

PSP reported strong set of numbers in Q3FY22 results. Revenue grew 24% YoY to INR486cr. EBITDA margin improved 325 bps to 15.3% and PAT went up 63% YoY to INR47cr. The company has secured a INR978cr order in YTD FY22 and expects to get another order worth INR1,600cr in FY22E. PSP has a robust bid pipeline of INR3,500cr, which is likely to support strong order inflow. Revenues and PAT are anticipated to rise at a CAGR of 33% and 54%, respectively, during FY21–23E. We maintain our 'BUY' recommendation with a target price of INR715.

Order book at INR4,008cr, 2.4x FY22E

PSP's order book stands at INR4,008cr, with 2.4x FY22E revenues providing revenue visibility for the next couple of years. The company has secured a INR978cr order in YTD FY22 and expects to secure another order worth INR1,600cr in FY22E. The company has a robust bid pipeline of INR3,500cr, which should support strong order inflow. The bid pipeline includes projects such as the government's Central Vista project (INR1,175cr), sports complex project (INR600cr), residential project in Mumbai (INR300cr), corporate office project (INR200cr) and industrial project (INR200cr). In addition, the Central Vista project is anticipated to provide opportunity worth ~INR15,000cr. Of this, the government has already awarded bids worth INR4,500–5,000cr and PSP aims to bid for the remaining order.

Management targets revenues to grow 20% every year

PSP's revenues grew 24% YoY to INR486cr in Q3FY22 and 61% YoY to INR1,193cr in M9FY22. In terms of execution, PSP is looking to complete the outstanding SBD project valued at INR120cr by February 2022. Moreover, one of large projects in UP (PWD Medical College & Hospital) is expected to see a pickup in execution to a INR140–150cr run rate in Q4FY22 vs INR38cr in Q3FY22. Overall, the management plans to grow its revenues 20–30%. We anticipate PSP's revenues to increase at a CAGR of 33% to INR2,210cr during FY21–23E.

Completed precast facility with INR109cr investment

PSP completed a precast facility of 1.1 mn sq ft in Q3FY22 with an investment of INR109cr. It will help the company simplify labour-intensive traditional building methods using maximum prefabrication and cutting-edge technology, thereby reducing turnaround time for projects. At maximum capacity, PSP can generate INR300cr of revenues from this facility. It has also secured a INR49cr order from L&T as part of the National High Speed Rail project.

Outlook and valuation; reiterate 'BUY'

At CMP, the stock is trading at 10.2x FY23E EPS. The company reported strong execution and financial performance in Q3FY22. We anticipate revenues and PAT to increase at a CAGR of 33% and 54%, respectively, during FY21–23E. PSP also enjoys a healthy balance sheet, better WC and improved return ratios. We maintain our BUY rating with price target of INR715 (14x FY23 EPS)

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CMP INR: 577

Rating: BUY

Target Price INR: 715

Upside: 24%

Bloomberg:	PSPPL:IN
52-week range (INR):	397 / 624
Share in issue (cr):	3.6
M cap (INR cr):	2,080
Promoter Holding (%)	70.16

Year to March (INR cr)	Q3FY22	Q3FY21	YoY(%)	Q2FY22	QoQ(%)	FY20	FY21	FY22E	FY23E
Net Revenue	486	390	24%	390	24%	740	1,193	1,758	2,185
EBITDA	74	45	64%	55	35%	191	168	242	284
PAT	47	29	63%	36	29%	39	108	161	183
EBITDA Margin	15%	12%		14%		26%	14%	14%	13%
PAT Margin	10%	7%		9%		5%	9%	9%	8%
EPS basic(INR)	13	8	63%	10	-94%	14	30	45	51
Diluted P/E (x)						11	19	12	10
EV/EBITDA (x)						7	10	7	6
RoCE (%)						31%	18%	31%	28%

**for implied construction business

Date: January 28, 2022

(INR Cr)	Q3FY22	Q3FY21	YoY(%)	Q2FY22	QoQ(%)	M9FY22	M9FY21	YoY (%)
Net Revenues	486	390	24%	390	24%	1,193	740	61%
Operating Expenses	412	345	19%	336	23%	1,025	671	53%
EBITDA	74	45	64%	55	35%	168	69	144%
Depreciation	9	6	46%	7	33%	22	19	16%
EBIT	65	39	67%	48	36%	146	50	193%
Interest expenses	10	3	224%	4	157%	17	10	68%
Other income	8	4	101%	4	74%	16	13	21%
PBT	63	39	59%	48	30%	145	53	174%
Tax	16	11	47%	12	31%	37	14	163%
Reported PAT	47	29	63%	36	29%	108	39	178%
Eol	0	0	-	0	-		0	NA
Adj PAT after Eol	47	29	63%	36	29%	108	39	178%
Equity Capital	36	36	-	36	-	36	36	-
No of Shares	4	4	-	4	-	3.6	3.6	-
EPS	13	8	-	10	-	30	11	-
EBITDA Margin	15%	12%	-	14%	-	14%	9%	-
PAT Margin	10%	7%	-	9%	-	9%	5%	-
Tax Rate	25%	27%	-	25%	-	25%	26%	-

