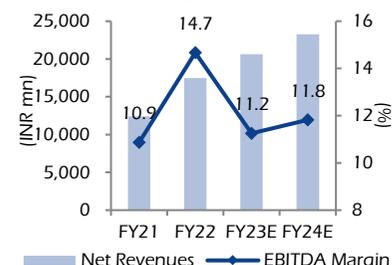


Q2FY23 - Quarterly Result Analysis

PSP Projects: Weak H1 execution offset by strong order inflow

Mcap: INR 21bn, Accumulate, TP: INR 618, CMP: INR 585, Upside: 6%

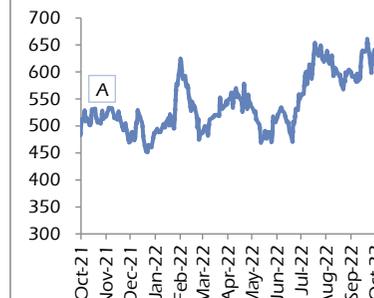
Revenue & margin growth trend



Source: Company, Elara Securities Estimate

- Weak performance:** PSP Projects' (PSPPL IN) Q2 performance was weak. Revenue and EBITDA were 25% and 39% below our estimates. Q2 revenue declined 9% YoY to INR 3.6bn, due to lower revenue contribution from recently-won orders, affected by elongated monsoons. Q2 EBITDA declined 30% YoY to INR 0.4bn. EBITDA margin decreased 320bps YoY to 10.8% due to higher initial mobilization costs and lower contribution from newer projects. Q2 PAT decreased 37% YoY to INR 0.2bn.
- Orderbook:** As on Q2FY23, orderbook and the book-to-bill ratio stood at INR 51bn and 2.9x. This is the highest-ever order book position in PSPPL's history. For H1FY23, the order inflow increased 137% YoY to INR 15bn. Including the L1 project, YTD FY23 order inflow stood at INR 18.6bn. The current bid pipeline, excluding the Central Vista Project, stood at INR 50bn (45% from private companies; 52% from Gujarat).
- Status of non-moving projects:** As of Q2FY23, Pandharpur and Bhiwandi projects contributed 14% to the total outstanding order book. For Pandharpur project, no further progress was visible despite the change in state government. For the Bhiwandi project, the next court hearing for arbitration is scheduled in Nov-22.
- Reducing dependence on Central Vista:** Since the completion of Surat Diamond Bourse, PSPPL is eligible to bid for projects worth INR 20bn+ on a standalone basis and the focus was on the Central Vista project (tendering for INR 60bn worth of projects, of the total outlay of INR 180-200bn has been completed). However, there has been no tendering activity for the past 6-8 months. Meanwhile, PSPPL has managed to win projects worth INR 18.6bn (YTD FY23). Going ahead, if good opportunities present (such as the Surat Municipal Corporation project worth INR 11bn) in strong foothold markets, PSPPL may not bid for the Central Vista project.
- Pre-Cast – Bright future:** The management commissioned Phase 1 of the Precast facility (1mn sqft of total of 3mn sqft) in Dec-2021 and within a span of 10 months, completed four projects. Through Q4FY22-Q2FY23, the orderbook from this segment has increased from INR 440mn to INR 2.4bn. This primarily includes a repeat order of INR 2bn from L&T, which will be used for the bullet train project. Also, this facility helps in faster completion of PSPPL's existing project, thus slightly improving margins.
- Valuations:** Despite a slow start to FY23 due to labour migration and elongated monsoons, the management has maintained its guidance of 20-25% YoY topline, INR 25-32bn order inflow (of which, ~INR 19bn has been already received) and 12-12.5% EBITDA margin. We reiterate **Accumulate** with an unchanged target price of INR 618, based on 15x FY24E P/E.

Coverage history



Note: Stock under coverage since Dec 2017

YE March (INR mn)	Key metrics							(INR mn)			Growth (%)		
	Q2FY23	Q2FY23E	Var (%)	Q1FY23	QoQ (%)	Q2FY22	YoY (%)	FY22	FY23E	FY24E	FY21-22	FY22-23E	FY23-24E
Revenue	3,566	4,671	(23.7)	3,452	3.3	3,904	(8.7)	17,488	20,645	23,289	40.9	18.1	12.8
EBITDA	386	632	(38.9)	471	(18.0)	547	(29.5)	2,565	2,322	2,754	90.3	(9.5)	18.6
Net profit	229	398	(42.5)	285	(19.5)	366	(37.4)	1,624	1,298	1,483	101.0	(20.1)	14.3
EPS (INR)	6.4	11.1	(42.5)	7.9	(19.5)	10.2	(37.4)	45.1	36.0	41.2	101.0	(20.1)	14.3

Note: Pricing as on 20 October 2022, Source: Company, Elara Securities Estimate

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