

View: Decent quarter; Maintain BUY

- PSPPL reported revenue below estimate, however EBITDA margin above estimate, whereas EBITDA and APAT in line.
- PSPPL posted growth of 8.8%/ 19.6%/ 13.6% YoY in revenue/ EBITDA/ APAT to Rs3.5 bn/ Rs471 mn/ Rs285 mn in Q1FY23. SBD revenue – Rs530 mn (Q1FY23) vs. Rs1.46 bn (Q4FY22).
- We broadly maintain our estimates for FY23E/ FY24E. We expect 15.2%/ 7.7% revenue/ APAT CAGR over FY22-24E, with EBITDA margins of 12.6%/ 12.8% 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 21.0%/ 21.4% over FY22-24E), led by healthy NPM (8.0%), well-managed lean balance sheet and efficient working capital management. We maintain BUY, with a revised TP of Rs 733 (14x Mar'24E EPS).

Order book provides 2.9x revenue visibility

PSP standalone won orders worth Rs23.7 bn/ Rs18 bn/ Rs11.0 bn in FY21/ FY22/ YTD FY23. The current order book of Rs51.6 bn (Rs46.1 bn as on Jun'22) provides revenue visibility for 2.9x TTM revenue. PSPPL has bid pipeline of Rs40 bn of which 41%/ 51% is from private projects/ Gujarat. We maintain our order inflow estimates of Rs25 bn/ Rs28 bn for FY23E/ FY24E.

Q1FY23 Result (Rs Mn)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
Revenue	3,452	3,174	8.8	5,553	(37.8)
Total Expense	2,981	2,780	7.3	4,672	(36.2)
EBITDA	471	394	19.6	881	(46.5)
Depreciation	87	54	61.0	102	(14.6)
EBIT	384	340	13.0	779	(50.7)
Other Income	56	38	48.1	54	3.6
Interest	56	34	64.0	95	(40.9)
EBT	384	344	11.8	739	(48.0)
Tax	99	93	6.9	201	(50.6)
RPAT	285	251	13.6	538	(47.1)
APAT	285	251	13.6	538	(47.1)
			(bps)		(bps)
Gross Margin (%)	21.5	18.8	274	22.4	(86)
EBITDA Margin (%)	13.6	12.4	123	15.9	(223)
NPM (%)	8.3	7.9	35	9.7	(144)
Tax Rate (%)	25.8	27.0	(117)	27.2	(133)
EBIT Margin (%)	11.1	10.7	41	14.0	(291)

CMP	Rs 598
Target / Upside	Rs 733 / 23%
NIFTY	17,535

Scrip Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 22bn
	USD 271mn
52-week High/Low	Rs 672/ 405
Avg. Volume (no)	193,827
Bloom Code	PSPPL IN

Price Performance	1M	3M	12M
Absolute (%)	(3)	23	40
Rel to NIFTY (%)	(11)	14	32

Shareholding Pattern

	Dec'21	Mar'22	Jun'22
Promoters	70.2	70.2	70.4
MF/Banks/FIs	2.9	2.9	2.9
FIIIs	1.2	1.8	1.9
Public / Others	25.7	25.1	24.8

Valuation (x)

	FY22A	FY23E	FY24E
P/E	13.3	13.4	11.4
EV/EBITDA	8.0	7.9	6.5
ROE (%)	26.5	21.3	20.6
RoACE (%)	27.2	21.6	21.2

Estimates (Rs mn)

	FY22A	FY23E	FY24E
Revenue	17,488	20,165	23,203
EBITDA	2,565	2,543	2,963
PAT	1,624	1,611	1,885
EPS (Rs.)	45.1	44.7	52.4

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

Particulars (Rs mn)	Actual	DART Est	% Variance	Comments
Revenue	3,452	4,033	(14.4)	Lower than expected execution
EBITDA	471	494	(4.6)	-
EBITDA (%)	13.6	12.2	140 bps	Led by lower raw material cost and construction expenses
PAT	285	288	(1.0)	In line

