

PSP Projects

BUY

Mixed set of result

Summary

PSP Projects Q3FY24 PAT came lower than our estimate and due to lower EBITDA margin at ~10% vs 12% YoY and QoQ. Margin was lower from execution of order in UP, which PSP expects to get concluded in Q4FY24, as only Rs0.6bn is pending revenue booking. Order win has been consistent with the company and including L1 orders, it is close to achieving its FY24E inflow guidance of Rs30bn. 9MFY24 order book at Rs44bn, continue to provide revenue visibility at 1.7x FY24E revenue. Post the result we have lowered our margin expectation from 12.6% for FY25E to 11.5% and thus TP is revised lowered to Rs860 (earlier Rs907). We continue to value PSP at 12x PER and maintain BUY rating. After weak FY23, execution (revenue) has picked up and we expect revenue increase of 36%/18%/20% for FY24E/25E/26E.

Key Highlights and Investment Rationale

- **Q3FY24 snapshot:** PSP Revenue of Rs7bn is up +40%YoY backed by strong execution, EBITDA margins at 10.3% decreasing 214bps on YoY basis. PAT reported at Rs325mn -8% YoY, PAT growth impacted due to higher interest expenses & depreciation costs. Gross debt increased due to working capital requirement at Rs4.6bn vs Rs4bn as on 1HFY24.
- **Guidance maintained:** Order inflow till date stands at Rs19bn & PSP is L1 in orders worth Rs9.2bn, and thus it is close to its guidance of Rs30bn for FY24E, for FY25E PSP gives inflow guidance of Rs35bn. Revenue guidance for FY25E is at Rs30bn with EBITDA margins expected at 11-12%.
- **Equity raising plan:** PSP has accorded approval to raise growth equity of Rs3bn (could lead to dilution of ~10-11%) as there was working capital issue from delay in recovery from SDB since Mar-22.

TP	Rs860
CMP	Rs738
Potential upside/downside	17%
Previous Rating	BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	(0.7)	(5.2)	8.0
Rel to Sensex	(0.6)	(15.5)	(10.0)

V/s Consensus

EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	43	55	72
Consensus	48	58	71
% difference	(10.2)	(5.4)	1.7

Key Stock Data

Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	26,570
3-m daily avg Trd value (Rs mn)	6.7
52-week high / low	Rs846 / 652
Sensex / Nifty	71,595 / 21,783

Shareholding Pattern (%)

Promoters	66.2
FII	3.3
DII	2.0
Public	28.5

Financial snapshot

Year	FY22	FY23	FY24E	FY25E	FY26E
Revenue	17,488	19,266	26,169	30,826	36,947
Change (yoy, %)	41	10	36	18	20
EBITDA	2,565	2,250	2,966	3,536	4,321
Change (yoy, %)	90	(12)	32	19	22
EBITDA Margin(%)	14.7	11.7	11.3	11.5	11.7
Adj.PAT	1,620	1,330	1,563	1,991	2,580
EPS (Rs)	45	37	43	55	72
Change (yoy, %)	93.9	(17.9)	17	27	30
PE(x)	16	20	17	13	10
Dividend Yield (%)	0.7	0.5	1	1	1
EV/EBITDA (x)	10.0	11.4	9.5	7.8	6.1
RoE (%)	27	18	18	19	21
RoCE (%)	32	21	20	19	22

