

PSP Projects

BUY

Eyes on slow moving order

Summary

PSP Projects Ltd (PSP) Q1FY23 (standalone) PAT came in line with our/consensus estimate. Revenue increased by 9% YoY and EBITDA increased by 20% YoY. EBITDA margin expanded YoY by 123bps to 13.6%. For FY23E company continues to maintain conservative margin guidance at 11-13% and revenue increase of 20-25% in FY23E. Order inflow for Q1FY23 stood at Rs5.5bn with total order book at Rs46bn providing revenue visibility at 3x FY22 revenue. We have maintained our estimate and on unchanged TP of Rs715 at 12x FY24E EPS, re-iterate BUY rating. Key positives in PSP are its execution ability with stable cash flow, lean balance sheet for growth. Catalyst for stock is clarity on slow moving order which is 16% of the order book, new order win, as company has bid for projects of Rs40bn and PSP expects inflow to increase to Rs22bn in FY23E.

Key Highlights and Investment Rationale

- Q1FY23 snapshot:** PSP's revenue increased by 9% YoY at Rs3.5bn with EBITDA margin improving to 13.6% (up 123bps YoY). PAT increased by 14% YoY to Rs285mn. Company received order inflow of Rs5.5bn in Q1FY23 and is highest first quarter order ever received by the company. Balance sheet remains lean with total gross debt of Rs1.2b and cash of Rs2bn+.
- Status could change on slow moving order:** Bhiwandi and Pandharpur projects, 16% of total Order Book, are slow moving orders. And we understand post change in government in Maharashtra, the order could gain required momentum. In addition to this, PSP deal pipeline stands at Rs40bn and Major project bids include a) Mumbai commercial projects (Rs10bn), b) Museum project (Rs1bn), c) L&T Precast order of Rs2bn, d) 2 Gujarat projects (Rs2bn), e) DLF residential (Rs10bn), Navy project, Karnataka (Rs8bn).

TP	Rs715
CMP	Rs598
Potential upside/downside	20%
Previous Rating	BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	3.7	18.6	38.6
Rel to Sensex	(4.2)	10.4	30.8

V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	47	60
Consensus	44	53
% difference	6.1	13.4

Key Stock Data

Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	21,528
3-m daily avg Trd value (Rs mn)	9.4
52-week high / low	Rs672 / 406
Sensex / Nifty	58,817 / 17,535

Shareholding Pattern (%)

Promoters	70.4
FII	1.9
DII	2.9
Public	24.8

Financial snapshot

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	14,993	12,409	17,488	21,268	25,614
Change (yoy, %)	44	-17	41	22	20
EBITDA	1,910	1,348	2,565	2,691	3,308
Change (yoy, %)	28	-29	90	5	23
EBITDA Margin(%)	12.7	10.9	14.7	12.7	12.9
Adj.PAT	1,292	835	1,620	1,709	2,146
EPS (Rs)	36	23	45	47	60
Change (yoy, %)	43	(35)	94	5	26
PE(x)	17	26	13	13	10
Dividend Yield (%)	2	-	1	1	1
EV/EBITDA (x)	4.7	4.0	3.1	2.6	2.1
RoE (%)	31	17	27	22	23
RoCE (%)	39	22	36	30	30

Source: IDBI Capital Research

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Conference call takeaways:

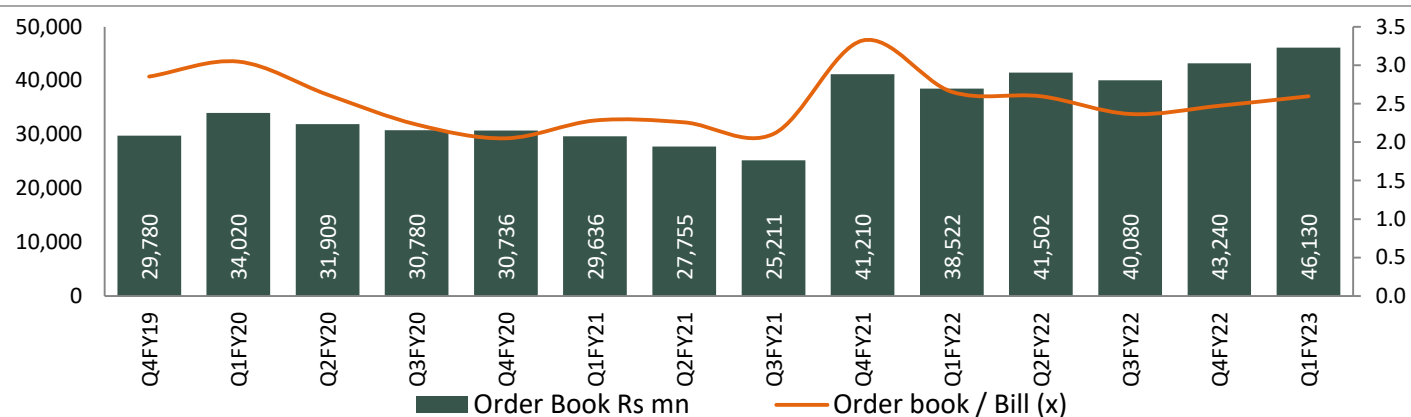
- Order book stood at Rs46bn (3x FY22 revenue) with Government/ Institutional/ Industrial/ Residential/ Precast at 63%/ 17%/ 5%/ 15%/ 1%.
- Order inflow for YTD FY23 is Rs5.5bn. Company expects FY23E inflow of Rs22bn in FY23E.
- Company guides revenue growth of 20-25% in FY23 on back of strong OB and execution. EBITDA margin is expected to be 11-13%.
- Potential bid pipeline stands Rs40bn of which 41% is expected from private players. Major project bids include a) Mumbai commercial projects (Rs10bn), b) Museum project (Rs1bn), c) L&T Precast order of Rs2bn, d) 2 Gujarat projects (Rs2bn), e) DLF residential (Rs10bn), Navy project, Karnataka (Rs8bn).
- Company is positive on converting certain bids in inflow which include 3 projects from Adani, Municipal corporation buildings in Surat and Nagpur and Building in Delhi
- Company is also expecting to bid in Central Vistas project worth Rs120-130bn.
- Revenue generated from all 8 UP projects stood at Rs340mn in Q1FY23, cumulative revenue was Rs1.82bn. Revenue generated from Surat Diamond Bourse stood at Rs530mn in Q1FY23
- Revenue from Precast facility for Q1FY23 stood at Rs140mn; going forward company expected 11-12% margins in precast.
- Bhiwandi and Pandharpur projects, 16% of total OB, are slow moving orders. Rest OB is fully mobilized.
- On capex front, company expects only maintenance capex of 3-4% of revenue.
- Total fund and non-fund based limit stood at Rs10.5bn, out of which company has utilized Rs5.8bn. Total debt stood at Rs1.17bn.
- Unbilled revenue/ Retention money/ Mobilization advance stood at Rs1.3bn/ Rs1.2bn/ Rs1.4mn as on Jun'22.

Exhibit 1: Financial snapshot

(Rs mn)

