

Infra & Construction | Company Update
Site Visit of Surat Diamond Bourse, Gujarat

Our site visit to Surat Diamond Bourse (SDB) in Surat, Gujarat, gave us a first-hand understanding of completion of the project. PSPPL was awarded the project worth Rs18.5 bn on 10th Oct'17 for a period of 49 months. SDB is spread across 35.54 acres with 6.6 mn sq.ft. built-up area encompassing over 4,500 offices for national and international traders. SDB is having 9 iconic towers connected with spine with G+15 floors and offices ranging from 300 to 75,000 sq.ft.

Order book provides 3.0x revenue visibility

PSPPL won orders worth Rs18 bn/ Rs22.9 bn (incl. L1 of Rs3.5 bn) in FY22/ YTD FY23. The current order book of Rs58.6 bn (Rs50.8 bn as on Sep'22) provides revenue visibility for 3.0x TTM revenue. PSPPL has bid pipeline of Rs40 bn of which 45%/ 52% is from private projects/ Gujarat. We factor our order inflow estimates of Rs25 bn/ Rs30 bn (vs. earlier Rs28 bn)/ Rs30 bn for FY23E/ FY24E/ FY25E.

Outlook and Valuation

We increase revenue estimates by 10.5%/ 9.8%/ 9.8% for FY23E/ FY24E/ FY25E. However, we broadly maintain EBITDA margin for FY23E/ FY24E/ FY25E. Accordingly, we increase APAT estimates by 13.7%/ 12.4%/ 12.2% for FY23E/ FY24E/ FY25E. We expect 17.6%/ 12.9% revenue/ APAT CAGR over FY22-25E, with EBITDA margins of 12.2%/ 12.5%/ 12.6% for FY23E/ FY24E/ FY25E. Our revenue growth of 22.9%/ 15%/ 15% for FY23E/ FY24E/ FY25E is lower than company's guidance of 25%/ 20-25%/ 20-25% respectively.

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 0.1x over FY22-25E. PSPPL will continue to witness superior return ratios (average RoE/ RoCE of 21.4%/ 21.2% over FY22-25E), led by healthy NPM (7.9%), well-managed lean balance sheet and efficient working capital management. We maintain BUY, with TP of Rs778 (12x Mar'25E EPS).

FINANCIALS (Rs Mn)

Particulars	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	12,409	17,488	21,496	24,712	28,424
Growth(%)	(17.2)	40.9	22.9	15.0	15.0
EBITDA	1,348	2,565	2,623	3,088	3,594
OPM(%)	10.9	14.7	12.2	12.5	12.6
PAT	835	1,624	1,645	1,986	2,335
Growth(%)	(35.4)	94.4	1.3	20.7	17.6
EPS(Rs.)	23.2	45.1	45.7	55.2	64.9
Growth(%)	(35.4)	94.4	1.3	20.7	17.6
PER(x)	29.2	15.0	14.8	12.3	10.4
ROANW(%)	16.7	26.5	21.7	21.5	20.9
ROACE(%)	17.3	27.2	21.7	21.1	20.7

CMP	Rs 677
Target / Upside	Rs 778 / 15%
NIFTY	18,415

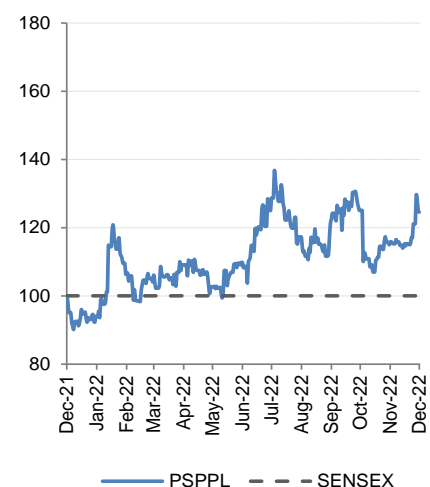
Script Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 24bn
	USD 294.3mn
52-week High/Low	Rs 725/ 448
Avg. Volume (no)	2,24,651
Bloom Code	PSPPL IN

Price Performance	1M	3M	12M
Absolute (%)	7	5	35
Rel to NIFTY (%)	7	0	29

Shareholding Pattern

	Mar'22	Jun'22	Sep'22
Promoters	70.2	70.4	70.5
MF/Banks/FIs	2.9	2.9	2.5
FIIIs	1.8	1.9	2.0
Public / Others	25.1	24.8	25.1

