

View: Strong performance continues; Maintain Buy

- PSPPL reported beat on all fronts.
- PSPPL posted strong growth of 10.9%/ 42.0%/ 32.3% YoY in revenue/ EBITDA/ APAT to Rs5.6 bn/ Rs881 mn/ Rs538 mn in Q4FY22. SBD revenue – Rs1.46 bn (Q4FY22) vs. Rs1.9 bn (Q4FY21).
- We broadly maintain our estimates for FY23E/ FY24E. We expect 14.2%/ 5.9% revenue/ APAT CAGR over FY22-24E, with EBITDA margins of 12.4%/ 12.5% for FY23E/ FY24E.
- Given its conservative strategy towards leverage and an efficient capital allocation, PSPPL will continue to remain a net cash company, with negative Net D:E of 0.2x over FY22-24E. PSPPL will continue to witness superior return ratios (average RoE/ RoCE of 20.6%/ 21.2% over FY22-24E), led by healthy NPM (7.9%), well-managed lean balance sheet and efficient working capital management. We maintain BUY, with a TP of Rs 709 (14x Mar'24E EPS).

Order book provides 2.5x revenue visibility

PSP standalone won orders worth Rs23.7 bn/ Rs18 bn/ Rs4.2 bn in FY21/ FY22/ YTD FY23. The current order book (Rs43.2 bn) provides revenue visibility for 2.5x TTM revenue. PSPPL has bid pipeline of Rs45 bn of which 48%/ 51% is from private projects/ Gujarat. We maintain our order inflow estimates of Rs25 bn/ Rs28 bn for FY23E/ FY24E.

Q4FY22 Result (Rs Mn)

Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Revenue	5,553	5,007	10.9	4,856	14.4
Total Expense	4,672	4,387	6.5	4,116	13.5
EBITDA	881	621	42.0	741	19.0
Depreciation	102	68	51.1	94	8.9
EBIT	779	553	40.9	647	20.4
Other Income	54	38	42.0	76	(28.8)
Interest	95	46	107.8	98	(3.1)
EBT	739	546	35.4	625	18.1
Tax	201	139	44.6	156	28.5
RPAT	538	407	32.3	469	14.7
APAT	538	407	32.3	469	14.7
			(bps)		(bps)
Gross Margin (%)	22.4	16.1	627	20.2	217
EBITDA Margin (%)	15.9	12.4	348	15.3	62
NPM (%)	9.7	8.1	156	9.7	3
Tax Rate (%)	27.2	25.4	172	25.0	218
EBIT Margin (%)	14.0	11.0	299	13.3	71

CMP	Rs 518
Target / Upside	Rs 709 / 37%
NIFTY	16,353

Scrip Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 19bn
	USD 240mn
52-week High/Low	Rs 639/ 397
Avg. Volume (no)	126,857
Bloom Code	PSPPL IN

Price Performance	1M	3M	12M
Absolute (%)	(5)	7	28
Rel to NIFTY (%)	(1)	10	22

Shareholding Pattern

	Sep'21	Dec'21	Mar'22
Promoters	69.9	70.2	70.2
MF/Banks/FIs	3.9	2.9	2.9
FIs	1.3	1.2	1.8
Public / Others	24.9	25.7	25.1

Valuation (x)

	FY22A	FY23E	FY24E
P/E	11.5	11.6	10.2
EV/EBITDA	6.9	6.9	5.7
ROE (%)	26.5	21.2	20.0
RoACE (%)	27.2	21.5	20.9

Estimates (Rs mn)

	FY22A	FY23E	FY24E
Revenue	17,488	20,165	22,823
EBITDA	2,565	2,502	2,849
PAT	1,624	1,603	1,822
EPS (Rs.)	45.1	44.5	50.6

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	5,553	4,937	12.5	Better than expected execution
EBITDA (Rs mn)	881	641	37.5	-
EBITDA%	15.9	13.0	289bps	led by lower raw material cost
PAT (Rs mn)	538	371	44.9	Better operating performance

Source: Company, DART

Exhibit 2: Change in estimates – Broadly maintain estimates for FY23E/ FY24E

(Rs mn)	FY23E			FY24E		
	New	Old	Chg (%)	New	Old	Chg (%)
Net revenues	20,165	19,238	4.8	22,823	21,779	4.8
EBIDTA	2,502	2,453	2.0	2,849	2,787	2.2
EBIDTA margin (%)	12.4	12.7	(34)	12.5	12.8	(31)
Adj. Net Profit	1,603	1,581	1.4	1,822	1,789	1.9
EPS (Rs)	44.5	43.9	1.4	50.6	49.7	1.9

