

View: An efficient player with strong fundamentals, maintain Buy

PSP reported a 28.3% YoY growth in revenue to ₹3.4 bn (6.3% below our estimate) in Q4FY19, due to strong execution, especially in the SDB project worth ₹1.23 bn. Excluding SDB, the revenue was up 5.2% YoY to ₹2.2 bn. The EBITDA margin rose 98 bps YoY to 14.7% (111 bps above our estimate), due to lower construction expenses by 110 bps to 80.8% of revenue. The PAT grew 31.2% YoY to ₹301 mn (8.6% above our estimate), due to better operating performance.

We decrease/ increase our revenue estimates by (0.4%)/ 3.2% for FY20E/ FY21E, led by a higher order inflow in FY20E and FY21E. We increase our EBITDA margin by 68bps/ 67bps for FY20E/ FY21E, considering FY19 results. Accordingly, we increase our PAT estimates by 4.3%/ 9.5% in FY20E/ FY21E. 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 revised upward TP of ₹688 (16x FY21E EPS).

Order book at 2.9x, enhances revenue visibility

PSP standalone won orders worth ₹14.2 bn during FY19. The current order book (₹29.8 bn) provides revenue visibility for 2.9x FY19 revenue. Excluding the SDB project, order book stands at ₹18.2 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 bid pipeline of ₹35 bn, includes two major projects, one in Jamnagar (₹7.5 bn) and second in Barmer (₹17.0 bn from Vedanta). Considering the sizeable opportunity, we increase our order inflow estimates from ₹16 bn/ ₹23 bn to ₹17 bn/ ₹25 bn for FY20E/ FY21E.

Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenue	3,383	2,637	28.3	2,611	29.6
Total Expense	2,884	2,274	26.8	2,244	28.5
EBITDA	499	363	37.4	367	35.9
Depreciation	74	43	73.1	62	19.6
EBIT	425	320	32.7	305	39.3
Other Income	66	59	13.3	48	37.4
Interest	32	30	6.3	23	41.1
EBT	459	349	32.7	331	38.9
Tax	158	119	32.6	116	36.0
RPAT	301	230	31.2	215	40.4
APAT	301	230	31.2	215	40.4
			(bps)		(bps)
Gross Margin (%)	19.2	18.1	110	19.1	13
EBITDA Margin (%)	14.7	13.8	98	14.1	69
NPM (%)	8.9	8.7	20	8.2	69
Tax Rate (%)	34.4	34.1	25	35.1	(71)
EBIT Margin (%)	12.6	12.1	41	11.7	87

CMP	₹ 505
Target / Upside	₹ 688 / 36%
BSE Sensex	39,667
NSE Nifty	11,925

Script Details

Equity / FV	₹ 360mn / ₹ 10
Market Cap	₹ 18bn
	US\$ 261mn
52-week High/Low	₹ 540/₹ 358
Avg. Volume (no)	37,158
NSE Symbol	PSPPROJECT
Bloomberg Code	PSPPL IN

Shareholding Pattern Mar'19(%)

Promoters	73.3
MF/Banks/FIs	5.8
FII	1.2
Public / Others	19.7

Valuation (x)

	FY19A	FY20E	FY21E
P/E	20.1	14.5	11.7
EV/EBITDA	10.9	7.4	5.6
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

