

PSP Projects

BUY

Start the year on strong footing

Summary

PSP Projects Q1FY24 (standalone) PAT came 18% higher than our estimate. On revenue front PSP Revenue of Rs5bn is up +48%YoY and EBITDA margin trajectory down 96bps YoY at 12.7%. Though margin is lower YoY but versus guidance its near to upper range. PSP has maintained revenue and margin guidance and we see revenue increase of 35%+ in FY24E with stable margin. PSP is eyeing to increase its TAM by bidding for EPC work of station re-development. After receiving order inflow in FY23 of Rs34bn, it target inflow of Rs30bn and in Q1 it has achieved 1/4th of it. We understand that the bid pipeline of Rs60bn and capex upcycle to enable to achieve the target. We have marginally tweaked margin expectations and re-iterate BUY rating with TP of RsRs849 valued at 12x FY25E EPS (earlier TP Rs825). Stock catalyst is order inflow.

Key Highlights and Investment Rationale

- **Q1FY24 snapshot:** PSP's revenue increased by 48% YoY at Rs5bn with EBITDA margin of 12.7% (down 96bps YoY). PAT at Rs367mn increased by 29% YoY, PAT growth was lower due to higher Depreciation & interest expenses.
- **Guidance maintained:** Company FY24E revenue of Rs26-27bn implies an increase of 35%+ YoY. EBITDA margin is expected in the range of 11-13%. Order inflow guidance for FY24E is Rs30bn as bid Pipeline is strong at Rs60bn (i.e. 67% is from the Private Players & State wise 81% is from Gujarat).
- **Station re-development opportunity:** PSP is eyeing EPC work for station re-development and has also entered in JV partnership. JV partner will enable to bid for project which requires construction of bridges. In initial stage, PSP is bidding for Ahmedabad & Delhi station re-development which on combined basis is 60bn+ opportunity.

TP	Rs849
CMP	Rs737
Potential upside/downside	15%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	1.1	8.2	18.1
Rel to Sensex	(4.1)	(1.7)	(1.4)

V/s Consensus		
EPS (Rs)	FY24E	FY25E
IDBI Capital	57	71
Consensus	51	65
% difference	12.4	9.9

Key Stock Data	
Bloomberg/Reuters	PSPPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	26,548
3-m daily avg Trd value (Rs mn)	7.3
52-week high / low	Rs798 / 560
Sensex / Nifty	66,267 / 19,660

Shareholding Pattern (%)	
Promoters	66.2
FII	4.2
DII	2.7
Public	26.9

Financial snapshot

Year	FY21	FY22	FY23	FY24E	FY25E
Revenue	12,409	17,488	19,266	26,169	30,826
Change (yoy, %)	-17	41	10	36	18
EBITDA	1,348	2,565	2,250	3,293	3,982
Change (yoy, %)	-29	90	-12	46	21
EBITDA Margin(%)	10.9	14.7	11.7	12.6	12.9
Adj.PAT	835	1,620	1,330	2,057	2,546
EPS (Rs)	23	45	37	57	71
Change (yoy, %)	(35)	94	(18)	55	24
PE(x)	32	16	20	13	10
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	4.9	3.9	3.3	2.7	2.2
RoE (%)	17	26	18	23	23
RoCE (%)	22	36	24	30	30