Source: DART, Company

Key earnings takeaways

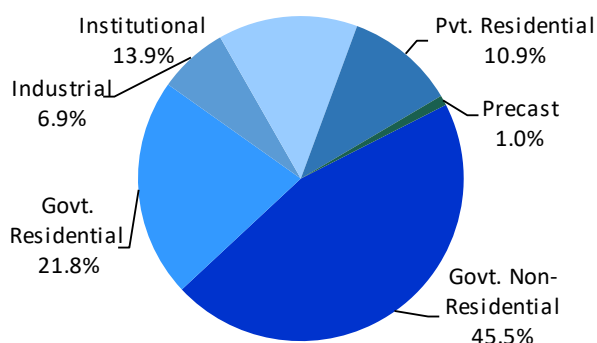
- **Order book** – PSPPL's FY22 order book (highest ever) stood at Rs43.2 bn. Government projects holds a major chunk of the order book comprising of 68%/ 62% in FY22/ FY21. Order inflow for FY22 stood at Rs18 bn consisting (1) sports complex (Rs5.04 bn) in Ahmedabad, (2) repeat order from MRF group in Gujarat, (3) affordable Housing project (Rs2.4 bn) in UP, (4) E&M Works for Gujarat Metro at Surat and (5) AMNS Steel plant (Rs2.6 bn) at Hazira. During the year PSPPL has successfully completed 17 projects in time. Total no. of projects completed till date stands at 183 projects.
- **Guidance** - PSPPL guided revenue growth of 20-25% YoY for FY23 whereas it expects EBITDA margin to be 12-13% for FY23. Company expects order inflow to grow by 20-25 % YoY in FY23.
- EBITDA margin improved by 348 bps YoY to 15.9% in Q4FY22 primarily led by material cost pass through for projects from private clients and final adjustment for some of the projects completed.
- **Bid Pipeline** – PSP is eligible to bid for projects worth Rs20 bn and will be eligible to bid for project worth Rs25 bn with receipt of SDB completion certificate in Jun'22. Company will focus on bigger ticket size project. Company has a bid pipeline of Rs45 bn (Govt./ Pvt.- 48%/ 52%) and on regional basis, Gujarat has highest share of 51% followed by 22%/ 4% in Delhi/ TN.
- **UP medical colleges & hospital projects** - Mobilization of all 7 projects (worth Rs14.91 bn) and are moving smoothly.
- **Bhiwandi project** – Company has 2 slow moving projects (EWS Housing Projects) in Bhiwandi and Pandharpur worth Rs7.59 bn. Out of total expenditure of Rs90 mn (shown as WIP), made provision for expenses of Rs30 mn/ Rs31.5 mn/ Rs96.4 mn in Q4FY22/ Q3FY22/ FY22, which is included in other expenses. It is still in the same status and arbitration outcome is likely to come in Jun'22 where company expects cost to be revised from Rs6.01 bn to Rs10.5 bn; if the cost is not revised then PSPPL will not go ahead with the project.

- **Precast plant** – During the quarter company has successfully commissioned precast factory near Sanand, Gujarat with a total capex of Rs1.09 bn. Company has received Rs490 mn order from L&T and booked revenue of Rs45.7 mn. Timeline for the completion of the project is of 30th June'22. Current capacity is 1mn sqft, which can be expanded to 3mn sqft at marginal capex. At current capacity company can add Rs1 bn in revenues and with expansion it will increase to Rs2.5-3 bn. Company has stated getting many enquiries from clients such as Reliance. Order Inflow stood at Rs594 mn in FY22 from Infrastructure, Residential and Industrial projects. In FY22 revenue of Rs150 mn was booked.
- **Pandharpur Project** – It still stands still and may go for legal action; asked for Rs170 mn if it comes then company may start the work.
- **SDB project** – Revenue from SDB in Q4FY22/ FY22/ till date stands at Rs1.46 bn/ Rs3.12 bn/ Rs18.03 bn. The revised cost is Rs18.6 bn and the project will be completed by Jun'22.
- Company expects to incur no further capex for FY23; only maintenance capex of 3-4% of revenue.
- **WC days** – Debtor days/ Inventory days/ Creditors days were 65 days/ 17 days/ 54 days in FY22 vs. 71 days/ 17 days/ 46 days in FY21.
- Gross Debt stood at Rs997 mn in FY22 vs. Rs810 mn in FY21. Net D:E at 0.15x in FY22 (flat YoY).
- Mobilization advance/ Unbilled revenue/ Retention money (current + non-current) stood at Rs1.37 bn/ Rs990 mn/ Rs1.14 bn as on Mar'22. Gross block at Rs3.42 bn.
- Company has total FD of Rs3.84 bn of which Free FD/ FD under lien/ FD given to the clients for security stands at Rs1.44 bn/ Rs1.66 bn / Rs60 mn.
- Total Fund and Non-Fund based limits stands at Rs10.47 bn out of which Rs5.49 bn are utilized (Rs660 mn/ Rs4.88 bn is Fund/ Non Fund limits is utilized).

