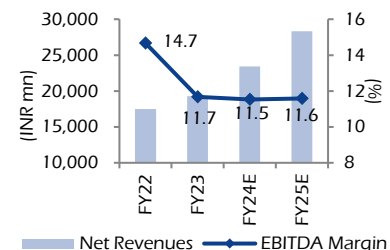


Q1FY24 - Quarterly Result Analysis

PSP Projects: awaiting big-ticket size projects

Mcaps: INR 27bn, Accumulate, TP: INR 820, CMP: INR 755, Upside: 9%

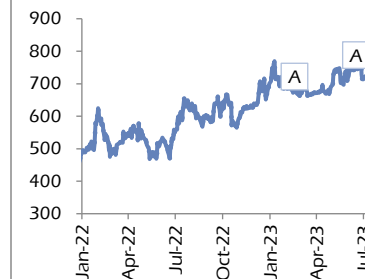
Revenue & margin growth trend



Source: Company, Elara Securities Estimate

- PSP Projects (PSPPL IN) reported a mixed set of results with revenue 11% below our estimates and EBITDA & PAT in line with our estimates. Q1 revenue increased 48% YoY to ~INR 5.1bn, driven by Uttar Pradesh medical project of INR 2bn. EBITDA rose 37% YoY to INR 0.6bn and margin expanded 200bp QoQ to 12.7%, due to the advanced stage of completion of the UP medical project. PAT increased 29% YoY to INR 0.4bn
- As on Q1FY24, orderbook and the book-to-bill ratio stood at ~INR 53bn and 2.5x, respectively. Order inflow increased 38% YoY to INR 7.6bn. The current bid pipeline stood at INR 60bn. Key projects include the Gems and Jewellery Park at Navi Mumbai for INR 25bn, Central Vista at INR 12bn, and Phase 2 of Dharoi Dam worth INR 4.5bn. Apart from this, the company will bid for the redevelopment of Ahmedabad Railway Station worth INR 36bn and the Delhi Railway Station of INR 48bn in a JV with a domestic partner (company's share would be 50%). For this, it has sought shareholder permission to increase the borrowing limit from INR 15bn to INR 30bn and will increase bank borrowing limit from INR 10.5bn to INR 15.0bn. During Union Budget 2023, the Gujarat government announced to spend INR 5tn over the next five years to develop infrastructure. Around 79% of Q1FY24 orderbook is from Gujarat (vs 61% average in the past 20 quarters)
- As on Q1FY24, debt increased from INR 1.5bn in Q4FY23 to INR 2.8bn due to rise in inventory for the UP medical project. According to management, debt should come off to INR 1.0-1.5bn by end-FY24. On the other hand, the working capital days increased from 35 in Q1FY23 to 43
- The pre-cast project from L&T for the bullet project worth INR 2bn commenced from June 2023 and will be completed within a year. Management has set a revenue target of INR 2.5bn for FY24 vs INR 0.8bn in FY23. Also, with a strong enquiry pipeline, it is investing in this facility, which will cater to the infrastructure industry
- Valuation:** For FY24, management has set a revenue target of INR 26bn, with an EBITDA margin of 11-13%, order inflow of INR 30bn vs INR 34bn in FY23 and capex of 3-4% of revenue. The key thing to watch will be the ability to bag bigger projects (no new bigger project other than Surat Diamond Bourse) and ramp-up of pre-cast facilities. We reiterate **Accumulate** with a target price of INR 820 based on 15x FY25E P/E. We expect a revenue CAGR of 21%, an EBITDA CAGR of 21% and a PAT CAGR of 22% over FY23-25E

Coverage history



Note: Stock under coverage since Dec 2017

YE March (INR mn)	Key metrics							(INR mn)			Growth (%)		
	1QFY24	1QFY24E	Var (%)	4QFY23	QoQ (%)	1QFY23	YoY (%)	FY23	FY24E	FY25E	FY22-23	FY23-24E	FY24-25E
Revenue	5,096	5,710	(10.8)	7,274	(29.9)	3,452	47.6	19,266	23,442	28,309	10.2	21.7	20.8
EBITDA	646	636	1.6	777	(16.7)	471	37.2	2,250	2,702	3,277	(12.3)	20.1	21.3
Net profit	367	355	3.5	463	(20.7)	285	28.9	1,330	1,604	1,969	(18.1)	20.6	22.8
EPS (INR)	10.2	9.9	3.5	12.9	(20.7)	7.9	28.9	36.9	44.6	54.7	(18.1)	20.6	22.8

Note: Pricing as on 27 July 2023, Source: Company, Elara Securities Estimate

Ankita Shah
ankita.shah@elaracapital.com
+91 22 6164 8516

Ash Shah
ash.shah@elaracapital.com
+91 22 6164 8500

Note: B: Buy, A: Accumulate, R: Reduce, S: Sell; Source: Company, Bloomberg, Elara Securities Estimate

Guide to Research Rating: BUY: Absolute Return >+20%; ACCUMULATE: Absolute Return +5% to +20%; REDUCE: Absolute Return -5% to +5%; SELL: Absolute Return < -5%

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India
Elara Securities (India) Pvt. Ltd.
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg, Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ, United Kingdom
Tel : +44 20 7486 9733

USA
Elara Securities Inc.
230 Park Avenue, Suite 2415, New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047