

PSP Projects

HOLD

Guidance lowered for FY25

Summary

PSP Projects Q1FY25 PAT came above the consensus estimates by 20%. This is due to strong execution but the margins were impacted due to increase in expenses in UP projects. PSP expects margins to be in range of 10-11% for FY25E/FY26E, and expects decrease in revenue growth by 2% at 13% for FY25E (earlier 15%). This has made us to cut the EPS and TP is revised to Rs732. We value PSP at 15x PER and retain our rating to HOLD. Order book stands at Rs59bn (i.e 2.6x TTM revenue), and PSP plans to expand in various other states apart from Gujarat & has also bid for orders in different states. PSP has guided capex of Rs600mn for FY25E, which also includes capex to ramp up pre-cast facility. Stock catalyst remains execution and stability in the margin.

Key Highlights and Investment Rationale

- Q1FY25 snapshot:** PSP Revenue of Rs6.1bn was up 20%YoY due to strong execution, EBITDA margins at 12% decreasing 70bps YoY due to less margins from UP projects. PAT reported at Rs343mn -7% YoY, PAT is also impacted from higher interest expenses & depreciation costs. Gross Debt stood at Rs2.6bn (Q1FY25) vs. Rs4.6bn (FY24).
- Guidance FY25E:** Company guided revenue of Rs28bn (13.7% YoY) vs. earlier 15% growth for FY25E with an EBITDA margin of 10-11%. For FY26E, it expects revenue growth of 10-15% with a similar EBITDA margin of 10-11%. The company targets an order inflow of Rs35bn for FY25E.
- Pre-Cast Facility:** Company did precast work of 400 sq. ft. in FY24 and going forward, it expects precast business to ramp up. The company will be focusing more on the building projects; and targets to execute in FY25; expects revenue of Rs2-2.5bn in FY25E vs. Rs1.8bn in FY24.

TP	Rs732
CMP	Rs727
Potential upside/downside	+1%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	7.0	7.6	(9.0)
Rel to Sensex	5.8	(2.0)	(33.1)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	39	51
Consensus	45	59
% difference	(13.6)	(13.2)

Key Stock Data

Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	40
Market cap. (Rs mn)	28,828
3-m daily avg Trd value (Rs mn)	3.8
52-week high / low	Rs846 / 598
Sensex / Nifty	80,982 / 24,718

Shareholding Pattern (%)

Promoters	60.1
FII	7.0
DII	10.1
Public	22.8

Financial snapshot

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	17,488	19,266	24,625	28,647	34,190
Change (yoy, %)	41	10	28	16	19
EBITDA	2,565	2,250	2,616	2,950	3,615
Change (yoy, %)	90	(12)	16	13	23
EBITDA Margin(%)	14.7	11.7	10.6	10.3	10.6
Adj.PAT	1,620	1,330	1,239	1,560	2,022
EPS (Rs)	45	37	34	39	51
Change (yoy, %)	93.9	(17.9)	(7)	14	30
PE(x)	14.8	18.1	19	17	13
Dividend Yield (%)	0.7	0.4	1	1	1
EV/EBITDA (x)	9.0	10.3	10.1	8.9	7.2
RoE (%)	26.5	17.9	14	14	15
RoCE (%)	31.9	21	17	14	16

