

View: An efficient player with strong fundamentals, maintain Buy

PSP reported a 30.9% YoY growth in revenue to ₹3.1 bn (3.4% below our estimate) in Q1FY20. Revenue was slightly impacted due to shortfall in labour during the quarter. Excluding SDB, the revenue was up 40.8% YoY to ₹2.1 bn. The EBITDA margin down 17 bps YoY to 13.9% (17 bps below our estimate), due to lower construction and other expense which was partially offset by higher employee cost. The PAT grew 21.1% YoY to ₹255 mn (in line with estimates), due to healthy operating performance.

We maintain our revenue/ EBITDA margin/ PAT estimates for FY20E/ FY21E considering Q1FY20 results. We expect a 33.7%/ 31.0% revenue/ Adj. PAT CAGR over FY19-21E, with EBITDA margins of 14.0% each for FY20E/ FY21E.

Given its conservative strategy towards leverage and an efficient capital allocation, PSP will continue to remain a net cash company, with negative Net D:E of 0.6x over FY19-21E. PSP will continue to witness superior return ratios (average RoE/ RoCE of 29.1%/ 29.8% over FY19-21E), due to a strong PAT growth, well-managed lean balance sheet and efficient working capital management. Thus, we maintain BUY, with a TP of ₹688 (16x FY21E EPS).

Order book at 3.0x, enhances revenue visibility

PSP standalone won orders worth ₹14.2 bn/ ₹8.5 bn during FY19/ Q1FY20. The current order book (₹34.0 bn) provides revenue visibility for 3.0x TTM revenue. Excluding the SDB project, order book stands at ₹23.3 bn. We expect SDB's revenue contribution to rise to ₹7.5 bn/ ₹4.1 bn (47.7%/ 26.0%) in FY20E/ FY21E, from ₹3.6 bn (22.6%) in FY19. PSP's has bid for projects worth ₹25-30 bn which includes various projects like Vedanta's order in Barmer (₹5-6 bn), Nayara order in Jamnagar, Prestige order in Pune, Varanasi development order, GIDC, Astronomy (₹2 bn) and IT Park in Hyderabad (₹4 bn) where outcome is likely in 2 months. PSP expects to win ₹10 bn orders in 2-4 months. Considering the sizeable opportunity, we maintain our order inflow estimates of ₹17 bn/ ₹25 bn for FY20E/ FY21E.

Q1FY20 Result (₹ Mn)

Particulars	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Revenue	3,073	2,347	30.9	3,383	(9.2)
Total Expense	2,646	2,017	31.2	2,884	(8.2)
EBITDA	427	330	29.4	499	(14.4)
Depreciation	59	48	22.2	74	(20.7)
EBIT	368	282	30.6	425	(13.3)
Other Income	52	61	(14.7)	66	(21.7)
Interest	28	15	89.2	32	(13.3)
EBT	392	328	30.6	459	(14.5)
Tax	137	117	16.9	158	(13.1)
RPAT	255	211	21.1	301	(15.3)
APAT	255	211	21.1	301	(15.3)
			(bps)		(bps)
Gross Margin (%)	19.5	19.5	1	19.2	28
EBITDA Margin (%)	13.9	14.1	(17)	14.7	(86)
NPM (%)	8.3	9.0	(68)	8.9	(60)
Tax Rate (%)	34.9	35.7	(80)	34.4	57
EBIT Margin (%)	12.0	12.0	(3)	12.6	(58)

CMP	₹ 495
Target / Upside	₹ 688 / 39%
BSE Sensex	37,578
NSE Nifty	11,110

Script Details

Equity / FV	₹ 360mn / ₹ 10
Market Cap	₹ 18bn
	US\$ 252mn
52-week High/Low	₹ 567/₹ 358
Avg. Volume (no)	26,843
NSE Symbol	PSPPROJECT
Bloomberg Code	PSPPL IN

Shareholding Pattern Jun'19(%)

Promoters	73.3
MF/Banks/FIs	6.8
FII	1.2
Public / Others	18.7

Valuation (x)

	FY19A	FY20E	FY21E
P/E	19.7	14.2	11.5
EV/EBITDA	10.6	7.2	5.4
ROE (%)	26.8	29.6	28.6
RoACE (%)	27.8	30.4	29.3

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	10,440	15,142	18,675
EBITDA	1,489	2,121	2,614
PAT	902	1,253	1,549
EPS (₹)	25.1	34.8	43.0

