

July 27, 2023

**RESULT UPDATE Q1FY24** | Sector: Infrastructure

# PSP Projects Ltd

## Comforting execution

### Our view

PSP Projects Ltd (PSPPL) Q1FY24 revenue were mainly in line, with growth of 47.6% YoY at Rs5.1bn supported by healthy execution of UP projects and lower base while reported EBITDAM of 12.7% (above our estimates of 11.6%). As on 1QFY24 order book stands at Rs53.2bn diversified across various segments with government constitutes 51%, institutional - 27%, industrial and residential - 10% each and government residential - 4%. Further with strong tender pipeline of Rs60bn already bid / planning to bid, management expects healthy order inflow of Rs30bn+ in FY24E (of which Rs7.6bn projects already bagged in Q1). For FY24E, management has retained its guidance of revenue of Rs26bn with EBITDAM in the range of 11-13%. Standalone debt as on 1QFY24 rose to Rs2.8bn and plans are to reduce to the level of Rs1-1.5bn by end of the year.

With strong order book, timely project execution and prudent management pedigree, we expect PSPPL to post a revenue / EBITDA CAGR of 22%/25% over FY23/FY25E. With key projects such as SMC high rise building in Surat and hospital projects in UP driving the execution, we have upgraded our revenue estimates of FY24E/ FY25E by 4% each. At the CMP, the stock trades at an EV of 8.2x/ 6.9x FY24E/ FY25E EBITDA. We continue to maintain NEUTRAL rating valuing the EPC business at 13x FY25E EPS, implying an upside potential of 9% from the current levels.

### Result Highlights

- For Q1FY24, PSPPL reported net revenues to Rs5.1bn (marginally below our estimate of Rs5.3bn). The company reported 47.6% YoY growth on account of lower base.
- EBITDA came in at ~Rs646mn, up 37.2% YoY (above our estimate of Rs614mn) while EBITDA margins contracted by 96bps to 12.7% (above our estimate of 11.6% and consensus estimate of 12.5%). The margins improved mainly due to lower other expense.
- On bottom-line front, Adj PAT came in at Rs367mn (our estimates of Rs387mn) mainly attributed to lower operating margins.
- In Q1, the company bagged robust order worth Rs7.6bn
- At the CMP, the stock trades at a P/BV of 2.7x FY24E and 2.2x FY25E, and at an EV of 8.2x FY24E EBITDA.

### Exhibit 1: Actual vs Estimate

Rsmn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	5,096	5,297	5,395	(3.8)	(5.5)	Revenue marginally below estimates while margins remain healthy
EBITDA	646	614	674	5.3	(4.1)	
EBITDA margin %	12.7	11.6	12.5	110 bps	19 bps	
Adj. Pat	367	387	417	(5.0)	(11.9)	

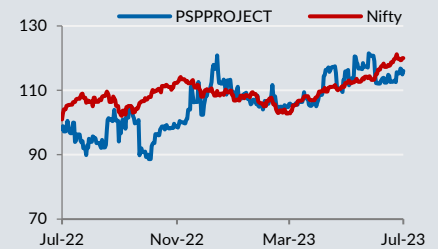
Source: Company, YES Sec

Reco	: <b>NEUTRAL</b>
CMP	: Rs 739
Target Price	: Rs 806
Potential Return	: 9%

### Stock data (as on July 27, 2023)

Nifty	19,660
52 Week h/l (Rs)	799 / 560
Market cap (Rs/USD mn)	26330 / 320
Outstanding Shares (mn)	36
6m Avg t/o (Rs mn):	106
Div yield (%):	0.3
Bloomberg code:	PSPPL IN
NSE code:	PSPPROJECT

### Stock performance



	1M	3M	1Y
Absolute return	1.3%	8.5%	18.4%

### Shareholding pattern (As of Jun'23 end)

Promoter	66.2%
FII+DII	9.6%
Others	24.2%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	19,266	25,043	28,631
Yoy growth (%)	10.2	30.0	14.3
OPM (%)	11.7	12.2	12.4
EPS (Rs)	36.9	54.5	62.0
EPS growth	-18.1	47.4	13.9
P/E (x)	20.0	13.6	11.9
EV/EBITDA (x)	11.4	8.2	6.9
Debt/Equity (x)	0.2	0.2	0.1
RoE (%)	17.1	19.9	18.6
RoCE (%)	14.6	17.4	16.5

