

Asian Markets Rating

**BUY**

CMP (Rs)	518
Target (Rs)	624
Upside (%)	20%

Nifty: 16,352      Sensex: 54,885

Key Stock Data

Bloomberg	PSPPL IN
Shares O/s Mn (FV INR10)	36
Mkt Cap (USD Bn/INR Bn)	0.2/18.6
52-week high/low	639/397
6m daily avg vol (INR Mn)	112
Free Float %	30

Price Performance

(%)	3m	1yr	3yr
PSPPL	7.0	29.1	1.9
Nifty	(1.6)	8.2	12.6
NSE500	(1.9)	7.7	13.8
BSE Midcap	(1.9)	7.7	15.5

Shareholding Pattern

(%)	Sep-21	Dec-21	Mar-22
Promoter	69.9	70.2	70.2
FII	1.3	1.7	1.8
DII	3.1	3.9	3.0
Others	25.7	24.2	25.1

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FY22-24E Earnings CAGR	CF & Return Profile	Valuations
12%	Strong	Attractive

**Order awarding muted in FY22; strong order pipeline for FY23...**

- PSP Project Ltd (PSPPL) reported revenue grew by 11% yoy to Rs5.6bn, in line with our estimates, owing to healthy order book executions.
- EBITDA grew by 42% yoy to Rs881mn and EBITDAM improved by 348bp yoy to 15.9%, owing to lower raw material cost
- Adj PAT grew by 32% yoy to Rs538mn, higher than our estimates on the back of higher EBITDAM. APATM improved by 153bp yoy to 9.6%
- In FY22, revenue grew by 41% yoy to Rs17.5bn, EBITDA grew by 90% yoy to Rs2.6mn and EBITDAM improved by 380bp yoy to 14.7% and Adj PAT grew by 96% yoy to Rs1.6bn.
- The standalone order book remained strong at Rs43.2bn, suggesting a 2.5x on FY22 revenue. Bid pipelines are strong at Rs45bn excluding central vista orders of Rs11.7bn
- Out of total orders, 7.3bn (17% of orders) are slow-moving orders (Bhiwandi and Pandharpur) and are expected to get an outcome in the coming quarters.
- Management expects revenue and order inflow growth of 20-25% with EBITDAM of 11-12% in FY23E.

**Strong order book to bill of 2.5x of FY22 revenue:**

PSP Projects has a strong order book of Rs43.2bn as of Mar'22, ensuring strong revenue growth. The order backlog implies a healthy book-to-bill ratio of 2.5x in FY22 revenue. Order Inflow during FY22 is at Rs.18bn, order awarding muted in FY22 owing to delay in awarding in many projects. Major orders from a sports complex in Ahmedabad worth Rs5bn, a repeat order from MRF group in Gujarat, Affordable Housing project in UP worth Rs2.4bn, E&M works for Gujarat metro at Surat and AMNS steel plant worth Rs2.6bn awarded at Hazira. UP orders account highest in the order book of 45%, followed by Gujarat at 37% and Maharashtra at 17% of the total standalone order book. The government segment accounts for the highest orders of 46%, followed by Govt Residential of 22%, Institutional orders of 14%, Residential orders of 11% and Industrial orders of 7%.

**Strong order pipeline:**

Bid pipelines are strong at Rs45bn, out of which 52% is from private projects and government projects are 48%. State-wise, 22% of the total bid pipeline is from Delhi, 51% is from Gujarat, and 4% is from Tamil Nadu. Bid pipeline include orders like commercial projects in Mumbai of Rs10bn, Government residential projects in Delhi of Rs10bn, Medical college and hospital in Gujarat of Rs5.5bn, Staff colony for industry projects in Gujarat of Rs 4.5bn, Museum projects in Gujarat of Rs1.5bn and Industrial expansion at Sanad of one of existing clients of Rs1.3bn. Further, Central vista projects tenders worth Rs11.7bn, and PSP will participate in these tenders. Management expects an order inflow of more than Rs20bn in FY23E (growth of 20-25% yoy). However, we have factored in order inflow of Rs15bn/Rs15bn in FY23E/FY24, respectively.

