



Strong Performance Delivered; Maintain BUY

PSP Projects Ltd (PSPPL) reported a healthy set of Q4FY22 numbers. The company reported revenue of Rs 555 Cr, up 10.8% YoY, EBITDA of Rs 88 Cr, up 40.2% YoY, and APAT of Rs 55 Cr (up 30.3% YoY). It registered EBITDA Margins of 15.9% in Q4FY22 (our estimate: 13.7%) as against 12.6% in Q4FY21. The company reported APAT margins of 9.9% against 8.4% in Q4FY2 and reported a CFO of Rs 147 Cr and FCF of Rs 70 Cr during the year.

As of 31st March 2022, PSPPL has an order book of Rs 4,324 Cr, comprising both public and private sector projects, which implies revenue visibility for the next 2-3 years. With a robust bidding pipeline, we believe PSPPL is well-placed to capture growth opportunities in the sector. With a robust order book and proven execution prowess, we expect the company to post Revenues/EBITDA/PAT growth of 27%/37%/40% CAGR respectively over FY21-24E. We retain a BUY rating on the stock with a target price of Rs 665/share, implying an upside of 28% from the CMP.

Key Highlights

- **Order book stands at Rs 4,324 Cr as of Q4FY22 end:** The order book break up is as follows: 46% from the government (Rs 2,076 Cr), 22% from the government Residential (Rs 951 Cr), 7% from Industrial (Rs 302 Cr), 14% from Institutional (Rs 605 Cr), 11% from Residential (Rs 475 Cr), and 1% (Rs 43 Cr) from the Precast segment. Geography-wise, Gujarat constitutes 37%, UP 45%, and Maharashtra 17% out of the current executable 43 projects. EPC and Turnkey segment forms 92% of the overall project and the balance 9% from the Civil Construction segment.
- **Margin Outlook:** During the quarter, the company reported an EBITDA margin of 15.9% owing to the higher value of the contract from private parties enabling it to pass on the higher cost. Moving ahead, margins may moderate owing to a higher portion of fixed-price contracts from the government. However, the management indicated that since prices of steel and other commodities are reducing on the back of the government levying export duty, margins impact may be minimal.

Outlook & Valuation:

With favourable attributes such as strong and diversified order book position, healthy bidding pipeline and order inflows, asset-light model, emerging opportunities in the construction space, efficient and timely execution supported by high ROE and ROCE above 20% with majority of capex over, we expect the company to generate healthy free cash moving ahead and deliver Revenue/EBITDA/APAT growth of 27%/37%/40% CAGR over FY21-FY24E. Currently, the stock is trading at 11x and 8x FY23E and FY24E EPS. We value the company at 10.5x FY24E EPS to arrive at the target price of Rs 665/share, implying an upside potential of 28% from the current levels.

Key Financials (Consolidated)

(Rs Cr)	FY22	FY23E	FY24E
Net Sales	1,748	2,098	2,517
EBITDA	258	279	345
Net Profit	166	174	228
EPS (Rs)	46	48	63
PER (x)	11	11	8
EV/EBITDA (x)	7	6	5
P/BV (x)	2.7	2.2	1.8
RoE (%)	27	22	24

Source: Company, Axis Research

(CMP as of 27 May, 2022)

CMP (Rs)	518
Upside / Downside (%)	28
High/Low (Rs)	639/397
Market cap (Cr)	1740
Avg. daily vol. (6m) Shrs.	206756
No. of shares (Cr)	3.6

Shareholding (%)

	Sep-21	Dec-21	Mar-22
Promoter	69.9	70.2	70.2
FII/FPIs	1.3	1.7	1.8
MFs / UTI	2.1	2.9	2.9
Banks / FIs	0	0	0
Public	26.7	25.2	25.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY22	FY23E	FY24E
Net Sales	1,748	2,098	2,517
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RoE (%)	27	22	24

Change in Estimates (%)