Source: IDBI Capital Research

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Conference call takeaways

- PSP has received order inflow Rs19bn till date in FY24 (incl Feb-24) and is L1 in orders of Rs9.2bn and thus its quiet close to its order inflow guidance of Rs30bn for FY24 and for FY25E inflow expected is Rs35bn.
- In the order book, the private projects comprises 49%, while government projects comprises of 51% and location wise, 87% of orders are in Gujarat and 13% in UP.
- Revenue guidance for FY24E is pegged at Rs25-26bn forFY24E and next year FY25E is expected at Rs30bn and EBITDA margin is expected at 11-12%
- Bid pipeline is Rs60bn : a) Residential building in Delhi Rs10bn, Commercial building in Delhi NCR is Rs10bn, There is one mall in Surat, of Rs2bn, GIFT City building Rs4bn, Airport at Varanasi Rs10bn, Industry project Rs3.5bn and commercial building at Rs1.5bn
- Surat Diamond Bourse (SDB) dues to be received are Rs 5.4 bn along with interest and this includes Rs1.4bn which is main contention between PSP and SDB. Matter is in the court now.
- In 9MFY24 PSP has incurred Capex of Rs1.4bn and this include capex of Rs0.7bn for precast and going ahead PSP plans to incur Capex at 3-4% of revenue
- Net Working capital days are 38 days with debtors at 63 days, creditor days 60, inventory days are 35.
- Total Bank limits available with PSP is Rs14.9bn and utilized is Rs10bn and Rs4.7bn is available for further utilization. Fund-based utilization is Rs2.4bn and nonfund-based utilization is Rs7.9bn and PSP has fixed deposit of Rs2.6bn and debt in books of Rs4.8bn
- Precast has 30 lakh square feet facility and its utilization is 40-50% currently
- PSP has accorded approval to raise growth equity of Rs3bn and there was working capital issue since Mar-22 . For order of Rs10bn, PSP require Bank Guarantee of 20-25% and margin requirement is 20% of Bank Guarantee at Rs500-600mn.

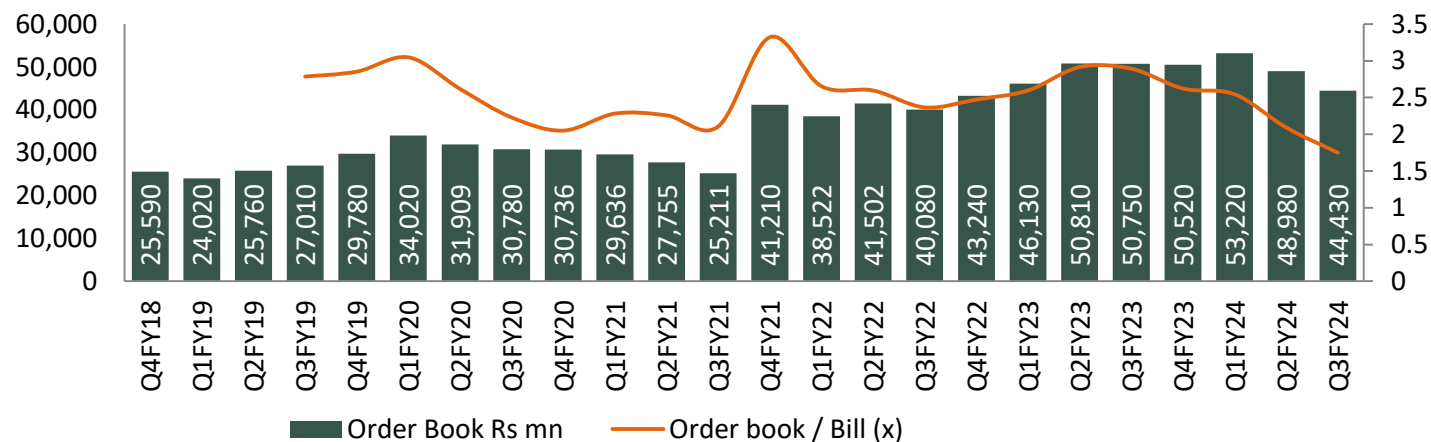
Exhibit 1: Financial snapshot

(Rs mn)

Particulars	Q3FY24	Q3FY23	YoY Chg (%)	Q2FY24	QoQ Chg (%)
Revenue	6,966	4,974	40	6,071	15
Cost of Sales ex Depreciation	6,252	4,357	43	5,334	17
EBITDA	714	616	16	737	-3
Margin %	10.3	12.4	-214bps	12.1	-189bps
Depreciation	187	98	90	144	30
Other Income	65	65	1	60	8
Interest Expensed	153	101	51	125	23
Pre-tax profit	440	482	-9	530	-17
Tax	115	129	-11	136	-15
Adjusted net profit	325	353	-8	394	-17

