

ONE YEAR OUTLOOK

BUSINESS & EARNINGS ▲

- We continue to like the Company given it is one of the few quality contractors sought-after by clients in the organized buildings construction space. With strong presence in an economically sound geography (Gujarat) and with an enhanced qualification criteria (can bid for projects >Rs. 20bn post the completion of a key ongoing project - Surat Diamond Bourse) we believe that Company will grow from strength to strength in establishing its reputation and in winning larger orders in the future
- With a good working-capital-management track record (<20days of working capital days), lower capital employed (grossblock 1/3rd of peers) and comparable margins (~13%) the Company has industry leading return metrics (>20% RoE); also we like the growth in execution revenue (45% CAGR for FY18-20E) which is likely to continue post the Surat project given we expect Company to garner larger projects in the future (we are penciling-in an order inflow of Rs. 12bn for FY19E and Rs. 20bn for FY20E)
- Risks to our thesis include lower than expected order inflow (a 50% lower order inflow from FY20 results in our FY22E EPS to come-in lower by 40% lowering our 3 year TP from Rs. 879/ share to Rs. 510/ share); near term risks also include delays in execution of key projects

VALUATION MULTIPLES ◀▶

- We revise our estimates to reflect the quarter's performance and value the stock attributing 18x P/E on our FY20E EPS to arrive at a TP of Rs. 640/ share (earlier target price Rs. 620/ share); likely re-rating is contingent upon sizeable order inflows to substitute SDB project. Maintain "BUY" with a TP of Rs. 640/ share

FINANCIAL SUMMARY

Year	Sales (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS (Rs.)	P/E (x)	RoE(%)
FY17	4,008	659	416	14.4	38.4	48.0%
FY18	7,298	1,014	644	17.9	31.0	31.4%
FY19E	11,207	1,468	966	26.8	20.7	28.4%
FY20E	15,394	2,001	1,279	35.5	15.6	29.7%

THREE YEAR OUTLOOK

BUSINESS & EARNINGS ◀▶

- We are positive on the company in the long term due to a) Strong leadership: Mr. Prahaladbhai S. Patel has been in the buildings construction space for >30 years b) Company's track record of delivering projects on time resulting in plethora of repeat order wins from the institutional and industrial clients c) attractive industrial and institutional opportunities from Gujarat (enquiries have come-in from Asahi Glass, MRF Tyres, Torrent Pharma, CEAT Tyres, Ahmedabad University, IIM Ahmedabad, IIT Hyderabad, Grasim, private Commercial real estate players, Surat Dream City to name a few) d) very few slow moving orders in the order book and e) excellent track record in managing its working capital (evident from the negative to low working capital position over FY12-FY18)
- We expect company's working capital to rise as the project size in the order book increases (post the commencement of SDB execution working capital increased to ~17days from negative levels). However, we expect cash generation profile to remain strong - Company's FCF/EBITDA conversion is expected to be ~45% over FY19-FY22E.
- Sustainability of margins and order inflow growth beyond FY19E are the key monitorables

VALUATION MULTIPLES ◀▶

- We expect PSP projects to deliver 61% return over a 3-year period assuming an exit multiple of 18x FY22E EPS to arrive at TP Rs. 879/ share and cumulative dividends of Rs. 15.0/ share

KEY ESTIMATES REVISION - Standalone

	FY19E			FY20E		
	Old	New	Change	Old	New	Change
Revenue	11,255	11,207	-0.4%	15,232	15,394	1.1%
EBITDA	1,470	1,468	-0.2%	1,980	2,001	1.1%
Margin (%)	13.1%	13.1%		13.0%	13.0%	
PAT	920	966	5.0%	1,238	1,279	3.4%
Margin (%)	8.2%	8.6%		8.1%	8.3%	
EPS	25.6	26.8	5.0%	34.4	35.5	3.4%

All figures in Rs. mn except EPS, which is in Rs.

