

August 21, 2019

CALL CLOSED

CMP: Rs64

Simplex Infrastructures Limited

Call Closed

We had initiated a BUY on the stock at the price of Rs540 (coverage initiated on 10th July 2017) for a target of Rs700. With the kind of economic push that was expected for the infrastructure space, we had expected that the legacy that the company enjoyed in the sector especially in the upcoming Metro developments should work in favour of the company. This was the reason for us to stick around our recommendation inspite of downgrades. However, the issue that has been a laggard for the company is the elevated debtors, recovery of which is been attempted since a year now which has led to the slowdown in execution as well. Also the recent revision of ratings by CARE has been yet another negative for the stock.

The company has the fresh order inflow during the quarter of Rs1,122cr, with the order book as of June 2019 standing at Rs15,347cr in addition to the L1 of Rs1,070cr. This advocates the fact that the company should actually be better positioned in terms of the performance which is not the case. There has been nothing meaningful seen out of the efforts of the company to recover debts or for that matter improve on the execution.

We would recommend our investors to exit positions if any in the stock in the current context. However, the company would be under our soft coverage in order to gauge if execution picks up and we could re-enter the counter. But for now we would want to close the call and recommend an Exit.

Recommendation

We close the call on the stock.

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