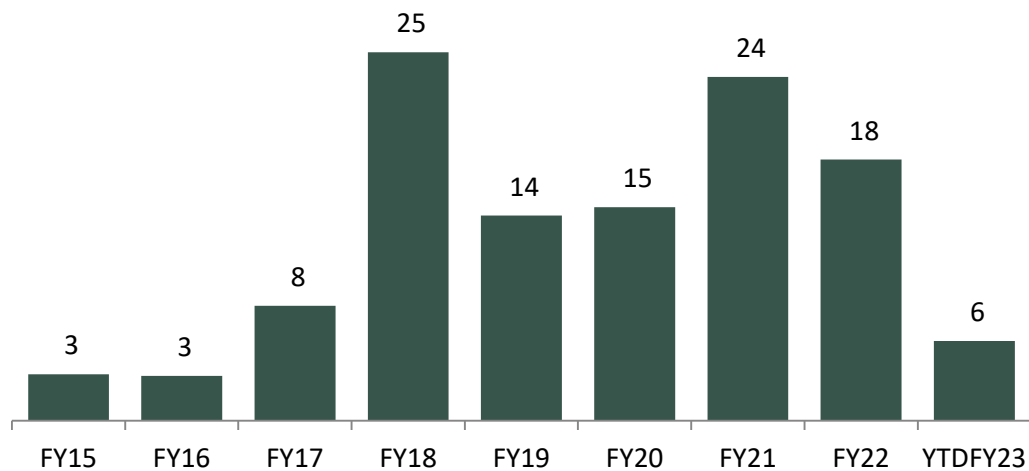
Particulars	Q1FY23	Q1FY22	YoY Chg (%)	Q4FY22	QoQ Chg (%)
Revenue	3,452	3,174	9	5,553	-38
Cost of Sales ex Depreciation	2,981	2,780	7	4,672	-36
EBITDA	471	394	20	881	-47
Margin %	13.6	12.4	123bps	15.9	-223bps
Depreciation	87	54	61	102	-15
Other Income	56	38	48	54	4
Interest Expensed	56	34	64	95	-41
Pre-tax profit	384	344	12	739	-48
Tax	99	93	7	201	-51
Adjusted net profit	285	251	14	538	-47