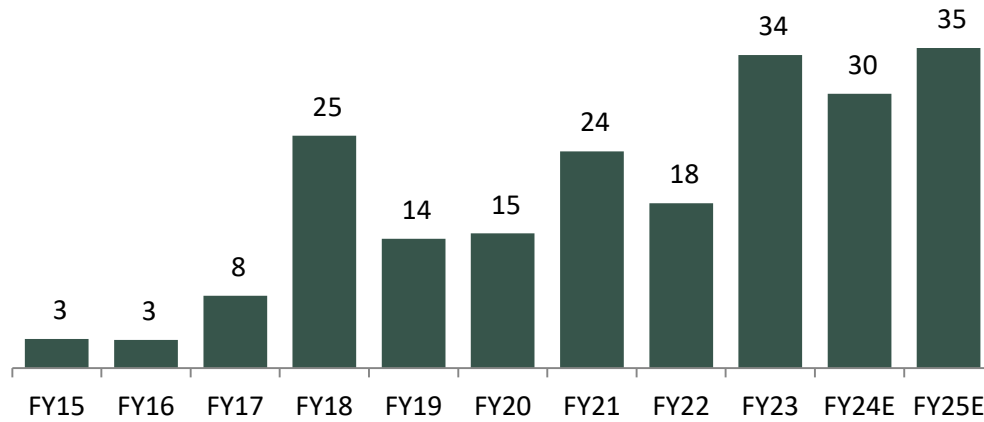
Source: Company

Exhibit 2: Order-book trajectory



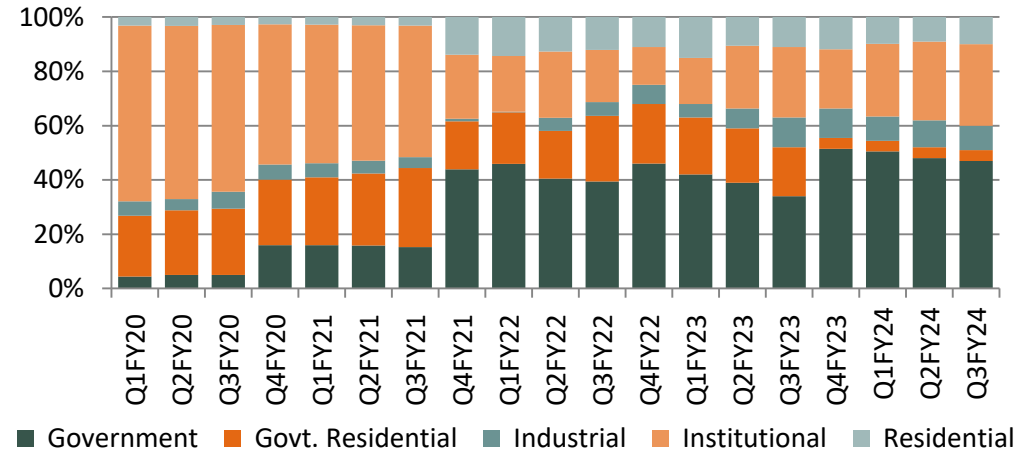
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Exhibit 3: Order inflow expected in FY24E at Rs30bn, FY25E at Rs35bn



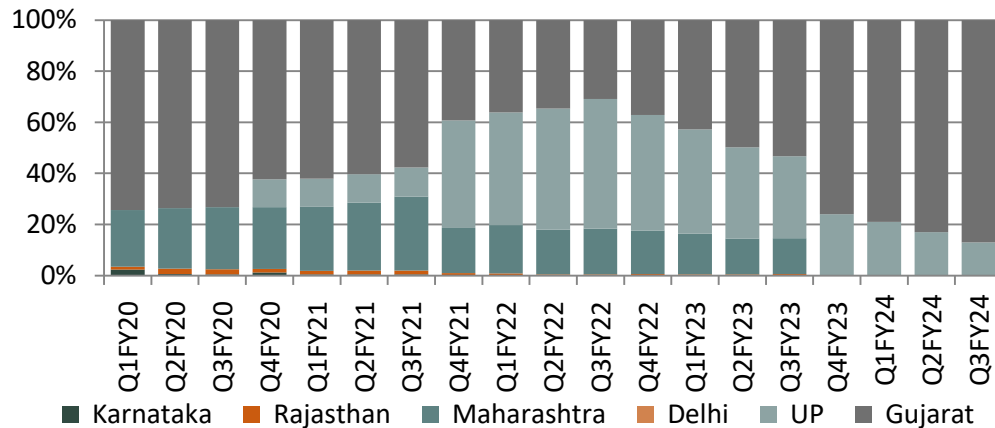
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Exhibit 4: Order book break up segment wise