**Outlook and Valuation:**

We expect a revenue CAGR of 19% and PAT CAGR of 12% during FY22-24E, respectively. We expect ROE and ROCE to remain strong at 21.5%/28.6%, respectively in FY24E. The stock is trading at 8.5x FY24E earnings. Given the robust order book, healthy margin, superior return ratio, strong balance sheet, expanding geographical footprint, and opportunity in infrastructure space. We are positive on the business and stock as a long-term investment opportunity. We maintain our BUY rating with a target price of Rs 624 based on 10x FY24E earnings.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar/Rs mn	FY20	FY21	FY22	FY23E	FY24E
Sales	14,993	12,409	17,488	20,706	24,865
yoy (%)	43.0	(17.3)	41.7	18.4	20.1
EBITDA	1,910	1,348	2,565	2,588	3,183
yoy (%)	28.2	(29.4)	90.3	0.9	23.0
Adjusted PAT	1,293	808	1,624	1,637	2,043
yoy (%)	43.2	(37.5)	101.0	0.8	24.8
EBITDAM (%)	12.8	10.9	14.7	12.5	12.8
Equity	360	360	360	360	360
Diluted EPS (Rs)	35.9	22.4	45.1	45.5	62.4

Exhibit 2: Key Indicators

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
ROE (%)	31.2	16.2	26.6	21.6	22.0
ROCE (%)	40.7	21.9	35.0	28.8	29.4
ROIC (%)	64.3	30.1	45.8	36.3	41.9
D:E (x)	(0.3)	(0.3)	(0.1)	(0.2)	(0.3)
PER (x)	14.4	23.1	11.5	11.4	8.3
P/BV (x)	4.1	3.5	2.7	2.2	1.7
EV/Sales (x)	1.2	1.4	1.0	0.8	0.5
EV/ EBITDA (x)	9.1	12.7	6.9	6.4	4.3
Div Yield (%)	1.0	0.8	0.8	1.0	1.3

Source: Company, AMSEC Research



### Concall Highlights:

- **Guidance:** Management expects revenue growth of 20-25% with EBITDAM of 11-12% in FY23E. Further, expecting an order inflow of more than Rs20bn in FY23E (growth of 20-25% yoy).
- **Precast Factory Update:** Current production capacity for Phase I is 1mn sq ft and going forward the precast capacity will be increased to 3 mn. Sq.ft. Total orders received from Precast are to the tune of Rs590mn. First Order Received was from L&T to the tune of Rs490mn as part of the national high-speed rail project. Balance orders are from the residential and industrial segments. The company is getting new inquiries related to precast from reliance and other industry players. Revenue booked from the precast factory is Rs150mn in Q4FY22.
- **Growing geographical Footprint:** Gujarat exposure has now reduced to 37% in FY22 from 60% in FY20. PSP has gradually expanded its presence to six different states of India, establishing a pan-India presence. Now, PPL is present in six states viz. Gujarat, Rajasthan, UP, Karnataka, New Delhi, and Maharashtra.
- **SDB Projects Update:** SDB project is on verge of completion. Already hand over towers and other infrastructure activities are expected to complete by June 22. Revenue received from SDB projects is Rs1.5bn in Q4FY22 and Rs18bn till now.
- **Can qualify for projects up to Rs25bn after completions of SDB projects:** With projects completion certificate for SDB projects worth Rs15.8bn (Old cost), PSP can qualify for central vista projects. After receiving final projects completion certificate for SDB projects worth Rs18.5 (Revised cost) in June'22, PSP can qualify for projects up to Rs25bn.
- **Up Medical college:** All seven projects mobilisation started and running smoothly. PSP has executed revenue of Rs850mn in Q4FY22 and Rs1.5bn in FY22 till now. Management targeting to complete this project by FY23E.
- **Slow-moving orders update:** PSP has two slow-moving orders (Bhiwandi & Pandharpur) of Rs7.3bn (17% of total order book). Regarding Bhiwandi projects, the company is in discussion with Bhiwandi Nizampur City Municipal Corporation for the revival of projects. The company has made provision for total expenses incurred of Rs96Mn in FY22 (Included in other exp). PSP has filed arbitrations and the outcome will be expected on June 22. Pandharpur projects are at standstill and authorities are not able to pay the payments till now the company will go for legal action.
- **Fixed price contracts shares:** Out of the total order book, fixed-price contracts are 60% and 40% of orders have cost escalations.
- **Other details:** Unbilled revenue stood at Rs990mn, retention non-current stood at Rs 810mn, retention current stood at Rs330mn, Mobilization advance of Rs1.5bn, and Working capital days stood at 28. The company has FD of Rs 3.2bn, out of which Rs1.4bn is free FD, Rs1.7bn given for credit facility, and Rs60mn given to clients for securities deposits


