

## Simplex Infrastructures Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs215	Rs540	Rs540	151%	BUY	Rs11

### 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 stood at Rs14,791mn as compared to Rs12,460mn, growth of 18.7%
- The EBITDA margins stood at 11.9%
- The net profit dropped by 12% to Rs244mn as against Rs278mn in the comparative quarter
- The EPS for the quarter is Rs4.3
- On the segmental front, the construction segment grew by 17% while the segment related to the division named as others grew by 103%

### Conference Call Highlights:

- Although the H1FY19 has been slow for the company as the Management agreed that it was not bidding for road projects; H2FY19 should be better as the four projects (which includes Mumbai metro project which had a court stay, West Bengal Road project, Cochin project and North East) that were at standstill will start contributing from the third quarter of the current fiscal.
- The fresh order inflow during the quarter under review stood at Rs4300mn. The order-book as of September 2018 stands at approximately Rs168.21bn. Order Inflow in Q3 till date is Rs7040mn in addition to the L1 of Rs17640mn. Of the geographical breakup related to the order book nearly, 97% will be contributed by the domestic market while the rest will be contributed by exports.
- Segmental order book break-up: Residential buildings 19%, Institutional/IT buildings 5%, Industrial structures 2.5%, Power infrastructure 22%, Roads 16%, Railways 1% and Urban infrastructure 25%. Institution wise order book break up: 77% is contributed by government and the remaining by private.
- The gross debt is to the tune of Rs35.72bn with net at Rs35bn and cash balance of Rs700mn
- The company spent Rs500mn on Capex for H1FY19 (Rs160mn in Q2) and expects to end the year at Rs1000mn. For FY20 the Management has indicated around Rs1500mn of Capex. The full year tax rate is guided at 34%
- For FY20, the company has projected revenues of Rs85bn with debt levels going down to Rs24bn. The total arbitration is to the tune of Rs19bn with Rs8.5bn from Central Govt, Rs4bn from State Govt and Rs6.36bn from private players.
- The bid pipeline is to the tune of Rs330bn.

### Financials (Standalone):

Result Update (Q2FY2019)									
Q2FY19 Result (Rs mn)	Sept-18	Sept-17	y-o-y	June-18	q-o-q	H1FY19	H1FY18	y-o-y	FY19E
Total Income	14,791	12,460	18.7%	15,842	(6.6%)	30,633	27,579	11.1%	61,063
EBITDA	1,760	1,696	3.8%	1,770	(0.6%)	3,530	3,424	3.1%	7,205
Other Income	207	294	(29.8%)	296	(30.3%)	503	541	(7.0%)	1,211
Interest	1,182	1,176	0.5%	1,211	(2.4%)	2,393	2,308	3.7%	4,984
Depreciation	438	470	(6.9%)	452	(3.1%)	889	949	(6.3%)	1,861
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	103	66	55.3%	122	(15.2%)	225	143	56.9%	414
Net Profit	244	278	(12.0%)	283	(13.6%)	527	565	(6.7%)	1,157

### Outlook and Recommendations:

The company has reported more or less flat numbers for the quarter under review. In the recent conference call, the Management has toned down its revenue guidance for the financial year 2019; thus we too reduce our target price to Rs540 with a horizon of 12 months.

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Registered Office Address:  
Progressive Share Brokers Pvt. Ltd.  
122-124, Laxmi Plaza, Laxmi Indl Estate,  
New Link Rd, Andheri West,  
Mumbai-400053;  
[www.progressiveshares.com](http://www.progressiveshares.com)  
Contact No.:022-40777500.

Compliance Officer:  
Mr. Shyam Agrawal,  
Email Id: [compliance@progressiveshares.com](mailto:compliance@progressiveshares.com),  
Contact No.:022-40777500.