

View: An efficient player with strong fundamentals, maintain Buy

- PSP reported revenue better than estimates and EBITDA margins below estimates however; APAT was in line with estimates.
- PSP posted a robust set of numbers with 62.0%/ 47.4%/ 71.2% YoY growth in revenue/ EBITDA/ APAT to ₹4.2 bn/ ₹541 mn/ ₹367 mn in Q3FY20 driven by strong execution on its key projects. SDB revenue - ₹1.9 bn vs. ₹930 mn (Q3FY19).
- We broadly maintain revenue/ EBITDA margin/ PAT estimates for FY20E/ FY21E considering 9MFY20 results. We expect a 24.2%/ 28.2% revenue/ Adj. PAT CAGR over FY19-22E, with EBITDA margins of 13.7%/ 13.8%/ 13.8% for FY20E/ FY21E/ FY22E.
- 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 FY19-22E. PSP will continue to witness superior return ratios (average RoE/ RoCE of 29.7%/ 26.3% over FY19-22E), due to a strong PAT growth, well-managed lean balance sheet and efficient working capital management. We rollover to FY22E and maintain BUY, with a TP of ₹792 (15x FY22E EPS). **Not factored any equity dilution.**

Order book provides 2.5x revenue visibility

PSP standalone won orders worth ₹14.2 bn/ ₹18.4 bn (including L1 of ₹3.1 bn) during FY19/ YTD FY20. The current order book (₹33.9 bn) provides revenue visibility for 2.5x TTM revenue. Excluding the SDB project, order book stands at ₹26 bn. We expect SDB's revenue contribution to rise to ₹5.7 bn/ ₹5.9 bn (38.6%/ 32.6%) in FY20E/ FY21E, from ₹3.6 bn (34%) in FY19. Having received sizeable order inflows of ₹18.4 bn in YTD FY20, management is being conservative in their bidding and has a target to bid for ₹8-10 bn in Q4FY20E. Accordingly, we increase our order inflow estimates of FY20E from ₹17 bn to ₹19.6 bn and maintain ₹25 bn/ ₹35 bn for FY21E/ FY22E.

Q3FY20 Result (₹ Mn)

Particulars	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)
Revenue	4,231	2,611	62.0	3,125	35.4
Total Expense	3,690	2,244	64.4	2,693	37.0
EBITDA	541	367	47.4	433	25.0
Depreciation	70	62	12.5	62	12.5
EBIT	471	305	54.4	370	27.1
Other Income	58	48	19.5	69	(15.8)
Interest	40	23	79.5	37	10.3
EBT	488	331	47.6	402	21.3
Tax	121	116	4.0	75	60.6
RPAT	367	215	71.2	327	12.3
APAT	367	215	71.2	327	12.3
			(bps)		(bps)
Gross Margin (%)	17.1	19.1	(194)	19.5	(241)
EBITDA Margin (%)	12.8	14.1	(127)	13.8	(106)
NPM (%)	8.7	8.2	47	10.5	(178)
Tax Rate (%)	24.7	35.1	(1037)	18.7	604
EBIT Margin (%)	11.1	11.7	(55)	11.9	(72)

CMP	₹ 511
Target / Upside	₹ 792 / 55%
BSE Sensex	41,142
NSE Nifty	12,098

Scrip Details

Equity / FV	₹ 360mn / ₹ 10
Market Cap	₹ 18bn
	US\$ 257mn
52-week High/Low	₹ 577/₹ 377
Avg. Volume (no)	27,074
NSE Symbol	PSPPROJECT
Bloomberg Code	PSPPL IN

Shareholding Pattern Dec'19(%)

Promoters	73.7
MF/Banks/FIs	6.4
FII	1.2
Public / Others	18.7

Valuation (x)

	FY20E	FY21E	FY22E
P/E	13.3	10.7	9.7
EV/EBITDA	7.9	5.7	4.7
ROE (%)	32.1	30.6	26.3
RoACE (%)	32.0	30.0	26.7

Estimates (₹ mn)

	FY20E	FY21E	FY22E
Revenue	14,757	18,156	19,985
EBITDA	2,026	2,512	2,755
PAT	1,381	1,722	1,901
EPS (₹)	38.4	47.8	52.8

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Exhibit 1: Actual vs. DART estimates

(in ₹ mn)	Actual	DART Est.	% Variation	Comment
Revenue	4,231	3,861	9.6	Better than expected execution
EBITDA	541	539	0.3	
EBITDA Margin (%)	12.8	14.0	(118 bps)	Due to project specific activity
Adj. PAT	367	365	0.6	In line with estimates