Source: IDBI Capital Research

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Conference call takeaways

- PSPPL guided revenue of Rs28bn (13.7% YoY) vs. earlier 15% growth for FY25E with an EBITDA margin of 10-11%. For FY26E, it expects revenue growth of 10-15% with a similar EBITDA margin of 10-11%. The company targets an order inflow of Rs35bn for FY25E.
- PSPPL's Q1FY24 order book stood at Rs58.9bn (2.3x TTM revenue); currently all projects are under execution. Government projects hold a major chunk of the order book comprising 67% in Q1FY25. Order inflow for FY24/YTDFY25 stood at Rs34.98bn (excl. GST)/Rs2.97bn. The company has completed 224 projects so far since its inception (FY08). As on date, the company has 56 ongoing projects which include major projects like SMC Highrise building (O/S OB of Rs10.83bn), Dharoi Dam (O/S OB of Rs8.56bn) and Gati Shakti Vishwavidhyalaya (O/S OB of Rs5.89bn).
- PSPPL has a bid pipeline of ~Rs64bn (Gujarat 25%/ Other states 75%). Major projects under its pipeline are 1) Commercial project, Noida - Rs18bn, 2) Power plant, Raipur Rs7bn, 3) Industrial plant - Rs5.5bn, 4) Residential building, Delhi - Rs4bn, 5) Delhi transportation - Rs4.45bn, 6) Indore railway station redevelopment - Rs4bn, 7) Residential project, Mumbai - Rs 4.5bn, 8) Industrial plant, Ahmedabad - Rs3bn, 9) Road development - Rs3.5bn, 10) Sabarmati river, Ahmedabad - Rs2.5bn, 11) Commercial project - Rs4 bn, 12) High rise building, Gurgaon - Rs2.5bn, 13) Corporate office, Surat - Rs1bn.
- PSPPL did precast work of 400 sq. ft. in FY24 and going forward, it expects precast business to ramp up. The company will be focusing more on the building projects; and targets to execute in FY25; expects revenue of Rs2-2.5bn in FY25E vs. Rs1.8bn in FY24.
- In May'24, PSPPL announced an out-of court settlement which has been reached between PSPPL and SDB. The company recorded revenue of Rs64mn/ Rs19.6bn in Q1FY25/ till date, EBITDA contribution from SDB stood at Rs540mn in Q1FY25. It has unbilled revenue of Rs538mn as of Q1FY25. Receivables stood at Rs2.25bn as of Jun'24, of which the company has received Rs1.04bn in Jul'24, pending Rs1.21bn is expected to be received in multiple tranches up to Oct'25.
- Gross Debt stood at Rs2.6 bn in Q1FY25 of which directors' loan to the tune of Rs600 mn has been repaid as on date. At present, gross debt stands at Rs2 bn vs. Rs4.6 bn (FY24) vs. Rs4 bn (H1FY24).

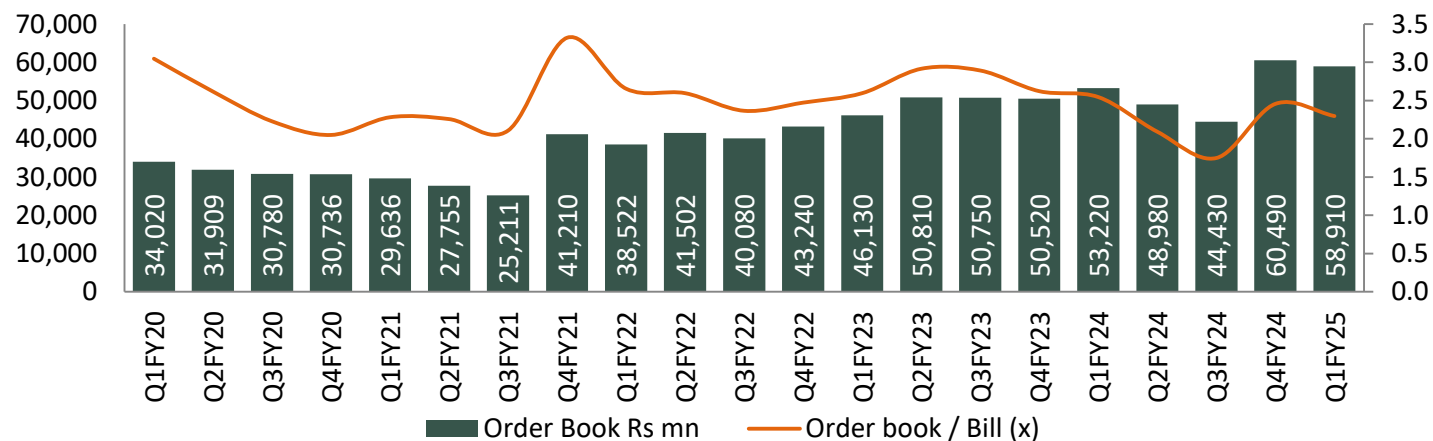
Exhibit 1: Financial snapshot

(Rs mn)

Particulars	Q1FY25	Q1FY24	YoY Chg (%)	Q4FY24	QoQ Chg (%)
Revenue	6,119	5,096	20	6,492	-6
Cost of Sales ex Depreciation	5,385	4,449	21	5,973	-10
EBITDA	734	646	14	518	42
Margin %	12.0	12.7	-68bps	8.0	402bps
Depreciation	167	118	41	199	-16
Other Income	38	57	-34	60	-37
Interest Expensed	132	91	45	140	-6
Pre-tax profit	473	494	-4	239	98
Tax	130	127	3	86	51
Adjusted net profit	343	367	-7	153	125