Source: Company

Exhibit 2: Order-book trajectory

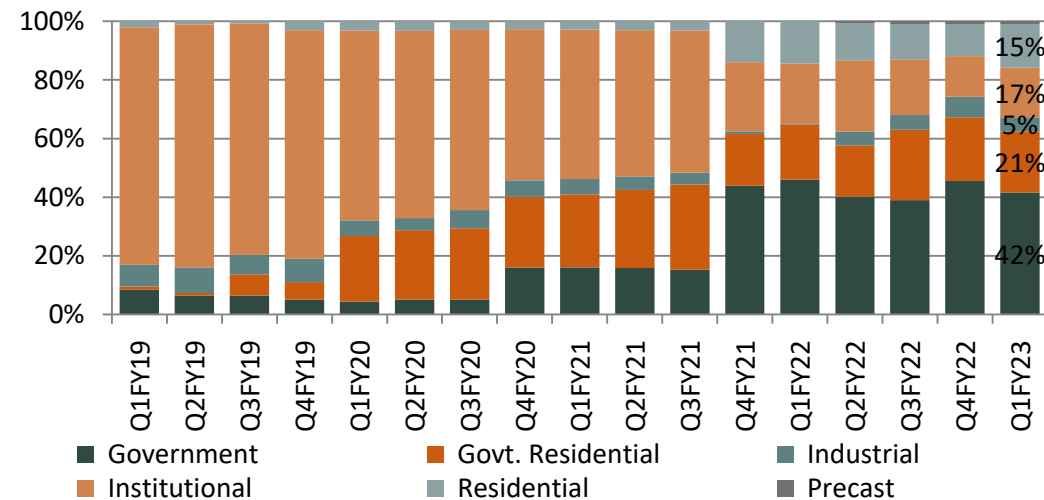
Source: Company

Exhibit 3: Order inflow in Q1FY23 at Rs5.5bn



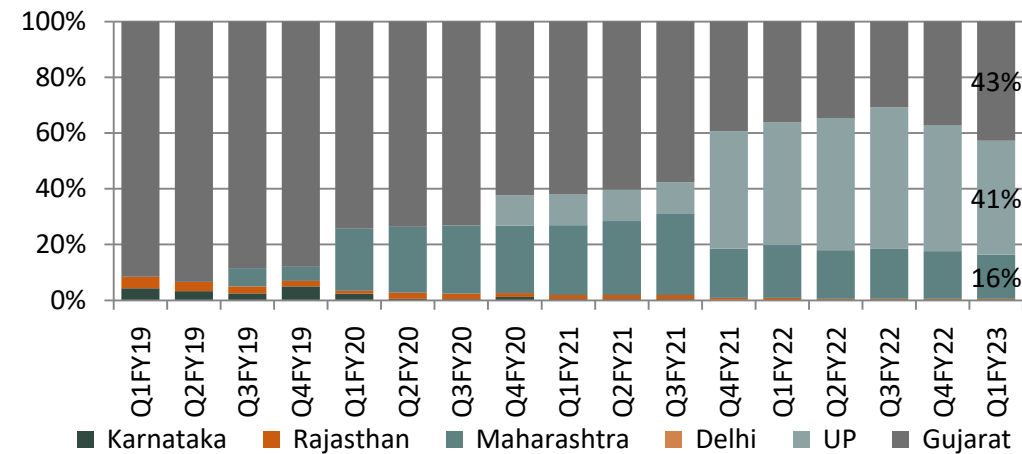
Source : Company

Exhibit 4: Order book break up segment wise



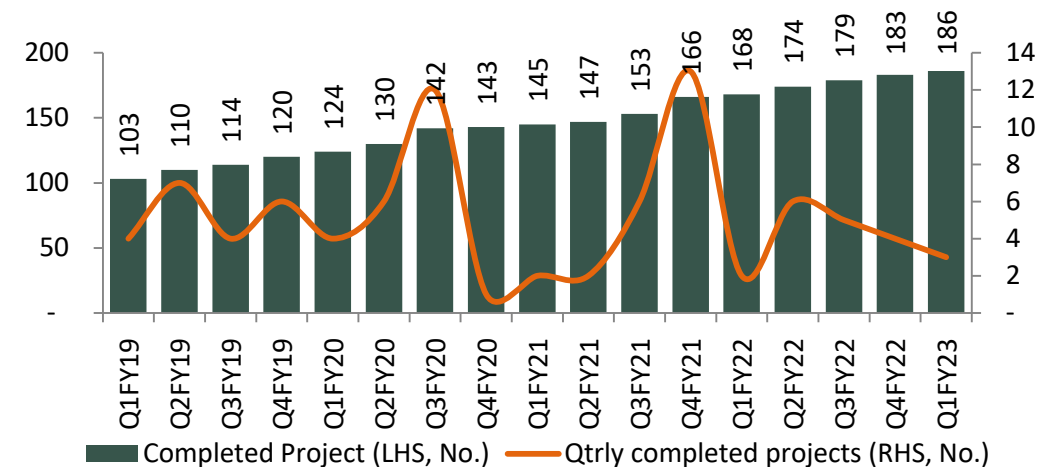
Source : Company

