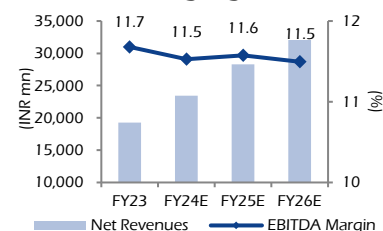


Q2FY24 - Quarterly Result Analysis

PSP Projects: Robust execution but inflows muted

Mcap: INR 28bn, Accumulate, ↑TP: INR 920, CMP: INR 783, Upside: 17%

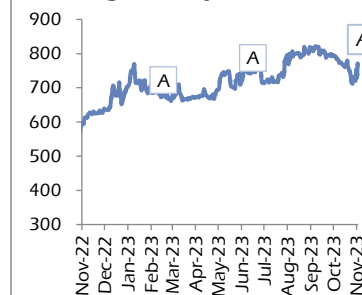
Revenue & margin growth trend



Source: Company, Elara Securities Estimate

- PSP Projects (PSPPL IN) reported healthy Q2 performance, with revenue up 70% YoY to INR 6bn due to faster project execution in Uttar Pradesh (UP) – Revenue booked at INR 2.7bn. EBITDA rose 91% YoY to INR 0.7bn and margin 130bps YoY to 12.1% as UP projects are on the verge of completion. PAT rose 72% YoY to INR 0.4bn. For H1FY24, revenue increased 59% YoY, EBITDA margin was flat YoY at 12.4% and PAT was up 48% YoY.
- As of Q2, orderbook and the book-to-bill ratio stood at ~INR 49bn and 2.1x, respectively. For Q2FY24 and H1FY24, the order inflow stood at INR 1.8bn (-79% YoY) and INR 9.3bn (-36% YoY), respectively. Currently, PSPPL is L1 in projects worth INR 1bn. The current bid pipeline is INR 113bn, which includes key projects such as the Delhi Railway Station redevelopment (INR 48bn), AIIMs at Rewari (INR 10bn), Dharoi Dam (INR 4.5bn), etc. Around 83% of Q2 orderbook is from Gujarat (versus 60% average in the past 20 quarters).
- In H1FY24, PSPPL incurred a capex of INR 0.5bn (INR 1.6bn cumulatively) for its precast facility. With this, the management has completed most of the investment for this facility and expects FY24 revenue at INR 2.2bn (INR 0.8bn in FY23).
- Debt rose to INR 4bn in Q2FY24 from INR 2.8bn in Q1FY24 due to increase in inventory and to fund capex (INR 1bn spent in H1FY24). Per management, debt should pare to INR 0.5-1bn by FY24.
- For the Pandharpur project case, the arbitration panel has been formed (one member nominated from each side and one independent arbitrator). Expect arbitral hearing in the next few months. Per regulations, the arbitration panel must pronounce its judgement within one year of its formation.
- **Valuations:** For FY24, management has maintained its revenue target of INR 26bn, and 11-13% EBITDA margin – FY24 order inflow guidance has been pared to INR 30bn versus INR 34bn in FY23, with capex at 3-4% of revenue. Key monitorable is the ability to improve order inflows with large ticket-size orders and ramp-up of pre-cast facilities. We introduce FY26E estimates and expect FY23-26E revenue CAGR of 19%, EBITDA CAGR of 18% and PAT CAGR of 18%. Reiterate **Accumulate** with a higher TP of INR 920 (from INR 820) as we roll forward estimates to FY26E, with unchanged P/E multiple at 15x.

Coverage history



Note: Stock under coverage since Dec 2017

YE March (INR mn)	Key metrics							(INR mn)			Growth (%)		
	Q2FY24	Q2FY24E	Var (%)	Q1FY24	QoQ (%)	Q2FY23	YoY (%)	FY24E	FY25E	FY26E	FY23-24E	FY24-25E	FY25-26E
Revenue	6,071	4,351	39.6	5,096	19.2	3,566	70.3	23,442	28,309	32,047	21.7	20.8	13.2
EBITDA	737	524	40.7	646	14.1	386	91.0	2,702	3,277	3,684	20.1	21.3	12.4
Net profit	394	276	43.0	367	7.3	229	71.9	1,604	1,969	2,209	20.6	22.7	12.2
EPS (INR)	10.9	7.7	43.0	10.2	7.3	6.4	71.9	44.6	54.7	61.4	20.6	22.7	12.2

Note: Pricing as on 3 November 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