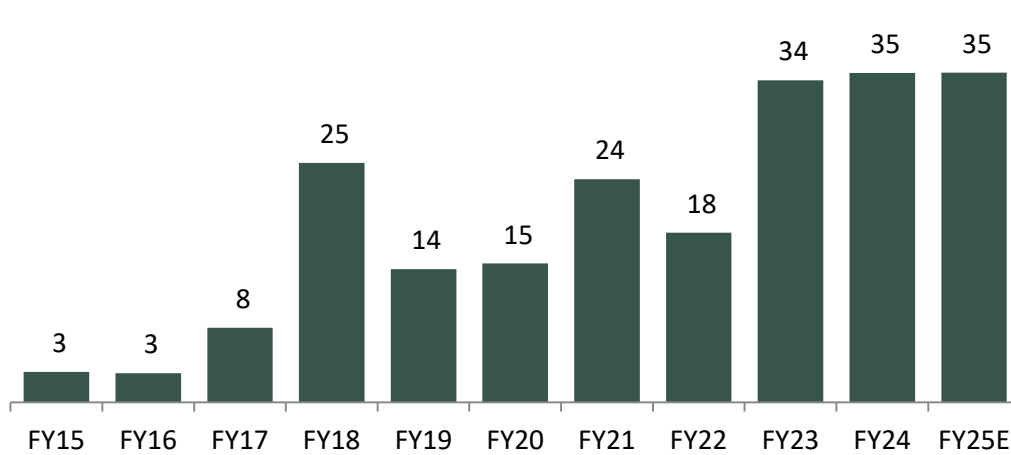
Source: Company

Exhibit 2: Order-book trajectory



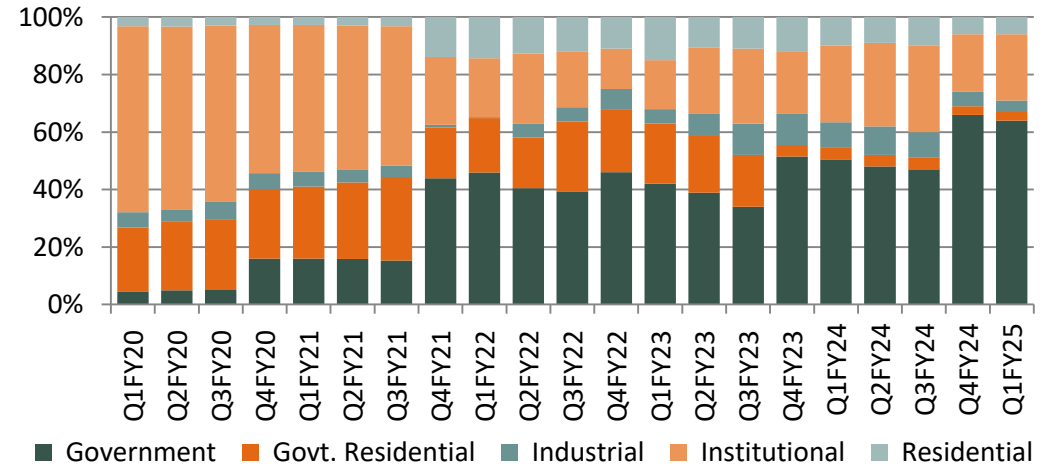
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Exhibit 3: Order inflow expected in FY25E at Rs35bn



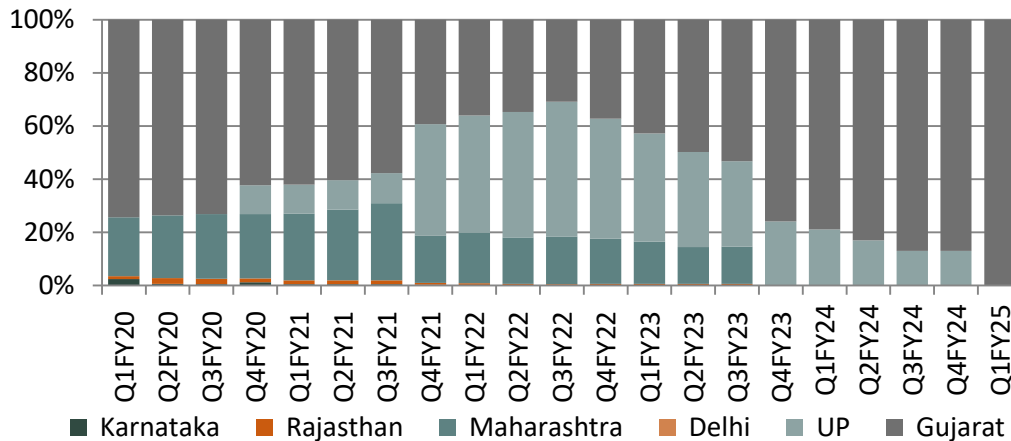
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Exhibit 4: Order book break up segment wise



