

Q4FY22 Result Update PSP Projects Ltd.

Strong execution and robust bid pipeline

PSP's stellar numbers in Q4FY22 were facilitated by higher revenue and margins. Revenue from operations grew 11% YoY and 14% QoQ to INR555cr. EBITDA margin improved 400bps to 16% and PAT went up 27% YoY to INR52cr. The company secured orders worth INR1,802cr in FY22 and expects additional orders to the tune of INR2,200cr in FY23E while maintaining the guidance for steady growth of 20–25% in the orderbook every year. PSP has a robust bid pipeline of over INR4,500cr, which is likely to support healthy order inflow and strong revenue. Revenue and PAT are anticipated to rise at a CAGR of 24% and 34%, respectively, during FY21–24E. We maintain our 'BUY' recommendation with a target price of INR715.

Order book stands strong

PSP's order book stands at INR4,324cr, with 2.5x FY22 revenue providing strong visibility for the next couple of years. The company secured orders worth INR1,802cr in FY22 and expects additional orders to the tune of INR2,200cr in FY23E while maintaining the guidance of steady growth of 20–25% in the orderbook every year. The company has a robust bid pipeline of INR4,500cr, which should support healthy order inflow and strong revenue. The bid pipeline includes a government office project (INR1,000cr), a medical college in Gujarat (INR550cr), a corporate Industrial project (INR450cr) and other high-value projects. In addition, the Central Vista project is anticipated to provide an opportunity worth nearly INR15,000cr. Of this, the government has already awarded bids worth INR4,500–5,000cr and PSP aims to bid for the remaining orders.

Management targets revenues to grow 20% -25% every year

PSP's revenue increased 11% YoY to INR555cr in Q4FY22 and 41% YoY to INR1,749cr in FY22. EBITDA margins expanded 400bps YoY to 15% despite inflationary cost pressure. In terms of execution, the company successfully completed two of its high-value marquee projects in FY22, Surat Diamond Bourse and Kashi Vishwanath Dham, allowing it to bid for government orders of upto INR2,500cr moving forward. Moreover, one of the large projects in UP (PWD Medical College & Hospital) is expected to be handed over by the end of FY23. Overall, the management plans to increase its revenue 20–25% every year. We anticipate PSP's revenue to rise at a CAGR of 24% to INR2,210cr during FY21–24E.

Planned increase in capacity at Pre-cast factory

PSP completed a precast facility of 1.1mn sq ft in Q3FY22 with an investment of INR109cr. The company plans to increase the capacity to 3mn sq ft in the near future. It also secured a INR49cr order from L&T as part of the National High Speed Rail project and another order of INR10cr in this quarter from the residential and industrial segment.

Outlook and valuation; reiterate 'BUY'

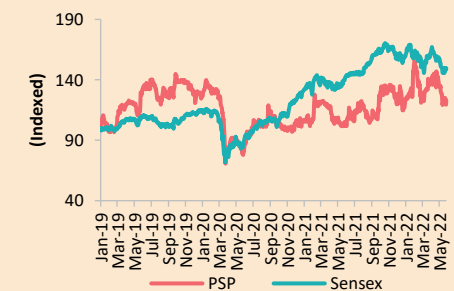
At CMP, the stock is trading at 9.4x FY24E EPS. The company reported strong execution and a robust bid pipeline in Q4FY22. We anticipate revenue and PAT to increase at a CAGR of 24% and 34%, respectively, during FY21–24E. PSP also enjoys a healthy balance sheet, better WC and improved return ratios. We maintain our BUY rating with price target of INR715 (13x FY24 EPS).

| Year to March (INR cr) | Q4FY22 | Q4FY21 | YoY(%) | Q3FY22 | QoQ(%) | FY21 | FY22 | FY23E | FY24E |
|------------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| Net Revenue | 555 | 501 | 11% | 486 | 14% | 1,748 | 1,748 | 2,162 | 2,257 |
| EBITDA | 88 | 62 | 42% | 74 | 19% | 259 | 259 | 281 | 299 |
| PAT | 55 | 41 | 35% | 47 | 17% | 167 | 167 | 181 | 185 |
| EBITDA Margin | 16% | 12% | | 15% | | 15% | 15% | 13% | 13% |
| PAT Margin | 10% | 8% | | 10% | | 10% | 10% | 8% | 8% |
| EPS basic(INR) | 15 | 11 | 35% | 13 | 17% | 46 | 46 | 50 | 55 |
| Diluted P/E (x) | | | | | | 19 | 11 | 11 | 10.0 |
| EV/EBITDA (x) | | | | | | 10 | 7 | 6 | 5.0 |
| RoCE (%) | | | | | | 18% | 32% | 27% | 24% |