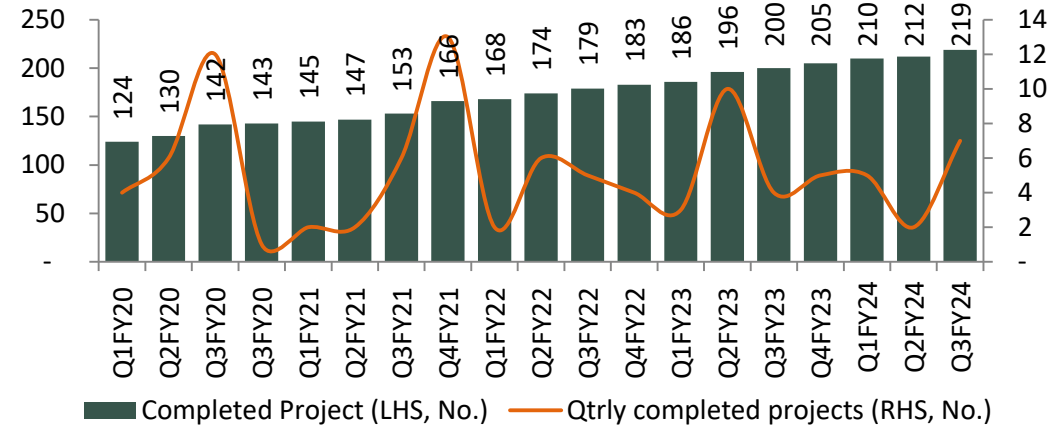
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Exhibit 5: State wise order book profile