**Exhibit 3: 4QFY22 Quarterly financial performance**

P&L (Rs mn)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	yoy(%)	qoq (%)	FY21	FY22	yoy (%)
<b>Net Sales</b>	<b>5007</b>	<b>3174</b>	<b>3904</b>	<b>4856</b>	<b>5553</b>	<b>10.9</b>	<b>14.4</b>	<b>12409</b>	<b>17488</b>	<b>40.9</b>
Other Operating Inc.						-	-	0	0	-
<b>Total Sales</b>	<b>5007</b>	<b>3174</b>	<b>3904</b>	<b>4856</b>	<b>5553</b>	<b>10.9</b>	<b>14.4</b>	<b>12409</b>	<b>17488</b>	<b>40.9</b>
Stock Adjustment	69	-40	39	-29	75	8.8	-361.9	-24	46	-293.5
Consumption of RM	1456	1030	1255	1302	1366	-6.2	4.9	3981	4954	24.4
Construction Exp	2675	1587	1855	2601	2870	7.3	10.3	6444	8913	38.3
Employee Cost	142	152	155	164	252	77.6	54.0	509	723	42.1
Other Expenditure	44	50	52	77	109	147.4	42.4	150	286	91.3
Total Expenditure	4387	2780	3357	4116	4672	6.5	13.5	11060	14923	34.9
<b>EBITDA</b>	<b>621</b>	<b>394</b>	<b>547</b>	<b>741</b>	<b>881</b>	<b>42.0</b>	<b>19.0</b>	<b>1348</b>	<b>2565</b>	<b>90.3</b>
Add: Other Income	38	38	46	76	54	42.0	-28.8	169	213	25.6
Interest	46	34	38	98	95	107.8	-3.1	147	264	79.7
Depreciation	68	54	70	94	102	51.1	8.9	256	321	25.0
<b>Core PBT</b>	<b>546</b>	<b>344</b>	<b>485</b>	<b>625</b>	<b>739</b>	<b>35.4</b>	<b>18.1</b>	<b>1114</b>	<b>2193</b>	<b>96.9</b>
Excep. item Loss / (Gain)	0	0	0	0	0		-	-27	0	
<b>Profit Before Tax</b>	<b>546</b>	<b>344</b>	<b>485</b>	<b>625</b>	<b>739</b>	<b>35.4</b>	<b>18.1</b>	<b>1087</b>	<b>2193</b>	<b>101.8</b>
Provision for Taxation	139	93	120	156	201	44.6	28.5	279	569	104.2
<b>PAT</b>	<b>407</b>	<b>251</b>	<b>366</b>	<b>469</b>	<b>538</b>	<b>32.3</b>	<b>14.7</b>	<b>808</b>	<b>1624</b>	<b>101.0</b>
Extra Ordinary Income	0	0	0	0	0		-	-20	0	
Share of Profit in Asso.							-	0	0	
<b>Adj. Net Profit</b>	<b>407</b>	<b>251</b>	<b>366</b>	<b>469</b>	<b>538</b>	<b>32.3</b>	<b>14.7</b>	<b>828</b>	<b>1624</b>	<b>96.2</b>
Equity Capital (FV Rs 10)	360	360	360	360	360			360	360	
<b>Basic EPS (Rs)</b>	<b>11.3</b>	<b>7.0</b>	<b>10.2</b>	<b>13.0</b>	<b>14.9</b>			<b>22.4</b>	<b>45.1</b>	
EBITDA (%)	12.4	12.4	14.0	15.3	15.9	348bp	62bp	10.9	14.7	380bp
PAT (%)	8.1	7.8	9.3	9.5	9.6	153bp	8bp	6.7	9.2	244bp
Tax / PBT (%)	25.4	27.0	24.6	25.0	27.2	172bp	218bp	25.7	25.9	30bp
Interest/Net Sales	0.9	1.1	1.0	2.0	1.7	79bp	(-31bp)	1.2	1.5	33bp
Employee cost/Net Sales	2.8	4.8	4.0	3.4	4.5	171bp	117bp	4.1	4	4bp
RM / Net Sales (%)	83.9	81.2	80.7	79.8	77.6	(-627bp)	(-217bp)	83.8	79.6	(427bp)