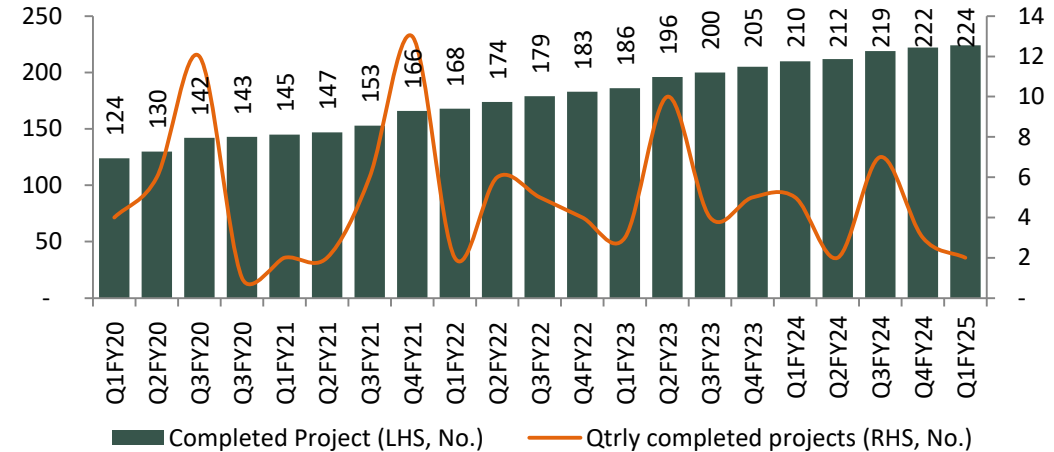
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Exhibit 5: State wise order book profile