PSPPL Relative to SENSEX

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Exhibit 1: Change in estimates – Increase revenue/ APAT estimates and maintain EBITDA margin

Particulars (Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Net revenues	21,496	19,448	10.5	24,712	22,500	9.8	28,424	25,878	9.8
EBIDTA	2,623	2,356	11.3	3,088	2,792	10.6	3,594	3,251	10.5
EBIDTA margin (%)	12.2	12.1	9bps	12.5	12.4	8bps	12.6	12.6	8bps
Adj. Net Profit	1,645	1,447	13.7	1,986	1,766	12.4	2,335	2,080	12.2
EPS (Rs)	45.7	40.2	13.7	55.2	49.1	12.4	64.9	57.8	12.2

Source: DART, Company

Key highlights from interaction with the management

- With the exit of monsoons and improvement in labour availability, company expects to maintain revenue of Rs6-6.5 bn for Q3&Q4FY23 and 12% EBITDA margins.
- **Order book & Inflow** – PSPPL's Q2FY23 order book (highest ever) stood at Rs50.8 bn (2.9x TTM revenue). Government projects holds a major chunk of the order book comprising of 56%/ 63%/ 68% in Q2FY23/ Q1FY23/ FY22. Order inflow for Q2FY23/ YTD FY23 stood at Rs15.12 bn (highest ever order inflow)/ Rs19.5 bn (excl. L1 of Rs3.5 bn).
- **Guidance** – PSPPL has maintained its guidance for revenue growth of ~25% (Rs22 bn) YoY for FY23 whereas it expects EBITDA margin to be 11-13% for FY23. Company targets a minimum order inflow of Rs25 bn in FY23; Rs19.5 bn already achieved till date. With only Rs5.5 bn order inflow (incl. L1 of Rs3.5 bn) remaining, company is targeting for maximum order inflow of Rs30-35 bn for FY23 given the suitable opportunities. Management targets revenue growth of 20-25% for couple of years.
- **Bid Pipeline** – PSPPL has a bid pipeline of ~Rs40 bn (25-30% conversion rate) of which 45% is from private and 52% from Gujarat. Major projects under its pipeline are 1) Surat Municipal Corporation project worth Rs10.8 bn; project has been rebided, 2) Gems and Jewellery Park, Maharashtra worth Rs12 bn, 3) IT park, Chennai worth Rs4 bn 4) Logistics project worth Rs3 bn; quotation is to be submitted, 5) Industrial project, Hazria worth Rs2.5 bn, 6) Hospitality project worth Rs2 bn and 7) Other projects worth Rs1-2.5 bn. Under Central Vista project company might go for other projects in Gujarat depending on the size of the project.
- **UP projects** – Company expects the projects to be completed by Jul'23; major projects to be completed by Jun'23 and 2 projects by Jul'23 as company got late possession for those.
- **Bhiwandi & Pandharpur project** – Company received work orders worth Rs6 bn/ Rs1.29 bn for Bhiwandi/ Pandharpur project. For Bhiwandi project, post the hearing on 21st Nov'22, the case has moved forward for arbitration and appointment of arbitrator is pending. For Pandharpur project, company has received payment of Rs120 mn and Rs170 mn is still pending due to which execution has been put on hold.
- **Precast Facility** – Order book consists of Precast orders of Rs2.36 bn. Currently capacity utilization stands at 50% (80-90 cubic meter/day) which is expected to double (200 cubic meter/day).

- **SDB project** – Company is completely out of the SDB project. Final bill/ Bank Guarantee worth Rs500 mn/ Rs230 mn is expected to get released by Jan'23 and Retention money of Rs230 mn will be received post the defect liability period of 2 years.
- **Debt** – LT borrowings decreased from Rs500 mn in Q1FY23 to Rs460 mn in Q2FY23. Short term borrowings stood at Rs1.11 bn in Q2FY23 vs. Rs670 mn in Q1FY23. Gross Block stood at Rs3.51 bn and Net Block at Rs1.97 bn in Q2FY23; addition of Rs60 mn in Q2FY23.