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Key earnings takeaways

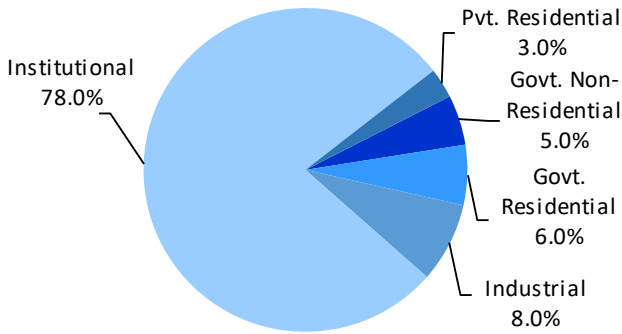
- PSP guided for revenue of ₹13.5-14 bn in FY20E and likely to grow at ~25-30% for next couple of years with NPM of 8-9%.
- SDB revenue guidance of ₹7-7.5 bn for FY20E.
- Order inflow guidance of ₹13-15 bn for FY20E.
- PSP stands L1 for ₹2.5 bn worth of projects to be announced very soon.
- Capex for FY19 stands at ₹510 mn and for FY20E 3-4% of inflow won in FY20E.
- PSP expects working capital days to remain broadly at FY19 levels.
- Fund and Non-Fund based limits stand at ₹450 mn and ₹5.65 bn, respectively.
- PSP USA – Equity share capital is USD 10,000 and loans given by parent is ₹230 mn. PSP expects revenue to start from Jun'19 or Jul'19, where each unit to be sold at ~USD 3 mn with profit of USD 0.6 mn.

Exhibit 1: Q4FY19 Performance (Standalone)

Particulars (₹ mn)	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	FY19	FY18	YoY (%)
Revenue	3,383	2,637	28.3	2,611	29.6	10,440	7,298	43.0
(Inc)/dec in stocks & WIP	(60)	(37)	-	(42)	-	(137)	(103)	-
Cons. of Raw materials	1,331	928	43.3	1,056	26.0	4,307	2,875	49.8
Sub - contract	0	597	(100.0)	481	(100.0)	1,101	1,229	(10.4)
Construction expenses	1,463	671	118.1	618	136.5	3,134	1,833	71.0
Employees cost	117	85	37.4	107	8.7	432	286	50.9
Other expenditure	34	29	15.6	23	43.8	113	164	(30.9)
Total expenditure	2,884	2,274	26.8	2,244	28.5	8,951	6,284	42.4
EBITDA	499	363	37.4	367	35.9	1,489	1,014	46.9
Depreciation	74	43	73.1	62	19.6	242	112	116.8
Operating profit	425	320	32.7	305	39.3	1,247	902	38.2
Other income	66	59	13.3	48	37.4	230	184	25.1
EBIT	491	379	29.7	353	39.0	1,477	1,086	36.0
Interest	32	30	6.3	23	41.1	92	87	5.3
EBT	459	349	31.7	331	38.9	1,385	999	38.7
Provision for taxation	158	119	32.6	116	36.0	483	355	36.0
Net income	301	230	31.2	215	40.4	902	644	40.2
EPS (₹)	8.4	6.4	31.2	6.0	40.4	25.1	17.9	40.2
			(bps)		(bps)			
EBIDTA Margin (Excl. O.I.)	14.7	13.8	98	14.1	69	14.3	13.9	37
EBIDTA Margin (Incl. O.I.)	16.7	16.0	72	15.9	80	16.5	16.4	6
NPM (%)	8.7	8.5	22	8.1	66	8.5	8.6	(15)
Tax/PBT (%)	34.4	34.1	24	35.1	(71)	34.9	35.6	(69)
Construction/Sales (%)	80.8	81.9	(110)	80.9	(13)	80.5	79.9	57

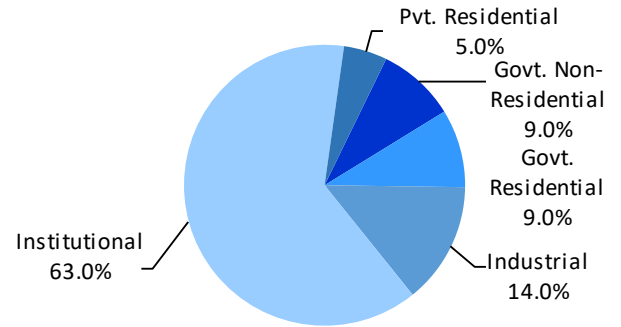
Source: Company, DART

Exhibit 2: ₹29.8 bn OB break up



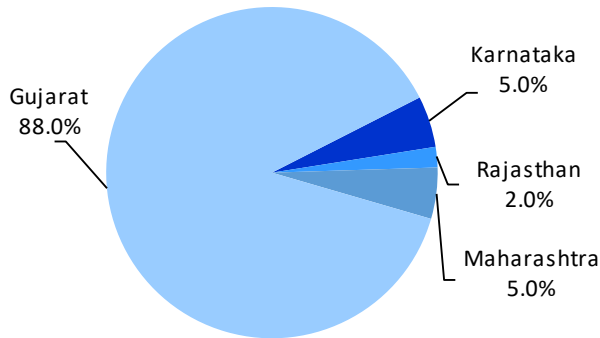
Source: DART, Company

Exhibit 3: ₹18.2 bn OB break up (excl. SDB)