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## RESULT HIGHLIGHTS

Exhibit 2: Result Table (Standalone)

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	3,452	3,566	4,974	7,274	5,096	47.6	-29.9	19,266	17,488	10.2
<b>Total Revenues</b>	<b>3,452</b>	<b>3,566</b>	<b>4,974</b>	<b>7,274</b>	<b>5,096</b>	<b>47.6</b>	<b>-29.9</b>	<b>19,266</b>	<b>17,488</b>	<b>10.2</b>
Expenditure	2,981	3,180	4,357	6,498	4,449	49.2	-31.5	17,016	14,923	14.0
as % of sales	86.4	89.2	87.6	89.3	87.3			88.3	85.3	
Consumption of RM	1,021	805	1,688	2,260	1,931	89.2	-14.6	5,773	5,000	15.5
as % of sales	29.6	22.6	33.9	31.1	37.9			30.0	28.6	
Employee Cost	218	225	235	257	282	29.4	9.7	935	723	29.2
as % of sales	6.3	6.3	4.7	3.5	5.5			4.9	4.1	
Other expenditure	1,743	2,150	2,435	3,981	2,237	28.3	-43.8	10,308	9,200	12.1
as % of sales	50.5	60.3	48.9	54.7	43.9			53.5	52.6	
<b>EBITDA</b>	<b>471</b>	<b>386</b>	<b>616</b>	<b>777</b>	<b>646</b>	<b>37.2</b>	<b>-16.7</b>	<b>2,250</b>	<b>2,565</b>	<b>-12.3</b>
Depreciation	87.2	90.6	98.5	123.8	118.5	35.8	-4.3	400.1	320.5	24.8
<b>EBIT</b>	<b>384</b>	<b>295</b>	<b>518</b>	<b>653</b>	<b>528</b>	<b>37.5</b>	<b>-19.1</b>	<b>1,850</b>	<b>2,245</b>	<b>-17.6</b>
Other Income	56	83	65	67	57	1.6	-14.4	271	213	27.5
Interest	56	70	101	92	91	62.4	-1.1	320	264	21.1
PBT	384	308	482	628	494	28.7	-21.2	1,801	2,193	-17.9
Total Tax	99	79	129	164	127	28.0	-22.8	471	569	-17.2
<b>Adjusted PAT</b>	<b>285</b>	<b>229</b>	<b>353</b>	<b>463</b>	<b>367</b>	<b>28.9</b>	<b>-20.7</b>	<b>1,330</b>	<b>1,624</b>	<b>-18.1</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	0.0
PAT after MI	285	229	353	463	367	28.9	-20.7	1,330	1,624	-18.1
Extra ordinary items	-	-	-	-	-	-	-	-	-	0.0
<b>Reported PAT</b>	<b>285</b>	<b>229</b>	<b>353</b>	<b>463</b>	<b>367</b>	<b>28.9</b>	<b>-20.7</b>	<b>1,330</b>	<b>1,624</b>	<b>-18.1</b>
<b>Adjusted EPS</b>	<b>8</b>	<b>6</b>	<b>10</b>	<b>13</b>	<b>10</b>	<b>28.9</b>	<b>-20.7</b>	<b>37</b>	<b>45</b>	<b>-18.1</b>
<b>Margins (%)</b>										
EBIDTA	13.6	10.8	12.4	10.7	12.7	(96.0)	201.2	11.7	14.7	(299)
EBIT	11.1	8.3	10.4	9.0	10.4	(75.8)	138.8	9.6	12.8	(323)
EBT	11.1	8.6	9.7	8.6	9.7	(142.8)	107.2	9.4	12.5	(319)
PAT	8.3	6.4	7.1	6.4	7.2	(104.6)	84.0	6.9	9.3	(238)
Effective Tax rate	25.8	25.6	26.7	26.2	25.7	(13.4)	(50.8)	26.2	25.9	21