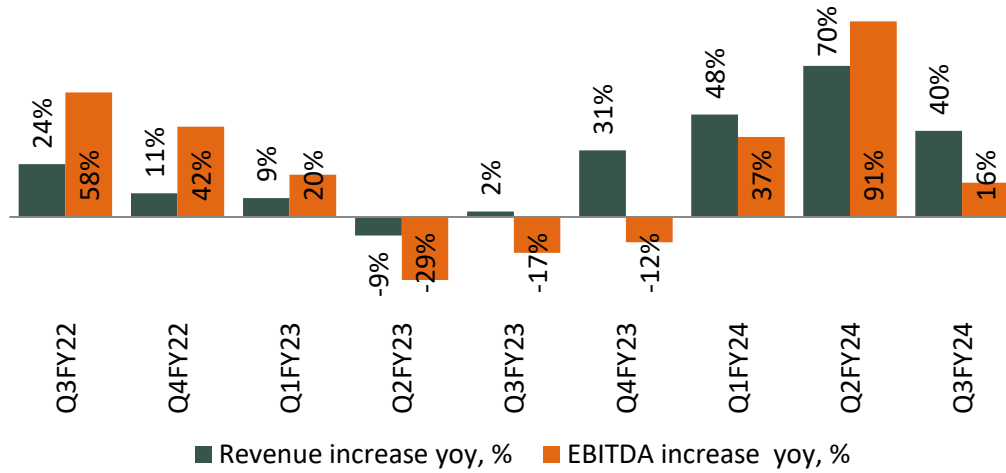
Source: Company

Exhibit 6: Execution trajectory in terms of projects



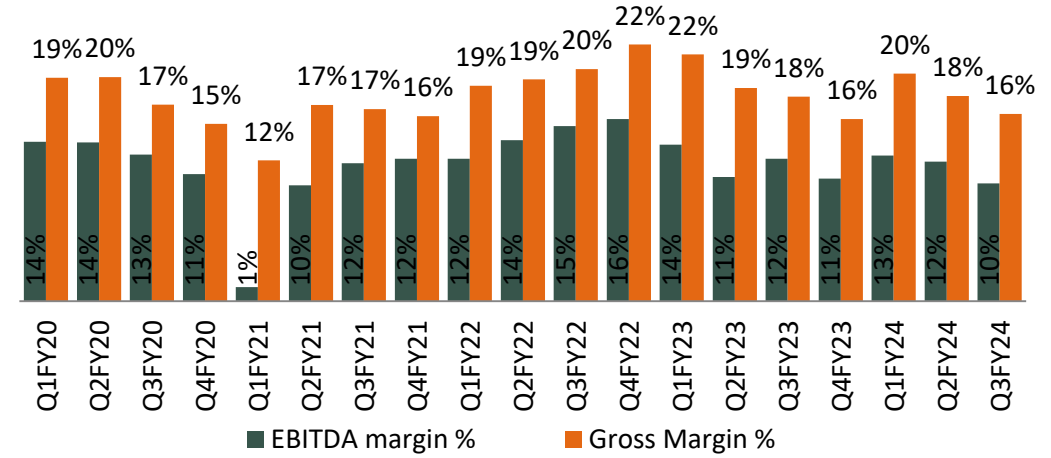
Source: Company

Exhibit 7: Execution in Q3FY24



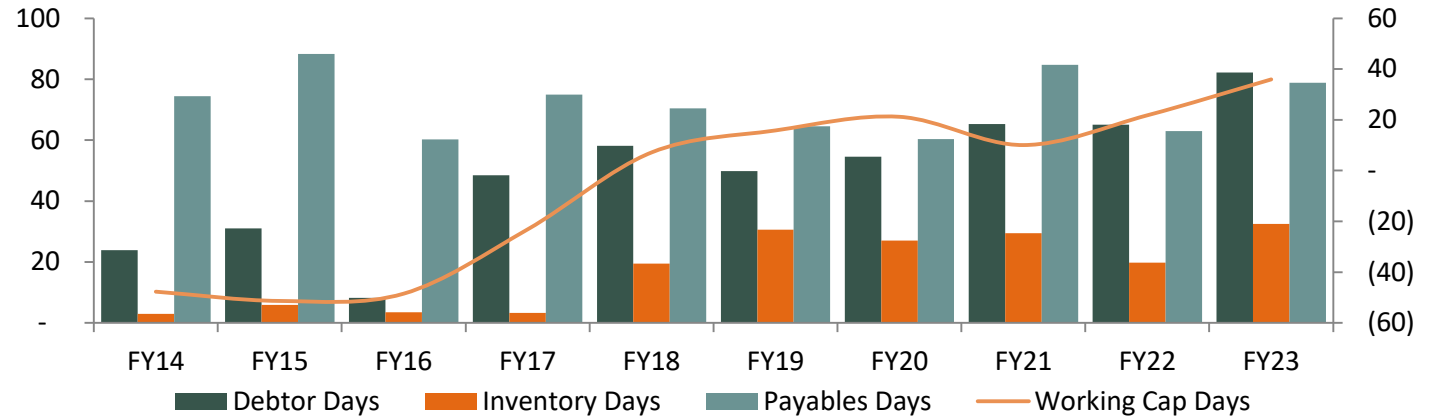
Source : Company

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	FY24E	FY25E	FY26E
Net sales	12,409	17,488	19,266	26,169	30,826	36,947
<i>Change (yoy, %)</i>	(17)	41	10	36	18	20
Operating expenses	(11,060)	(14,923)	(17,016)	(23,203)	(27,291)	(32,626)
EBITDA	1,348	2,565	2,250	2,966	3,536	4,321
<i>Change (yoy, %)</i>	(29)	90	(12)	32	19	22
<i>Margin (%)</i>	10.9	14.7	11.7	11.3	11.5	11.7
Depreciation	(256)	(321)	(400)	(591)	(741)	(861)
EBIT	1,092	2,245	1,850	2,375	2,795	3,460
Interest paid	(147)	(264)	(320)	(556)	(494)	(400)
Other income	169	212	271	265	354	380
Pre-tax profit	1,114	2,193	1,802	2,084	2,655	3,440
Tax	(279)	(573)	(471)	(521)	(664)	(860)
<i>Effective tax rate (%)</i>	25.0	26.1	26.2	25.0	25.0	25.0
Minority Interest	-	-	-	-	-	-
Net profit	835	1,620	1,330	1,563	1,991	2,580
Exceptional items	-	-	-	-	-	-
Adjusted net profit	835	1,620	1,330	1,563	1,991	2,580
<i>Change (yoy, %)</i>	(35)	94	(18)	17	27	30
EPS	23.2	45.0	37.0	43.4	55.3	71.7
<i>Dividend per sh</i>	4.0	5.0	4.0	4.0	4.0	4.0
<i>Dividend Payout %</i>	17.2	11.1	11	9	7	6