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CMP INR: 517
Rating: BUY
Target Price INR: 715
Upside: 38%
Date: May 28, 2022

| Bloomberg: | PSPPL:IN |
|----------------------|-----------|
| 52-week range (INR): | 397 / 639 |
| M-cap (INRcr): | 1,864 |
| Promoter holding (%) | 70.20 |



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| (INR Cr) | Q4FY22 | Q4FY21 | YoY(%) | Q3FY22 | QoQ(%) | FY22 | FY21 | YoY (%) |
|--------------------|--------|--------|--------|--------|--------|-------|-------|---------|
| Net Revenues | 555 | 501 | 11% | 486 | 14% | 1,748 | 1,241 | 41% |
| Operating Expenses | 467 | 439 | 6% | 412 | 13% | 1,490 | 1,106 | 35% |
| EBITDA | 88 | 62 | 42% | 74 | 19% | 259 | 135 | 92% |
| Depreciation | 10 | 7 | 51% | 9 | 9% | 32 | 26 | 25% |
| EBIT | 78 | 55 | 41% | 65 | 21% | 227 | 109 | 108% |
| Interest expenses | 9 | 5 | 108% | 10 | -3% | 26 | 15 | 80% |
| Other income | 5 | 4 | 24% | 8 | -38% | 22 | 17 | 28% |
| PBT | 73 | 55 | 34% | 63 | 17% | 222 | 109 | 104% |
| Tax | 19 | 14 | 34% | 16 | 19% | 55 | 28 | 99% |
| Reported PAT | 55 | 41 | 35% | 47 | 17% | 167 | 81 | 106% |
| Eol | 0 | 0 | | 0 | - | 0 | 0 | NA |
| Adj PAT after Eol | 55 | 41 | 35% | 47 | 17% | 167 | 81 | 106% |
| Equity Capital | 36 | 36 | - | 36 | - | 36 | 36 | - |
| No of Shares | 3.6 | 3.6 | - | 3.6 | - | 3.6 | 3.6 | - |
| EPS | 15 | 11 | - | 13 | - | 46 | 22 | - |
| EBITDA Margin | 16% | 12% | - | 15% | - | 15% | 11% | - |
| PAT Margin | 10% | 8% | - | 10% | - | 10% | 7% | - |
| Tax Rate | 25% | 25% | - | 25% | - | 25% | 26% | - |

Management Commentary

- PSP has a total fund-based and non-fund-based limit of INR1,047cr, of which the company utilised INR549cr until Q4FY22: INR66cr of the fund-based limit and INR483cr of the non-fund-based limit.
- Following the execution of Surat Diamond Bourse, the company is now eligible to bid for orders worth up to INR2,500cr, including the prestigious Central Vista project.
- The management has no further Capex planned until new orders are received but guides for 4–5% capex of the order book on average.
- PSP stopped the ongoing work in the Pandharpur project due to its inability to recover dues of INR17cr. Currently, the management is actively discussing this with the Pandharpur Municipal Corporation and plans to explore the legal route if needed.
- In the Bhiwandi project, the company is in active discussion with Bhiwandi and Nizampur Municipal Corporation to revive the project with an estimated project cost INR1,050cr.
- The working capital based on annual numbers is as follows: 65 debtor days, 54 creditor days 54 and 70 inventory days. The net working capital days total 28.

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Previous Outlook

Q3FY22: 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)

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.

Q3FY22

The screenshot shows the Q3FY22 research report for PSP Projects Ltd. It includes a detailed financial summary table with columns for Q3FY22, Q3FY21, and FY22E. Key metrics include Revenue (₹1,100.00 vs ₹1,000.00 vs ₹1,100.00), PAT (₹150.00 vs ₹100.00 vs ₹150.00), and EPS (₹15.00 vs ₹10.00 vs ₹15.00). The report also contains a narrative analysis of the company's performance, highlighting strong execution and a robust bid pipeline.