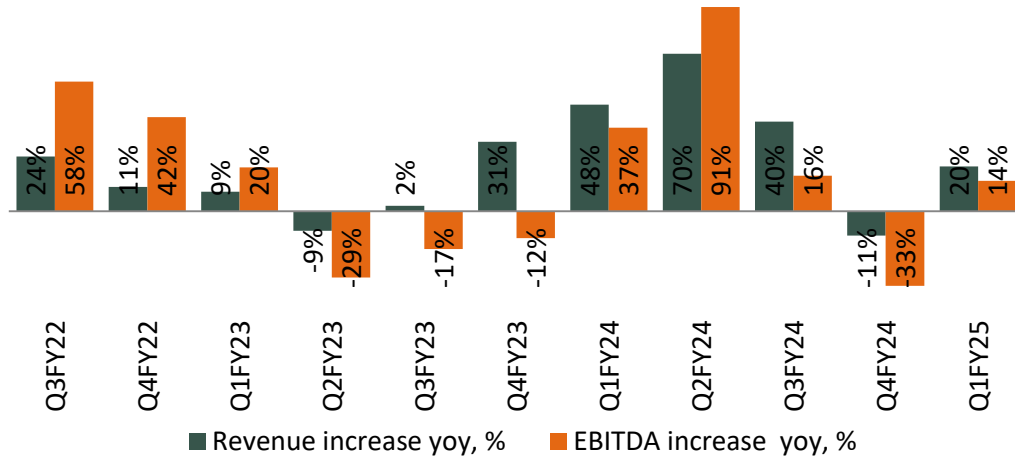
Source: Company

Exhibit 6: Execution trajectory in terms of projects



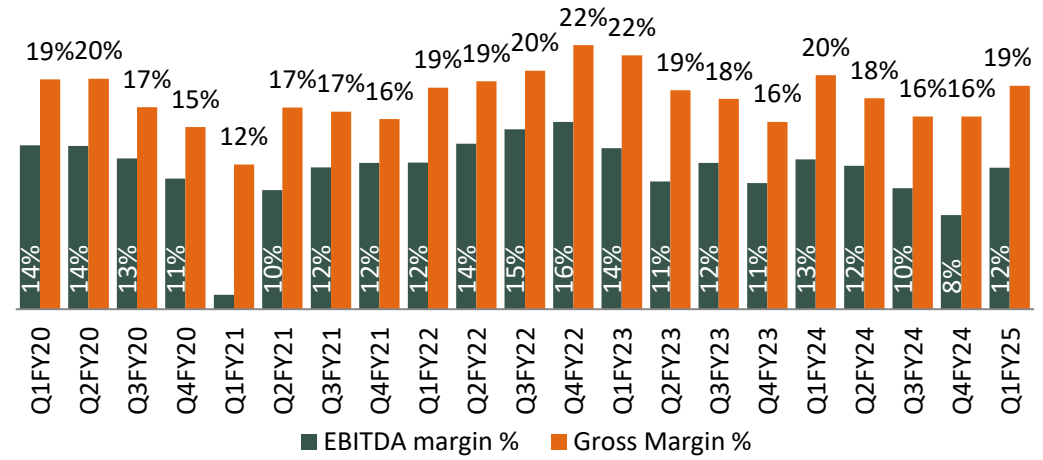
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Exhibit 7: Execution in Q1FY25



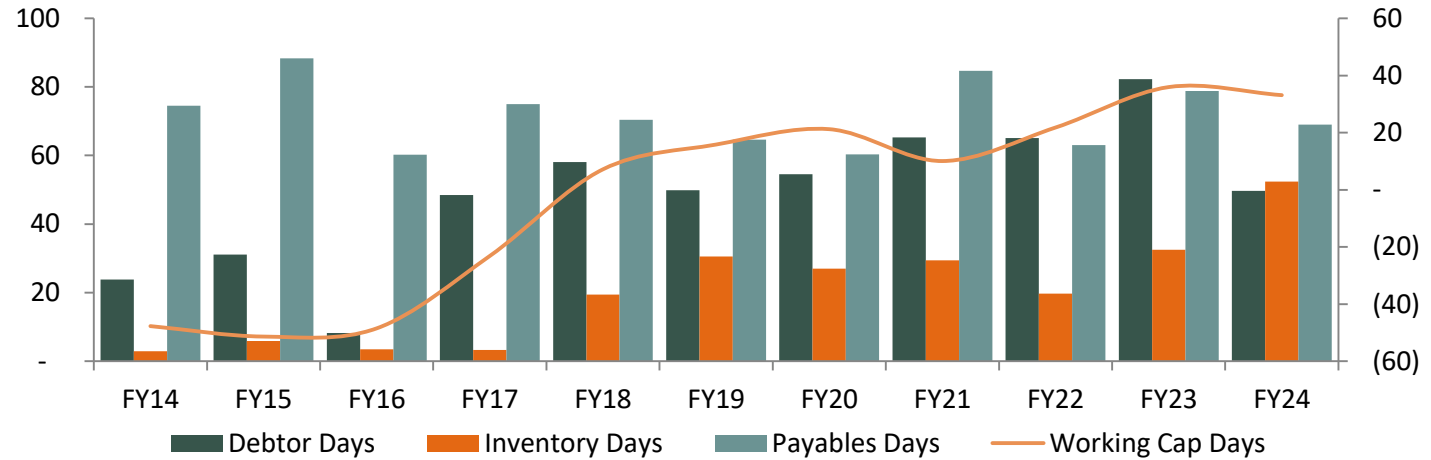
Source : Company

Exhibit 8: Margin declined YoY (%)



Source Company

Exhibit 9: Working Capital trend



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	12,409	17,488	19,266	24,625	28,026	32,024
<i>Change (yoy, %)</i>	(17)	41	10	28	14	14
Operating expenses	(11,060)	(14,923)	(17,016)	(22,009)	(24,996)	(28,579)
EBITDA	1,348	2,565	2,250	2,616	3,030	3,446
<i>Change (yoy, %)</i>	(29)	90	(12)	16	16	14
<i>Margin (%)</i>	10.9	14.7	11.7	10.6	10.8	10.8
Depreciation	(256)	(321)	(400)	(649)	(812)	(944)
EBIT	1,092	2,245	1,850	1,968	2,218	2,502
Interest paid	(147)	(264)	(320)	(508)	(318)	(240)
Other income	169	212	271	243	337	395
Pre-tax profit	1,114	2,193	1,802	1,702	2,237	2,657
Tax	(279)	(573)	(471)	(463)	(609)	(723)
<i>Effective tax rate (%)</i>	25.0	26.1	26.2	27.2	27.2	27.2
Minority Interest	-	-	-	-	-	-
Net profit	835	1,620	1,330	1,239	1,628	1,934
Exceptional items	-	-	-	-	-	-
Adjusted net profit	835	1,620	1,330	1,239	1,628	1,934
<i>Change (yoy, %)</i>	(35)	94	(18)	(7)	31	19
EPS	23.2	45.0	37.0	34.4	41.1	48.8
<i>Dividend per sh</i>	4.0	5.0	2.5	4.0	4.1	4.9
<i>Dividend Payout %</i>	17.2	11.1	7	12	10	10