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	5,380	6,847	7,998	9,417	11,264	13,700
Share capital	360	360	360	360	360	360
Reserves & surplus	5,020	6,487	7,638	9,057	10,904	13,340
Total Debt	810	997	1,450	4,450	3,950	3,200
Other liabilities	8	15	21	21	21	21
Curr Liab & prov	3,706	4,807	8,093	8,484	9,976	11,924
Current liabilities	3,696	4,805	8,080	8,471	9,963	11,911
Provisions	10	2	13	13	13	13
Total liabilities	4,524	5,819	9,564	12,955	13,947	15,145
Total equity & liabilities	9,904	12,666	17,562	22,372	25,211	28,845
Net fixed assets	1,578	2,074	2,573	3,482	3,741	3,880
Investments	8	7	7	7	7	7
Other non-curr assets	1,406	2,391	2,245	2,060	2,397	2,834
Current assets	6,911	8,194	12,737	16,823	19,066	22,124
Inventories	892	806	1,516	2,332	2,747	3,292
Sundry Debtors	2,220	3,118	4,342	4,972	5,857	7,020
Cash and Bank	2,288	1,952	2,421	2,877	3,017	3,318
Loans and advances	1,511	2,318	4,458	6,641	7,445	8,494
Total assets	9,904	12,666	17,562	22,372	25,211	28,845

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	1,114	2,193	1,802	2,084	2,655	3,440
Depreciation	256	321	400	591	741	861
Tax paid	(243)	(636)	(568)	(531)	(674)	(870)
Chg in working capital	(362)	(620)	(1,118)	(3,043)	(938)	(1,236)
Other operating activities	(30)	(52)	(85)	291	140	20
Cash flow from operations (a)	708	1,205	431	(608)	1,924	2,215
Capital expenditure	(793)	(766)	(797)	(1,500)	(1,000)	(1,000)
Chg in investments	-	-	-	-	-	-
Other investing activities	847	(639)	314	265	354	380
Cash flow from investing (b)	54	(1,405)	(484)	(1,235)	(646)	(620)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	61	187	453	3,000	(500)	(750)
Dividend (incl. tax)	-	(144)	(180)	(144)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(82)	(120)	(158)	(556)	(494)	(400)
Cash flow from financing (c)	(21)	(77)	115	2,300	(1,138)	(1,294)
Net chg in cash (a+b+c)	769	(277)	63	457	140	701

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	149	190	222	262	313	381
Adj EPS (Rs)	23.2	45.0	37.0	43.4	55.3	71.7
Adj EPS growth (%)	-35	94	-18	17	27	30
EBITDA margin (%)	10.9	14.7	11.7	11.3	11.5	11.7
Pre-tax margin (%)	9.0	12.5	9.4	8.0	8.6	9.3
Net Debt/Equity (x)	-0.3	-0.1	-0.1	0.2	0.1	0.0
ROCE (%)	19	32	21	20	19	22
ROE (%)	17	26	18	18	19	21

DuPont Analysis

Asset turnover (x)	1.3	1.5	1.3	1.3	1.3	1.4
Leverage factor (x)	2.0	1.8	2.0	2.3	2.3	2.2
Net margin (%)	6.7	9.3	6.9	6.0	6.5	7.0

Working Capital & Liquidity ratio

Inventory days	26	17	29	33	33	33
Receivable days	65	65	82	69	69	69
Payable days	85	63	79	69	69	69

Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	31.8	16.4	20.0	17.0	13.3	10.3
Price/Book value (x)	4.9	3.9	3.3	2.8	2.4	1.9
EV/Net sales (x)	2.0	1.5	1.3	1.1	0.9	0.7
EV/EBITDA (x)	18.6	10.0	11.4	9.5	7.8	6.1
Dividend Yield (%)	0.5	0.7	0.5	0.5	0.5	0.5

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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