OUTLOOK REVIEW 4QFY18 11 May 2018

Industry	Infrastructure
CMP	Rs. 555
Target Price	Rs. 640
Key Stock Data	
Bloomberg	PSPPL IN
Shares o/s	36mn
Market Cap	Rs. 20bn
52-wk High-Low	Rs. 596-189
3m ADV	Rs. 30mn
Index	-

	Jun'17	Sep'17	Dec'17
Promoters	72.0	72.0	72.1
Institutions	11.7	10.8	9.4
Public	16.3	17.2	18.5
Pledge	-	-	-

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Quarterly Financial Statements

Standalone Financial Results								
Rs. mn \ Period	31-Mar-18	31-Mar-17	YoY Growth	31-Dec-17	QoQ Growth	FY17	FY18	Annual Growth
Revenue from Operations	2,637	1,617	63%	1,708	54%	4,008	7,298	82%
Cost of raw materials	892	534	67%	564	58%	1,270	2,705	113%
Construction & Contracting expenses	1,268	645	97%	788	61%	1,777	3,208	81%
Employee benefit expenses	85	67	26%	74	15%	208	286	37%
Other Expenses	29	36	-19%	16	87%	93	86	-8%
Total Expenses	2,274	1,282	77%	1,442	58%	3,348	6,284	88%
EBITDA	363	334	9%	266	37%	659	1,014	54%
<i>EBITDA margin (%)</i>	<i>13.8%</i>	<i>20.7%</i>		<i>15.5%</i>		<i>16.5%</i>	<i>13.9%</i>	
Other income	59	34	70%	32	82%	134	184	37%
Depreciation	43	21	105%	28	55%	76	112	48%
Finance expenses	30	20	49%	23	28%	75	87	16%
PBT	349	328	6%	247	41%	642	999	55%
Taxes	119	122	-3%	95	25%	226	355	57%
PAT	230	205	12%	152	51%	416	644	55%
EPS (in Rs./Share)	6.4	5.7	12%	4.2	51%	11.6	17.9	55%

Financial Summary

Standalone Financial Statements									
Rs. mn	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Profit & Loss									
Revenue	1,786	2,573	2,104	2,805	4,580	4,008	7,298	11,207	15,394
Gross profit									
EBITDA	154	220	168	225	393	659	1,014	1,468	2,001
Depreciation	28	37	37	52	71	76	112	127	156
EBIT	126	183	131	173	323	584	902	1,341	1,845
Other Income	21	37	44	65	103	134	184	220	232
Interest expense	23	38	20	25	31	75	87	75	109
Exceptional items	0	0	0	0	0	0	0	0	0
PBT	124	182	154	213	394	642	999	1,486	1,968
Reported PAT (after minority interest)	83	121	99	139	252	416	644	966	1,279
Adj PAT	83	121	99	139	252	416	644	966	1,279
EPS (Rs.)	2.9	4.2	3.5	4.8	8.7	14.4	17.9	26.8	35.5
Balance Sheet									
Net Worth	153	266	348	469	663	1,071	3,027	3,777	4,840
Deferred Tax	(1)	(2)	(3)	(5)	(9)	(15)	(18)	(18)	(18)
Total debt	258	149	259	334	452	677	214	442	542
Other liabilities and provisions	302	239	356	429	478	705	1,401	1,792	2,210
Total Network and liabilities	712	652	960	1,228	1,585	2,438	4,623	5,991	7,573
Gross Fixed assets	231	272	308	510	768	836	1,210	1,611	1,982
Net fixed assets	180	185	185	332	522	508	770	1,044	1,259
Capital work-in-progress	0	0	0	2	0	0	18	0	0
Goodwill	0	0	0	0	0	0	0	0	0
Investments	3	35	89	126	180	217	228	278	328
Cash and bank balances	359	446	684	848	1,064	1,018	2,232	2,778	3,032
Loans & advances and other assets	172	202	248	269	369	826	1,090	1,277	1,478
Net working capital	(2)	(216)	(247)	(350)	(550)	(130)	285	614	1,476
Total assets	712	652	960	1,228	1,585	2,438	4,623	5,991	7,573
Capital Employed	410	413	604	799	1,107	1,734	3,222	4,201	5,363
Invested Capital (CE - cash - CWIP)	50	(33)	(161)	(170)	(86)	575	821	1,271	2,180
Net debt	(102)	(297)	(425)	(514)	(611)	(341)	(2,019)	(2,336)	(2,491)
Cash Flows									
Cash flows from Operations (Pre-tax)	198	315	248	366	529	156	1,211	1,562	1,589
Cash flows from Operations (post-tax)	158	264	195	300	411	11	856	1,042	900
Capex	(76)	(42)	(37)	(201)	(258)	(72)	(392)	(383)	(370)
Free cashflows	82	222	158	98	152	(61)	464	658	530
Free cashflows (post interest costs)	67	193	144	84	135	(117)	377	583	421
Cash flows from Investing	(218)	19	(406)	(256)	(433)	(70)	(403)	(433)	(420)
Cash flows from Financing	88	(136)	94	41	25	160	1,209	(63)	(225)
Total cash & liquid investments	360	446	766	966	1,194	1,159	2,384	2,929	3,184