VP Research: Shravan Shah
Tel: +91 22 40969749
E-mail: shravans@dolatcapital.com

Associate: Maulik Shah
Tel: +91 22 40969775
E-mail: mauliks@dolatcapital.com

Key earnings takeaways

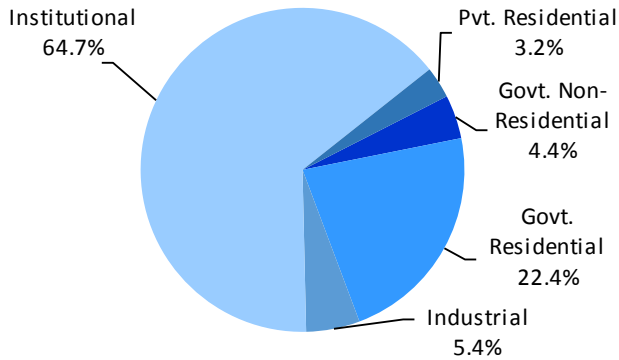
- PSP guided for revenue of ₹13-14 bn in FY20E with EBITDA margin of 12-14%.
- SDB revenue guidance of ₹7-7.5 bn for FY20E. Lift work in going on and façade work has just started. SDB project is delayed by 3-4 months.
- Order inflow guidance of ₹16-17 bn for FY20E. PSP expects to win additional ₹10 bn orders in the next 2 months.
- Bid pipeline of ₹25-30 bn where outcome is expected in the next 2 months. These include orders from Prestige Pune, Varanasi development, GIDC and IT Park Hyderabad. Vedanta order based in 3 locations (₹18 bn) has been revised to only 1 location (₹5.5-6 bn). PSP has submitted the bid for the same.
- Capex for FY19/ Q1FY20 stands at ₹510 mn/ ₹40 mn and for FY20E 2-3% of inflow won in FY20E.
- Debtor days stands at 35-40 days. Cash balance stands at ₹600 mn.
- PSP Rivermore project is almost complete and expect the property to be sold in a month.

Exhibit 1: Q1FY20 Performance (Standalone)

Particulars (₹ mn)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	FY19	FY18	YoY (%)
Revenue	3,073	2,347	30.9	3,383	(9.2)	10,440	7,298	43.0
(Inc)/dec in stocks & WIP	(4)	91	-	(60)	-	(137)	(103)	-
Cons. of Raw materials	1,152	1,073	7.4	1,331	(13.4)	4,307	2,875	49.8
Sub - contract	0	245	(100.0)	0	-	1,101	1,229	(10.4)
Construction expenses	1,326	482	174.9	1,463	(9.4)	3,134	1,833	71.0
Employees cost	138	100	37.9	117	18.1	432	286	50.9
Other expenditure	34	27	24.6	34	0.1	113	164	(30.9)
Total expenditure	2,646	2,017	31.2	2,884	(8.2)	8,951	6,284	42.4
EBITDA	427	330	29.4	499	(14.4)	1,489	1,014	46.9
Depreciation	59	48	22.2	74	(20.7)	242	112	116.8
Operating profit	368	282	30.6	425	(13.3)	1,247	902	38.2
Other income	52	61	(14.7)	66	(21.7)	230	184	25.1
EBIT	420	343	22.5	491	(14.5)	1,477	1,086	36.0
Interest	28	15	89.2	32	(13.3)	92	87	5.3
EBT	392	328	19.6	459	(14.5)	1,385	999	38.7
Provision for taxation	137	117	16.9	158	(13.1)	483	355	36.0
Net income	255	211	21.1	301	(15.3)	902	644	40.2
EPS (₹)	7.1	5.9	21.1	8.4	(15.3)	25.1	17.9	40.2
			(bps)		(bps)			
EBIDTA Margin (Excl. O.I.)	13.9	14.1	(17)	14.7	(86)	14.3	13.9	37
EBIDTA Margin (Incl. O.I.)	15.6	16.7	(107)	16.7	(113)	16.5	16.4	6
NPM (%)	8.2	8.8	(59)	8.7	(57)	8.5	8.6	(15)
Tax/PBT (%)	34.9	35.7	(80)	34.4	57	34.9	35.6	(69)
Construction/Sales (%)	80.5	80.5	(1)	80.8	(28)	80.5	79.9	57

