

ONE YEAR OUTLOOK

BUSINESS & EARNINGS ▲

- We continue to like the Company given it is one of the few quality contractors in the organized buildings construction space in the economically sound geography (Gujarat). With an intention to diversify its geographical presence and with an enhanced qualification criterion (can bid for a single project worth >Rs. 20bn post the completion of a key ongoing project - Surat Diamond Bourse) we believe that company has strong potential to grow into a mid-size buildings contractor in the country. Post the recent rally, stock is trading at 12.1x on FY21E earnings. As a result, we upgrade our multiple to reflect the positive stance on the company and maintain the "BUY" rating on the stock
- While bidding pipeline in the near-term is healthy (Rs. 35bn of opportunity from corporates to build residential colonies in the geographies where company already has a presence), we pencil-in a conservative order inflow of ~Rs. 14.5bn p.a. over FY20E-FY21E.
- Company has continued to demonstrate its strong execution capability (43% yoy revenue growth in FY19) and expect it to register a revenue and earnings CAGR of 33% and 29% respectively over FY19E-FY21E with EBITDA margin likely maintained at 13% (comparable to peers). Also, we like company's good working-capital-management track record (<25days) and lower capital employed which have led to Company's industry leading return metrics (>25% RoE)

VALUATION MULTIPLES ▲

- We value the stock attributing 15x P/E on our FY21E EPS to arrive at a TP of Rs. 630/ share and maintain a "BUY" rating on the stock

FINANCIAL SUMMARY

Year	Sales (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS (Rs.)	P/E (x)	RoE(%)
FY18	7,298	1,014	644	17.9	28.5	31.4%
FY19	10,440	1,489	902	25.1	20.3	26.8%
FY20E	14,526	1,888	1,158	32.2	15.9	27.7%
FY21E	18,448	2,398	1,511	42.0	12.1	28.5%

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 come-in from Industries for their factories, corporate buildings and residential colonies, educational institutions, hospitals, pharmaceutical companies, 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 ~25days from negative levels). However, we expect cash generation profile to remain strong - Company's FCF/EBITDA conversion is expected to be ~50% over FY20E-FY23E.
- Ability to win large orders in the next few years and sustainability of margins are the key monitorables

VALUATION MULTIPLES ◀▶

- We expect PSP projects to deliver 54% return over a 3-year period assuming an exit multiple of 15x FY23E EPS to arrive at TP of Rs. 771/ share and cumulative dividends of Rs. 15.0/ share

KEY ESTIMATES REVISION - Standalone

	FY20E			FY21E		
	Old	New	Change	Old	New	Change
Revenue	16,089	14,526	-9.7%	16,543	18,448	11.5%
EBITDA	2,092	1,888	-9.7%	2,151	2,398	11.5%
Margin (%)	13.0%	13.0%		13.0%	13.0%	
PAT	1,301	1,158	-11.0%	1,383	1,511	9.3%
Margin (%)	8.1%	8.0%		8.4%	8.2%	
EPS	36.1	32.2	-11.0%	38.4	42.0	9.3%

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

OUTLOOK REVIEW 4QFY19 28 May 2019

Industry	Infrastructure
CMP	Rs. 510
Target Price	Rs. 630
Key Stock Data	
Bloomberg	PSPPL IN
Shares o/s	36mn
Market Cap	Rs. 18bn
52-wk High-Low	Rs. 540-358
3m ADV	Rs. 19mn
Index	-

	Sep'18	Dec'18	Mar'19
Promoters	73.0	73.3	73.3
Institutions	9.6	7.3	7.6
Public	17.4	19.4	19.1
Pledge	-	-	-

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Quarterly Financial Statements