Source: Company, YES Sec

Exhibit 3: Key Assumptions

Rs mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Order inflow	14,630	15,948	22,883	19,518	26,546	30,263	36,618
Revenues	10,440	14,993	12,409	17,488	19,266	25,043	28,631
Order book	29,780	30,736	41,210	43,240	50,520	55,740	63,727
Execution cycle (%)	26%	33%	23%	29%	28%	31%	31%
Ob to sales (x)	2.9	2.1	3.3	2.5	2.6	2.2	2.2

Source: Company, YES Sec

## KEY CONCALL HIGHLIGHTS

- Bid pipeline continues to remain strong at Rs60bn. Projects include, Navi Mumbai Jems & Jewellery Park Rs25bn, Central Vista, Delhi Rs12.5bn, IT Park in Chennai Rs4bn. Further the company plans to bid for Ahmedabad railway station redevelopment - Rs26bn, Delhi station revamp of Rs4.5bn, Museum – Rs3bn and Dharoi project phase 2 – Rs3.5bn
  - The company expects order inflow of Rs30bn+ (already bagged orders worth Rs7.6bn)
- PSPPL reported robust revenue for the quarter (up 47.6% YoY) led by healthy execution primarily in UP projects and lower base.
  - Execution status: a) UP Medical project –execution is going on full fledged and revenue of Rs2bn is booked in Q1FY24 and till date total revenue of Rs9.2bn is booked b) excavation at SMC high rise building is completed and till date revenue of Rs900mn is booked
  - During the quarter, the company completed 5 projects a) Construction of money plant high street in Ahmedabad, b) Reliance corporate house in Ahmedabad, c) Construction of the Adani international school at Adani shantigram and d) Construction of precast factory shed & precast corporate house in Gandhinagar
- Order book stands healthy at Rs53.2bn as on 1QFY24 translating into order book-to-sales of 2.5x TTM revenues.
  - In Q1, the company bagged robust orders worth Rs7.6bn comprising of a) development of tourist/ pilgrimage destination at Dharoi dam, b) design build project for BAPS Sabha Hall at Vadodara and Surat and c) two commercial complexes in Surat.
  - Of the total order book, government constitutes 51%, government residential – 4%, industrial – 9%, institutional – 27% and residential – 10%.
- Gross debt as on 1QFY24 is Rs2.8bn (vs 1.5bn in 4QFY23). Increase in borrowing was mainly driven by higher inventory in order to execute UP projects. Management expects debt to be reduced to Rs1-1.5bn by end of FY24.
- Total fund & non fund limit stood at Rs10.5bn, out of which company has utilized Rs9.1bn; Rs7.9bn non-fund based & Rs1.2bn fund based.
- Guidance: For FY24, management has retained its revenue guidance of Rs26bn with EBITDA margins in the range of 11-13%
- Capex: Going forward the company expects capex to be in the range of 3-4% of the gross block.

## FINANCIALS

**Exhibit 4: Balance Sheet (Standalone)**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Sources of Funds</b>					
Equity capital	360	360	360	360	360
Reserves	5,020	6,487	7,638	9,509	11,652
Non-Minority Controlling Int.					
<b>Net worth</b>	<b>5,380</b>	<b>6,847</b>	<b>7,998</b>	<b>9,869</b>	<b>12,012</b>
Debt	810	997	1,450	1,550	1,650
Deferred tax liab (net)	(92)	(94)	(122)	(122)	(122)
<b>Total liabilities</b>	<b>6,098</b>	<b>7,750</b>	<b>9,326</b>	<b>11,297</b>	<b>13,540</b>
<b>Application of Funds</b>					
Gross Block	2,295	3,452	4,175	4,675	5,175
Depreciation	1,133	1,379	1,779	2,246	2,764
<b>Fixed Asset</b>	<b>1,162</b>	<b>2,074</b>	<b>2,396</b>	<b>2,428</b>	<b>2,411</b>
CWIP	416	0	177	177	177
Investments	8	7	7	7	7
<b>Net Working Capital</b>	<b>4,511</b>	<b>5,669</b>	<b>6,746</b>	<b>8,684</b>	<b>10,944</b>
Inventories	892	806	1,516	2,058	2,353
Sundry debtors	2,220	3,118	4,342	5,626	6,432
Cash & equivalents	2,288	1,952	2,421	3,170	3,710
Loans & Advances	343	59	44	56	68
Other Current Asset	2,483	4,556	6,537	7,942	9,518
Sundry creditors	2,566	2,576	3,676	4,803	4,706
Provisions	87	17	34	56	68
Other current liabilities	1,061	2,229	4,404	5,310	6,364
<b>Total Assets</b>	<b>6,098</b>	<b>7,750</b>	<b>9,326</b>	<b>11,297</b>	<b>13,540</b>