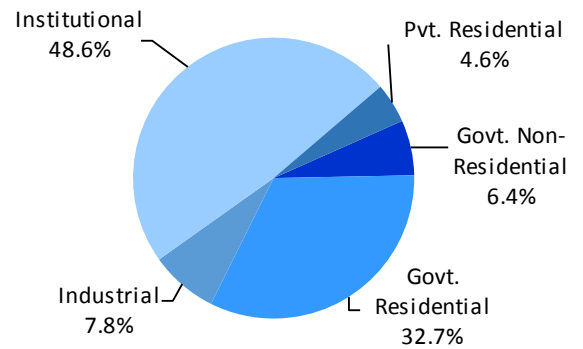
Source: Company, DART

Exhibit 2: ₹34.0 bn OB break up



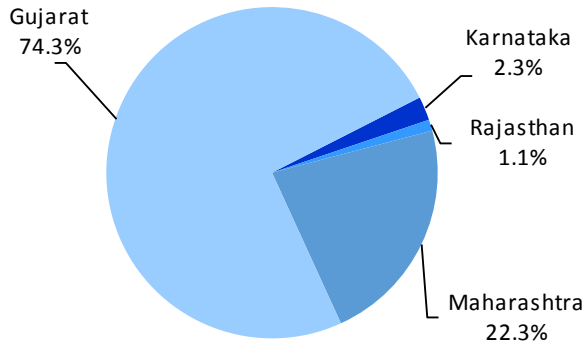
Source: DART, Company

Exhibit 3: ₹23.3 bn OB break up (excl. SDB)



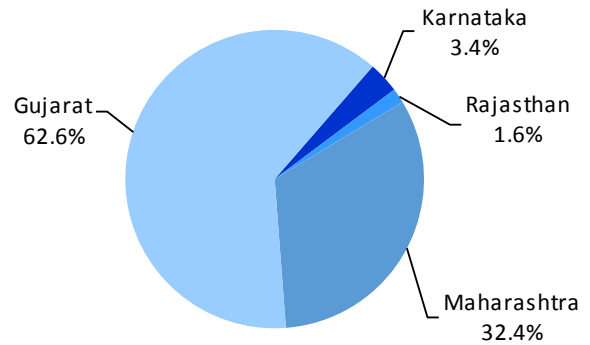
Source: DART, Company

Exhibit 4: ₹34.0 bn OB geographic break up



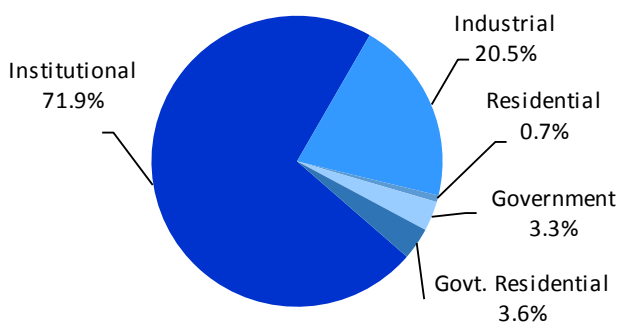
Source: DART, Company

Exhibit 5: ₹23.3 bn OB geographic break up (excl SDB)



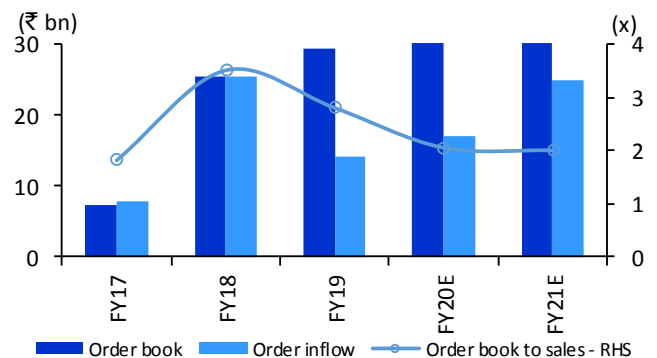
Source: DART, Company

Exhibit 6: ₹3.1 bn Q1FY20 revenue break up



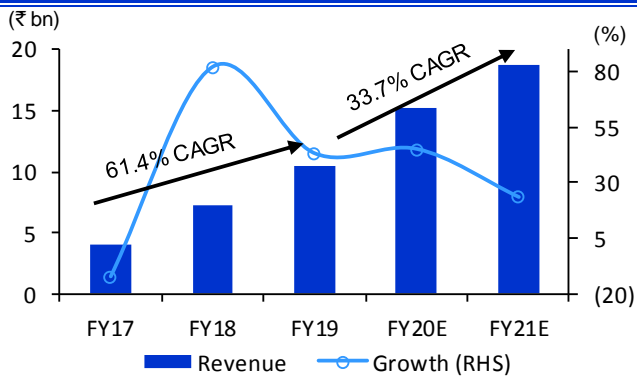
Source: DART, Company

Exhibit 7: Order book trend (Standalone)