Standalone Financial Results								
Rs. mn \ Period	4QFY19	4QFY18	YoY Growth	3QFY19	QoQ Growth	FY18	FY19	YoY Growth
Revenue from Operations	3,383	2,637	28%	2,611	30%	7,298	10,440	43%
Cost of raw materials	1,271	892	43%	972	31%	2,705	4,128	53%
Construction & Contracting expenses	1,463	1,268	15%	1,143	28%	3,208	4,292	34%
Employee benefit expenses	117	85	37%	107	9%	286	432	51%
Other Expenses	34	29	16%	21	57%	86	99	16%
Total Expenses	2,884	2,274	27%	2,244	29%	6,284	8,951	42%
EBITDA	499	363	37%	367	36%	1,014	1,489	47%
<i>EBITDA margin (%)</i>	<i>14.7%</i>	<i>13.8%</i>		<i>14.1%</i>		<i>13.9%</i>	<i>14.3%</i>	
Other income	66	59	13%	48	37%	184	230	25%
Depreciation	74	43	73%	62	20%	112	242	117%
Finance expenses	32	30	6%	23	41%	87	92	5%
PBT	459	349	32%	331	39%	999	1,385	39%
Taxes	158	119	33%	116	36%	355	483	36%
PAT	301	230	31%	215	40%	644	902	40%
EPS (in Rs./Share)	8.4	6.4	31%	6.0	40%	17.9	25.1	40%

Financial Summary

Standalone Financial Statements									
Rs. mn	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Profit & Loss									
Revenue	2,573	2,104	2,805	4,580	4,008	7,298	10,440	14,526	18,448
Gross profit									
EBITDA	220	168	225	393	659	1,014	1,489	1,888	2,398
Depreciation	37	37	52	71	76	112	242	249	241
EBIT	183	131	173	323	584	902	1,247	1,640	2,157
Other Income	37	44	65	103	134	184	230	244	297
Interest expense	38	20	25	31	75	87	92	106	134
Exceptional items	0	0	0	0	0	0	0	0	0
PBT	182	154	213	394	642	999	1,385	1,778	2,320
Reported PAT (after minority interest)	121	99	139	252	416	644	902	1,158	1,511
Adj PAT	121	99	139	252	416	644	902	1,158	1,511
EPS (Rs.)	4.2	3.5	4.8	8.7	14.4	17.9	25.1	32.2	42.0
Balance Sheet									
Net Worth	266	348	469	663	1,071	3,027	3,714	4,656	5,951
Deferred Tax	(2)	(3)	(5)	(9)	(15)	(18)	(49)	(49)	(49)
Total debt	149	259	334	452	677	216	271	271	271
Other liabilities and provisions	239	356	429	478	705	1,398	1,736	2,145	2,537
Total Network and liabilities	652	960	1,228	1,585	2,438	4,623	5,672	7,023	8,710
Gross Fixed assets	272	308	510	768	836	1,196	1,699	2,074	2,677
Net fixed assets	185	185	332	522	508	770	1,032	1,157	1,520
Capital work-in-progress	0	0	2	0	0	18	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0
Investments	35	89	126	180	217	228	44	94	94
Cash and bank balances	446	684	848	1,064	1,018	2,232	2,217	2,768	3,613
Loans & advances and other assets	202	248	269	369	826	1,090	1,788	2,008	2,220
Net working capital	(216)	(247)	(350)	(550)	(130)	285	592	995	1,264
Total assets	652	960	1,228	1,585	2,438	4,623	5,672	7,023	8,710
Capital Employed	413	604	799	1,107	1,733	3,225	3,936	4,878	6,173
Invested Capital (CE - cash - CWIP)	(33)	(161)	(170)	(86)	574	823	1,719	2,110	2,560
Net debt	(297)	(425)	(514)	(611)	(341)	(2,016)	(1,946)	(2,497)	(3,342)
Cash Flows									
Cash flows from Operations (Pre-tax)	315	248	366	529	277	1,124	1,022	1,918	2,608
Cash flows from Operations (post-tax)	264	195	300	411	132	715	539	1,298	1,799
Capex	(42)	(37)	(201)	(258)	(59)	(656)	(486)	(374)	(603)
Free cashflows	222	158	98	152	73	59	53	924	1,195
Free cashflows (post interest costs)	193	144	84	135	15	13	(39)	817	1,061
Cash flows from Investing	19	(406)	(256)	(433)	(190)	(1,232)	(302)	(424)	(603)
Cash flows from Financing	(136)	94	41	25	167	805	(253)	(322)	(350)
Total cash & liquid investments	446	766	966	1,194	1,159	2,384	2,217	2,768	3,613