Management commentary highlights

- PSP has a total fund-based and non-fund-based limit of INR1,047cr. Of which, the company utilised INR543cr until Q3FY22: INR84cr of the fund-based limit and INR459cr of the non-fund-based limit.
- In Q3FY22, working capital stood at 43 days (debtors 71 days, creditors 46 days and inventory 17 days).
- As of Q3FY22, gross debt stood at INR185cr and cash and cash equivalents at INR215cr.
- In the Pandharpur project, the company is executing phase I of INR75cr out of INR150cr. There is an outstanding amount of INR20cr on this project, and the company has received approval for INR8cr. Hence, the management is evaluating whether to proceed with the project.
- PSP has completely exited from its US subsidiary for a consideration of USD10,000 and has received the loan amount along with interest.

Previous Outlook

Q2FY22: At CMP, the stock is trading at 9.8x FY23E EPS. We anticipate PSP execution to pick up with ram up on large ticket projects and healthy order inflows. Hence, we anticipate, PSP’s revenues /PAT to grow at a CAGR of 24%/55% during FY21-FY23E. The company also enjoys healthy balance sheet, better WC and better return ratios.

Q2FY22

The screenshot displays the Q2FY22 Result Update for PSP Projects Ltd. It includes a table with the following data:

Key Metric	Q2FY22	Q1FY22	Q2FY21	Q1FY21
Revenue (₹ Cr.)	1,000	950	900	850
EBITDA (₹ Cr.)	250	240	230	220
EBIT (₹ Cr.)	200	190	180	170
Profit After Tax (₹ Cr.)	150	140	130	120
EPS (₹)	150	140	130	120
Operating Margin (%)	25%	25.3%	24.4%	23.5%
EBITDA Margin (%)	25%	25.3%	25.6%	26%
EBIT Margin (%)	20%	20%	20%	20%
Profit After Tax Margin (%)	15%	14.7%	14.4%	14%

Income Statement (Consolidated)
(INR cr)

Year to March	FY19	FY20	FY21	FY22E	FY23E
Income from operations	1,050	1,499	1,241	1,758	2,185
Direct Expenses	416	535	396	624	798
Employee Cost	43	59	51	66	76
Other Expenses	443	714	659	826	1,027
Total operating expenses	902	1,309	1,106	1,516	1,901
EBITDA	149	191	135	242	284
Depreciation and amortisation	24	27	26	29	42
EBIT	124	164	109	213	242
Interest expenses	10	15	15	16	20
Other income	23	24	17	18	22
Profit before tax	137	173	111	215	244
Provision for tax	48	45	28	54	61
Core profit	89	128	83	161	183
Extraordinary items	0	0	-3	0	0
Profit after tax	89	128	81	161	183
Minority Interest	0	0	0	0	0
Share from associates	-0	-0	-2	0	0
Adjusted net profit	89	128	78	161	183
Equity shares outstanding (Crs)	3.6	3.6	3.6	3.6	3.6
EPS (INR) basic	24.8	35.6	21.8	44.7	50.9
Diluted shares (Crs)	3.6	3.6	3.6	3.6	3.6
EPS (INR) fully diluted	24.8	35.6	21.8	44.7	50.9
Dividend per share	5.0	0.0	0.0	0.0	0.0
Dividend payout (%)	20.2	0.0	0.0	0.0	0.0

Common size metrics- as % of net revenues

Year to March	FY19	FY20	FY21	FY22E	FY23E
Operating expenses	85.9	87.3	89.1	86.3	87.0
Depreciation	2.3	1.8	2.1	1.6	1.9
Interest expenditure	0.9	1.0	1.2	0.9	0.9
EBITDA margins	14.1	12.7	10.9	13.8	13.0
Net profit margins	8.5	8.5	6.3	9.2	8.4

Growth metrics (%)

Year to March	FY19	FY20	FY21	FY22E	FY23E
Revenues	39.7	42.7	(17.2)	41.6	24.3
EBITDA	42.0	28.3	(29.2)	79.1	17.6
PBT	34.1	26.1	(36.0)	93.5	13.8
Net profit after minority interest	35.2	43.7	(38.9)	105.6	13.8
EPS	35.2	43.7	(38.9)	105.6	13.8