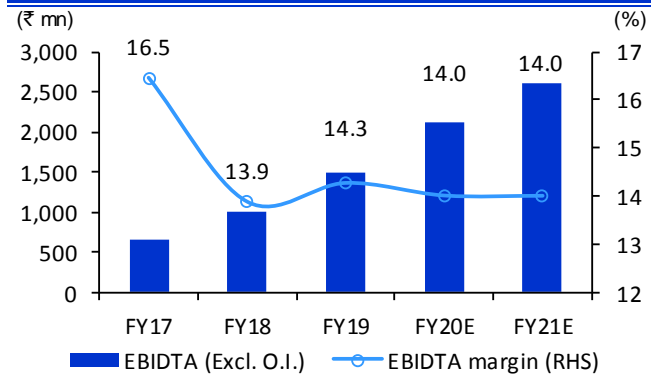
Source: DART, Company

Exhibit 8: 33.7% revenue CAGR over FY19-21E



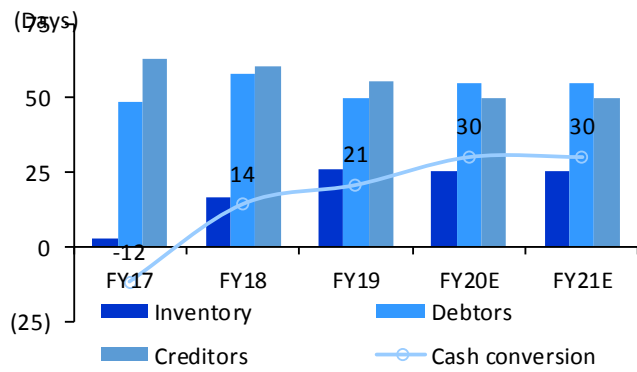
Source: DART, Company

Exhibit 9: Factored lower EBITDA margin



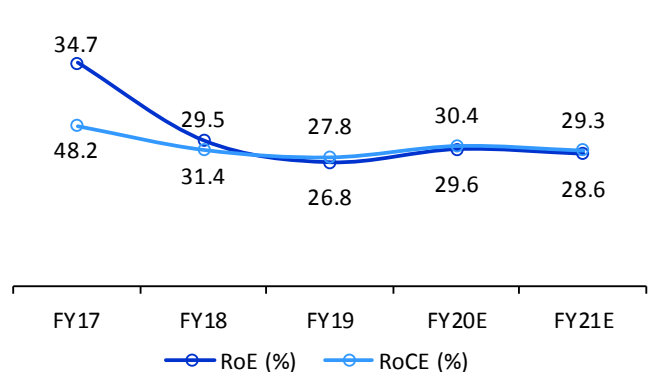
Source: DART, Company

Exhibit 10: Efficient cash conversion



Source: DART, Company

Exhibit 11: Superior return ratios to continue



Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	7,298	10,440	15,142	18,675
Total Expense	6,285	8,951	13,021	16,061
COGS	5,912	8,420	12,287	15,047
Employees Cost	286	432	604	846
Other expenses	87	99	129	168
EBIDTA	1,013	1,489	2,121	2,614
Depreciation	112	242	326	407
EBIT	901	1,247	1,795	2,207
Interest	87	92	90	90
Other Income	185	230	253	303
Exc. / E.O. items	0	0	0	0
EBT	999	1,385	1,957	2,420
Tax	355	483	705	871
RPAT	644	902	1,253	1,549
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	644	902	1,253	1,549

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	2,667	3,354	4,390	5,722
Net Worth	3,027	3,714	4,750	6,082
Total Debt	216	250	250	250
Net Deferred Tax Liability	(18)	(49)	(69)	(89)
Total Capital Employed	3,225	3,915	4,931	6,244