Source: Company, YES Sec

## Exhibit 5: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	12,409	17,488	19,266	25,043	28,631
% Change YoY	-17%	41%	10%	30%	14%
Operating profit	1,348	2,565	2,250	3,055	3,536
<b>EBITDA margins</b>	<b>10.9</b>	<b>14.7</b>	<b>11.7</b>	<b>12.2</b>	<b>12.4</b>
% Change YoY	-29%	90%	-12%	36%	16%
Depreciation	256	321	400	467	517
EBIT	1,092	2,245	1,850	2,588	3,018
<b>EBIT margins</b>	<b>8.8</b>	<b>12.8</b>	<b>9.6</b>	<b>10.3</b>	<b>10.5</b>
Interest expense	147	264	320	376	429
Other income	169	213	271	376	429
Profit before tax	1,114	2,193	1,801	2,588	3,018
Taxes	279	569	471	627	786
<i>Effective tax rate (%)</i>	<i>25.0</i>	<i>25.9</i>	<i>26.2</i>	<i>24.2</i>	<i>26.0</i>
<b>Net profit</b>	<b>835</b>	<b>1,624</b>	<b>1,330</b>	<b>1,961</b>	<b>2,233</b>
Minorities and other	0	0	0	0	0
Net profit after minorities	835	1,624	1,330	1,961	2,233
Exceptional items	(27)	0	0	0	0
<b>Net profit</b>	<b>808</b>	<b>1,624</b>	<b>1,330</b>	<b>1,961</b>	<b>2,233</b>
% Change YoY	(0.4)	1.0	(0.2)	0.5	0.1
EPS (Rs)	23.2	45.1	36.9	54.5	62.0

Source: Company, YES Sec

## Exhibit 6: Cash Flow Statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	1,087	2,193	1,801	2,588	3,018
Interest	82	91	158	376	429
Depreciation	256	321	400	467	517
Other Items	(113)	(144)	(243)	(376)	(429)
(Inc)/Dec in WC	(362)	(620)	(1,118)	(1,189)	(1,720)
Direct Taxes Paid	243	636	568	627	786
<b>CF from Oper. Activity</b>	<b>708</b>	<b>1,205</b>	<b>431</b>	<b>1,239</b>	<b>1,030</b>
(Inc)/Dec in FA	(793)	(766)	(797)	(500)	(500)
Free Cash Flow	(84)	439	(367)	739	530
(Pur)/Sale of Invest.	847	(639)	314	376	429
<b>CF from Inv. Activity</b>	<b>54</b>	<b>(1,405)</b>	<b>(483)</b>	<b>(124)</b>	<b>(71)</b>
Change in Networkth	-	-	-	-	-
Inc/(Dec) in Debt	61	187	453	100	100
Interest Paid	(82)	(120)	(158)	(376)	(429)
Dividends Paid	-	(144)	(180)	(90)	(90)
Others	-	-	-	-	-
<b>CF from Fin. Activity</b>	<b>(21)</b>	<b>(77)</b>	<b>115</b>	<b>(366)</b>	<b>(419)</b>
<b>Inc/(Dec) in Cash</b>	<b>741</b>	<b>(277)</b>	<b>63</b>	<b>749</b>	<b>540</b>
Opening cash Balance	412	1,153	876	2,421	3,170
Others	-	-	-	-	-
<b>Closing cash Balance</b>	<b>1,153</b>	<b>876</b>	<b>939</b>	<b>3,170</b>	<b>3,711</b>