Financial Summary

Standalone Financial Statements									
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Growth ratios									
Revenue	44.0%	-18.2%	33.3%	63.3%	-12.5%	82.1%	43.0%	39.1%	27.0%
EBITDA	42.6%	-23.8%	34.0%	75.1%	67.7%	53.8%	46.9%	26.8%	27.0%
Adj PAT	46.7%	-18.1%	39.9%	80.8%	65.3%	54.7%	40.2%	28.3%	30.5%
Margin ratios									
Gross									
EBITDA	8.5%	8.0%	8.0%	8.6%	16.5%	13.9%	14.3%	13.0%	13.0%
Adj PAT	4.7%	4.7%	5.0%	5.5%	10.4%	8.8%	8.6%	8.0%	8.2%
Performance ratios									
Pre-tax OCF/EBITDA	143.1%	147.9%	163.0%	134.5%	42.0%	110.9%	68.6%	101.6%	108.7%
OCF/IC (%)	-801.7%	-120.9%	-176.6%	-475.7%	23.0%	86.9%	31.3%	61.5%	70.3%
RoE (%)	58.0%	32.4%	34.1%	44.5%	48.0%	31.4%	26.8%	27.7%	28.5%
RoCE (%)	29.6%	15.0%	14.1%	18.9%	25.2%	22.1%	21.3%	23.1%	24.4%
RoCE (Pre-tax)	53.4%	34.3%	33.9%	44.6%	50.5%	43.8%	41.3%	42.7%	44.4%
RoIC (Pre-tax)	2185.9%	-134.8%	-104.5%	-252.0%	239.4%	129.1%	98.1%	85.6%	92.4%
Fixed asset turnover (x)	10.2	7.3	6.9	7.2	5.0	7.2	7.2	7.7	7.8
Total asset turnover (x)	3.8	2.6	2.6	3.3	2.0	2.1	2.0	2.3	2.3
Financial stability ratios									
Net Debt to Equity (x)	(1.1)	(1.2)	(1.1)	(0.9)	(0.3)	(0.7)	(0.5)	(0.5)	(0.6)
Net Debt to EBITDA (x)	(1.4)	(2.5)	(2.3)	(1.6)	(0.5)	(2.0)	(1.3)	(1.3)	(1.4)
Interest cover (x)	7.0	9.5	12.0	13.4	1.8	8.2	5.9	12.2	13.4
Cash conversion days	(31)	(43)	(46)	(44)	(12)	14	21	25	25
Working capital days	(41)	(56)	(67)	(51)	(41)	(35)	(7)	(4)	(4)
Valuation metrics									
Fully Diluted Shares (mn)	29	29	29	29	29	36	36	36	36
Market cap (Rs.mn)								18,360	
P/E (x)	121.0	147.6	105.5	58.3	35.3	28.5	20.3	15.9	12.1
P/OCF(x)	69.6	94.2	61.3	44.7	139.3	25.7	34.1	14.1	10.2
EV (Rs.mn) (ex-CWIP)	18,063	17,854	17,728	17,619	17,878	16,193	16,414	15,863	15,018
EV/ EBITDA (x)	82.1	106.6	78.9	44.8	27.1	16.0	11.0	8.4	6.3
EV/ OCF(x)	68.5	91.6	59.2	42.9	135.6	22.6	30.5	12.2	8.3
FCF Yield	1.2%	0.9%	0.5%	0.8%	0.4%	0.3%	0.3%	5.0%	6.5%
Price to BV (x)	69.0	52.8	39.1	27.7	17.1	6.1	4.9	3.9	3.1
BV/Share (x)	9.2	12.1	16.3	23.0	37.2	84.1	103.2	129.3	165.3
Dividend pay-out (%)	0.0%	8.0%	14.4%	23.8%	17.3%	28.0%	19.9%	15.5%	11.9%
Dividend yield (%)	0.0%	0.1%	0.1%	0.4%	0.5%	1.0%	1.0%	1.0%	1.0%