Exhibit 2: SDB Entry Gate 3D Demo



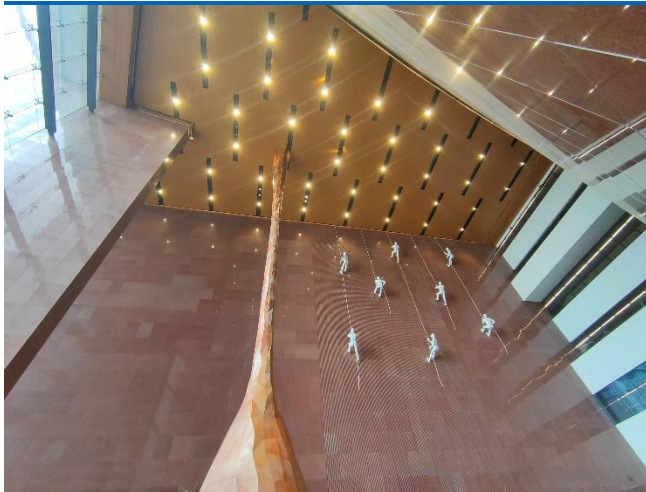
Source: Company, DART

Exhibit 3: SDB Project 3D Demo



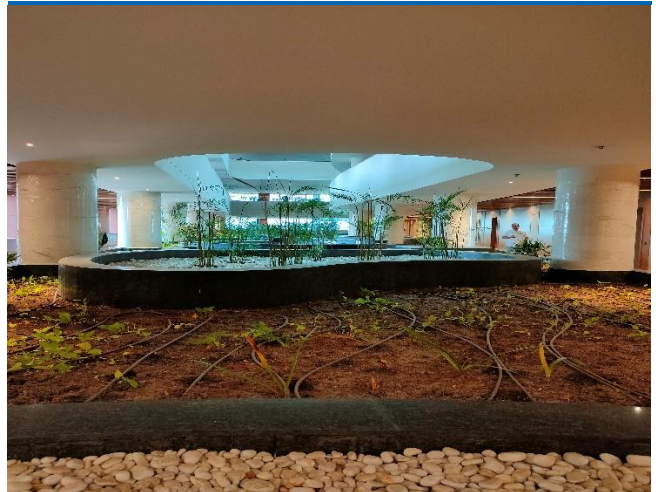
Source: Company, DART

Exhibit 4: Interior Design



Source: Company, DART

Exhibit 5: Interior Beautification



Source: Company, DART

Exhibit 6: SDB Towers



Source: Company, DART

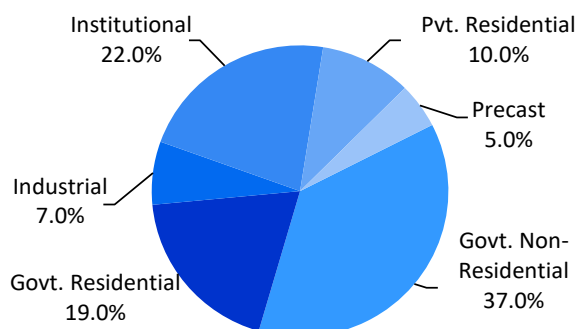
Exhibit 6: Building Ventilators



Source: Company, DART

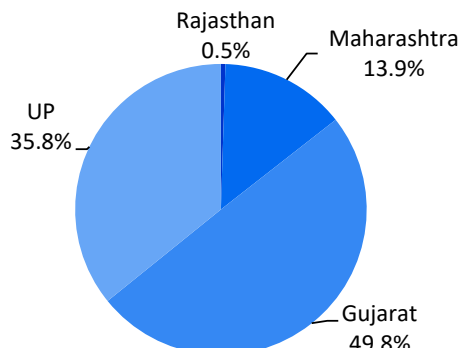
Story in charts

Exhibit 7: Rs50.8 bn OB break up



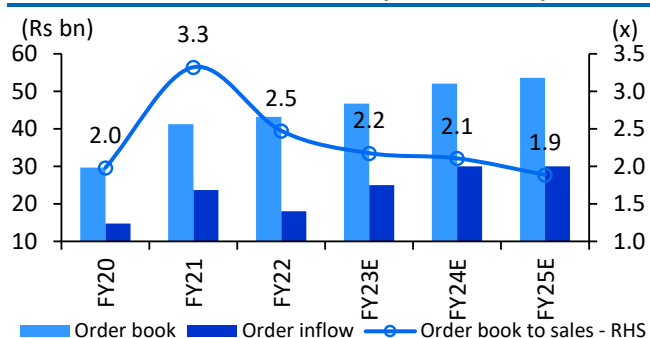
Source: Company, DART

Exhibit 8: Rs50.8 bn OB geographic break up



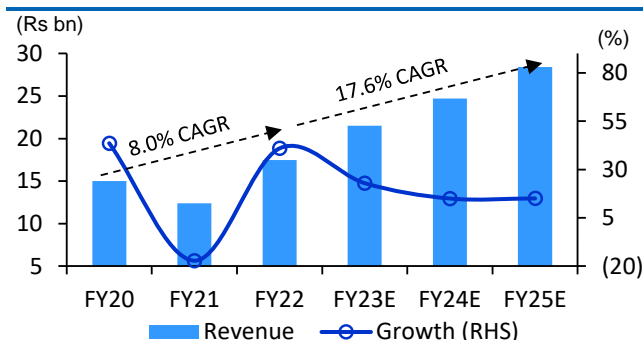
Source: Company, DART

Exhibit 9: Order book trend (Standalone)