Q2FY22

The screenshot shows the Q2FY22 research report for PSP Projects Ltd. It includes a detailed financial summary table with columns for Q2FY22, Q2FY21, and FY22E. Key metrics include Revenue (₹1,000.00 vs ₹900.00 vs ₹1,000.00), PAT (₹100.00 vs ₹70.00 vs ₹100.00), and EPS (₹10.00 vs ₹7.00 vs ₹10.00). The report also contains a narrative analysis of the company's performance, highlighting strong execution and a robust bid pipeline.

Q4FY22 Result Update

PSP Projects Ltd.

Strong execution and robust bid pipeline

Financials

Income Statement (Consolidated)

(INR cr)

| Year to March | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|-------|-------|-------|-------|-------|
| Income from operations | 1,499 | 1,241 | 1,748 | 2,162 | 2,257 |
| Direct Expenses | 535 | 396 | 499 | 789 | 818 |
| Employee Cost | 59 | 51 | 72 | 76 | 79 |
| Other Expenses | 714 | 659 | 918 | 1,016 | 1,061 |
| Total operating expenses | 1,309 | 1,106 | 1,490 | 1,881 | 1,958 |
| EBITDA | 191 | 135 | 259 | 281 | 299 |
| Depreciation and amortisation | 27 | 26 | 32 | 42 | 52 |
| EBIT | 164 | 109 | 227 | 239 | 247 |
| Interest expenses | 15 | 15 | 26 | 20 | 25 |
| Other income | 24 | 17 | 22 | 22 | 25 |
| Profit before tax | 173 | 111 | 222 | 241 | 247 |
| Provision for tax | 45 | 28 | 55 | 60 | 62 |
| Core profit | 128 | 83 | 167 | 181 | 185 |
| Extraordinary items | 0 | -3 | 0 | 0 | 0 |
| Profit after tax | 128 | 81 | 167 | 181 | 185 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Share from associates | -0 | -2 | 0 | 0 | 0 |
| Adjusted net profit | 128 | 78 | 167 | 181 | 185 |
| Equity shares outstanding (Crs) | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| EPS (INR) basic | 35.6 | 21.7 | 46.3 | 50.3 | 51.5 |
| Diluted shares (Crs) | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| EPS (INR) fully diluted | 35.6 | 21.7 | 46.3 | 50.3 | 51.5 |
| Dividend per share | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Common size metrics- as % of net revenues

| Year to March | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------|------|------|------|-------|-------|
| Operating expenses | 87.3 | 89.1 | 85.2 | 87.0 | 86.8 |
| Depreciation | 1.8 | 2.1 | 1.8 | 1.9 | 2.3 |
| Interest expenditure | 1.0 | 1.2 | 1.5 | 0.9 | 1.1 |
| EBITDA margins | 12.7 | 10.9 | 14.8 | 13.0 | 13.3 |
| Net profit margins | 8.5 | 6.3 | 9.5 | 8.4 | 8.2 |

Growth metrics (%)

| Year to March | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------------|------|--------|-------|-------|-------|
| Revenues | 42.7 | (17.2) | 40.9 | 23.7 | 4.4 |
| EBITDA | 28.3 | (29.2) | 91.9 | 8.6 | 6.4 |
| PBT | 26.1 | (36.0) | 100.2 | 8.7 | 2.5 |
| Net profit after minority interest | 43.7 | (38.9) | 113.0 | 8.6 | 2.5 |
| EPS | 43.7 | (38.9) | 113.0 | 8.6 | 2.5 |

Q4FY22 Result Update

PSP Projects Ltd.

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Balance Sheet (Consolidated)

(INR cr)