Source: IDBI Capital Research

Conference call takeaways

- Order book stood at Rs53bn with Government/ Institutional/ Industrial/ Residential at 51%/ 27%/ 9%/ 10%.
- Order Inflow of Rs7580Mn in Q1FY24 Execution of all outstanding projects has started, company has completed 5 projects & 48 projects are ongoing in Q1FY24.
- Company is expecting Order Inflow of Rs30Bn+ for upcoming FY24E.
- Revenue increased by 48% YoY, Revenue is mainly driven by execution of projects on large scale; Rs1960mn is attributed in revenue from completion of projects in Uttar Pradesh. For FY24E company maintains the same revenue guidance of Rs26-27bn.
- Working Capital days stood at 43 days v/s 41 days QoQ, Inventory Days/ Debtor Days/ Creditor Days stood at 33/81/71 respectively for Q1FY24.
- Company plans to expand its services to other states if large project opportunities are received, also company expects huge order in next 2-3 years in buildings, medical colleges, and government institutions space.
- Bid Pipeline stood at Rs60Bn and is excluding Rs48Bn opportunity of Delhi station redevelopment . Company plans to have JV for Delhi Station redevelopment project.
- Long Term debt for the company stood at Rs970Mn & Short term Debt for the company stood at Rs1870Mn. Increase in debt is due to Capex requirement in UP Projects.
- Unbilled Revenue stood at Rs2610Mn, Retention Non-Current stood at Rs1100Mn & Current stood at Rs340Mn, , Mobilisation of advance stood at Rs2230Mn for Q1FY24.
- Total Fund & Non Fund Limit Stood at Rs10.5Bn, out of which company has utilized Rs8.9Bn; Rs8.5Bn non-Fund based & Rs0.4Bn Fund Based. And company plans to enhance its borrowing limit (fund and non fund base) from Rs10bn to Rs30bn.

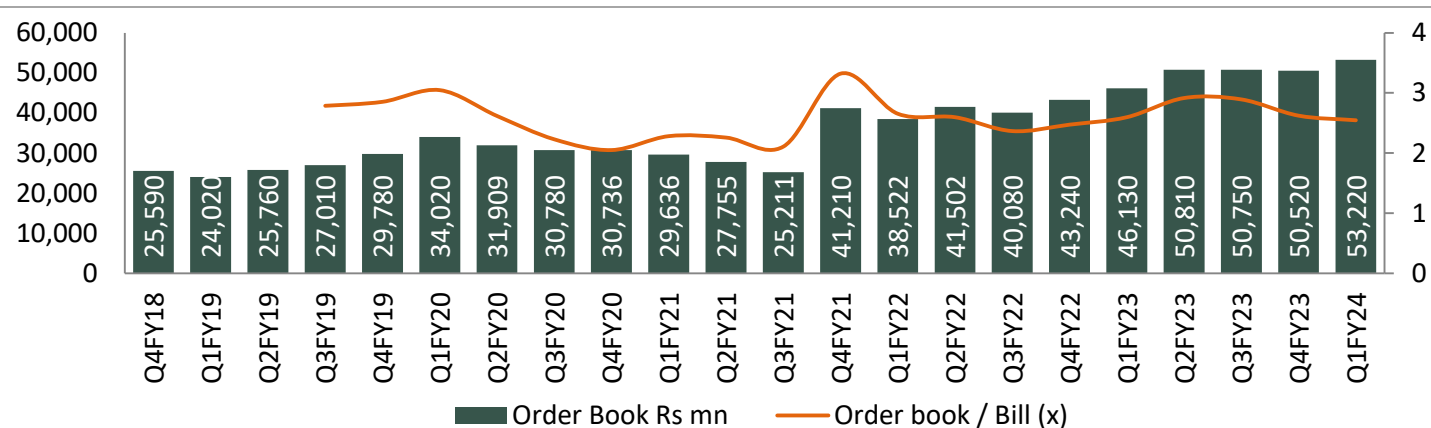
Exhibit 1: Financial snapshot

(Rs mn)

Particulars	Q1FY24	Q1FY23	YoY Chg (%)	Q4FY23	QoQ Chg (%)
Revenue	5,096	3,452	48	7,274	-30
Cost of Sales ex Depreciation	4,449	2,981	49	6,498	-32
EBITDA	646	471	37	777	-17
Margin %	12.7	13.6	-96bps	10.7	201bps
Depreciation	118	87	36	124	-4
Other Income	57	56	2	67	-14
Interest Expensed	91	56	62	92	-1
Pre-tax profit	494	384	29	628	-21
Tax	127	99	28	164	-23
Adjusted net profit	367	285	29	463	-21

