

PSP Projects

BUY

Order Inflow is the key

Summary

PSP Projects Ltd (PSP) Q3FY22 EBITDA was in-line with our and consensus estimate. Though revenue was lower than our estimate but EBITDA margin was one the highest at 15.3%. EBITDA margin was supported by associated revenue from the completion of project. For FY22/23E company has maintained margin guidance at 12-13%. And expect revenue of Rs16-17bn for FY22E and post that it to increase by 20-25% YoY. PSP currently trades at its historical avg. valuation. We have revised TP to Rs715 (earlier Rs596, at 10x FY24E EPS) valuing the company at 12x FY24E EPS (which is 20% premium to its averages). Key positives in PSP is its execution ability with stable cash flow, lean balance sheet for growth and high double digit ROE at 20%+. Catalyst for stock is order win, as company has bid for projects of Rs35bn and PSP expect inflow of Rs6-7bn in Q4FY22.

Key Highlights and Investment Rationale

- **Q3FY22 snapshot:** PSP's revenue increased by 24% YoY at Rs4.9bn with EBITDA margin improved to 15.3% (up 330bps YoY). PAT increased by 68% YoY to Rs469mn and 9MFY22 PAT / EBITDA forms 78% to our FY22E estimate.
- **Order book at ~2x FY22E Revenue:** Order inflow in 9MFY22 is at Rs9.7bn and PSP has order inflow guidance in FY22E at Rs16-17bn. This implies Q4 inflow at Rs6-7bn. As on 3QFY22, order book at Rs33bn (excl slow moving order) provides revenue visibility. With major order of UP medical college (which contributes 45% to OB) has commenced execution.
- **Balance Sheet lean:** PSP Balance Sheet has net cash of Rs0.2bn and ~50% of bank limit is utilized. Working capital has increased to 42 days as on 9MFY22 but PSP sees this to tread lower as it debtors to reduce by FY22.

TP	Rs715
CMP	Rs578
Potential upside/downside	+24%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	25.7	9.5	38.8
Rel to Sensex	26.0	15.8	18.0

V/s Consensus			
EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	39	48	60
Consensus	42.0	49.1	57.2
% difference	(6)	(3)	7

Key Stock Data	
Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	20,806
3-m daily avg Trd value (Rs mn)	15.3
52-week high / low	Rs587 / 394
Sensex / Nifty	57,277 / 17,110

Shareholding Pattern (%)	
Promoters	70.2
FII	1.7
DII	3.9
Public	24.2

Financial snapshot

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	14,993	12,409	16,443	19,884	23,965
Change (yoy, %)	44	(17)	33	21	21
EBITDA	1,910	1,348	2,133	2,608	3,178
Change (yoy, %)	28	-29	58	22	22
EBITDA Margin(%)	12.7	10.9	13.0	13.1	13.3
Adj.PAT	1,292	835	1,390	1,712	2,144
EPS (Rs)	35.9	23.2	38.6	47.5	59.6
Change (yoy, %)	43	(35)	66	23	25
PE(x)	16	25	15	12	10
Dividend Yield (%)	2	-	1	1	1
EV/EBITDA (x)	4.5	3.8	3.1	2.5	2.0
RoE (%)	31	17	23	23	23
RoCE (%)	39	22	30	29	29

Source: IDBI Capital Research

Conference call takeaways:

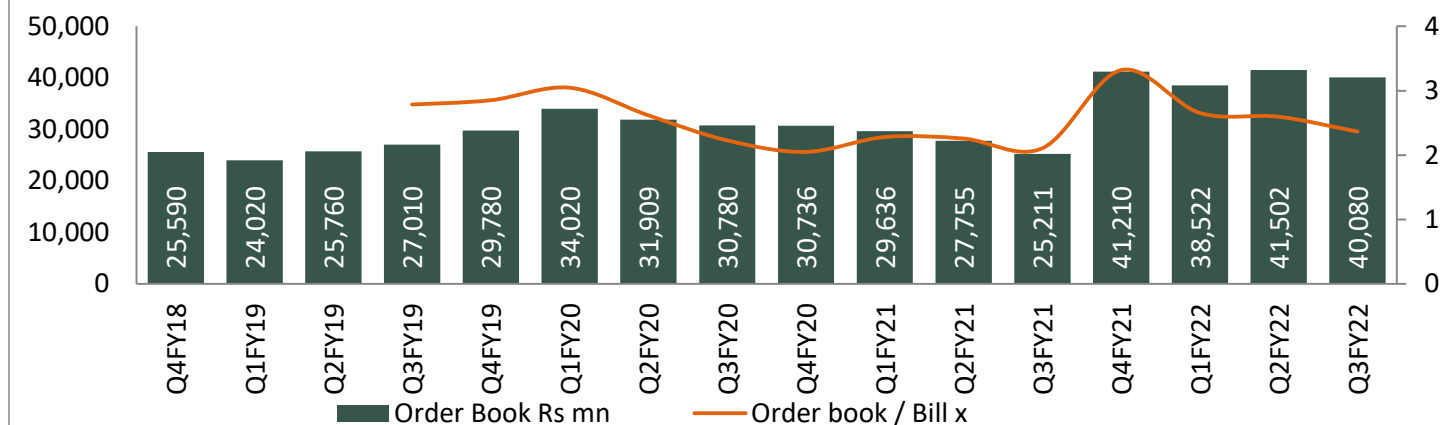
- EBITDA margin in Q3FY22 increased to 15% due to booking of revenue related to project completion. Completed 5 projects in 3QFY22. But guidance maintained on EBITDA margin at 12-13% for FY22-23E.
- Revenue guidance for FY22 at Rs16-17bn. For FY23E and beyond, expect revenue to increase by 20-25% pa.
- Order inflow guidance in FY22e at Rs16-17bn and 9MFY22 has received Rs9.7bn implying Q4 inflow expected at Rs6-7bn
- Out of total bank limit of Rs11.5bn, utilized Rs.5.5bn of which Rs0.8bn is fund base utilization and remaining is as non-fund base utilization. Gross debt is at Rs1.9bn with cash bank balance Rs2.1bn
- Out of Rs40bn order book, 18% is slow moving order. Pandarpur order is Rs1.5bn and PSP has completed Rs0.35bn worth of project. PSP stopped the work due to financial constraint with the client. Bhiwandi order of Rs6bn and not much is initiated in this project
- SDB order is expected to get over in Feb-22. This will enable PSP to qualify to bid for project of Rs20bn.
- PSP has bided for project of Rs35bn: Central Vista Rs12bn, Sports complex in Ahmedabad Rs6bn, Residential project in Mumbai Rs3bn, Corporate head office in Ahmedabad Rs2bn, Pharma company project of Rs2bn, Factory project in Surat Rs1.5bn, Steel plant expansion of Rs1.5bn, Phase 2 project of existing client of Rs1bn, Gujarat project of Rs1bn, Temple project of Rs0.8bn.
- For future opportunity, Government has plan to build Vishwanath Project across India which will provide future bid pipeline to PSP. In Central Vista complex, Rs150bn worth of orders is yet to be bided, till date Rs50bn worth of project awarded.
- Complete Precast facility is capitalized with gross block of Rs1.09bn incl land of Rs0.9bn. Peak revenue expected at Rs3bn with 1mn sq feet production. Precast is new tech and will benefit the sector as labor availability is going down in the sector.
- In Dec 2021, the company successfully exited investments in US Subsidiary by selling the stake for a consideration of USD 10,000. Divested 100% stake 10,000 shares in US subsidiary.

Exhibit 1: Financial snapshot

(Rs mn)

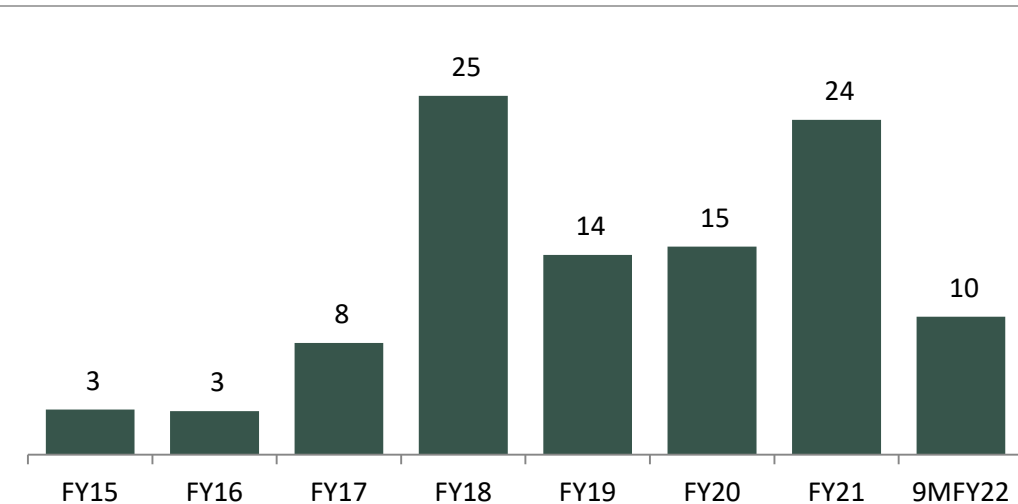
Particulars	Q3FY22	Q3FY21	YoY Chg (%)	Q2FY22	QoQ Chg (%)
Revenue	4,856	3,902	24	3,904	24
Cost of Sales ex Depreciation	4,116	3,432	20	3,357	23
EBITDA	741	469	58	547	35
<i>Margin %</i>	15.3	12.0		14.0	
Depreciation	94	64	46	70	33
Other Income	76	38	100	46	65
Interest Expensed	98	30	224	38	159
Pre-tax profit	625	385	62	485	29
Tax	156	106	47	120	31
Adjusted net profit	469	279	68	366	28

