

## PSP Projects

BUY

Bright outlook

## Summary

We met the management of PSP Projects Ltd (PSP). Company has maintained its FY23E guidance on revenue (at Rs22bn), EBITDA margin (11-13%) and order inflow (at Rs22bn). After achieving 60% of order inflow target (incl Rs7.5bn received post June-22), PSP is eyeing incremental inflow from Nestle, Maruti, central vista & DLF. On slow moving order book, Bhiwandi project matter is in court and resolution deadline is extended to September (previously August). Precast is another growth area and on low base, revenue contribution is expected to increase to 20% of revenue in FY24E from 11% in FY23E. We reiterate BUY rating on PSP with TP of Rs715 at 12x FY24E EPS. Key positives in PSP are its execution ability with stable cash flow, consistent order win in the building construction segment and lean balance sheet for growth.

## Key Highlights and Investment Rationale

- Bullish on precast segment:** PSP is expecting good opportunity from precast segment in commercial and building space. Current precast facility can generate revenue up to Rs2.5bn (capex done ~Rs1.2bn); company expects to reach capacity generation of Rs5bn by FY24. And the segment could contribute 20% to its topline in FY24E.
- Funds flow and balance sheet:** Total fund and non-fund based limit stood at Rs10.5bn and 50% is utilised. Company is currently not looking at equity fund raising for next 4-6 month, but will consider the same if they receive large size projects. Balance sheet remain lean with net cash of Rs0.8bn as Q1FY23.
- Status could change on slow moving order:** Bhiwandi and Pandharpur projects (16% of the order book) are the only slow moving projects in Order book. And clarity is expected with-in this year on these orders.

TP	Rs715
<b>CMP</b>	<b>Rs586</b>
Potential upside/downside	22%
Previous Rating	BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(7.0)	22.6	41.7
Rel to Sensex	(12.4)	13.3	36.1

## V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	47	60
Consensus	43	54
% difference	9.8	10.9

## Key Stock Data

Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	21,112
3-m daily avg Trd value (Rs mn)	10.4
52-week high / low	Rs672 / 415
Sensex / Nifty	59,085 / 17,605

## Shareholding Pattern (%)

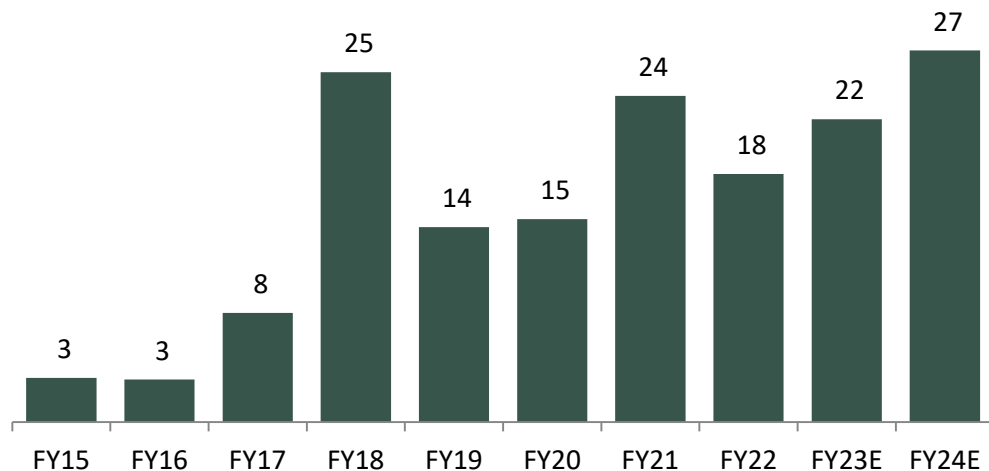
Promoters	70.4
FII	1.9
DII	2.9
Public	24.8