Source: Company, DART

Exhibit 2: Change in estimates – Broadly maintain estimates

(₹ mn)	FY20E			FY21E			FY22E		
	New	Old	% chg	New	Old	% chg	New	Old	% chg
Revenue	14,757	14,851	(0.6)	18,156	18,554	(2.1)	19,985	-	-
EBITDA	2,026	2,079	(2.6)	2,512	2,598	(3.3)	2,755	-	-
EBITDA Margin (%)	13.7	14.0	(27)	13.8	14.0	(17)	13.8	-	-
Adj. PAT	1,381	1,405	(1.7)	1,722	1,790	(3.8)	1,901	-	-
EPS (₹)	38.4	39.0	(1.7)	47.8	49.7	(3.8)	52.8	-	-

Source: Company, DART

Key earnings takeaways

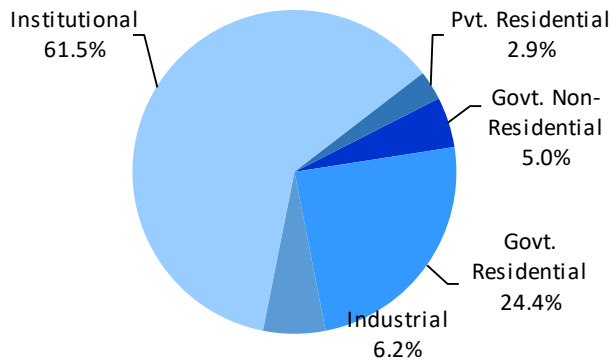
- PSP guided for revenue of ~₹4 bn in Q4FY20E and 15%+ growth in FY21E with EBITDA margin of 12-14%.
- PSP plans to complete the SDB project by Dec'20 and expects a quarterly turnover of ₹1.9-2 bn.
- PSP's qualification will increase to ₹20 bn if 60% execution of SDB is completed and will further increase to ₹30 bn once the project is complete.
- Central Vista project tender is expected to come in Mar'20.
- Maharashtra projects update – PSP has received the approvals and everything is in line now. Expect the project to commence from Q3FY21E. This project has 5% retention and Nil mobilization advance.
- Bid pipeline currently stands at ₹8-10 bn. PSP has received ₹18.4 bn inflows as on date and expects to receive another ₹1-2 bn in Q4FY20E. FY21E order inflow guidance of ₹20 bn.
- PSP expects LOA of GIDC gift city by Mar'20.
- Capex for Q3FY20/ 9MFY20 stands at ₹140 mn/ ₹240 mn and for FY20E 2-3% of revenue.
- Standalone debt stood at ₹750 mn (₹700 mn – Short term borrowings and ₹50 mn – Long term borrowings)
- Debtor/ Inventory/ Payable days stood at 54/ 25/ 51 days. Free FD/ FD under lien stands at ₹380 mn/ ₹1.17 bn. ₹140 mn is given to clients for security deposits.
- Total Fund and Non-Fund based limits stands at ₹6.1 bn out of which ₹1.75 bn are unutilized.
- USA projects - PSP will require ₹60-100 mn additional funds if liquidation does not take place.

Exhibit 3: Q3FY20 Performance (Standalone)

Particulars (₹ mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Revenue	4,231	2,611	62.0	3,125	35.4	10,429	7,058	47.8
(Inc)/dec in stocks & WIP	282	(42)	-	(274)	-	4	(77)	-
Cons. of Raw materials	1,401	1,056	32.7	1,236	13.3	3,789	2,977	27.3
Construction expenses	1,824	618	195.0	1,553	17.5	4,702	2,779	69.2
Employees cost	152	107	41.8	146	4.2	436	315	38.4
Other expenditure	31	23	33.6	32	(1.5)	97	74	31.8
Total expenditure	3,690	2,244	64.4	2,693	37.0	9,029	6,067	48.8
EBITDA	541	367	47.4	433	25.0	1,400	991	41.3
Depreciation	70	62	12.5	62	12.5	191	168	13.5
Operating profit	471	305	54.4	370	27.1	1,209	823	47.0
Other income	58	48	19.5	69	(15.8)	178	163	9.0
EBIT	529	353	49.7	439	20.4	1,387	986	40.7
Interest	40	23	79.5	37	10.3	105	60	75.0
EBT	488	331	47.6	402	21.3	1,283	926	38.5
Provision for taxation	121	116	4.0	75	60.6	333	325	2.4
Net income	367	215	71.2	327	12.3	950	601	58.0
EPS (₹)	10.2	6.0	71.2	9.1	12.3	26.4	16.7	58.0
EBIDTA Margin (Excl. O.I.)	12.8	14.1	(127)	13.8	(106)	13.4	14.0	(61)
EBIDTA Margin (Incl. O.I.)	14.1	15.9	(176)	16.0	(189)	15.1	16.4	(122)
NPM (%)	8.6	8.1	50	10.2	(168)	9.0	8.3	63
Tax/PBT (%)	24.7	35.1	(1,037)	18.7	604	25.9	35.1	(916)
Construction/Sales (%)	82.9	80.9	194	80.5	241	81.5	80.5	101