Exhibit 5: State wise order book profile



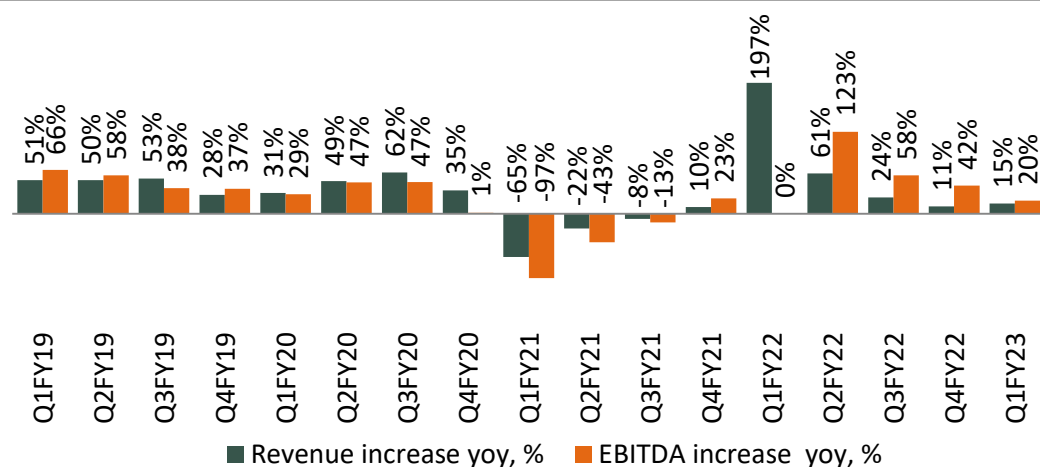
Source: Company

Exhibit 6: Execution trajectory in terms of projects



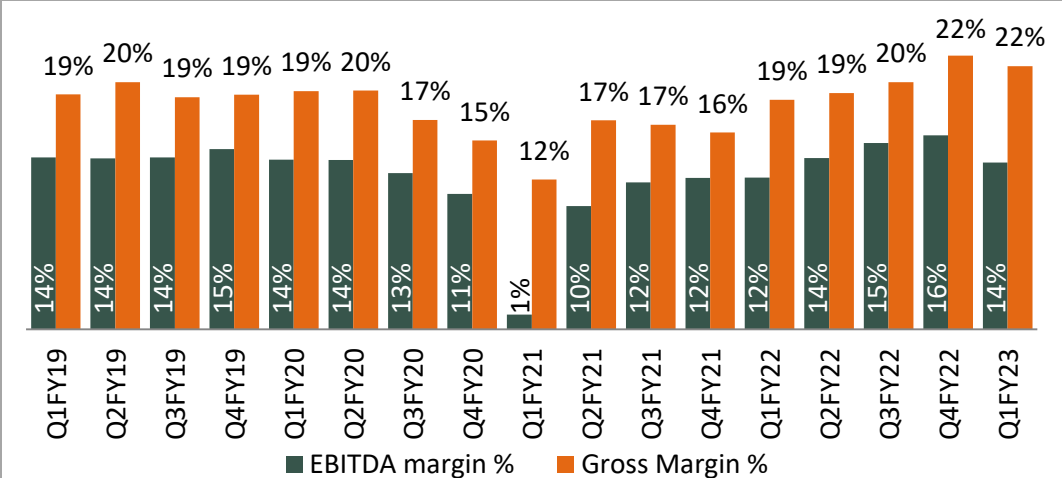
Source: Company

Exhibit 7: Execution healthy



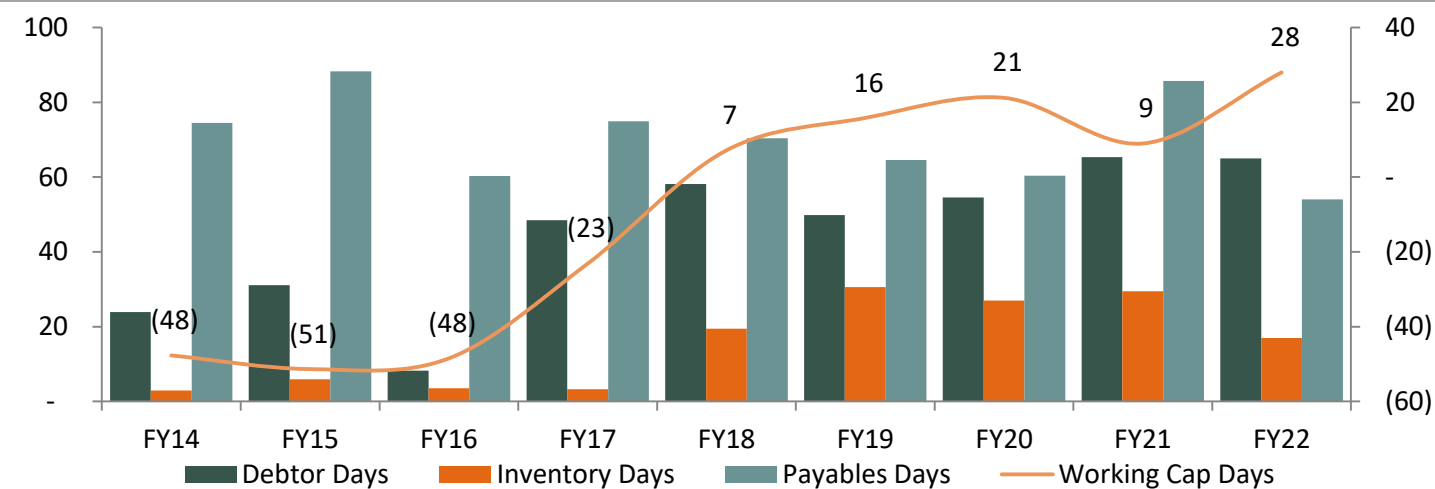
Source : Company

Exhibit 8: Margin improving (%)