Y/E Mar	FY23E	FY24E
Revenue	0	1
EBITDA	0	2
Net Profit	0	7

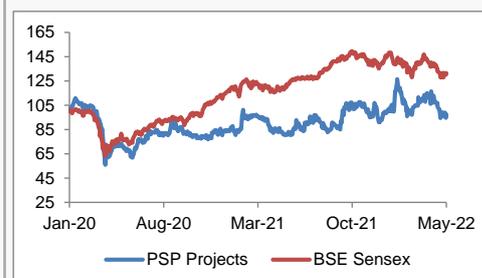
ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure	NA

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Key Concall Takeaways

- **Project completion:** During the year, the company successfully completed 17 projects in time. A few of the prominent projects are:
 - Kashi Vishwanath Dham
 - Noodle Factory project in Gujarat
 - Sports Complex for Ahmedabad University
 - Zydus Hospital, Baroda
- **Revenue guidance:** FY23 revenue growth is expected to be in the range of 20-25% over FY22.
- **Order Inflow:** The order inflow in FY22 stood at Rs 1,802 Cr which includes:
 - Sports complex in Ahmedabad worth Rs 504 Cr
 - A repeat order from MRF group in Gujarat
 - Affordable Housing project in UP worth Rs 238 Cr
 - E&M Works for Gujarat Metro at Surat
 - AMNS Steel plant worth Rs 257 Cr awarded at Hazira
- **Cost Inflation impact:** The company expects the increase in raw material cost to impact the EBITDA margins and expects it to be in the range of 11-12% moving forward on a conservative basis.
- **The current bidding pipeline** is Rs 4,500 Cr and the company expects growth of 20-25% in order inflow over FY22. It is also bidding for the Central Vista project worth Rs 1,200 cr exclusive of the reported bidding pipeline. The bidding pipeline includes 52% of the project from private parties and 51% of the total projects from the State of Gujarat. The current order inflow in FY23 stands at Rs 500 Cr.
- **Surat Diamond Bourse:** Revenue billed in Q4FY22 stood at Rs 146 Cr and Rs 1,803 Cr on a cumulative basis. The revised project value is Rs 1,860 Cr.
- **UP Project:** UP projects which include 7 medical colleges and Hospitals, the current executable value of Rs 1,343 Cr is expected to be completed in FY23. There has been a delay in two locations owing to excavation work.
- **Bhiwandi Project:** The company is in active discussion with the Bhiwandi Municipal Corporation for cost escalation and would proceed only after the same is addressed. During the year the company incurred Rs 9.64 Cr on the project and accordingly provisioning has been made.
Pre-cast: Pre-cast segment is getting good traction and the number of inquiries has increased from various segments which augur well for the company moving ahead.
- **Credit Facility:** The total credit facility available is Rs 1,047 Cr. The Fund based and Non-Fund based limit is Rs 66 Cr and Rs 483 Cr, respectively.
- **Working capital days:** Through prudent management the company's net-working capital days reduced to 28 days in Q4FY22, as compared to 48 days in Q3FY22.
- **Capex:** Increase in Property, Plant and Equipment are due to the setting up Precast segment. Going forward the company expects the Capex to be in the range of 3-4% gross block
- **Fixed Deposit:** As of 31st March 2022, the total fixed deposit stood at Rs 318 Cr out of which Rs 144 Cr was free deposit, Rs 168 cr under lien with the bank for credit facilities and Rs 6 Cr given as security deposit.

- As of date, Unbilled Revenue stood at Rs 99 Cr, Retention Money (Non-current) stood at Rs 81 Cr, and Retention money (Current) stood at Rs 33 Cr. Mobilization Advance stood at Rs 137 Cr.