## Financial snapshot

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	14,993	12,409	17,488	21,268	25,614
Change (yoy, %)	44	-17	41	22	20
EBITDA	1,910	1,348	2,565	2,691	3,308
Change (yoy, %)	28	-29	90	5	23
EBITDA Margin(%)	12.7	10.9	14.7	12.7	12.9
Adj.PAT	1,292	835	1,620	1,709	2,146
EPS (Rs)	36	23	45	47	60
Change (yoy, %)	43	(35)	94	5	26
PE(x)	16	25	13	13	10
Dividend Yield (%)	2	-	1	1	1
P/B (x)	4.6	3.9	3.1	2.6	2.1
RoE (%)	31	17	27	22	23
RoCE (%)	39	22	36	30	30

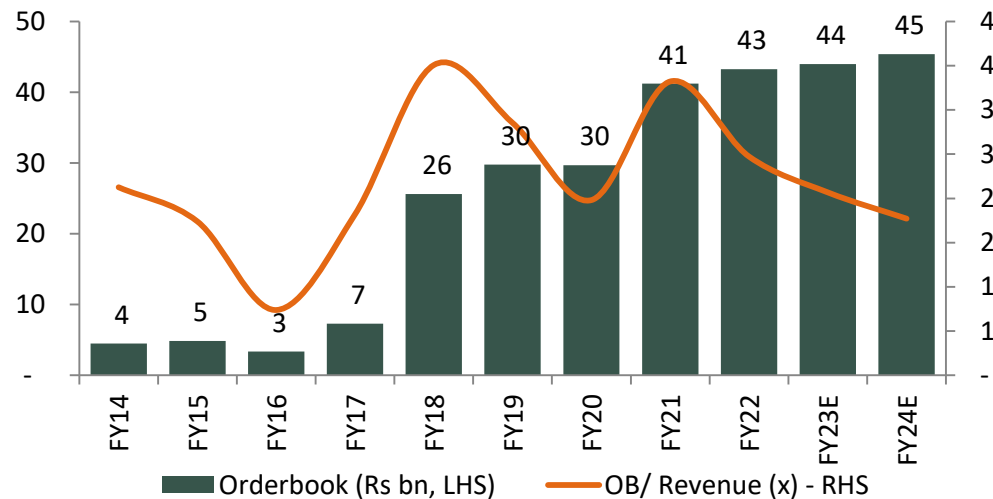
Source: IDBI Capital Research

**Exhibit 1: Order inflow (Rs bn)**



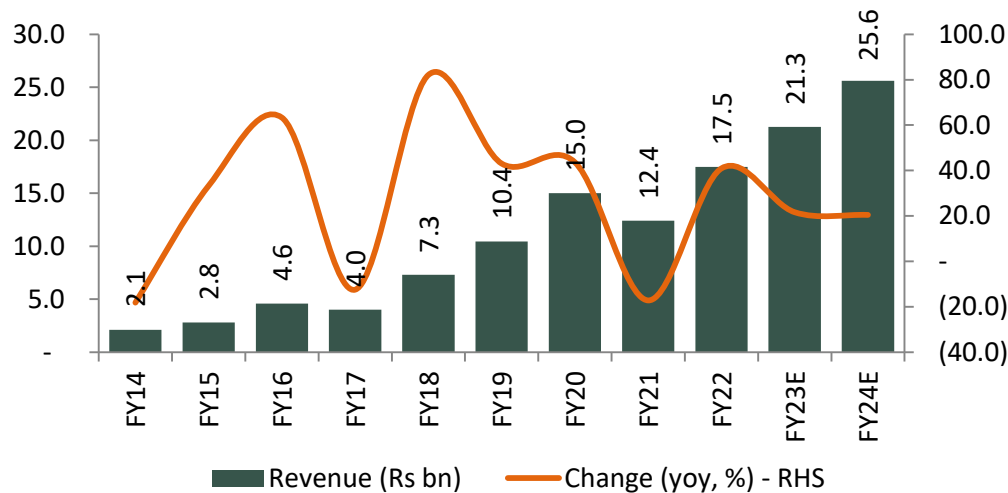
Source : Company, IDBI Capital Research

**Exhibit 2: Order book expanding**



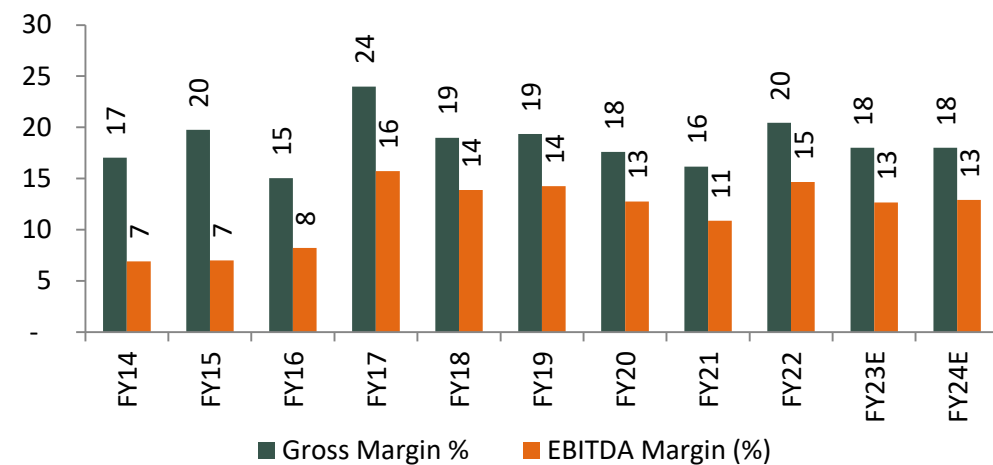