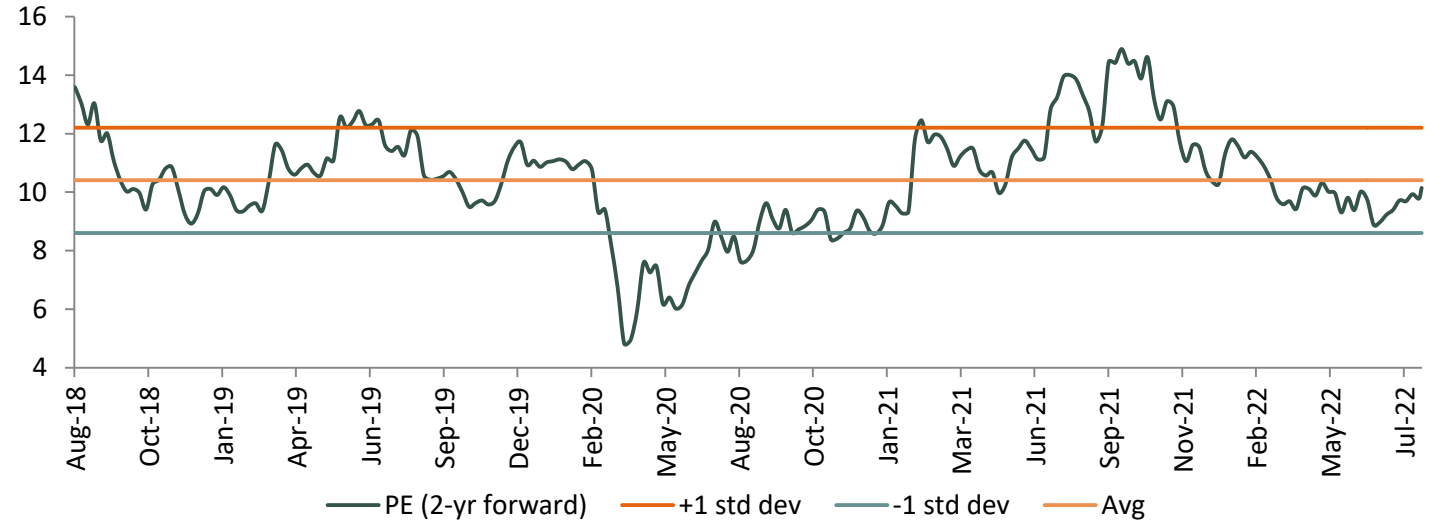
Source Company

Exhibit 9: Working Capital trend



Source: Company

Exhibit 10: Valuation band (PE ratio)



Source: Bloomberg

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	10,440	14,993	12,409	17,488	21,268	25,614
<i>Change (yoy, %)</i>	43	44	(17)	41	22	20
Operating expenses	(8,951)	(13,083)	(11,060)	(14,923)	(18,577)	(22,306)
EBITDA	1,489	1,910	1,348	2,565	2,691	3,308
<i>Change (yoy, %)</i>	47	28	-29	90	5	23
<i>Margin (%)</i>	14.3	12.7	10.9	14.7	12.7	12.9
Depreciation	(242)	(267)	(256)	(321)	(359)	(471)
EBIT	1,247	1,643	1,092	2,245	2,332	2,837
Interest paid	(92)	(146)	(147)	(264)	(286)	(185)
Other income	229	247	169	213	241	252
Pre-tax profit	1,385	1,744	1,087	2,193	2,288	2,905
Tax	(483)	(452)	(279)	(573)	(579)	(759)
<i>Effective tax rate (%)</i>	34.9	25.9	25.7	26.1	25.3	26.1
Minority Interest	-	-	-	-	-	-
Net profit	902	1,292	808	1,620	1,709	2,146
Exceptional items	-	-	(27)	-	-	-
Adjusted net profit	902	1,292	835	1,620	1,709	2,146
<i>Change (yoy, %)</i>	40	43	(35)	94	5	26
EPS	25	36	23	45	47	60
Dividend per sh	5	10	-	5	4	4
<i>Dividend Payout %</i>	20	28	-	11	8	7