Source: Company

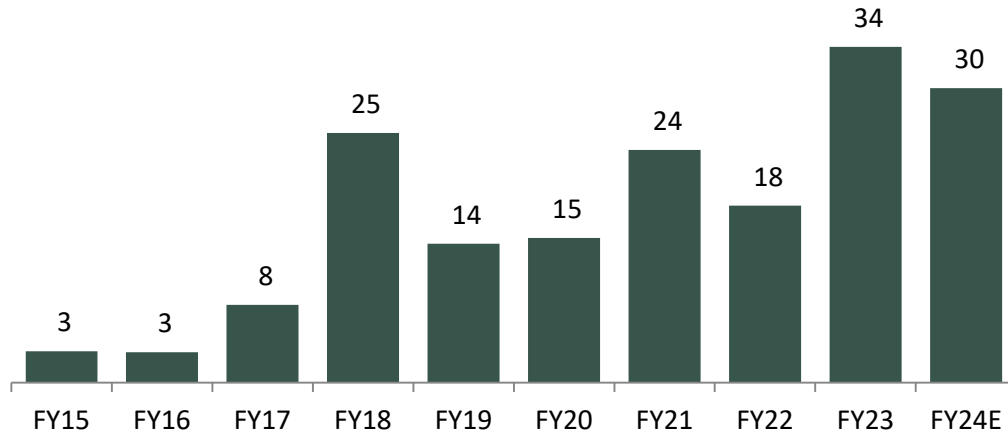
Exhibit 2: Order-book trajectory



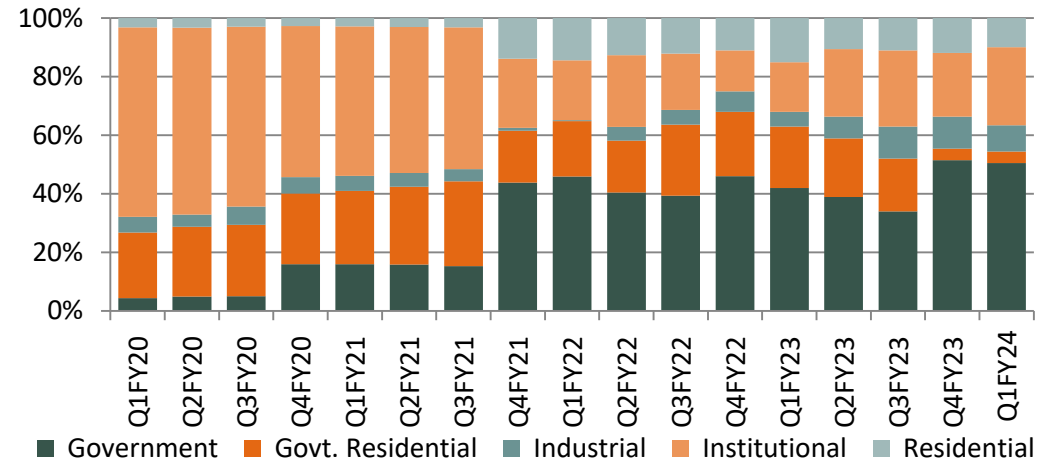
Source: Company

Exhibit 3: Order inflow FY23 at Rs34bn, FY24E expected at Rs30bn

Exhibit 4: Order book break up segment wise

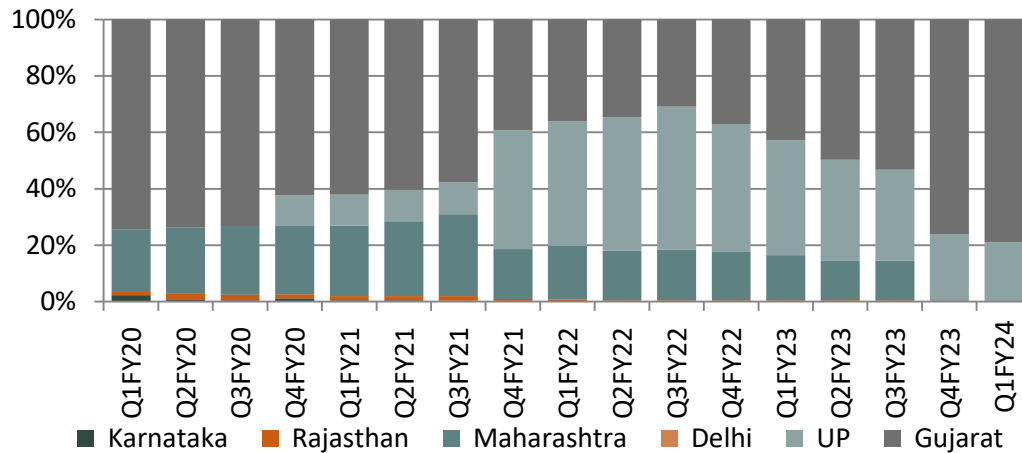


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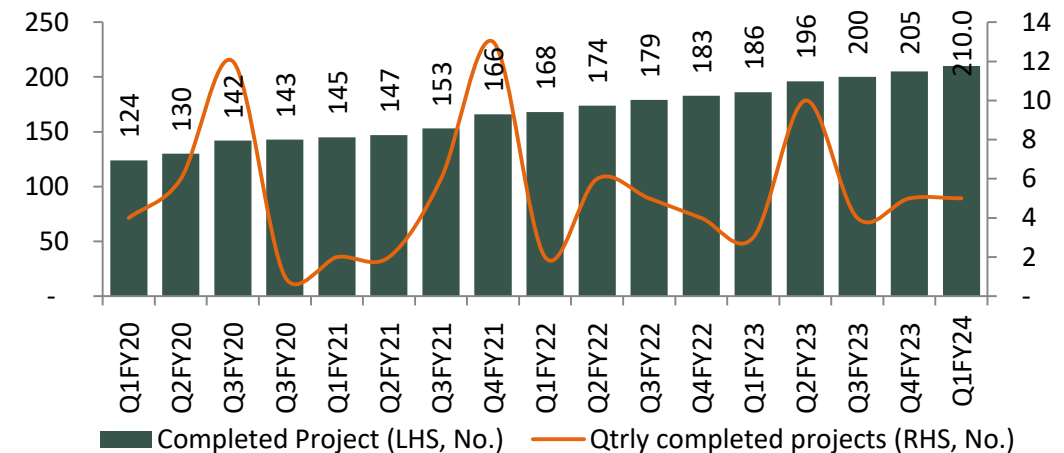
Source : Company