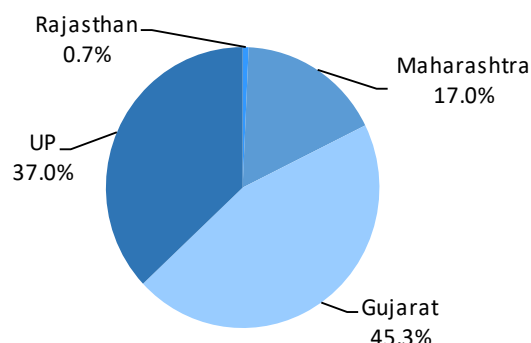
Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
Revenue	5,553	5,007	10.9	4,856	14.4	17,488	12,409	40.9
(Inc)/dec in stocks & WIP	75	69	8.8	(29)	-	46	(24)	-
Material consumed	1,366	1,456	(6.2)	1,302	4.9	4,954	3,981	24.4
Construction exp	2,870	2,675	7.3	2,601	10.3	8,913	6,444	38.3
Employees cost	252	142	77.6	164	54.0	723	509	42.1
Other expenditure	109	44	147.4	77	42.4	288	150	92.6
Total expenditure	4,672	4,387	6.5	4,116	13.5	14,924	11,060	34.9
EBITDA	881	621	42.0	741	19.0	2,563	1,348	90.1
Depreciation	102	68	51.1	94	8.9	321	256	25.0
Operating profit	779	553	40.9	647	20.4	2,243	1,092	105.4
Other income	54	38	42.0	76	(28.8)	214	169	26.7
EBIT	833	591	41.0	723	15.3	2,457	1,261	94.9
Interest	95	46	107.8	98	(3.1)	264	147	79.7
Exceptional Items	-	-	-	-	-	-	(27)	-
EBT	739	546	35.4	625	18.1	2,193	1,087	101.8
Provision for Tax	201	139	44.6	156	28.5	569	279	104.2
Net income	538	407	32.3	469	14.7	1,624	808	101.0
Adjustments	-	-	-	-	-	-	27.41	(100.0)
APAT	538	407	32.3	469	14.7	1,624	835	94.4
EPS (Rs)	14.9	11.3	32.3	13.0	14.7	45.1	23.2	94.4
			<i>bps</i>		<i>bps</i>			<i>bps</i>
EBIDTA Margin (Excl. O.I.)	15.9	12.4	348	15.3	62	14.7	10.9	379
EBIDTA Margin (Incl. O.I.)	16.8	13.2	369	16.8	3	15.9	12.2	366
NPM (%)	9.6	8.1	153	9.5	8	9.2	6.6	253
Tax/PBT (%)	27.2	25.4	172	25.0	218	25.9	25.7	30
Material cons/Revenue (%)	77.6	83.9	(627)	79.8	(217)	79.6	83.8	(427)