Source: Company, AMSEC Research



Quarterly Standalone Charts:

Exhibit 4: Revenue Trend

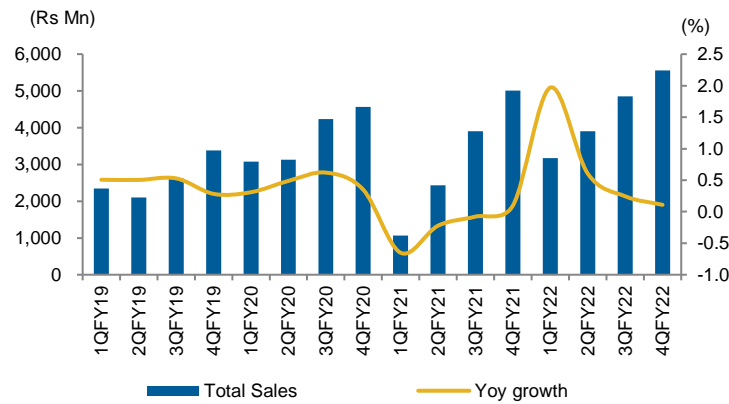


Exhibit 5: EBITDA and EBITDAM Trend

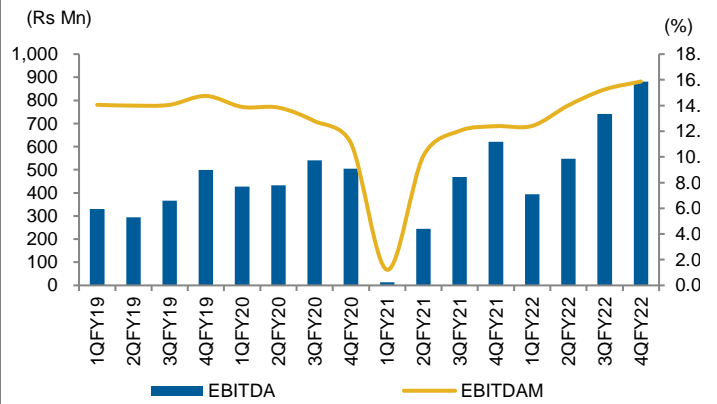


Exhibit 6: PAT and PATM Trend

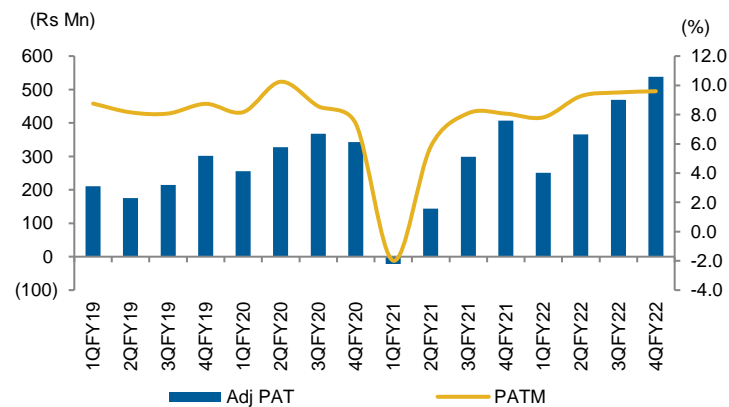


Exhibit 7: Order book trend

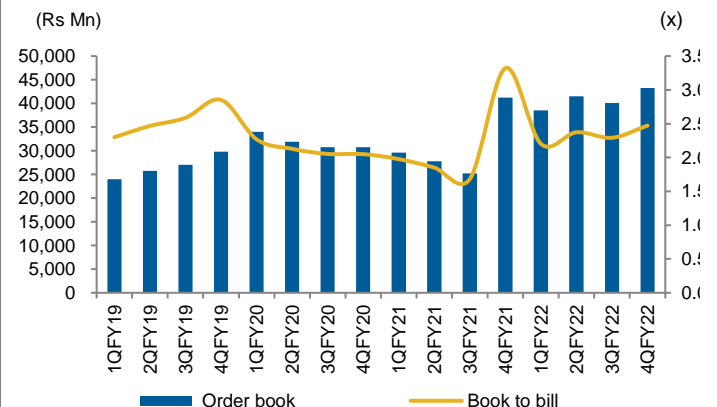


Exhibit 8: Standalone order book break up (Rs43) - Segment wise

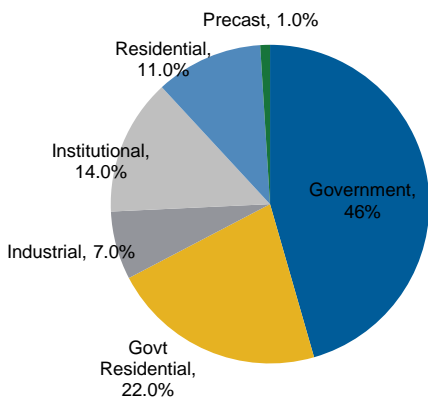
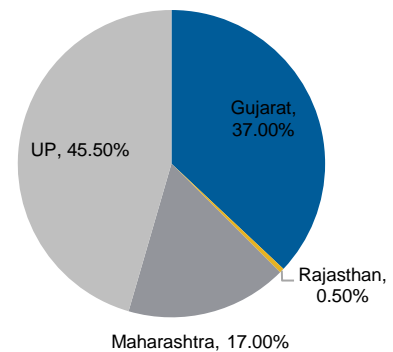


Exhibit9: Standalone Order book (Rs43 bn)- Region wise



Source: Company, AMSEC Research



## Financials (Standalone)

(Rs mn)

## Profit and Loss Statement

Particulars	FY20	FY21	FY22	FY23E	FY24E
<b>Net sales</b>	<b>14,993</b>	<b>12,409</b>	<b>17,488</b>	<b>20,706</b>	<b>24,865</b>
Raw material	8,800	6,173	13,913	16,357	19,643
Subcontracting Expenses	3,555	4,229	-	-	-
Employee benefits expenses	594	509	723	787	995