Source: Company, DART

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

Particulars (Rs mn)	FY23E			FY24E		
	New	Old	Chg (%)	New	Old	Chg (%)
Net revenues	20,165	20,165	-	23,203	22,823	1.7
EBIDTA	2,543	2,502	1.6	2,963	2,849	4.0
EBIDTA margin (%)	12.6	12.4	20	12.8	12.5	29
Adj. Net Profit	1,611	1,603	0.5	1,885	1,822	3.4
EPS (Rs)	44.7	44.5	0.5	52.4	50.6	3.4

Source: DART, Company

Key earnings takeaways

- Order book & Inflow** – PSPPL's Q1FY23 order book (highest ever) stood at Rs46.1 bn (2.6x TTM revenue). Government projects holds a major chunk of the order book comprising of 63%/ 68% in Q1FY23/ FY22. Order inflow for Q1FY23/ YTD FY23 stood at Rs5.5 bn (One order of Government medical college and hospital in Gujarat worth Rs6.2 bn got cancelled)/ Rs11.0 bn vs. Rs4.89 bn in Q1FY22. During the quarter completed 3 projects incl. the largest one in Gujarat and all the projects has been completed in time. Total no. of projects completed till Q1FY23 stands at 186 projects. As on date, company has 46 on-going projects of which 43%/ 41%/ 16/ 0.5% in Gujarat/ UP/ Maharashtra/ Rajasthan.
- Guidance** – PSPPL guided revenue growth of ~25% (Rs22 bn) YoY for FY23 whereas it expects EBITDA margin to be 11-13% for FY23. Company targets an order inflow of Rs22 bn in FY23.
- Bid Pipeline** – PSPPL has a bid pipeline of ~Rs40 bn of which 41% is from private and 51% from Gujarat; Gem & Jewellery, Mumbai Rs10 bn/ Museum Rs1 bn/ Precast from L&T Rs2 bn/ 2 projects in Gujarat Rs1 bn/ DLF Residential Rs10 bn/ Surat Municipal Corporation Rs10 bn/ Indian Navy project, Karnataka Rs8 bn. Upcoming potential bid for Central Vista project is expected at Rs120-130 bn and is expected to come in the next 1 year. Company expects an order inflow of Rs3-4 bn in Aug'22.
- UP projects** – Revenue from all 8 UP projects stood at Rs340 mn/ Rs1.82 bn in Q1FY23/ YTD FY23. For UP medical colleges, there has been an extended timeline of Mar'23 and significant execution is expected post monsoon. Execution in Q1FY23 affected significantly due to labour shortage.
- Bhiwandi & Pandharpur project** – Bhiwandi and Pandharpur project (2 slow moving projects) contributes ~16% of the total OB; rest of the projects are fully mobilized. Company remains optimistic on the government's effort to revive both these projects.
- Precast Facility** – Revenue stood at Rs140 mn in Q1FY23. Margins for precast facility is expected at 11-12%.
- SDB project** – Revenue from SDB stood at Rs530 mn/ Rs18.56 bn in Q1FY23/ YTD FY23.

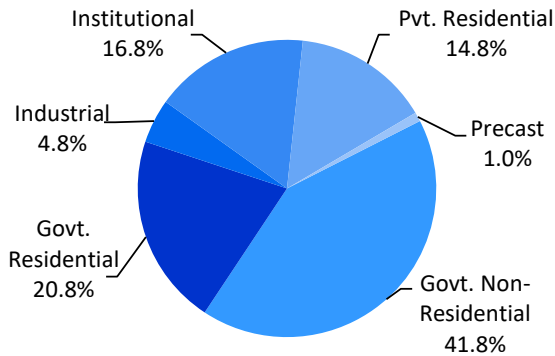
- Company expects to incur only maintenance capex of 3-4% of revenue.
- Interest received on Mobilization advance which is received from contracts of UP projects increased from Rs0.3 mn in Q1FY22 to Rs1.45 bn in Q1FY23. Profit on sale of old plant and machinery stood at Rs4.6 mn in Q1FY23 in Other Income.
- WC days** – Debtor days/ Inventory days/ Creditors days stood at 70 days/ 19 days/ 54 days in Q1FY23 vs. 65 days/ 17 days/ 54 days in FY22. Net WC days at 35 days in Q1FY23.
- Debt** – Long term borrowings increased from Rs340 mn to Rs500 mn in Q1FY23. Short term borrowings stood at Rs670 mn vs. Rs660 mn in Q4FY22; no significant increase in working capital debt. It is expected at Rs600-750 mn.
- Gross Block stood at Rs3.37 bn and Net Block at Rs2.07 bn; addition of Rs30 mn in Q1FY23.
- Mobilization advance/ Unbilled revenue/ Retention money** (current + non-current) stood at Rs1.4 bn/ Rs1.28 bn/ Rs1.16 bn in Q1FY23 vs. Rs1.37 bn/ Rs990 mn/ Rs1.14 bn as on Mar'22.
- As on Jun'22, PSPPL has total FD of Rs3.17 bn of which Free FD/ FD under lien/ FD given to the clients for security stands at Rs1.40 bn/ Rs1.72 bn / Rs50 mn.
- Total Fund and Non-Fund based limits stands at Rs10.47 bn out of which Rs5.79 bn is the utilized limit (Rs530 mn/ Rs5.26 bn is Fund/ Non Fund limit).

Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY21	YoY (%)
Revenue	3,452	3,174	8.8	5,553	(37.8)	17,488	12,409	40.9
(Inc)/dec in stocks & WIP	(17)	(40)	-	75	-	46	(24)	-
Material consumed	1,038	1,030	0.7	1,366	(24.0)	4,954	3,981	24.4
Construction exp	1,689	1,587	6.4	2,870	(41.1)	8,913	6,444	38.3
Employees cost	218	152	43.5	252	(13.7)	723	509	42.1
Other expenditure	54	50	7.9	109	(50.7)	288	150	92.6
Total expenditure	2,981	2,780	7.3	4,672	(36.2)	14,924	11,060	34.9
EBITDA	471	394	19.6	881	(46.5)	2,563	1,348	90.1
Depreciation	87	54	61.0	102	(14.6)	321	256	25.0
Operating profit	384	340	13.0	779	(50.7)	2,243	1,092	105.4
Other income	56	38	48.1	54	3.6	214	169	26.7
EBIT	440	378	16.5	833	(47.2)	2,457	1,261	94.9
Interest	56	34	64.0	95	(40.9)	264	147	79.7
Exceptional Items	-	-	-	-	-	-	(27)	-
EBT	384	344	11.8	739	(48.0)	2,193	1,087	101.8
Provision for Tax	99	93	6.9	201	(50.6)	569	279	104.2
Net income	285	251	13.6	538	(47.1)	1,624	808	101.0
Adjustments	-	-	-	-	-	-	27	-
APAT	285	251	13.6	538	(47.1)	1,624	835	94.4
EPS (Rs)	7.9	7.0	13.6	14.9	(47.1)	45.1	23.2	94.4
			<i>bps</i>		<i>bps</i>			<i>bps</i>
EBIDTA Margin (Excl. O.I.)	13.6	12.4	123	15.9	(223)	14.7	10.9	379
EBIDTA Margin (Incl. O.I.)	15.3	13.6	166	16.8	(157)	15.9	12.2	366
NPM (%)	8.1	7.8	31	9.6	(148)	9.2	6.6	253
Tax/PBT (%)	25.8	27.0	(117)	27.2	(133)	25.9	25.7	30
Material cons/Revenue (%)	78.5	81.2	(274)	77.6	86	79.6	83.8	(427)