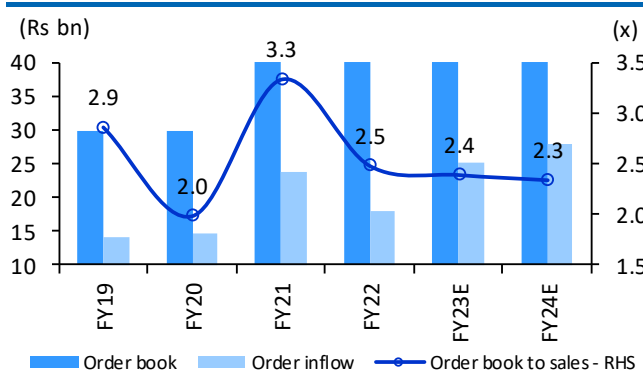
Source: DART, Company

Exhibit 4: Rs43.2 bn OB break up


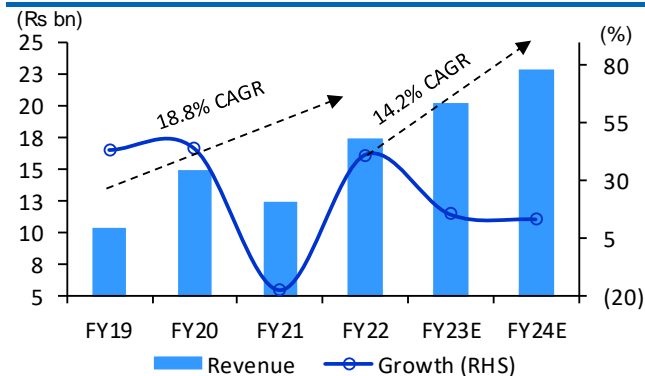
Source: Company, DART

Exhibit 5: Rs43.2 bn OB geographic break up


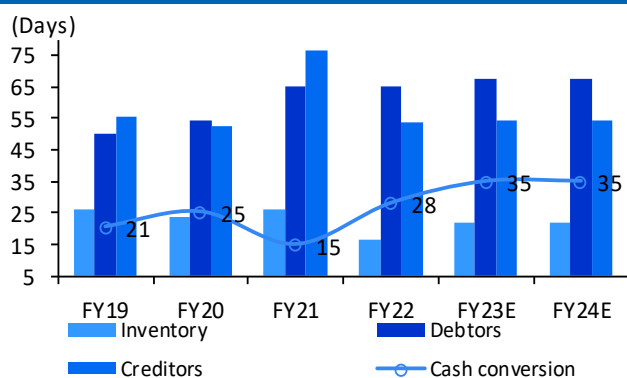
Source: Company, DART

Exhibit 6: Order book trend (Standalone)


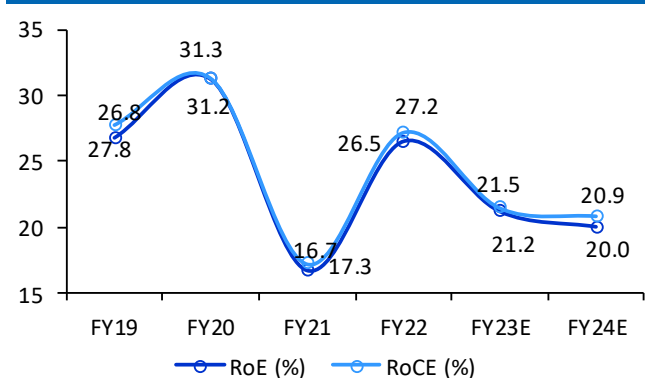
Source: Company, DART

Exhibit 7: 14.2% revenue CAGR over FY22-24E


Source: Company, DART

Exhibit 8: Efficient cash conversion


Source: Company, DART

Exhibit 9: Superior return ratios to continue


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Revenue	12,409	17,488	20,165	22,823
Total Expense	11,060	14,923	17,663	19,973
COGS	10,402	13,913	16,596	18,760
Employees Cost	509	723	839	940
Other expenses	150	286	228	273
EBIDTA	1,348	2,565	2,502	2,849
Depreciation	256	321	432	509
EBIT	1,092	2,245	2,071	2,340
Interest	147	264	170	170
Other Income	169	213	255	281
Exc. / E.O. items	(27)	0	0	0
EBT	1,087	2,193	2,156	2,450
Tax	279	569	553	628
RPAT	808	1,624	1,603	1,822
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	835	1,624	1,603	1,822

Balance Sheet

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	5,020	6,487	7,910	9,553
Net Worth	5,380	6,847	8,270	9,913
Total Debt	810	997	570	520
Net Deferred Tax Liability	(92)	(94)	(96)	(98)
Total Capital Employed	6,098	7,750	8,745	10,335