| As on 31st March | FY20 | FY21 | FY22E | FY23E | FY24E |
|-----------------------------|------------|------------|------------|------------|--------------|
| Equity share capital | 36 | 36 | 36 | 36 | 36 |
| Warrants | 0 | 1 | 2 | 3 | 3 |
| Reserves & surplus | 418 | 500 | 585 | 767 | 953 |
| Shareholders funds | 454 | 538 | 623 | 806 | 992 |
| Borrowings | 78 | 75 | 75 | 75 | 75 |
| Minority interest | 1 | 2 | 3 | 4 | 4 |
| Sources of funds | 533 | 616 | 703 | 887 | 1,073 |
| Gross block | 198 | 229 | 319 | 419 | 519 |
| Depreciation | 92 | 113 | 145 | 187 | 239 |
| Net block | 106 | 116 | 174 | 232 | 280 |
| Capital work in progress | 3 | 42 | 0 | 0 | 0 |
| Total fixed assets | 110 | 158 | 174 | 232 | 280 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Non Current Assets | 156 | 141 | 151 | 161 | 171 |
| Inventories | 97 | 89 | 100 | 158 | 216 |
| Sundry debtors | 235 | 227 | 291 | 360 | 429 |
| Cash and equivalents | 197 | 229 | 211 | 233 | 265 |
| Loans and advances | 135 | 121 | 0 | 0 | 0 |
| Other current assets | 34 | 27 | 178 | 214 | 257 |
| Total current assets | 698 | 693 | 780 | 965 | 1,167 |
| Sundry creditors and others | 229 | 260 | 273 | 324 | 375 |
| Other Current Liabilities | 200 | 64 | 131 | 152 | 176 |
| Provisions | 1 | 1 | 0 | 0 | 0 |
| Total CL & provisions | 430 | 325 | 405 | 476 | 552 |
| Net current assets | 269 | 368 | 376 | 489 | 616 |
| Net Deferred tax | 0 | 0 | 0 | 0 | 0 |
| Misc expenditure | 0 | 0 | 0 | 0 | 0 |
| Uses of funds | 533 | 616 | 703 | 887 | 1,073 |
| Book value per share (INR) | 148 | 171 | 195 | 246 | 298 |

Cash flow statement

(INR cr)

| Year to March | FY20 | FY21 | FY22E | FY23E | FY24E |
|----------------------------------|------------|-----------|-----------|-----------|-----------|
| Net profit | 128 | 81 | 167 | 181 | 185 |
| Add: Depreciation | 27 | 26 | 32 | 42 | 52 |
| Add: Interest net of tax | 11 | 11 | 19 | 15 | 19 |
| Add: Deferred tax | 0 | 1 | 2 | 3 | 3 |
| Add: Others | 20 | 12 | 0 | 0 | 0 |
| Gross cash flow | 186 | 130 | 220 | 240 | 259 |
| Less: Changes in W. C. | 171 | 56 | 82 | 92 | 95 |
| Operating cash flow | 19 | 71 | 138 | 149 | 164 |
| Less: Capex | 31 | 31 | 92 | 100 | 100 |
| Less: Investment in subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Free cash flow | -12 | 40 | 47 | 49 | 64 |

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Profit & Efficiency Ratios

| Year to March | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------|-------|-------|-------|-------|-------|
| ROAE (%) | 28% | 15% | 27% | 22% | 19% |
| ROACE (%) | 31% | 18% | 32% | 27% | 23% |
| Debtors (days) | 57 | 67 | 61 | 61 | 69 |
| Current ratio | 1.6 | 1.8 | 1.9 | 2.0 | 2.1 |
| Gross Debt/Equity | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Inventory (days) | 24 | 26 | 21 | 27 | 35 |
| Payable (days) | 53 | 76 | 57 | 55 | 61 |
| Cash conversion cycle (days) | 28 | 16 | 25 | 33 | 44 |
| Gross Debt/EBITDA | 0.0 | 0.0 | 0.3 | 0.3 | 0.2 |
| Net debt/Equity | (0.4) | (0.4) | (0.2) | (0.2) | (0.2) |

Valuation Parameters

| Year to March | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------|------|--------|-------|-------|-------|
| Diluted EPS (INR) | 35.6 | 22.4 | 46.3 | 50.3 | 51.5 |
| Y-o-Y growth (%) | 43.7 | (37.1) | 106.7 | 8.6 | 2.5 |
| CEPS (INR) | 43.0 | 29.6 | 55.2 | 61.9 | 65.9 |
| Diluted P/E (x) | 11.2 | 19.4 | 11.4 | 10.5 | 10.3 |
| Price/BV(x) | 3.2 | 2.9 | 3.0 | 2.4 | 1.9 |
| EV/Sales (x) | 0.8 | 1.1 | 1.0 | 0.8 | 0.8 |
| EV/EBITDA (x) | 6.5 | 9.9 | 6.8 | 6.2 | 5.7 |
| Diluted shares O/S | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| Basic EPS | 35.6 | 22.4 | 46.3 | 50.3 | 51.5 |
| Basic PE (x) | 11.2 | 19.4 | 11.4 | 10.5 | 10.3 |
| Dividend yield (%) | 0% | 0% | 0% | 0% | 0% |

Q4FY22 Result Update PSP Projects Ltd.