Source : Company, IDBI Capital Research

**Exhibit 3: Healthy execution**



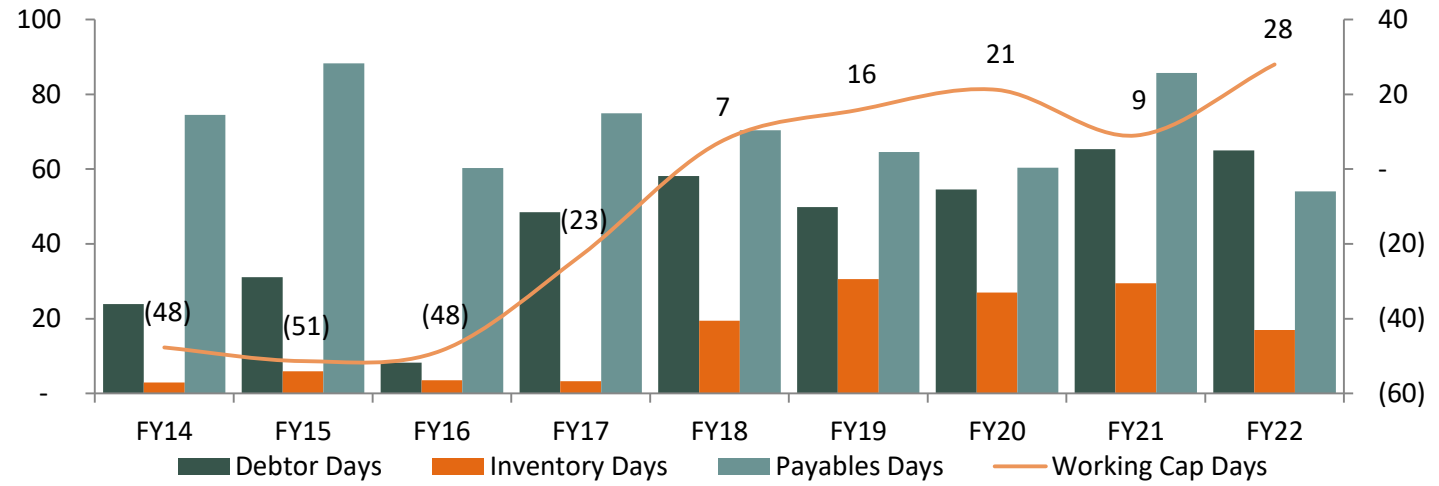
Source: Company, IDBI Capital Research

**Exhibit 4: Margins stable (%)**



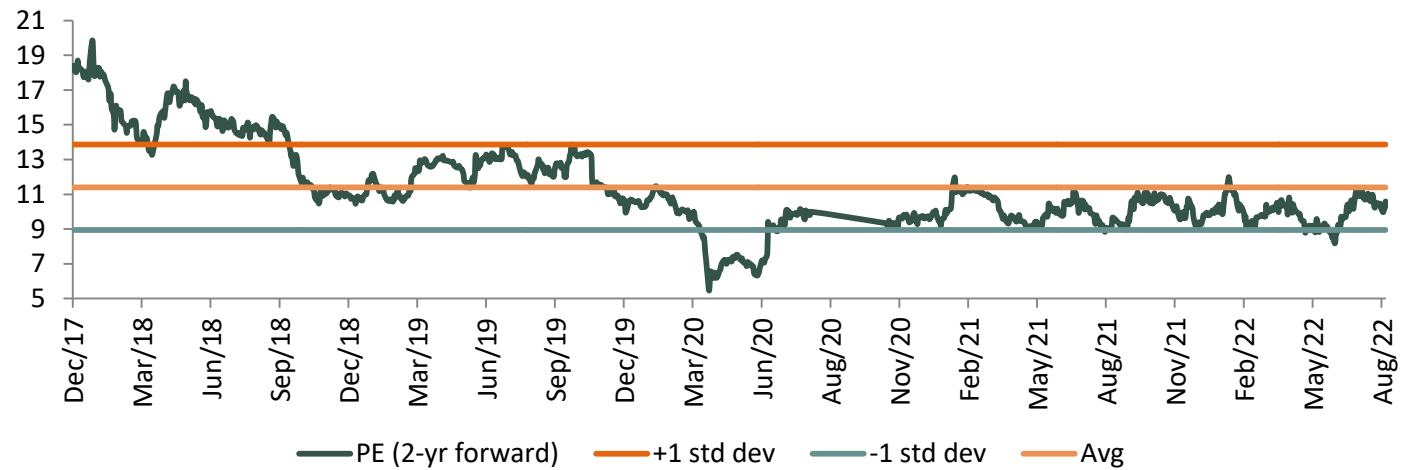
Source: Company, IDBI Capital Research

**Exhibit 5: Working Capital trend**



Source: Company

**Exhibit 6: Valuation band (PE ratio)**



Source: Bloomberg

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net sales</b>	10,440	14,993	12,409	17,488	21,268	25,614
<i>Change (yoy, %)</i>	43	44	(17)	41	22	20
Operating expenses	(8,951)	(13,083)	(11,060)	(14,923)	(18,577)	(22,306)
<b>EBITDA</b>	1,489	1,910	1,348	2,565	2,691	3,308
<i>Change (yoy, %)</i>	47	28	-29	90	5	23
<i>Margin (%)</i>	14.3	12.7	10.9	14.7	12.7	12.9
Depreciation	(242)	(267)	(256)	(321)	(359)	(471)
<b>EBIT</b>	1,247	1,643	1,092	2,245	2,332	2,837
Interest paid	(92)	(146)	(147)	(264)	(286)	(185)
Other income	229	247	169	213	241	252
<b>Pre-tax profit</b>	1,385	1,744	1,087	2,193	2,288	2,905
Tax	(483)	(452)	(279)	(573)	(579)	(759)
<i>Effective tax rate (%)</i>	34.9	25.9	25.7	26.1	25.3	26.1
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	902	1,292	808	1,620	1,709	2,146
Exceptional items	-	-	(27)	-	-	-
<b>Adjusted net profit</b>	902	1,292	835	1,620	1,709	2,146
<i>Change (yoy, %)</i>	40	43	(35)	94	5	26
EPS	25	36	23	45	47	60
Dividend per sh	5	10	-	5	4	4
<i>Dividend Payout %</i>	20	28	-	11	8	7