Other expenses	134	150	286	973	1,044
<b>Total Expenditure</b>	<b>13,083</b>	<b>11,060</b>	<b>14,923</b>	<b>18,117</b>	<b>21,682</b>
<b>EBITDA</b>	<b>1,910</b>	<b>1,348</b>	<b>2,565</b>	<b>2,588</b>	<b>3,183</b>
Depreciation	267	256	321	362	407
<b>Operating profit</b>	<b>1,643</b>	<b>1,092</b>	<b>2,245</b>	<b>2,226</b>	<b>2,775</b>
Other income	248	169	213	250	250
<b>EBIT</b>	<b>1,891</b>	<b>1,261</b>	<b>2,457</b>	<b>2,476</b>	<b>3,025</b>
Interest	146	147	264	267	268
Exceptional items	-	(27)	-	-	-
<b>Profit before tax</b>	<b>1,744</b>	<b>1,087</b>	<b>2,193</b>	<b>2,209</b>	<b>2,757</b>
Tax	452	279	569	572	714
<b>Reported net profit</b>	<b>1,293</b>	<b>808</b>	<b>1,624</b>	<b>1,637</b>	<b>2,043</b>
EO Items (loss/ (gain))	-	-	-	-	-
<b>Adjusted net profit</b>	<b>1,293</b>	<b>808</b>	<b>1,624</b>	<b>1,637</b>	<b>2,043</b>
Share O/s mn	36.0	36.0	36.0	36.0	32.7
Diluted EPS Rs (adjusted)	35.9	22.4	45.1	45.5	62.4