PSP Projects Limited: Result Update

(Rs Cr)	Quarterly Performance				
	Q4FY22	Q3FY22	% Change (QoQ)	Q4FY21	% Change (YoY)
Sales	555	486	14%	501	11%
Other Op. Inc	0	0		0	
Total Revenue	555	486	14%	501	11%
Expenditure					
Cost of material consumed	137	130	5%	146	-6%
Changes in Inventories of Work-In-Progress	7	-3		7	-6%
Construction expenses	287	260	10%	268	7%
Employee Cost	25	16	54%	14	78%
Other Expenses	11	6	87%	3	210%
Total Expenditure	466	410	14%	438	7%
EBIDTA	88	76	16%	63	40%
EBIDTA margin	15.9%	15.6%	30bps	12.6%	330bps
Oth. Inc.	5	9	-48%	4	30%
Interest	9	10	-3%	5	106%
Depreciation	10	9	9%	7	51%
Exceptional Items	0	0	0%	0	0%
PBT	73	66	11%	55	33%
Tax	19	16	19%	13	40%
PAT	55	50	9%	42	30%
EPS (Rs.)	15.3	13.9	10%	11.6	32%

Source: Company, Axis Securities

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23E	FY24E
Net sales	1,748	2,098	2,517
Other operating income	0	0	0
Total income	1,748	2,098	2,517
Cost of materials consumed	495	610	722
Changes in Inventories of Work-In-Progress	4	0	0
Sub construction cost	0	0	0
Civil construction cost	892	1,091	1,309
Contribution (%)	20.4%	18.9%	19.3%
Other Expenses	99	117	141
Operating Profit	258	279	345
Other income	22	23	28
PBIDT	280	302	373
Depreciation	32	43	42
Interest & Fin Chg.	26	28	26
Pre-tax profit	222	232	304
Tax provision	55	58	76
PAT	166	174	228

Source: Company, Axis Securities

Balance Sheet (Rs Cr)

Y/E March	FY22	FY23E	FY24E
Total assets	1,270	1,505	1,803
Net Block	207	200	192
CWIP	0	10	10
Investments	1	1	1
Wkg. cap. (excl cash)	135	148	179
Cash / Bank balance	196	285	410
Other assets	731	862	1012
Capital employed	1,270	1,505	1,803
Equity capital	36	36	36
Reserves	651	807	1017
Minority Interests	0	0	0
Borrowings	100	93	86
Other Liabilities	484	569	665

Source: Company, Axis Securities

Cash Flow		(Rs Cr)		
Y/E March	FY22	FY23E	FY24E	
PBT	222	232	304	
Depreciation	32	43	42	
Interest Expense	9	28	26	
Changes in Working Capital	-35	-35	-60	
Others	-17	-23	-28	
Tax Paid	-64	-58	-76	
Net Cash from Operations	147	186	208	
Capex	-77	-45	-35	
Investment	0	0	0	
Others	-88	0	3	
Net Cash from Investing	(164)	(45)	(32)	
Borrowings	16	-7	-7	
Interest Expense	-12	-28	-26	
Dividend paid	-14	-18	-18	
Others	(11)	(53)	(51)	
Net Cash from Financing	(28)	89	125	
Net Change in Cash	116	88	177	
Opening cash	88	177	302	
Closing cash	222	232	304	