Source: Company, YES Sec

## Exhibit 7: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	2.9	2.9	2.9	3.1	2.8
Interest burden (x)	0.3	0.3	0.3	0.2	0.3
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	2.0	2.3	2.1	2.2	2.1
Financial leverage (x)	1.1	1.1	1.2	1.1	1.1
RoE (%)	15.2%	24.3%	17.1%	19.9%	18.6%

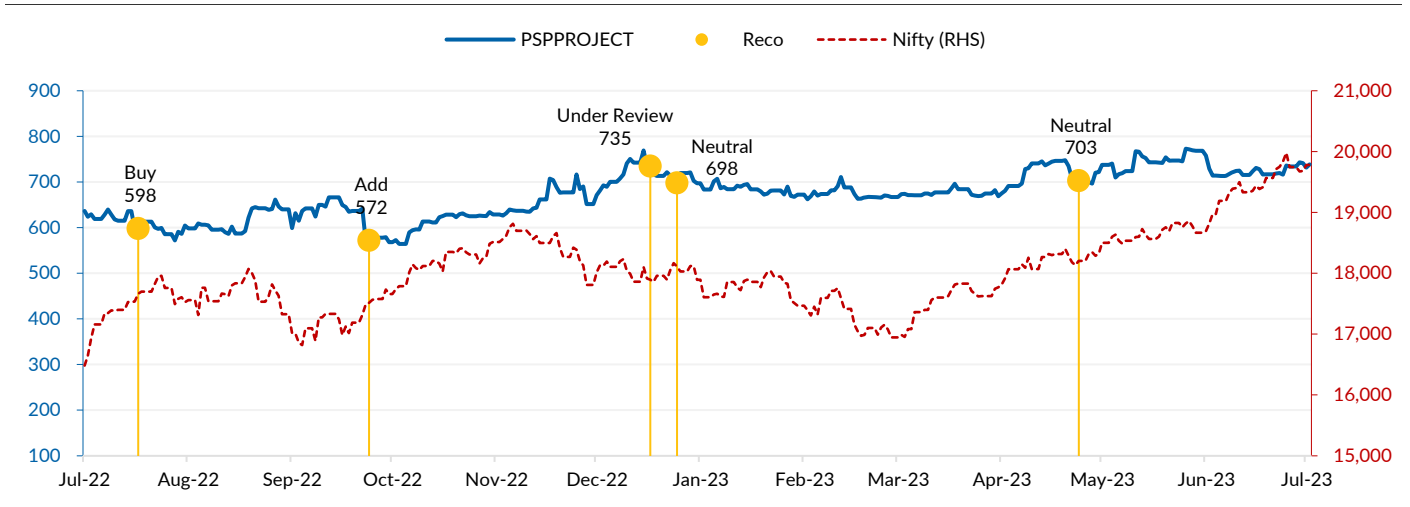
Source: Company, YES Sec

## Exhibit 8: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (Rs)</b>					
EPS	23.2	45.1	36.9	54.5	62.0
Dividend per share	4.0	5.0	2.5	2.5	2.5
Cash EPS	30.3	54.0	48.1	67.4	76.4
Book value per share	149	190	222	274	334
Div. payout (%)	18%	11%	7%	5%	4%
<b>Valuation ratios (x)</b>					
P/E	31.8	16.4	20.0	13.6	11.9
P/CEPS	24.4	13.7	15.4	10.9	9.7
P/B	4.9	3.9	3.3	2.7	2.2
EV/EBIDTA	18.6	10.0	11.4	8.2	6.9
Dividend yield (%)	0.5	0.7	0.3	0.3	0.3
<b>Profitability Ratios (%)</b>					
RoIC	13.4	23.3	16.6	18.2	17.2
RoE	15.2	24.3	17.1	19.9	18.6
RoCE	13.4	21.4	14.6	17.4	16.5
<b>Liquidity ratios</b>					
Debtor (days)	65	65	82	82	82
Inventory (days)	26	17	29	30	30
Creditor (days)	75	54	70	70	60
Net working Capital (days)	133	118	128	127	140
Asset Turnover (x)	2.0	2.3	2.1	2.2	2.1

Source: Company, YES Sec

## Recommendation Tracker



Source: Company, YES Sec - Research

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## DISCLOSURE OF INTEREST

Name of the Research Analyst : Khushbu Gandhi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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