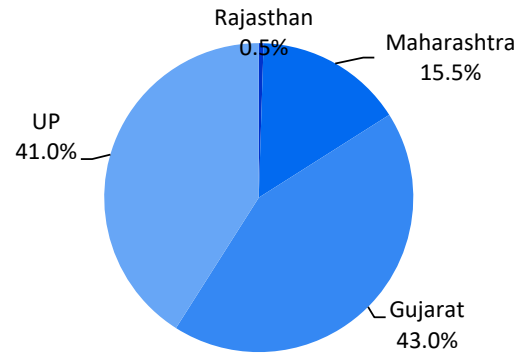
Source: DART, Company

Exhibit 4: Rs46.1 bn OB break up



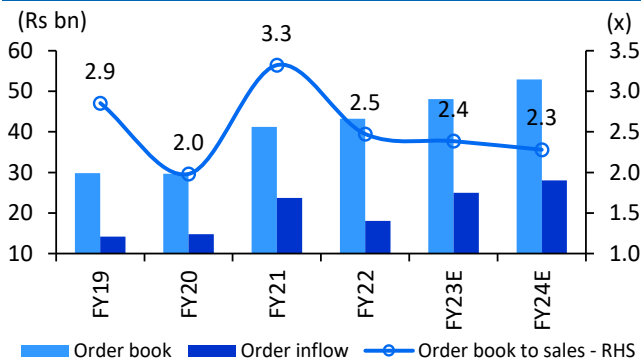
Source: Company, DART

Exhibit 5: Rs46.1 bn OB geographic break up



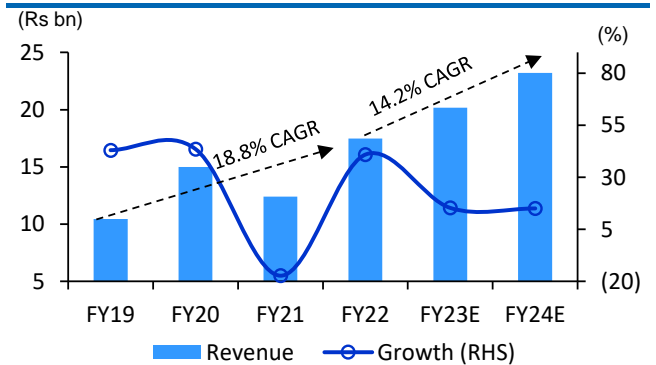
Source: Company, DART

Exhibit 6: Order book trend (Standalone)



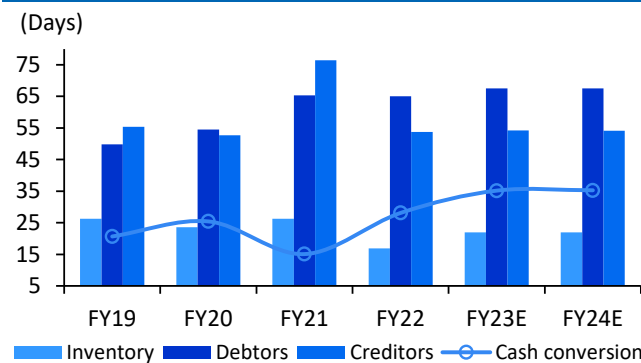
Source: Company, DART

Exhibit 7: 15.2% revenue CAGR over FY22-24E



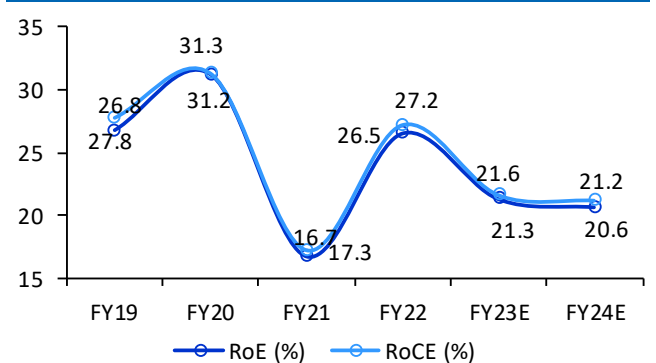
Source: Company, DART

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	23,203
Total Expense	11,060	14,923	17,622	20,240
COGS	10,402	13,913	16,555	19,026
Employees Cost	509	723	839	940
Other expenses	150	286	228	273
EBIDTA	1,348	2,565	2,543	2,963
Depreciation	256	321	432	509
EBIT	1,092	2,245	2,111	2,454
Interest	147	264	200	200
Other Income	169	213	255	281
Exc. / E.O. items	(27)	0	0	0
EBT	1,087	2,193	2,166	2,534
Tax	279	569	555	650
RPAT	808	1,624	1,611	1,885
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	835	1,624	1,611	1,885

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	7,918	9,623
Net Worth	5,380	6,847	8,278	9,983
Total Debt	810	997	800	800
Net Deferred Tax Liability	(92)	(94)	(96)	(98)
Total Capital Employed	6,098	7,750	8,982	10,685

