



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
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

Change in Estimates (%)

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

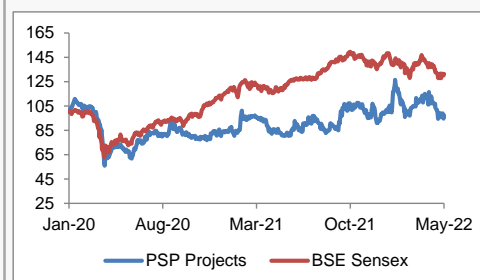
ESG disclosure Score**

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

Uttam K Simal

Research Analyst
 email: Uttamkumar.simal@axissecurities.in

Shikha Doshi

Research Analyst
 email: shikha.doshi@axissecurities.in

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

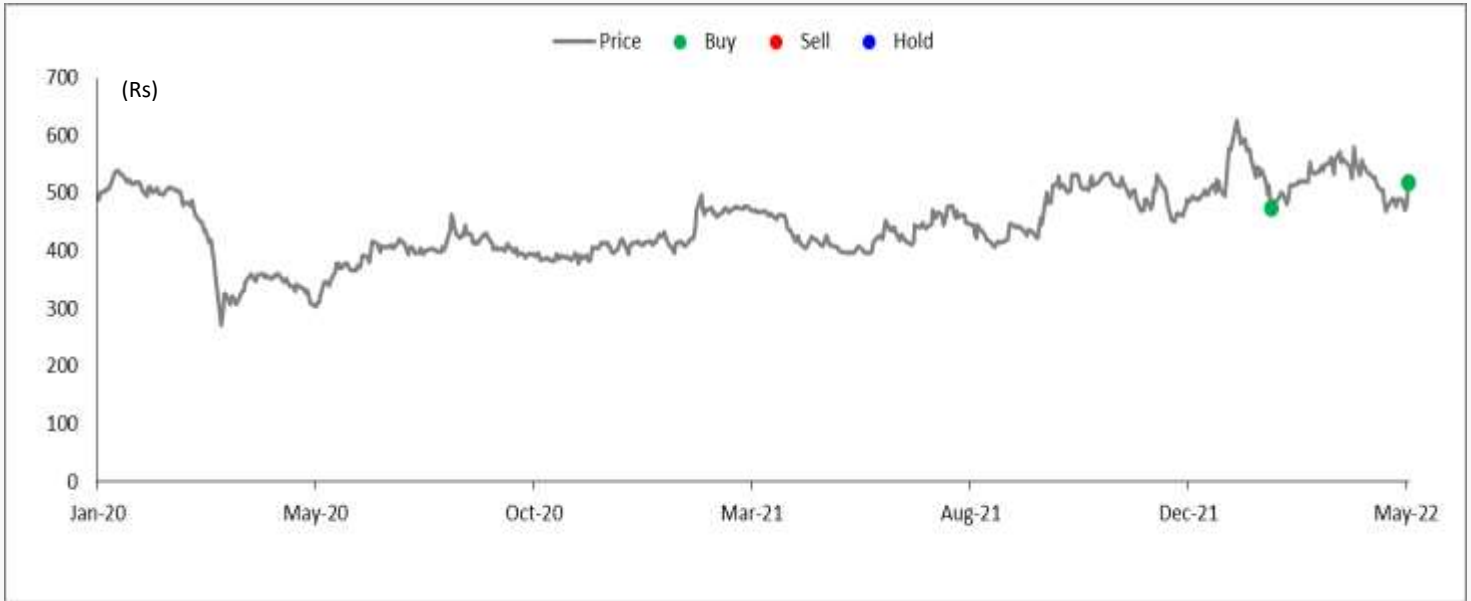
Ratio Analysis

(%)

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

About the analyst

Uttam K Srial

email: uttamkumar.srial@axissecurities.in

Sector: Cement/Infra

Analyst Bio: Uttam K Srial is PGDBF from NMIMS with 20 years of experience in Equity Market/Research

About the analyst

Analyst: Shikha Doshi

Email: shikha.doshi@axissecurities.in

Sector: Cement/Infra

Analyst Bio: Shikha Doshi is Master of Science in Finance from Illinois Institute of Technology, Chicago, currently handling Cement/infra sector.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Pankaj Bobade, CFA (ICFAI), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No
5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;

Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Term& Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward looking estimates, valuation or recommendation for the stock

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 022-40508080/ 022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654