**Balance Sheet**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Shareholders' funds</b>	<b>3,714</b>	<b>4,571</b>	<b>5,380</b>	<b>6,847</b>	<b>8,412</b>	<b>10,414</b>
Share capital	360	360	360	360	360	360
Reserves & surplus	3,354	4,211	5,020	6,487	8,052	10,054
<b>Total Debt</b>	<b>4</b>	<b>40</b>	<b>28</b>	<b>172</b>	<b>172</b>	<b>172</b>
Other liabilities	-	4	8	15	15	15
<b>Curr Liab &amp; prov</b>	<b>3,587</b>	<b>4,977</b>	<b>4,488</b>	<b>5,632</b>	<b>6,190</b>	<b>7,146</b>
Current liabilities	3,584	4,970	4,478	5,630	6,188	7,144
Provisions	3	7	10	2	2	2
<b>Total liabilities</b>	<b>3,591</b>	<b>5,022</b>	<b>4,524</b>	<b>5,819</b>	<b>6,377</b>	<b>7,333</b>
<b>Total equity &amp; liabilities</b>	<b>7,305</b>	<b>9,593</b>	<b>9,904</b>	<b>12,666</b>	<b>14,789</b>	<b>17,747</b>
Net fixed assets	1,032	1,079	1,578	2,074	2,215	2,244
Investments	-	-	-	-	-	-
Other non-curr assets	942	1,594	1,414	2,399	2,957	3,526
<b>Current assets</b>	<b>5,332</b>	<b>6,920</b>	<b>6,911</b>	<b>8,194</b>	<b>9,617</b>	<b>11,977</b>
Inventories	750	968	892	806	1,149	1,384
Sundry Debtors	1,426	2,240	2,220	3,118	3,792	4,567
Cash and Bank	2,217	1,967	2,288	1,952	2,017	3,019
Loans and advances	158	119	85	59	74	89
<b>Total assets</b>	<b>7,305</b>	<b>9,593</b>	<b>9,904</b>	<b>12,666</b>	<b>14,789</b>	<b>17,747</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	1,385	1,744	1,087	2,193	2,288	2,905
Depreciation	242	267	256	321	359	471
Tax paid	(477)	(556)	(243)	(636)	(579)	(759)
Chg in working capital	(720)	(1,116)	(362)	(620)	(1,208)	(821)
Other operating activities	(153)	(149)	(30)	(52)	44	(68)
<b>Cash flow from operations (a)</b>	<b>277</b>	<b>190</b>	<b>708</b>	<b>1,205</b>	<b>903</b>	<b>1,729</b>
Capital expenditure	(394)	(331)	(792)	(766)	(500)	(500)
Chg in investments	(160)	(2)	678	(814)	-	-
Other investing activities	215	220	168	175	241	252
<b>Cash flow from investing (b)</b>	<b>(339)</b>	<b>(112)</b>	<b>54</b>	<b>(1,405)</b>	<b>(259)</b>	<b>(248)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	2	418	(21)	67	(436)	(335)
Dividend (incl. tax)	(217)	(434)	-	(144)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(215)</b>	<b>(16)</b>	<b>(21)</b>	<b>(77)</b>	<b>(580)</b>	<b>(479)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(277)</b>	<b>61</b>	<b>741</b>	<b>(277)</b>	<b>65</b>	<b>1,003</b>

### Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	103	127	149	190	234	289
Adj EPS (Rs)	25.1	35.9	23.2	45.0	47.5	59.6
Adj EPS growth (%)	40	43	-35	94	5	26
EBITDA margin (%)	14.3	12.7	10.9	14.7	12.7	12.9
Pre-tax margin (%)	13	12	9	13	11	11
Net Debt/Equity (x)	-0.6	-0.4	-0.4	-0.3	-0.2	-0.3
ROCE (%)	37	39	22	36	30	30
ROE (%)	27	31	17	27	22	23

### DuPont Analysis

Asset turnover (x)	1.6	1.8	1.3	1.5	1.5	1.6
Leverage factor (x)	1.9	2.0	2.0	1.8	1.8	1.7
Net margin (%)	8.6	8.6	6.7	9.3	8.0	8.4

### Working Capital & Liquidity ratio

Inventory days	26	24	26	17	20	20
Receivable days	50	55	65	65	65	65
Payable days	65	60	86	63	63	63

### Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	24	17	26	13	13	10
Price/Book value (x)	5.8	4.7	4.0	3.1	2.6	2.1
EV/Net sales (x)	2	1	2	1	1	1
EV/EBITDA (x)	13	10	14	8	7	6
Dividend Yield (%)	1	2	0	1	1	1

Source: Company; IDBI Capital Research



# Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

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

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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