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The Team

| Analysts | Sector |
|-----------------|---|
| Vinay Khattar | Head of Research |
| Sandeep Raina | Head - Fundamental |
| Sagar Doshi | Head - Trading |
| Arun Jain | Practice Head - Trading |
| Kavita Chacko | Chief Economist |
| Dharmesh Kant | Practice Head - Trading |
| Praveen Sahay | Consumption, Healthcare, Building Materials |
| Kapil Jagasia | Consumption, Textile, QSR, Retail |
| Raj Jha | BFSI, NBFC |
| Jigar Jani | BFSI, NBFC |
| Anshul Verdia | Power , Chemicals |
| Himanshu Yadav | Cement, Logistics, Mid-caps |
| Sushil Sharma | IT, Capital Goods, Defence |
| Mohit Gupta | Auto, Auto-Anc. |
| Tushar Chaudari | Metals, Mid- Caps |
| Parag Shah | Technical Analyst |
| Ankit Narshana | Option Trader |

| Sales Team | Location |
|------------------|-----------|
| Sharad Tripathi | Mumbai |
| Ketan Malkan | Mumbai |
| Vikas Sharma | Bengaluru |
| Abhishek Agarwal | Kolkata |
| Vivek Khanna | Delhi |

Coverage Universe

| Sr. No | Coverage |
|--------|---|
| 1 | Aditya Birla Fashion & Retail Ltd |
| 2 | Aegis Logistics Ltd |
| 3 | Amber Enterprises India Ltd |
| 4 | Astral Ltd |
| 5 | Balaji Amines Ltd |
| 6 | Bata India Ltd |
| 7 | Birla Corporation Limited |
| 8 | Can Fin Homes Ltd |
| 9 | Century Plyboards India Ltd |
| 10 | Cholamandalam Inv and Finance Ltd |
| 11 | City Union Bank Ltd |
| 12 | CreditAccess Grameen Ltd |
| 13 | Crompton Greaves Consumer Electricals Ltd |
| 14 | CSB Bank Ltd |
| 15 | Deepak Nitrite Ltd |
| 16 | Easy Trip Planner Ltd |
| 17 | Escorts Ltd |
| 18 | Finolex Industries Ltd |
| 19 | Home First Finance Company India Ltd |
| 20 | Indo Count Industries Ltd |
| 21 | K P R Mill Ltd |
| 22 | KNR Constructions Ltd |
| 23 | Krishna Institute of Medical Sciences Ltd |
| 24 | Lumax Industries .Ltd |
| 25 | Metropolis Healthcare Ltd |
| 26 | Minda Industries Ltd |
| 27 | Motherson Sumi Ltd |
| 28 | Navin Fluorine International Ltd |
| 29 | Neogen Chemicals Ltd |
| 30 | Newgen Software Technologies Ltd |
| 31 | Orient Electric Ltd |
| 32 | PSP Projects Ltd |
| 33 | Rossari Biotech Ltd |
| 34 | Shriram Transport Finance Company Ltd |
| 35 | SRF Ltd |
| 36 | Vinati Organics Ltd |
| 37 | Voltas Ltd |
| 38 | Westlife Development Ltd |
| 39 | Zydu Wellness Ltd |

| Sr. No | Tactical Buy |
|--------|------------------------------|
| 1 | ACC Ltd |
| 2 | Ajanta Pharma Ltd |
| 3 | Ambuja Cements Ltd |
| 4 | Ashok Leyland Ltd |
| 5 | Axis Bank Ltd |
| 6 | Bharat Electronics Ltd |
| 7 | Brigade Enterprises Ltd |
| 8 | DLF Ltd |
| 9 | eClerx Services Ltd |
| 10 | Globus Spittits Ltd |
| 11 | GNA Axles Ltd |
| 12 | HDFC Life Insurance Co.Ltd |
| 13 | ICICI Bank Ltd |
| 14 | Indusind Bank Ltd |
| 15 | Jamna Auto Industries Ltd |
| 16 | JK Cement Ltd |
| 17 | Larsen & Toubro Ltd |
| 18 | Mahindra and Mahindra Ltd |
| 19 | Max Financial Services Ltd |
| 20 | Max Healthcare Institute Ltd |
| 21 | PNC Infratech Ltd |
| 22 | RBL Bank Ltd |
| 23 | Sun Pharma Ltd |
| 24 | TechMahindra Ltd |
| 25 | Ultratech Cement Ltd |

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