Financial Summary

Standalone Financial Statements									
	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Growth ratios									
Revenue		44.0%	-18.2%	33.3%	63.3%	-12.5%	82.1%	53.6%	37.4%
EBITDA		42.6%	-23.8%	34.0%	75.1%	67.7%	53.8%	44.8%	36.4%
Adj PAT		46.7%	-18.1%	39.9%	80.8%	65.3%	54.7%	50.1%	32.4%
Margin ratios									
Gross									
EBITDA	8.6%	8.5%	8.0%	8.0%	8.6%	16.5%	13.9%	13.1%	13.0%
Adj PAT	4.6%	4.7%	4.7%	5.0%	5.5%	10.4%	8.8%	8.6%	8.3%
Performance ratios									
Pre-tax OCF/EBITDA	128.6%	143.1%	147.9%	163.0%	134.5%	23.6%	119.4%	106.4%	79.4%
OCF/IC (%)	318.9%	-801.7%	-120.9%	-176.6%	-475.7%	1.9%	104.3%	82.0%	41.3%
RoE (%)	54.1%	58.0%	32.4%	34.1%	44.5%	48.0%	31.4%	28.4%	29.7%
RoCE (%)	20.6%	29.6%	15.0%	14.1%	18.9%	25.2%	22.1%	22.1%	24.2%
RoCE (Pre-tax)	35.8%	53.4%	34.3%	33.9%	44.6%	50.5%	43.8%	42.1%	43.4%
RoIC (Pre-tax)	253.7%	2185.9%	-134.8%	-104.5%	-252.0%	239.4%	129.4%	128.2%	106.9%
Fixed asset turnover (x)	7.7	10.2	7.3	6.9	7.2	5.0	7.1	7.9	8.6
Total asset turnover (x)	2.5	3.8	2.6	2.6	3.3	2.0	2.1	2.1	2.3
Financial stability ratios									
Net Debt to Equity (x)	(0.7)	(1.1)	(1.2)	(1.1)	(0.9)	(0.3)	(0.7)	(0.6)	(0.5)
Net Debt to EBITDA (x)	(0.7)	(1.4)	(2.5)	(2.3)	(1.6)	(0.5)	(2.0)	(1.6)	(1.2)
Interest cover (x)	6.9	7.0	9.5	12.0	13.4	0.1	9.8	13.9	8.2
Cash conversion days	(0)	(31)	(43)	(46)	(44)	(12)	14	20	35
Working capital days	(34)	(41)	(56)	(67)	(51)	(41)	(35)	(21)	(1)
Valuation metrics									
Fully Diluted Shares (mn)	29	29	29	29	29	29	36	36	36
Market cap (Rs.mn)							19,980		
P/E (x)	193.2	131.7	160.7	114.8	63.5	38.4	31.0	20.7	15.6
P/OCF(x)	126.3	75.8	102.5	66.7	48.7	1,862.4	23.3	19.2	22.2
EV (Rs.mn) (ex-CWIP)	19,877	19,683	19,474	19,348	19,239	19,498	17,810	17,493	17,338
EV/ EBITDA (x)	128.9	89.5	116.2	86.2	48.9	29.6	17.6	11.9	8.7
EV/ OCF(x)	125.7	74.7	99.9	64.6	46.9	1,817.5	20.8	16.8	19.3
FCF Yield	0.4%	1.1%	0.8%	0.5%	0.8%	-0.3%	2.3%	3.3%	2.7%
Price to BV (x)	130.8	75.1	57.4	42.6	30.1	18.7	6.6	5.3	4.1
BV/Share (x)	5.3	9.2	12.1	16.3	23.0	37.2	84.1	104.9	134.4
Dividend pay-out (%)	0.0%	0.0%	8.0%	14.4%	23.8%	17.3%	28.0%	18.6%	14.1%
Dividend yield (%)	0.0%	0.0%	0.1%	0.1%	0.4%	0.5%	0.9%	0.9%	0.9%