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Shareholders' funds	3,714	4,571	5,380	6,847	8,412	10,414
Share capital	360	360	360	360	360	360
Reserves & surplus	3,354	4,211	5,020	6,487	8,052	10,054
Total Debt	4	40	28	172	172	172
Other liabilities	-	4	8	15	15	15
Curr Liab & prov	3,587	4,977	4,488	5,632	6,190	7,146
Current liabilities	3,584	4,970	4,478	5,630	6,188	7,144
Provisions	3	7	10	2	2	2
Total liabilities	3,591	5,022	4,524	5,819	6,377	7,333
Total equity & liabilities	7,305	9,593	9,904	12,666	14,789	17,747
Net fixed assets	1,032	1,079	1,578	2,074	2,215	2,244
Investments	-	-	-	-	-	-
Other non-curr assets	942	1,594	1,414	2,399	2,957	3,526
Current assets	5,332	6,920	6,911	8,194	9,617	11,977
Inventories	750	968	892	806	1,149	1,384
Sundry Debtors	1,426	2,240	2,220	3,118	3,792	4,567
Cash and Bank	2,217	1,967	2,288	1,952	2,017	3,019
Loans and advances	158	119	85	59	74	89
Total assets	7,305	9,593	9,904	12,666	14,789	17,747

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	1,385	1,744	1,087	2,193	2,288	2,905
Depreciation	242	267	256	321	359	471
Tax paid	(477)	(556)	(243)	(636)	(579)	(759)
Chg in working capital	(720)	(1,116)	(362)	(620)	(1,208)	(821)
Other operating activities	(153)	(149)	(30)	(52)	44	(68)
Cash flow from operations (a)	277	190	708	1,205	903	1,729
Capital expenditure	(394)	(331)	(792)	(766)	(500)	(500)
Chg in investments	(160)	(2)	678	(814)	-	-
Other investing activities	215	220	168	175	241	252
Cash flow from investing (b)	(339)	(112)	54	(1,405)	(259)	(248)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	2	418	(21)	67	(436)	(335)
Dividend (incl. tax)	(217)	(434)	-	(144)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(215)	(16)	(21)	(77)	(580)	(479)
Net chg in cash (a+b+c)	(277)	61	741	(277)	65	1,003

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	103	127	149	190	234	289
Adj EPS (Rs)	25.1	35.9	23.2	45.0	47.5	59.6
Adj EPS growth (%)	40	43	-35	94	5	26
EBITDA margin (%)	14.3	12.7	10.9	14.7	12.7	12.9
Pre-tax margin (%)	13	12	9	13	11	11
Net Debt/Equity (x)	-0.6	-0.4	-0.4	-0.3	-0.2	-0.3
ROCE (%)	37	39	22	36	30	30
ROE (%)	27	31	17	27	22	23

DuPont Analysis

Asset turnover (x)	1.6	1.8	1.3	1.5	1.5	1.6
Leverage factor (x)	1.9	2.0	2.0	1.8	1.8	1.7
Net margin (%)	8.6	8.6	6.7	9.3	8.0	8.4

Working Capital & Liquidity ratio

Inventory days	26	24	26	17	20	20
Receivable days	50	55	65	65	65	65
Payable days	65	60	86	63	63	63

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	24	17	26	13	13	10
Price/Book value (x)	5.8	4.7	4.0	3.1	2.6	2.1
EV/Net sales (x)	2	1	2	1	1	1
EV/EBITDA (x)	13	10	14	8	7	6
Dividend Yield (%)	1	2	0	1	1	1

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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