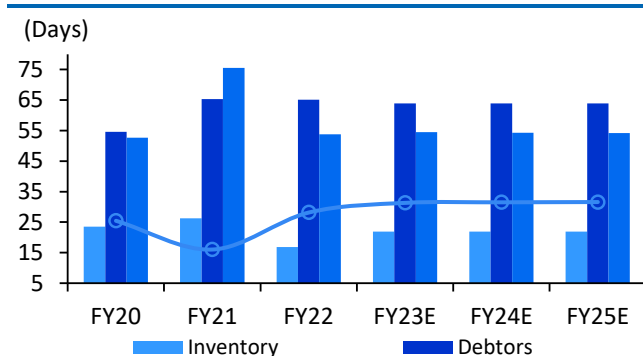
Source: Company, DART

Exhibit 10: 17.6% revenue CAGR over FY22-25E



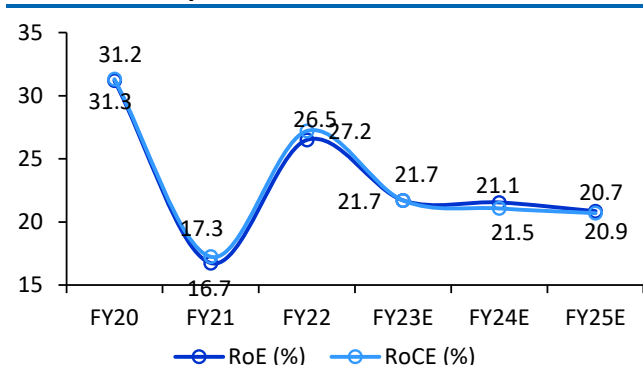
Source: Company, DART

Exhibit 11: Efficient cash conversion



Source: Company, DART

Exhibit 12: Superior return ratios to continue



Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Revenue	17,488	21,496	24,712	28,424
Total Expense	14,923	18,872	21,624	24,831
COGS	13,913	17,711	20,306	23,332
Employees Cost	723	933	1,045	1,171
Other expenses	286	228	273	328
EBIDTA	2,565	2,623	3,088	3,594
Depreciation	321	426	498	583
EBIT	2,245	2,197	2,589	3,011
Interest	264	240	200	180
Other Income	213	255	281	309
Exc. / E.O. items	0	0	0	0
EBT	2,193	2,212	2,670	3,139
Tax	569	567	684	805
RPAT	1,624	1,645	1,986	2,335
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,624	1,645	1,986	2,335

Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	6,487	7,953	9,758	11,913
Net Worth	6,847	8,313	10,118	12,273
Total Debt	997	1,400	1,100	1,000
Net Deferred Tax Liability	(94)	(96)	(98)	(100)
Total Capital Employed	7,750	9,617	11,120	13,173

Applications of Funds

Net Block	2,074	2,248	2,450	2,667
CWIP	0	0	0	0
Investments	7	7	7	7
Current Assets, Loans & Advances	10,491	13,120	15,260	18,073
Inventories	806	1,290	1,483	1,705
Receivables	3,118	3,762	4,325	4,974
Cash and Bank Balances	1,952	1,736	2,447	3,355
Loans and Advances	59	396	454	521
Other Current Assets	4,556	5,936	6,552	7,517
Less: Current Liabilities & Provisions	4,822	5,758	6,597	7,574
Payables	2,576	3,208	3,676	4,221
Other Current Liabilities	2,246	2,550	2,921	3,353
<i>sub total</i>				
Net Current Assets	5,669	7,362	8,664	10,499
Total Assets	7,750	9,617	11,120	13,173