Crystal Ball Gazing

We forecast the revenue to grow at a CAGR of 45% over FY18-22E, driven by robust project execution. We expect EBITDA margin to moderate from 13.9% in FY18 to 13.0% in FY20E and sustain at that level. Cash flow generation to remain healthy with a FCF/EBITDA conversion of 46% over FY19E-FY22E.

Revenue to grow at a CAGR of 45% for FY18-22E



Return metrics to decrease due to low base and higher cash in the books.



Flat Multiple
On account of cost + margin nature of business

Consolidated	FY13-FY17	FY18-FY22E
Revenues CAGR	17.5%	39.1%
Gross Margin		
EBITDA CAGR	33.7%	32.7%
EBITDA margin	9.9%	13.2%
EPS CAGR	38.1%	27.6%
Total Asset Turnover (x)	2.8	2.1
Total WC days	(35)	30
Pre-tax OCF/EBITDA (%)	123.5%	101.7%
Post Tax OCF as a % of IC	-315%	69%
Debt/EBITDA	(1.6)	(1.6)

Consolidated	FY13-FY17	FY18-FY22E
RoE (%)	43.4%	28.4%
RoCE (%)	20.6%	22.3%
RoIC (%)	259.3%	70.2%
Average 1 yr fwd		
PE (x)	-	-
EV/EBITDA (x)	-	-
PB (x)	-	-
Peak 1 yr fwd		
PE (x)	-	-
EV/EBITDA (x)	-	-
PB (x)	-	-

P/E multiple	FY22E EPS	Price target (Rs./ Share)
15.0x	48.8	732
18.0x	48.8	879

Entry = Rs. 555 @ 15.6x
FY20E P/E



Cumulative Dividends of
Rs. 15/share

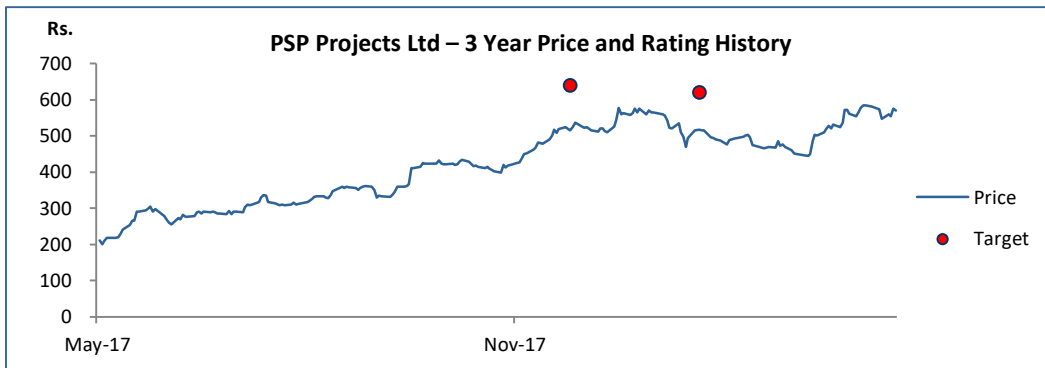


EPS CAGR of 29% with an
Exit Multiple of 18x P/E



**TOTAL
RETURN OF
61%**

Spark Recommendation History



Report Date	Price	Target	Reco.
09/Feb/18	513	620	Buy
18/Dec/17	517	640	Buy

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

Disclosure of Interest Statement

Analyst financial interest in the company	No
Group/directors ownership of the subject company covered	No
Investment banking relationship with the company covered	No
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