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	5,380	6,847	7,998	9,146	13,052	14,792
Share capital	360	360	360	360	396	396
Reserves & surplus	5,020	6,487	7,638	8,786	12,655	14,396
Total Debt	810	997	1,450	4,551	2,851	2,151
Other liabilities	8	15	21	27	27	27
Curr Liab & prov	3,706	4,807	8,093	6,501	7,379	8,432
Current liabilities	3,696	4,805	8,080	6,469	7,348	8,400
Provisions	10	2	13	31	31	31
Total liabilities	4,524	5,819	9,564	11,078	10,256	10,609
Total equity & liabilities	9,904	12,666	17,562	20,225	23,308	25,402
Net fixed assets	1,578	2,074	2,573	3,247	3,435	3,491
Investments	8	7	7	7	7	7
Other non-curr assets	1,406	2,391	2,245	1,806	1,563	1,803
Current assets	6,911	8,194	12,737	15,164	18,303	20,100
Inventories	892	806	1,516	3,160	4,024	4,598
Sundry Debtors	2,220	3,118	4,342	3,351	3,814	4,358
Cash and Bank	2,288	1,952	2,421	2,251	3,371	3,219
Loans and advances	1,511	2,318	4,458	6,401	7,094	7,925
Total assets	9,904	12,666	17,562	20,225	23,308	25,402

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,114	2,193	1,802	1,702	2,237	2,657
Depreciation	256	321	400	649	812	944
Tax paid	(243)	(636)	(568)	(469)	(670)	(784)
Chg in working capital	(362)	(620)	(1,118)	(4,309)	(837)	(1,075)
Other operating activities	(30)	(52)	(85)	159	(19)	(155)
Cash flow from operations (a)	708	1,205	431	(2,267)	1,523	1,586
Capital expenditure	(793)	(766)	(797)	(1,419)	(1,000)	(1,000)
Chg in investments	-	-	-	-	-	-
Other investing activities	847	(639)	314	1,167	337	395
Cash flow from investing (b)	54	(1,405)	(484)	(252)	(663)	(605)
Equity raised/(repaid)	-	-	-	-	2,440	-
Debt raised/(repaid)	61	187	453	3,101	(1,700)	(700)
Dividend (incl. tax)	-	(144)	(180)	(90)	(163)	(193)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(82)	(120)	(158)	(319)	(318)	(240)
Cash flow from financing (c)	(21)	(77)	115	2,692	259	(1,134)
Net chg in cash (a+b+c)	769	(277)	63	173	1,119	88

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	149	190	222	254	329	373
Adj EPS (Rs)	23.2	45.0	37.0	34.4	41.1	48.8
Adj EPS growth (%)	-35	94	-18	-7	19	19
EBITDA margin (%)	10.9	14.7	11.7	10.6	10.8	10.8
Pre-tax margin (%)	9.0	12.5	9.4	6.9	8.0	8.3
Net Debt/Equity (x)	-0.3	-0.1	-0.1	0.3	0.0	-0.1
ROCE (%)	19	32	21	17	15	15
ROE (%)	17	26	18	14	15	14

DuPont Analysis

Asset turnover (x)	1.3	1.5	1.3	1.3	1.3	1.3
Leverage factor (x)	2.0	1.8	2.0	2.2	2.0	1.7
Net margin (%)	6.7	9.3	6.9	5.0	5.8	6.0

Working Capital & Liquidity ratio

Inventory days	26	17	29	47	52	52
Receivable days	65	65	82	50	50	50
Payable days	85	63	79	69	69	69

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	31.3	16.2	19.7	21.1	17.7	14.9
Price/Book value (x)	4.9	3.8	3.3	2.9	2.2	1.9
EV/Net sales (x)	2.0	1.4	1.3	1.2	1.0	0.9
EV/EBITDA (x)	18.3	9.8	11.2	10.9	9.3	8.1
Dividend Yield (%)	0.6	0.7	0.3	0.6	0.6	0.7

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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