## Cash Flow Statement

Particulars	FY20	FY21	FY22	FY23E	FY24E
PBT	1,744	1,087	2,193	2,209	2,757
Other Financial adjustments	19	87	108	112	157
Changes in working capital	(1,523)	23	(1,595)	(339)	(432)
Interest Paid	146	147	264	267	268
Tax Paid & Other Adj	(695)	(214)	(482)	(572)	(714)
<b>Cashflow from operations</b>	<b>(308)</b>	<b>1,130</b>	<b>488</b>	<b>1,677</b>	<b>2,037</b>
Capital exp. & Advances	(313)	(713)	(816)	(500)	(500)
Change in investments	-	36	1	-	-
Other investing cashflow	248	169	213	250	250
<b>Cashflow from investing</b>	<b>(65)</b>	<b>(508)</b>	<b>(603)</b>	<b>(250)</b>	<b>(250)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	486	61	187	-	-
Interest Paid	(146)	(147)	(264)	(267)	(268)
Dividends paid	(216)	(216)	(144)	(144)	(180)
Other financing cashflow	-	-	-	-	-
<b>Cashflow from financing</b>	<b>124</b>	<b>(302)</b>	<b>(221)</b>	<b>(411)</b>	<b>(448)</b>
<b>Change in cash &amp; cash eq</b>	<b>(250)</b>	<b>320</b>	<b>(336)</b>	<b>1,016</b>	<b>1,338</b>
<b>Opening cash &amp; cash eq</b>	<b>2,217</b>	<b>1,967</b>	<b>2,287</b>	<b>1,952</b>	<b>2,968</b>
<b>Closing cash &amp; cash eq</b>	<b>1,967</b>	<b>2,287</b>	<b>1,952</b>	<b>2,968</b>	<b>4,307</b>
<b>Free cash flow to firm</b>	<b>(621)</b>	<b>416</b>	<b>(328)</b>	<b>1,177</b>	<b>1,537</b>

## Balance Sheet

Particulars	FY20	FY21	FY22	FY23E	FY24E
<b>APPLICATION OF FUNDS</b>					
<b>Non Current Assets</b>	<b>2,673</b>	<b>2,992</b>	<b>4,472</b>	<b>4,710</b>	<b>4,902</b>
Gross block (Total)	1,998	2,295	3,527	4,027	4,527
Less : accumulated depreciation	919	1,133	1,453	1,816	2,223
Net block (Total)	1,079	1,162	2,074	2,211	2,304
Capital work in progress	-	416	-	-	-
Investment in Equity Shares	38	1	-	-	-
Other Investment	7	7	7	7	7
Deferred tax assets	58	92	94	94	94
Long term loans and advances	1,467	1,250	2,279	2,329	2,379
Other non-current assets	25	65	19	69	119
<b>Current Assets</b>	<b>6,920</b>	<b>6,911</b>	<b>8,194</b>	<b>10,428</b>	<b>13,261</b>
Current investment	-	-	-	-	-
Inventories	968	892	806	993	1,188
Sundry debtors	2,240	2,220	3,118	3,687	4,428
Cash and bank	1,967	2,287	1,952	2,968	4,307
Short loans and advances	1,403	1,158	1,393	1,702	2,044
Others current assets	341	354	924	1,078	1,294
<b>Total Assets</b>	<b>9,593</b>	<b>9,904</b>	<b>12,666</b>	<b>15,138</b>	<b>18,163</b>
<b>SOURCES OF FUNDS :</b>					
Share Capital	360	360	360	360	360
Reserves	4,211	5,020	6,487	7,980	9,843
<b>Total Shareholders Funds</b>	<b>4,571</b>	<b>5,380</b>	<b>6,847</b>	<b>8,340</b>	<b>10,203</b>
<b>Non-Current Liabilities</b>	<b>44</b>	<b>36</b>	<b>187</b>	<b>187</b>	<b>187</b>
Long term borrowings	40	28	172	172	172
Long term provisions	4	8	15	15	15
<b>Current Liabilities</b>	<b>4,977</b>	<b>4,488</b>	<b>5,632</b>	<b>6,611</b>	<b>7,773</b>
Short term borrowings	682	680	825	825	825
Trade payables	2,163	2,599	2,576	3,007	3,610
Other current liabilities	2,117	1,130	2,229	2,666	3,202
Short term provisions	15	79	2	113	136
<b>Total Equity &amp; Liabilities</b>	<b>9,593</b>	<b>9,904</b>	<b>12,666</b>	<b>15,138</b>	<b>18,163</b>
Net Working Capital	683	918	1,435	1,673	2,006
Total Gross Debt	748	810	997	997	997
Total Net Debt	(1,219)	(1,478)	(955)	(1,972)	(3,310)
Total Invested capital	3,352	3,902	5,892	6,368	6,893
Capital Employed	5,320	6,190	7,844	9,336	11,199
Order book	30,152	41,341	41,873	36,167	26,303
Order inflow	15,780	23,530	18,020	15,000	15,000
Book To bill (x)	2.0	3.3	2.4	1.7	1.1

## Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
<b>PER SHARE</b>					
EPS Rs (adjusted)	35.9	22.4	45.1	45.5	62.4
CEPS Rs	43.3	29.6	54.0	55.5	74.9
Book Value Rs	127.0	149.4	190.2	231.7	311.8
<b>VALUATION</b>					
EV / Net Sales	1.2	1.4	1.0	0.8	0.5
EV / EBITDA	9.1	12.7	6.9	6.4	4.3
P / E Ratio	14.4	23.1	11.5	11.4	8.3
P / BV Ratio	4.1	3.5	2.7	2.2	1.7
FCF Yield (%)	-0.0	0.0	-0.0	0.1	0.1
<b>GROWTH YOY%</b>					
Sales Growth	43.0	(17.3)	41.7	18.4	20.1
EBITDA Growth	28.2	(29.4)	90.3	0.9	23.0
Net Profit Growth	43.2	(37.5)	101.0	0.8	24.8
Gross Fixed Asset Growth	18.6	14.9	53.7	14.2	12.4
<b>Margin Analysis (%)</b>					
Gross profit Margin	38.5	47.4	17.5	18.3	18.2
EBITDA Margin	12.8	10.9	14.7	12.5	12.8
EBIT Margin	12.7	10.2	14.1	12.0	12.2
Adj PAT Margin	8.5	6.4	9.2	7.8	8.1
OCF (Pre-tax ) / EBITDA (%)	20.2	99.6	37.8	86.9	86.4
CFO/PAT %	(23.9)	139.8	30.0	102.5	99.7
Int/Debt	19.6	18.1	26.5	26.8	26.9
Tax/PBT	25.9	25.7	25.9	25.9	25.9
<b>Return Ratio (%)</b>					
ROE	31.2	16.2	26.6	21.6	22.0
ROCE	40.7	21.9	35.0	28.8	29.4
ROIC	64.3	30.1	45.8	36.3	41.9
<b>Turnover</b>					
Net Working capital (Days)	26	15	28	30	29
Debtors Velocity (Days)	55	66	65	65	65
Inventory (Days)	24	26	17	18	17
Creditors Velocity (Days)	53	77	54	53	53
Gross Asset Ratio	7.5	5.4	5.0	5.1	5.5
Total Asset Ratio	1.6	1.2	1.4	1.4	1.4
<b>LIQUIDITY</b>					
Current Ratio	1.6	1.8	1.7	1.8	1.9
Quick Ratio	1.4	1.6	1.5	1.6	1.7
Net Debt-Equity Ratio	(0.3)	(0.3)	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	11.2	7.4	8.5	8.3	10.4
<b>PAYOUT</b>					
Payout %	17	18	9	11	11
Dividend %	50	40	40	50	60
Yield %	1.0	0.8	0.8	1.0	1.3

Source: Company, AMSEC Research



## Recommendation rationale

<b>Buy:</b> Potential upside of	>+15% (absolute returns)
<b>Accumulate:</b>	>+5 to +15%
<b>Hold/Reduce:</b>	+5 to -5%
<b>Sell:</b>	< -5%
<b>Not Rated (NR):</b>	No investment opinion on the stock

## Sector rating

<b>Overweight:</b>	The sector is expected to outperform relative to the Sensex.
<b>Underweight:</b>	The sector is expected to underperform relative to the Sensex.
<b>Neutral:</b>	The sector is expected to perform in line with the Sensex.

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