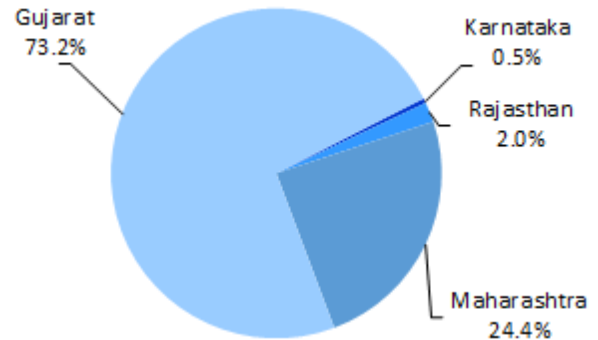
Source: Company, DART

Exhibit 4: ₹30.8 bn OB break up



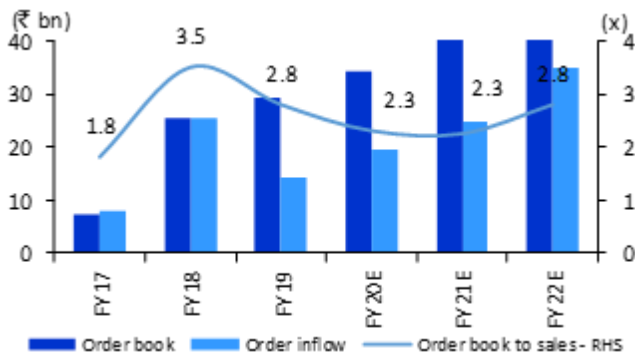
Source: DART, Company

Exhibit 5: ₹30.8 bn OB geographic break up



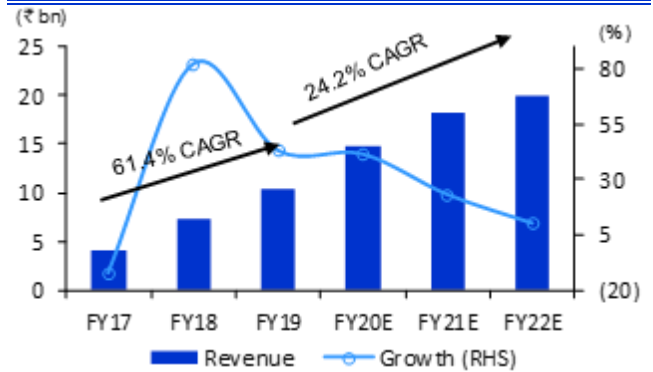
Source: DART, Company

Exhibit 6: Order book trend (Standalone)



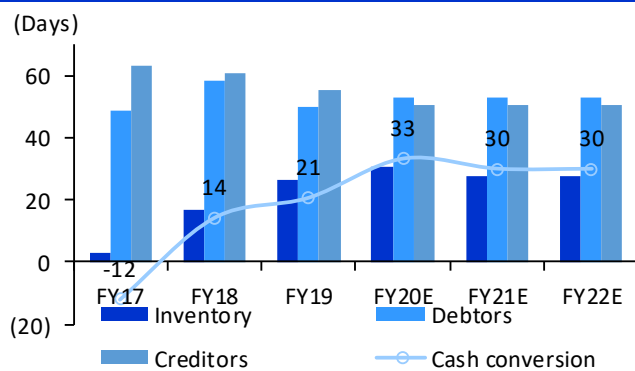
Source: DART, Company

Exhibit 7: 24.2% revenue CAGR over FY19-22E



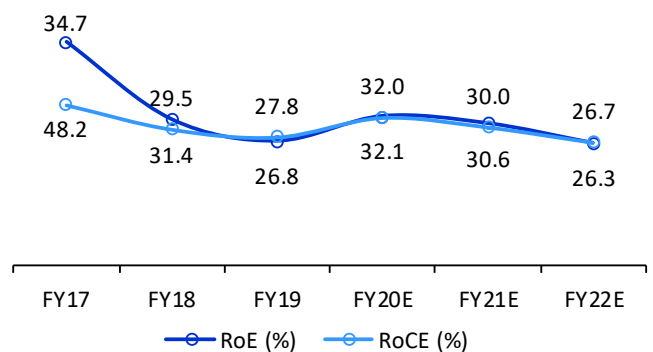
Source: DART, Company

Exhibit 8: Efficient cash conversion



Source: DART, Company

Exhibit 9: Superior return ratios to continue



Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY19A	FY20E	FY21E	FY22E
Revenue	10,440	14,757	18,156	19,985
Total Expense	8,951	12,731	15,644	17,230
COGS	8,420	11,998	14,702	16,178
Employees Cost	432	604	774	851
Other expenses	99	129	168	201
EBIDTA	1,489	2,026	2,512	2,755
Depreciation	242	277	369	452
EBIT	1,247	1,749	2,142	2,302
Interest	92	145	130	110
Other Income	230	253	303	364
Exc. / E.O. items	0	0	0	0
EBT	1,385	1,856	2,316	2,556
Tax	483	476	594	655
RPAT	902	1,381	1,722	1,901
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	902	1,381	1,722	1,901