Balance Sheet (Consolidated)					(INR cr)
As on 31st March	FY19	FY20	FY21	FY22E	FY23E
Equity share capital	36	36	36	36	36
Warrants	0	0	1	2	3
Reserves & surplus	334	418	500	580	763
Shareholders funds	370	454	538	618	802
Borrowings	30	78	75	75	75
Minority interest	1	1	2	3	4
Sources of funds	401	533	616	697	884
Gross block	167	198	229	319	419
Depreciation	64	92	113	142	184
Net block	103	106	116	177	235
Capital work in progress	0	3	42	0	0
Total fixed assets	103	110	158	177	235
Goodwill	0	0	0	0	0
Non Current Assets	64	156	141	151	161
Inventories	75	97	89	125	160
Sundry debtors	148	235	227	293	364
Cash and equivalents	248	197	229	244	224
Loans and advances	59	135	121	0	0
Other current assets	37	34	27	178	214
Total current assets	567	698	693	840	961
Sundry creditors and others	159	229	260	342	328
Other Current Liabilities	162	200	64	131	152
Provisions	0	1	1	0	0
Total CL & provisions	322	430	325	473	480
Net current assets	245	269	368	367	482
Net Deferred tax	0	0	0	0	0
Misc expenditure	0	0	0	0	0
Uses of funds	401	533	616	697	884
Book value per share (INR)	111	148	171	194	246

Cash flow statement					(INR cr)
Year to March	FY19	FY20	FY21	FY22E	FY23E
Net profit	89	128	81	161	183
Add: Depreciation	24	27	26	29	42
Add: Interest net of tax	6	11	11	12	15
Add: Deferred tax	0	0	1	2	3
Add: Others	28	20	12	0	0
Gross cash flow	147	186	130	204	243
Less: Changes in W. C.	120	171	56	40	136
Operating cash flow	28	19	71	164	107
Less: Capex	47	31	31	92	100
Less: Investment in subsidiaries	0	0	0	0	0
Free cash flow	-19	-12	40	72	7

Profit & Efficiency Ratios

Year to March	FY19	FY20	FY21	FY22E	FY23E
ROAE (%)	24%	28%	15%	26%	23%
ROACE (%)	31%	31%	18%	31%	28%
Debtors (days)	51	57	67	61	61
Current ratio	1.7	1.6	1.8	1.8	2.0
Gross Debt/Equity	0.0	0.0	0.0	0.1	0.1
Inventory (days)	26	24	26	26	27
Payable (days)	55	53	76	71	55
Cash conversion cycle (days)	22	28	16	16	33
Gross Debt/EBITDA	0.0	0.0	0.0	0.3	0.3
Net debt/Equity	(0.7)	(0.4)	(0.4)	(0.3)	(0.2)

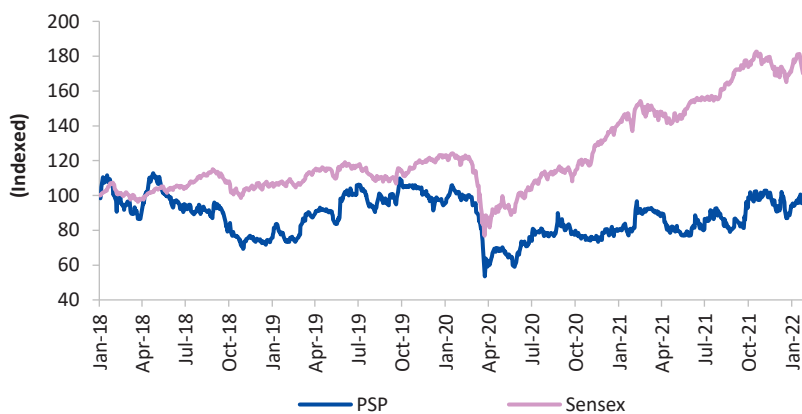
Valuation Parameters

Year to March	FY19	FY20	FY21	FY22E	FY23E
Diluted EPS (INR)	24.8	35.6	22.4	44.7	50.9
Y-o-Y growth (%)	35.2	43.7	(37.1)	99.7	13.8
CEPS (INR)	31.5	43.0	29.6	52.7	62.5
Diluted P/E (x)	16.1	11.2	19.4	11.8	10.4
Price/BV(x)	3.9	3.2	2.9	3.1	2.4
EV/Sales (x)	1.1	0.8	1.1	1.0	0.8
EV/EBITDA (x)	8.0	6.5	9.9	7.2	6.2
Diluted shares O/S	3.6	3.6	3.6	3.6	3.6
Basic EPS	24.8	35.6	22.4	44.7	50.9
Basic PE (x)	16.1	11.2	19.4	11.8	10.4
Dividend yield (%)	1%	0%	0%	0%	0%

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Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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