E – Estimates

Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
(A) Margins (%)				
Gross Profit Margin	20.4	17.6	17.8	17.9
EBIDTA Margin	14.7	12.2	12.5	12.6
EBIT Margin	12.8	10.2	10.5	10.6
Tax rate	25.9	25.6	25.6	25.6
Net Profit Margin	9.3	7.7	8.0	8.2
(B) As Percentage of Net Sales (%)				
COGS	79.6	82.4	82.2	82.1
Employee	4.1	4.3	4.2	4.1
Other	1.6	1.1	1.1	1.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.2	0.1	0.1
Interest Coverage	8.5	9.2	12.9	16.7
Inventory days	17	22	22	22
Debtors days	65	64	64	64
Average Cost of Debt	29.2	20.0	16.0	17.1
Payable days	54	54	54	54
Working Capital days	118	125	128	135
FA T/O	8.4	9.6	10.1	10.7
(D) Measures of Investment				
AEPS (Rs)	45.1	45.7	55.2	64.9
CEPS (Rs)	54.0	57.5	69.0	81.0
DPS (Rs)	4.0	5.0	5.0	5.0
Dividend Payout (%)	8.9	10.9	9.1	7.7
BVPS (Rs)	190.2	230.9	281.1	340.9
RoANW (%)	26.5	21.7	21.5	20.9
RoACE (%)	27.2	21.7	21.1	20.7
RoAIC (%)	39.2	27.6	26.4	27.2
(E) Valuation Ratios				
CMP (Rs)	677	677	677	677
P/E	15.0	14.8	12.3	10.4
Mcap (Rs Mn)	24,354	24,354	24,354	24,354
MCap/ Sales	1.4	1.1	1.0	0.9
EV	23,399	24,018	23,007	21,999
EV/Sales	1.3	1.1	0.9	0.8
EV/EBITDA	9.1	9.2	7.5	6.1
P/BV	3.6	2.9	2.4	2.0
Dividend Yield (%)	0.6	0.7	0.7	0.7
(F) Growth Rate (%)				
Revenue	40.9	22.9	15.0	15.0
EBITDA	90.3	2.3	17.7	16.4
EBIT	105.6	(2.1)	17.8	16.3
PBT	101.8	0.9	20.7	17.6
APAT	94.4	1.3	20.7	17.6
EPS	94.4	1.3	20.7	17.6

E – Estimates

Cash Flow

Particulars	FY22A	FY23E	FY24E	FY25E
Profit before tax	2,193	2,212	2,670	3,139
Depreciation & w.o.	321	426	498	583
Net Interest Exp	(84)	(15)	(81)	(129)
Direct taxes paid	(636)	(569)	(686)	(807)
Change in Working Capital	(620)	(1,909)	(590)	(928)
Non Cash	31	0	0	0
(A) CF from Operating Activities	1,205	145	1,811	1,859
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(753)	(600)	(700)	(800)
Free Cash Flow	452	(455)	1,111	1,059
(Inc.)/ Dec. in Investments	260	0	0	0
Other	(970)	255	281	309
(B) CF from Investing Activities	(1,463)	(345)	(419)	(491)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	187	403	(300)	(100)
Interest exp net	(120)	(240)	(200)	(180)
Dividend Paid (Incl. Tax)	(144)	(180)	(180)	(180)
Other	0	0	0	0
(C) CF from Financing	(77)	(17)	(680)	(460)
Net Change in Cash	(336)	(216)	711	908
Opening Cash balances	2,288	1,952	1,736	2,447
Closing Cash balances	1,952	1,736	2,447	3,355

E – Estimates

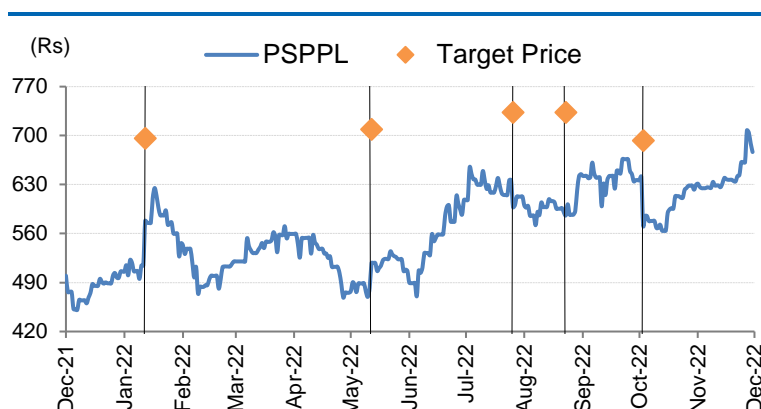
Notes

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.)
Jan-22	BUY	696	578
May-22	BUY	709	518
Aug-22	BUY	733	598
Sep-22	BUY	733	586
Oct-22	BUY	693	571

*Price as on recommendation date

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