Balance Sheet

(₹ Mn)	FY19A	FY20E	FY21E	FY22E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	3,354	4,518	6,023	7,708
Net Worth	3,714	4,878	6,383	8,068
Total Debt	263	800	460	370
Net Deferred Tax Liability	(49)	(69)	(89)	(109)
Total Capital Employed	3,928	5,609	6,755	8,329

Applications of Funds

Net Block	1,032	1,043	1,174	1,222
CWIP	0	20	20	20
Investments	44	44	44	44
Current Assets, Loans & Advances	6,181	9,010	11,043	13,117
Inventories	750	1,240	1,362	1,499
Receivables	1,426	2,140	2,633	2,898
Cash and Bank Balances	2,217	3,262	4,419	5,845
Loans and Advances	396	573	704	775
Other Current Assets	1,391	1,796	1,926	2,100
Less: Current Liabilities & Provisions	3,329	4,508	5,526	6,073
Payables	1,584	2,037	2,503	2,757
Other Current Liabilities	1,745	2,471	3,023	3,317
sub total				
Net Current Assets	2,852	4,502	5,517	7,043
Total Assets	3,928	5,609	6,755	8,329

E – Estimates

Important Ratios

Particulars	FY19A	FY20E	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	19.4	18.7	19.0	19.1
EBIDTA Margin	14.3	13.7	13.8	13.8
EBIT Margin	11.9	11.8	11.8	11.5
Tax rate	34.9	25.6	25.6	25.6
Net Profit Margin	8.6	9.4	9.5	9.5
(B) As Percentage of Net Sales (%)				
COGS	80.6	81.3	81.0	81.0
Employee	4.1	4.1	4.3	4.3
Other	1.0	0.9	0.9	1.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.2	0.1	0.0
Interest Coverage	13.6	12.1	16.5	20.9
Inventory days	26	31	27	27
Debtors days	50	53	53	53
Average Cost of Debt	38.3	27.3	20.6	26.5
Payable days	55	50	50	50
Working Capital days	100	111	111	129
FA T/O	10.1	14.2	15.5	16.4
(D) Measures of Investment				
AEPS (₹)	25.1	38.4	47.8	52.8
CEPS (₹)	31.8	46.1	58.1	65.4
DPS (₹)	6.0	6.0	6.0	6.0
Dividend Payout (%)	24.0	15.7	12.6	11.4
BVPS (₹)	103.2	135.5	177.3	224.1
RoANW (%)	26.8	32.1	30.6	26.3
RoACE (%)	27.8	32.0	30.0	26.7
RoAIC (%)	73.6	75.2	79.1	83.4
(E) Valuation Ratios				
CMP (₹)	511	511	511	511
P/E	20.4	13.3	10.7	9.7
Mcap (₹ Mn)	18,387	18,387	18,387	18,387
MCap/ Sales	1.8	1.2	1.0	0.9
EV	16,432	15,925	14,428	12,912
EV/Sales	1.6	1.1	0.8	0.6
EV/EBITDA	11.0	7.9	5.7	4.7
P/BV	5.0	3.8	2.9	2.3
Dividend Yield (%)	1.2	1.2	1.2	1.2
(F) Growth Rate (%)				
Revenue	43.0	41.4	23.0	10.1
EBITDA	47.1	36.0	24.0	9.7
EBIT	38.4	40.2	22.5	7.5
PBT	38.7	34.0	24.7	10.4
APAT	40.2	53.0	24.7	10.4
EPS	40.2	53.0	24.7	10.4
Cash Flow				
(₹ Mn)	FY19A	FY20E	FY21E	FY22E
CFO	277	886	2,041	1,978
CFI	(77)	(17)	(197)	(136)
CFF	(215)	176	(687)	(417)
FCFF	(117)	616	1,541	1,478
Opening Cash	2,232	2,217	3,262	4,419
Closing Cash	2,217	3,262	4,419	5,845

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 (₹)
Nov-18	Buy	590	382
Feb-19	Buy	511	396
May-19	Buy	688	510
Aug-19	Buy	688	495
Sep-19	Buy	688	511
Oct-19	Buy	796	551
Dec-19	Buy	796	494

*Price as on recommendation date

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