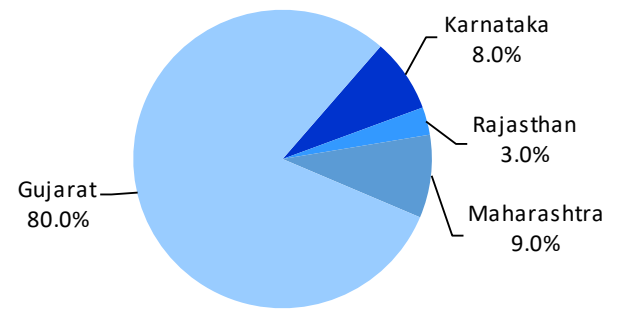
Source: DART, Company

Exhibit 4: ₹29.8 bn OB geographic break up



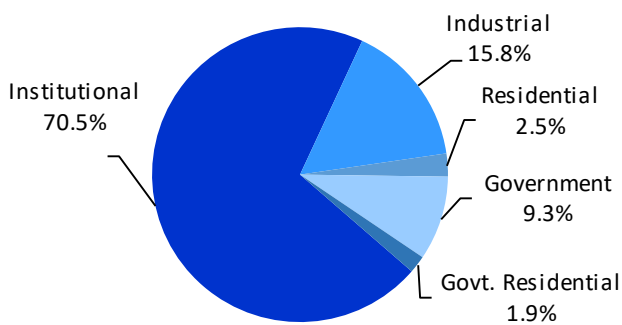
Source: DART, Company

Exhibit 5: ₹18.2 bn OB geographic break up (excl SDB)



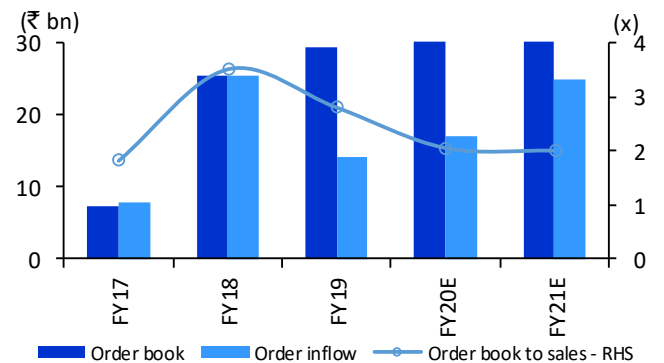
Source: DART, Company

Exhibit 6: ₹10.4 bn FY19 revenue break up



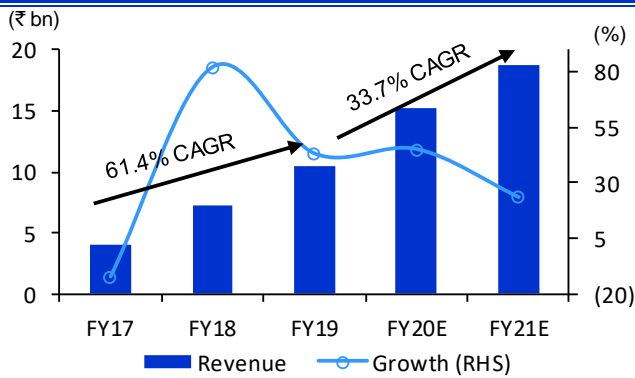
Source: DART, Company

Exhibit 7: Order book trend (Standalone)