Crystal Ball Gazing

We forecast the revenue to grow at a CAGR of 20% over FY19-23E, driven by robust project execution. We expect EBITDA margin to moderate from 14.3% in FY19 to 13.0% in FY20E and sustain at that level. Cash flow generation to remain healthy with a FCF/EBITDA conversion of 50% over FY19E-FY23E

Revenue to grow at a CAGR of 20% for FY19-23E



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	FY15-FY19	FY20-FY23E
Revenues CAGR	37.8%	20.2%
Gross Margin		
EBITDA CAGR	54.8%	17.4%
EBITDA margin	12.2%	13.0%
EPS CAGR	48.6%	19.7%
Total Asset Turnover (x)	2.4	2.2
Total WC days	(13)	25
Pre-tax OCF/EBITDA (%)	103.8%	109.9%
Post Tax OCF as a % of IC	-102%	71%
Debt/EBITDA	(1.5)	(1.6)

Consolidated	FY15-FY19	FY20-FY23E
RoE (%)	36.9%	25.9%
RoCE (%)	20.3%	21.6%
RoIC (%)	14.6%	57.5%
Average 1 yr fwd		
PE (x)	17.5	14.1
EV/EBITDA (x)	10.0	7.5
PB (x)	4.0	3.5
Peak 1 yr fwd		
PE (x)	27.3	14.6
EV/EBITDA (x)	16.0	7.7
PB (x)	5.6	3.7

P/E multiple	FY23E EPS	Price target (Rs./ Share)
9.0x	51.4	462
12.0x	51.4	617
15.0x	51.4	771

Entry = Rs. 510 @ 12.1x
FY21E P/E



Cumulative Dividends of
Rs. 15/share

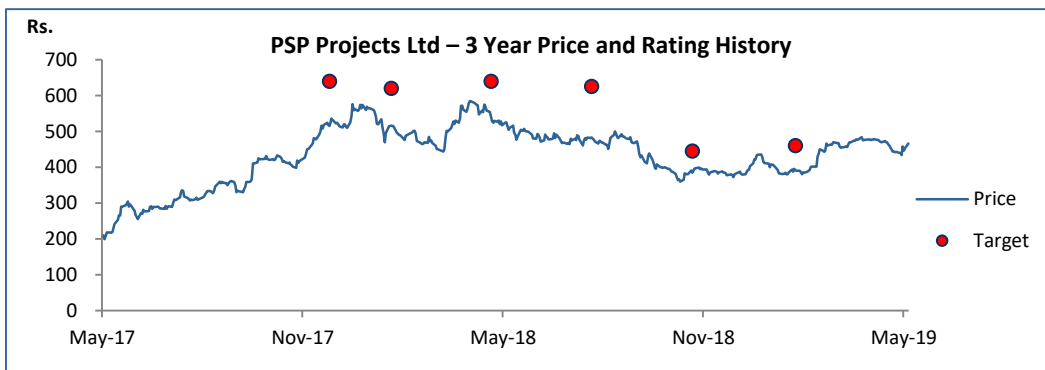


EPS CAGR of 20% with an
Exit Multiple of 15x P/E



**TOTAL
RETURN OF
54%**

Spark Recommendation History



Report Date	Price	Target	Reco.
12/Feb/19	395	460	Buy
09/Nov/18	389	445	Buy
10/Aug/18	484	625	Buy
11/May/18	555	640	Buy
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

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Details of Financial Interest of covering analyst/ and his relatives	No
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