Exhibit 5: State wise order book profile



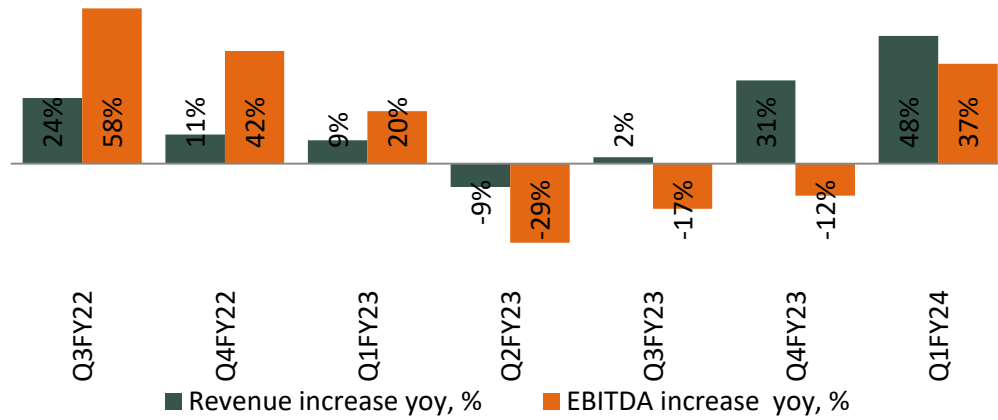
Source: Company

Exhibit 6: Execution trajectory in terms of projects



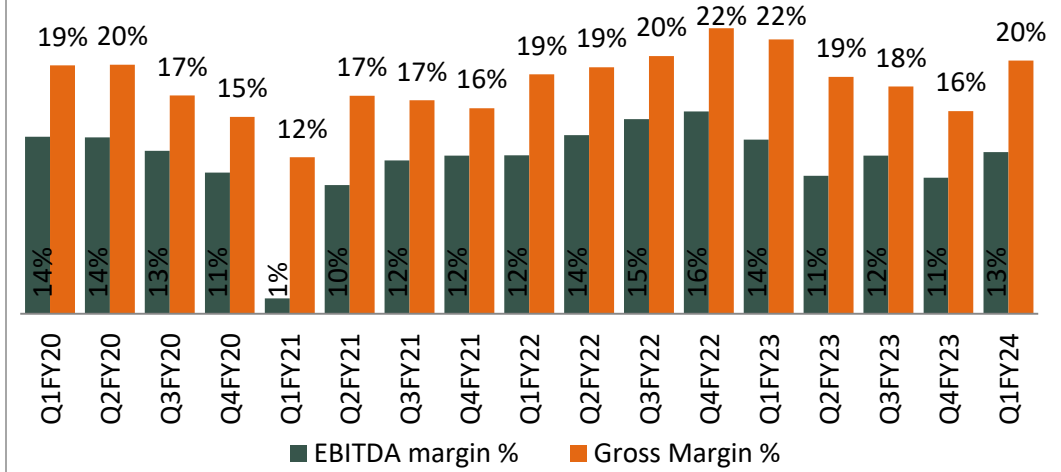
Source: Company

Exhibit 7: Execution in Q1FY24



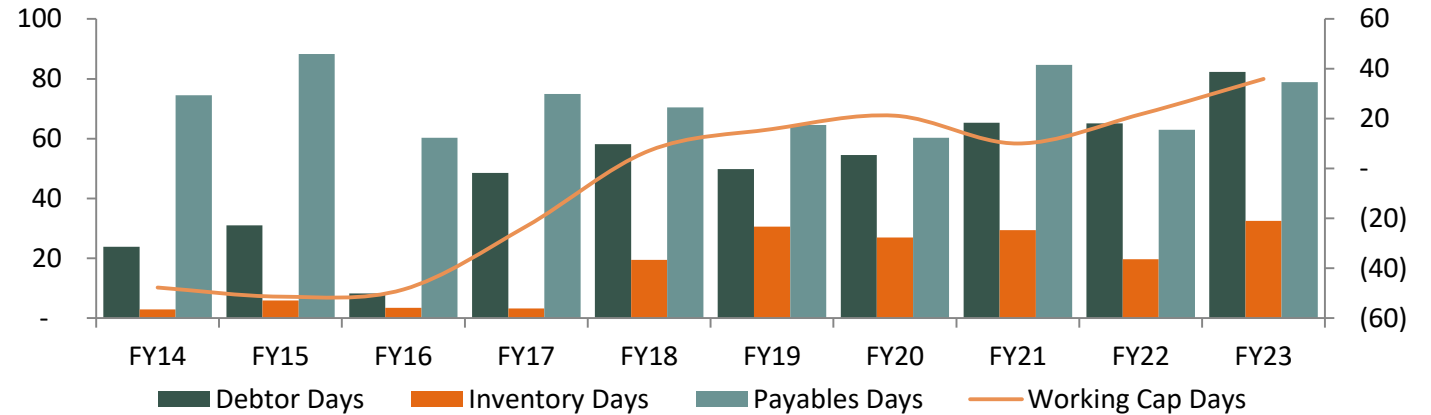
Source : Company

Exhibit 8: Margin declined YoY (%)



Source Company

Exhibit 9: Working Capital trend



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	14,993	12,409	17,488	19,266	26,169	30,826
<i>Change (yoy, %)</i>	44	(17)	41	10	36	18
Operating expenses	(13,083)	(11,060)	(14,923)	(17,016)	(22,876)	(26,845)
EBITDA	1,910	1,348	2,565	2,250	3,293	3,982
<i>Change (yoy, %)</i>	28	-29	90	-12	46	21
<i>Margin (%)</i>	12.7	10.9	14.7	11.7	12.6	12.9
Depreciation	(267)	(256)	(321)	(400)	(477)	(556)
EBIT	1,643	1,092	2,245	1,850	2,815	3,426
Interest paid	(146)	(147)	(264)	(320)	(286)	(253)
Other income	247	169	212	271	220	230
Pre-tax profit	1,744	1,087	2,193	1,802	2,749	3,402
Tax	(452)	(279)	(573)	(471)	(692)	(856)
<i>Effective tax rate (%)</i>	25.9	25.7	26.1	26.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	1,292	808	1,620	1,330	2,057	2,546
Exceptional items	-	(27)	-	-	-	-
Adjusted net profit	1,292	835	1,620	1,330	2,057	2,546
<i>Change (yoy, %)</i>	43	(35)	94	(18)	55	24
EPS	36	23	45	37	57	71
<i>Dividend per sh</i>	10	4	5	4	4	4
<i>Dividend Payout %</i>	28	17	11	11	7	6