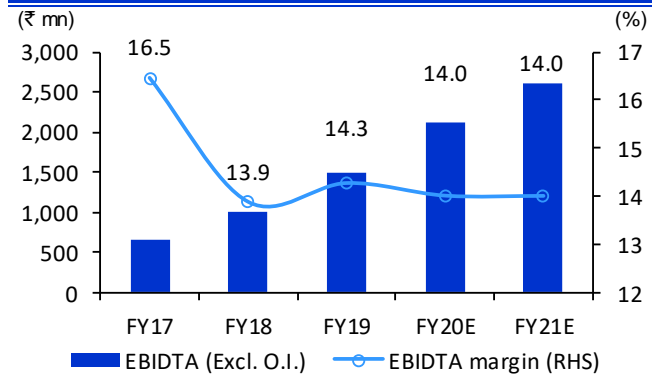
Source: DART, Company

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



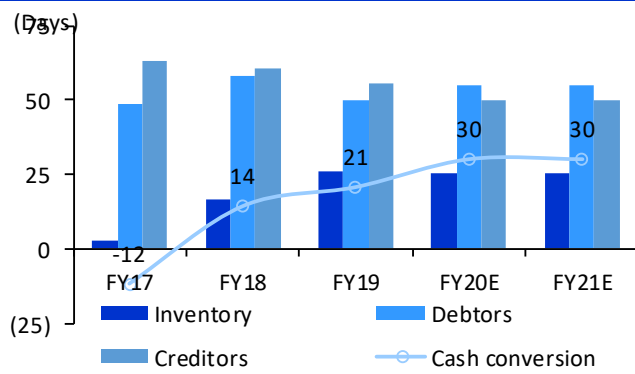
Source: DART, Company

Exhibit 9: Factored lower EBITDA margin



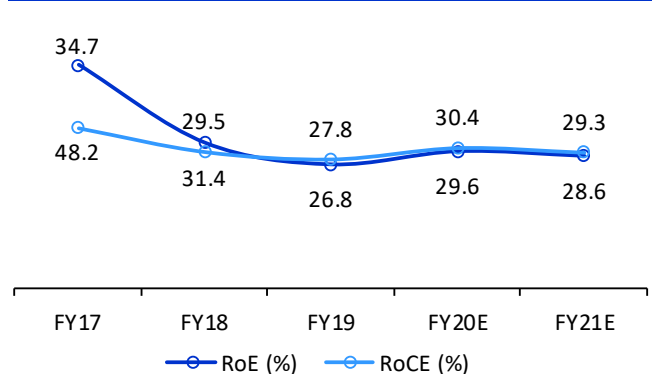
Source: DART, Company

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 (₹)	505	505	505	505
P/E	28.2	20.1	14.5	11.7
Mcap (₹ Mn)	18,162	18,162	18,162	18,162
MCap/ Sales	2.5	1.7	1.2	1.0
EV	15,995	16,195	15,701	14,588
EV/Sales	2.2	1.6	1.0	0.8
EV/EBITDA	15.8	10.9	7.4	5.6
P/BV	6.0	4.9	3.8	3.0
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	FY19E	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

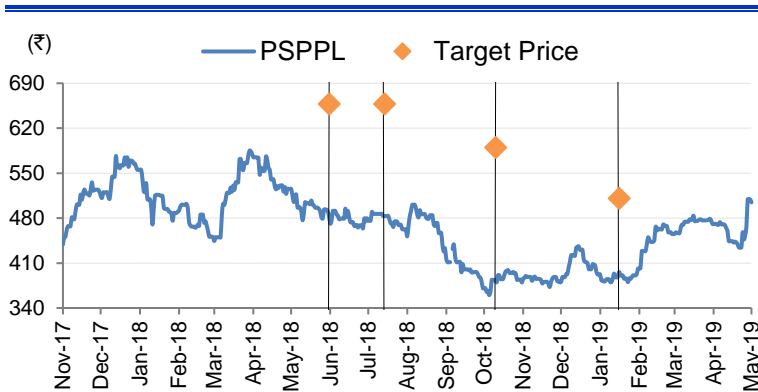
E – Estimates

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

*Price as on recommendation date

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Corporate Identity Number: U65990DD1993PTC009797

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