Source: Company, Axis Securities

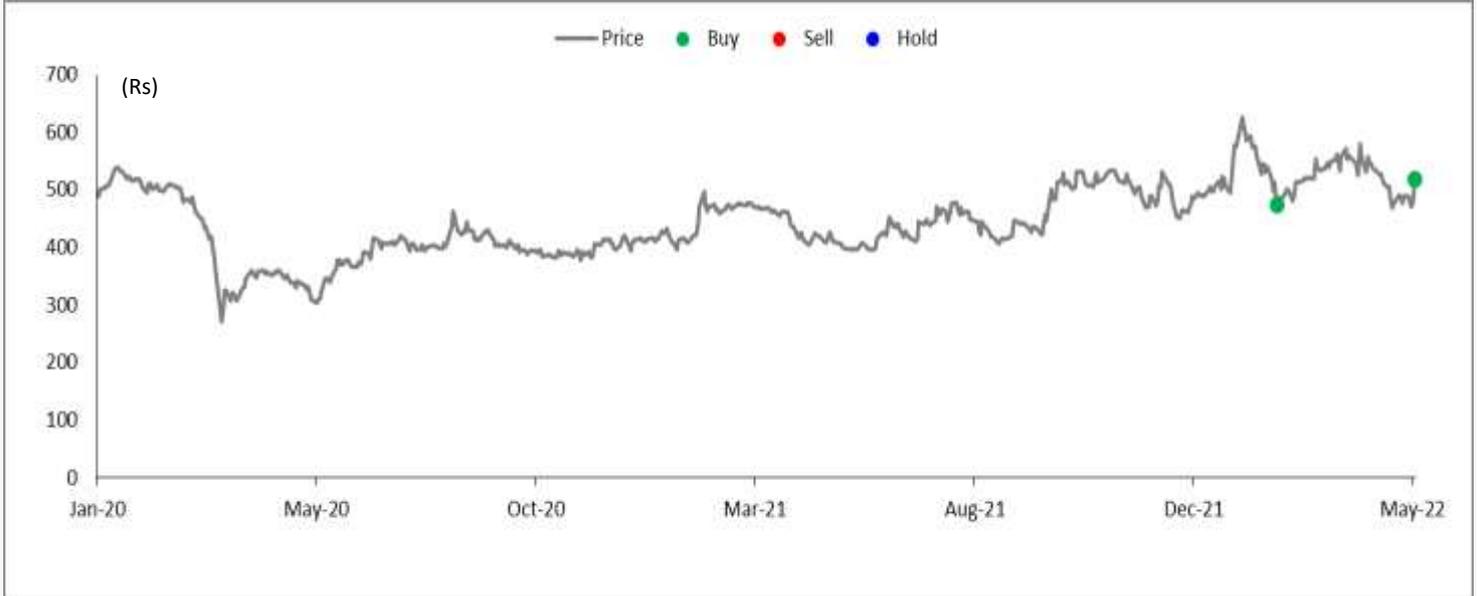
Ratio Analysis

(%)

Y/E March	FY22	FY23E	FY24E
Sales Growth	41%	20%	20%
Ebitda Growth	92%	8%	24%
PAT Growth	99%	4%	31%
Profitability Ratio			
EBITDA Margin	14.8%	13.3%	13.7%
Adjusted net margin	9.5%	8.3%	9.1%
Effeciency Ratio			
Capital Turnover	2.5	2.5	2.4
Total Asset Turnover	2.5	2.5	2.4
Fixed Asset Turnover	8.4	10.0	12.4
Debtor days	65	63	63
Inventory days	20	20	20
Payable days	63	63	63
Cash Conversion Cycle (days)	22	20	20
Leverage Ratios			
Debt to equity	0.15	0.11	0.09
Net debt to equity	-0.1	-0.2	-0.3
Interest coverage	10	10	13
Per Share Data			
Diluted EPS (Rs)	46	48	63
Book value per share (Rs)	191	234	293
DPS (Rs)	0.0	5.0	5.0
Return Ratios			
Return on equity	27%	22%	24%
Return on capital employed	40%	33%	35%
Valuation Ratio			
P/E	11	11	8
P/BV	2.7	2.2	1.8
EV/EBITDA	7.3	6.7	5.4
Cash Flow Ratio (%)			
OCF/EBITDA	57%	67%	60%
OCF/Sales	8%	9%	8%
FCF/Sales	4%	7%	7%
OCF/ROIC	55%	61%	58%

Source: Company, Axis Securities

PSP Projects Price Chart and Recommendation History



Date	Reco	TP	Research
24-Feb-22	BUY	620	Initiating Coverage
30-May-22	BUY	665	Result Update

Source: Axis Securities

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HOLD	Between 10% and -10%
SELL	Less than -10%
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