by 1% while the Others clocked a 151% growth for the quarter under reference
- The fresh order inflow during the quarter is Rs1,260cr and for the 9MFY19 is Rs2,431cr. Order-book as of Dec 2018 stands at Rs16,805cr in addition to the L1 of Rs1,100cr.

**Conference Call Highlights:**

- The overall sales for the quarter were impacted due to execution slowdown across major projects like the West Bengal Road project, Assam road project and delays in the Mumbai metro project. The capex for 9M FY19 stands at Rs72cr
- Debtors stand at Rs6,176cr of which Rs4,047cr are unbilled sales.
- The Gross debt as of Q3FY19 is Rs3,536cr with a Cash balance of Rs62cr.
- The company expects Q4FY19 to clock sales to the tune of Rs2,000cr, giving more than 12% total revenue growth for FY19. The order intake for Q4FY19 is expected to be around Rs2,500cr, closing the year at ~Rs5,000cr.
- For FY20, the sales target is Rs7,500cr with the order intake in the range of Rs7,000-8,000cr.
- In 9MFY19, Rs46cr has been provided as bad debts which includes the write offs, while Rs13cr was written back
- The WC cycle stands high at 260 days as 80% of the orders are government oriented
- Cash inflow from the road BOT project should start coming in from March /April 2019 with ~Rs304cr expected to be received in the first tranche.
- 12-13% operating margins can be maintained.
- The pending arbitration stands at Rs1,843cr of which Rs589cr are booked into accounts.

**Financials (Standalone):**

Result Update (Q3FY2019)									
Q3FY19 Result (Rs mn)	Dec-18	Dec-17	y-o-y	Sept-18	q-o-q	9MFY19	9MFY18	y-o-y	FY19E
Total Income	14,034	13,601	3.2%	14,791	(5.1%)	44,668	41,180	8.5%	59,478
EBITDA	1,789	1,745	2.5%	1,727	3.6%	5,269	5,107	3.2%	6,959
Other Income	240	217	10.5%	207	16.2%	743	758	(2.0%)	1,011
Interest	1,135	1,108	2.5%	1,149	(1.2%)	3,477	3,353	3.7%	4,703
Depreciation	407	454	(10.3%)	438	(6.9%)	1,296	1,403	(7.6%)	1,737
Exceptional Items	-	-	-	-	-	-	-	-	-
Tax	125	90	38.3%	103	20.9%	349	233	49.7%	307
Net Profit	363	311	16.6%	244	48.4%	889	876	1.6%	1,222

**Outlook and Recommendations:**

The company has reported decent set of numbers for the quarter under reference. It is standing good in terms of the future order book as well. However, with the overall slowdown seen across the industry; Simplex has been no exception. Further considering the prevailing market conditions we would like to tone down our target to Rs300 (from the earlier Rs540) over a 12 months horizon.

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