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Shareholders' funds	4,571	5,380	6,847	7,998	9,912	12,313
Share capital	360	360	360	360	360	360
Reserves & surplus	4,211	5,020	6,487	7,638	9,552	11,953
Total Debt	40	28	172	381	381	381
Other liabilities	4	8	15	21	21	21
Curr Liab & prov	4,977	4,488	5,632	9,162	11,251	12,354
Current liabilities	4,970	4,478	5,630	9,149	11,239	12,342
Provisions	7	10	2	13	13	13
Total liabilities	5,022	4,524	5,819	9,564	11,653	12,756
Total equity & liabilities	9,593	9,904	12,666	17,562	21,565	25,070
Net fixed assets	1,079	1,578	2,074	2,573	2,846	3,040
Investments	-	-	-	-	-	-
Other non-curr assets	1,594	1,414	2,399	2,252	2,986	3,492
Current assets	6,920	6,911	8,194	12,737	15,733	18,538
Inventories	968	892	806	1,516	2,332	2,747
Sundry Debtors	2,240	2,220	3,118	4,342	5,898	6,947
Cash and Bank	1,967	2,288	1,952	2,421	1,986	2,608
Loans and advances	119	85	59	112	151	177
Total assets	9,593	9,904	12,666	17,562	21,565	25,070

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Pre-tax profit	1,744	1,087	2,193	1,802	2,749	3,402
Depreciation	267	256	321	158	477	556
Tax paid	(556)	(243)	(636)	(568)	(720)	(884)
Chg in working capital	(1,116)	(362)	(620)	(1,118)	(1,898)	(1,407)
Other operating activities	(149)	(30)	(52)	(85)	66	24
Cash flow from operations (a)	190	708	1,205	431	675	1,690
Capital expenditure	(331)	(792)	(766)	(788)	(750)	(750)
Chg in investments	(2)	678	(814)	344	-	-
Other investing activities	220	168	175	240	220	230
Cash flow from investing (b)	(112)	54	(1,405)	(484)	(530)	(520)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	418	(21)	67	295	(436)	(403)
Dividend (incl. tax)	(434)	-	(144)	(180)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(16)	(21)	(77)	115	(580)	(547)
Net chg in cash (a+b+c)	62	741	(277)	63	(435)	622

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	127	149	190	222	275	342
Adj EPS (Rs)	35.9	23.2	45.0	37.0	57.1	70.7
Adj EPS growth (%)	43	-35	94	-18	55	24
EBITDA margin (%)	12.7	10.9	14.7	11.7	12.6	12.9
Pre-tax margin (%)	12	9	13	9	11	11
Net Debt/Equity (x)	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
ROCE (%)	39	22	36	24	30	30
ROE (%)	31	17	26	18	23	23

DuPont Analysis

Asset turnover (x)	1.8	1.3	1.5	1.3	1.3	1.3
Leverage factor (x)	2.0	2.0	1.8	2.0	2.2	2.1
Net margin (%)	8.6	6.7	9.3	6.9	7.9	8.3

Working Capital & Liquidity ratio

Inventory days	24	26	17	29	33	33
Receivable days	55	65	65	82	82	82
Payable days	60	85	63	79	79	79

Valuations

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	21	32	16	20	13	10
Price/Book value (x)	5.8	4.9	3.9	3.3	2.7	2.2
EV/Net sales (x)	2	2	1	1	1	1
EV/EBITDA (x)	13	18	10	11	8	6
Dividend Yield (%)	1	1	1	1	1	1

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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