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	11,657	13,914
Inventories	892	806	1,210	1,392
Receivables	2,220	3,118	3,731	4,293
Cash and Bank Balances	2,288	1,952	2,227	3,136
Loans and Advances	343	59	370	425
Other Current Assets	2,483	4,556	4,119	4,669
Less: Current Liabilities & Provisions	3,714	4,822	5,024	5,769
Payables	2,599	2,576	2,996	3,441
Other Current Liabilities	1,115	2,246	2,028	2,328
		<i>sub total</i>		
Net Current Assets	4,511	5,669	6,633	8,145
Total Assets	6,098	7,750	8,982	10,685

E – Estimates

Important Ratios

Particulars	FY21A	FY22A	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	16.2	20.4	17.9	18.0
EBIDTA Margin	10.9	14.7	12.6	12.8
EBIT Margin	8.8	12.8	10.5	10.6
Tax rate	25.7	25.9	25.6	25.6
Net Profit Margin	6.7	9.3	8.0	8.1
(B) As Percentage of Net Sales (%)				
COGS	83.8	79.6	82.1	82.0
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	10.6	12.3
Inventory days	26	17	22	22
Debtors days	65	65	68	68
Average Cost of Debt	18.9	29.2	22.3	25.0
Payable days	76	54	54	54
Working Capital days	133	118	120	128
FA T/O	10.7	8.4	8.6	9.2
(D) Measures of Investment				
AEPS (Rs)	23.2	45.1	44.7	52.4
CEPS (Rs)	30.3	54.0	56.7	66.5
DPS (Rs)	0.0	4.0	5.0	5.0
Dividend Payout (%)	0.0	8.9	11.2	9.5
BVPS (Rs)	149.4	190.2	229.9	277.3
RoANW (%)	16.7	26.5	21.3	20.6
RoACE (%)	17.3	27.2	21.6	21.2
RoAIC (%)	27.5	39.2	28.9	29.1
(E) Valuation Ratios				
CMP (Rs)	598	598	598	598
P/E	25.8	13.3	13.4	11.4
Mcap (Rs Mn)	21,523	21,523	21,523	21,523
MCap/ Sales	1.7	1.2	1.1	0.9
EV	20,045	20,567	20,096	19,187
EV/Sales	1.6	1.2	1.0	0.8
EV/EBITDA	14.9	8.0	7.9	6.5
P/BV	4.0	3.1	2.6	2.2
Dividend Yield (%)	0.0	0.7	0.8	0.8
(F) Growth Rate (%)				
Revenue	(17.2)	40.9	15.3	15.1
EBITDA	(29.4)	90.3	(0.9)	16.5
EBIT	(33.5)	105.6	(5.9)	16.2
PBT	(37.7)	101.8	(1.2)	17.0
APAT	(35.4)	94.4	(0.8)	17.0
EPS	(35.4)	94.4	(0.8)	17.0

Cash Flow

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
CFO	708	1,205	1,297	1,708
CFI	(367)	(1,463)	(445)	(419)
CFE	(21)	(77)	(577)	(380)
FCFF	(83)	452	597	1,008
Opening Cash	1,967	2,288	1,952	2,227
Closing Cash	2,288	1,952	2,227	3,136

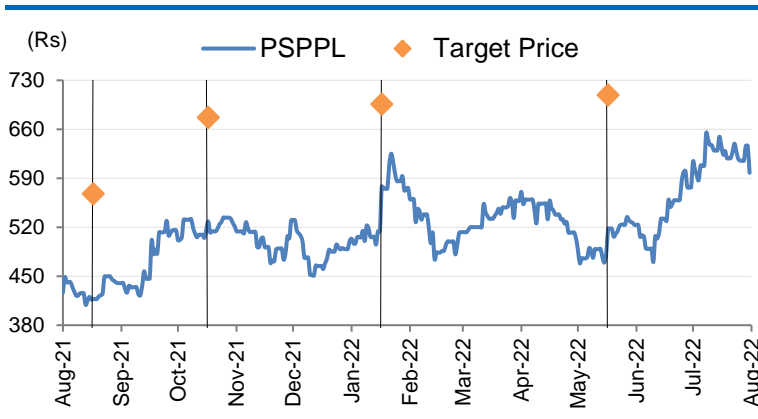
E – Estimates

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.)
Aug-21	Buy	568	417
Oct-21	Buy	677	528
Jan-22	Buy	696	578
May-22	BUY	709	518

*Price as on recommendation date

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Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Unit no PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355

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