Applications of Funds

Net Block	770	1,032	1,210	1,303
CWIP	18	0	20	20
Investments	44	44	44	44
Current Assets, Loans & Advances	4,988	6,181	8,265	10,547
Inventories	335	750	1,060	1,307
Receivables	1,162	1,426	2,271	2,801
Cash and Bank Balances	2,232	2,217	2,711	3,824
Loans and Advances	227	396	586	723
Other Current Assets	880	1,391	1,637	1,891
Less: Current Liabilities & Provisions	2,595	3,342	4,608	5,670
Payables	1,213	1,584	2,083	2,570
Other Current Liabilities	1,382	1,758	2,525	3,100
Net Current Assets	2,392	2,839	3,657	4,877
Total Assets	3,225	3,915	4,931	6,244

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	19.0	19.4	18.9	19.4
EBIDTA Margin	13.9	14.3	14.0	14.0
EBIT Margin	12.3	11.9	11.9	11.8
Tax rate	35.6	34.9	36.0	36.0
Net Profit Margin	8.8	8.6	8.3	8.3
(B) As Percentage of Net Sales (%)				
COGS	81.0	80.6	81.2	80.6
Employee	3.9	4.1	4.0	4.5
Other	1.2	1.0	0.9	0.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.0
Interest Coverage	10.4	13.6	19.9	24.5
Inventory days	17	26	26	26
Debtors days	58	50	55	55
Average Cost of Debt	19.5	39.3	36.0	36.0
Payable days	61	55	50	50
Working Capital days	120	99	88	95
FA T/O	9.5	10.1	12.5	14.3
(D) Measures of Investment				
AEPS (₹)	17.9	25.1	34.8	43.0
CEPS (₹)	21.0	31.8	43.9	54.3
DPS (₹)	3.0	6.0	6.0	6.0
Dividend Payout (%)	16.8	24.0	17.3	14.0
BVPS (₹)	84.1	103.2	131.9	169.0
RoANW (%)	31.4	26.8	29.6	28.6
RoACE (%)	29.5	27.8	30.4	29.3
RoAIC (%)	85.6	73.9	68.5	70.6
(E) Valuation Ratios				
CMP (₹)	495	495	495	495
P/E	27.7	19.7	14.2	11.5
Mcap (₹ Mn)	17,815	17,815	17,815	17,815
MCap/ Sales	2.4	1.7	1.2	1.0
EV	15,647	15,847	15,354	14,241
EV/Sales	2.1	1.5	1.0	0.8
EV/EBITDA	15.4	10.6	7.2	5.4
P/BV	5.9	4.8	3.8	2.9
Dividend Yield (%)	0.6	1.2	1.2	1.2
(F) Growth Rate (%)				
Revenue	82.1	43.0	45.0	23.3
EBITDA	53.6	47.1	42.4	23.3
EBIT	54.3	38.4	43.9	23.0
PBT	55.5	38.7	41.3	23.7
APAT	54.7	40.2	38.8	23.7
EPS	54.7	40.2	38.8	23.7
Cash Flow				
(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	716	389	1,047	1,617
CFI	(307)	(129)	(247)	(197)
CFF	805	(275)	(306)	(307)
FCFF	241	(122)	547	1,117
Opening Cash	1,018	2,232	2,217	2,711
Closing Cash	2,232	2,217	2,711	3,824

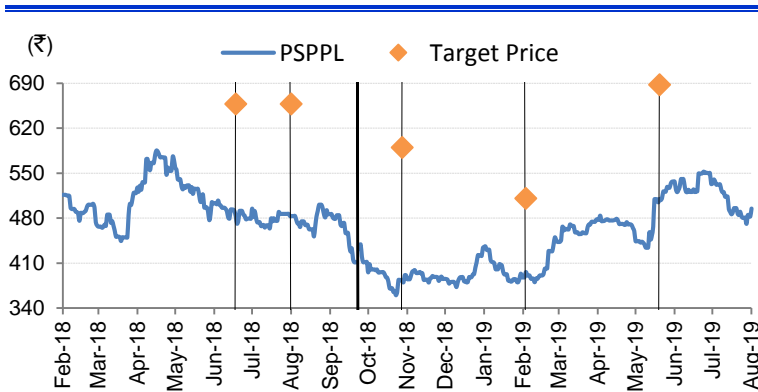
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
Jun-18	Buy	658	482
Aug-18	Buy	658	483
Nov-18	Buy	590	382
Feb-19	Buy	511	396
May-19	Buy	688	510

**Price as on recommendation date*

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kartik Sadagopan	VP - Equity Sales	kartiks@dolatcapital.com	+9122 4096 9762
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	Manager – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