Applications of Funds

Net Block	1,162	2,074	2,342	2,533
CWIP	416	0	0	0
Investments	8	7	7	7
Current Assets, Loans & Advances	8,226	10,491	11,430	13,488
Inventories	892	806	1,210	1,369
Receivables	2,220	3,118	3,731	4,222
Cash and Bank Balances	2,288	1,952	1,991	2,865
Loans and Advances	343	59	371	419
Other Current Assets	2,483	4,556	4,127	4,613
Less: Current Liabilities & Provisions	3,714	4,822	5,035	5,693
Payables	2,599	2,576	3,003	3,395
Other Current Liabilities	1,115	2,246	2,032	2,298
<i>sub total</i>				
Net Current Assets	4,511	5,669	6,395	7,795
Total Assets	6,098	7,750	8,745	10,335

E – Estimates

Important Ratios

Particulars	FY21A	FY22A	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	16.2	20.4	17.7	17.8
EBIDTA Margin	10.9	14.7	12.4	12.5
EBIT Margin	8.8	12.8	10.3	10.3
Tax rate	25.7	25.9	25.6	25.6
Net Profit Margin	6.7	9.3	8.0	8.0
(B) As Percentage of Net Sales (%)				
COGS	83.8	79.6	82.3	82.2
Employee	4.1	4.1	4.2	4.1
Other	1.2	1.6	1.1	1.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	7.4	8.5	12.2	13.8
Inventory days	26	17	22	22
Debtors days	65	65	68	68
Average Cost of Debt	18.9	29.2	21.7	31.2
Payable days	76	54	54	54
Working Capital days	133	118	116	125
FA T/O	10.7	8.4	8.6	9.0
(D) Measures of Investment				
AEPS (Rs)	23.2	45.1	44.5	50.6
CEPS (Rs)	30.3	54.0	56.5	64.8
DPS (Rs)	0.0	4.0	5.0	5.0
Dividend Payout (%)	0.0	8.9	11.2	9.9
BVPS (Rs)	149.4	190.2	229.7	275.4
RoANW (%)	16.7	26.5	21.2	20.0
RoACE (%)	17.3	27.2	21.5	20.9
RoAIC (%)	27.5	39.2	28.3	28.0
(E) Valuation Ratios				
CMP (Rs)	518	518	518	518
P/E	22.3	11.5	11.6	10.2
Mcap (Rs Mn)	18,646	18,646	18,646	18,646
MCap/ Sales	1.5	1.1	0.9	0.8
EV	17,168	17,691	17,225	16,302
EV/Sales	1.4	1.0	0.9	0.7
EV/EBITDA	12.7	6.9	6.9	5.7
P/BV	3.5	2.7	2.3	1.9
Dividend Yield (%)	0.0	0.8	1.0	1.0
(F) Growth Rate (%)				
Revenue	(17.2)	40.9	15.3	13.2
EBITDA	(29.4)	90.3	(2.5)	13.9
EBIT	(33.5)	105.6	(7.7)	13.0
PBT	(37.7)	101.8	(1.7)	13.7
APAT	(35.4)	94.4	(1.3)	13.7
EPS	(35.4)	94.4	(1.3)	13.7

Cash Flow

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
CFO	708	1,205	1,261	1,693
CFI	(367)	(1,463)	(445)	(419)
CFF	(21)	(77)	(777)	(400)
FCFF	(83)	452	561	993
Opening Cash	1,967	2,288	1,952	1,991
Closing Cash	2,288	1,952	1,991	2,865

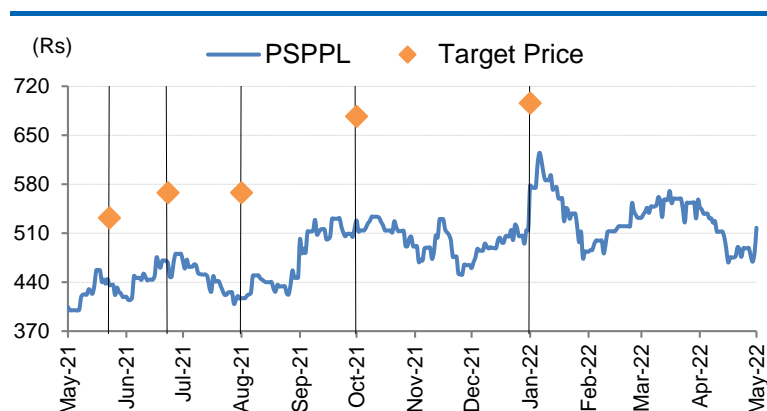
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jun-21	Buy	532	436
Jul-21	Buy	568	467
Aug-21	Buy	568	417
Oct-21	Buy	677	528
Jan-22	Buy	696	578

*Price as on recommendation date

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