Source: Company

Exhibit 2: Order-book trajectory

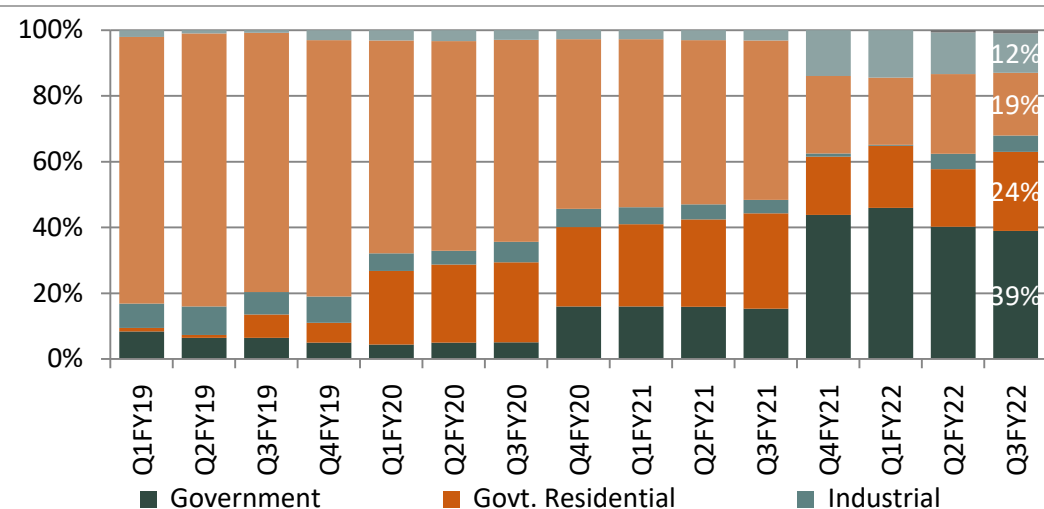
Source: Company

Exhibit 3: Order inflow in 9MFY22 at Rs10bn



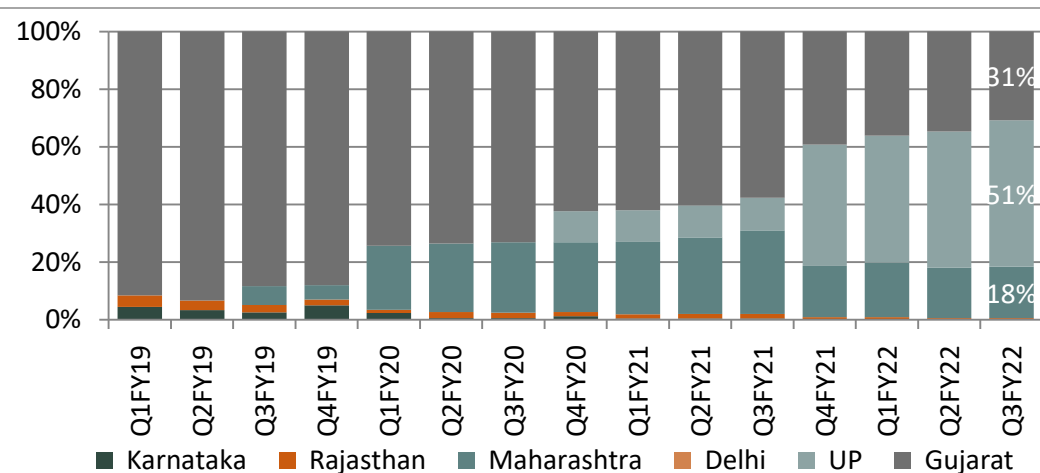
Source : Company

Exhibit 4: Order book break up segment wise



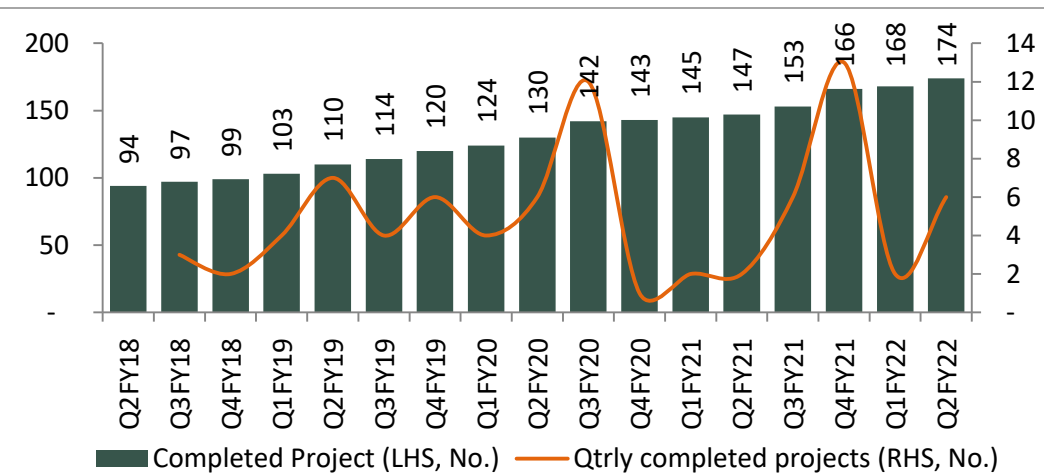
Source : Company

Exhibit 5: State wise order book profile



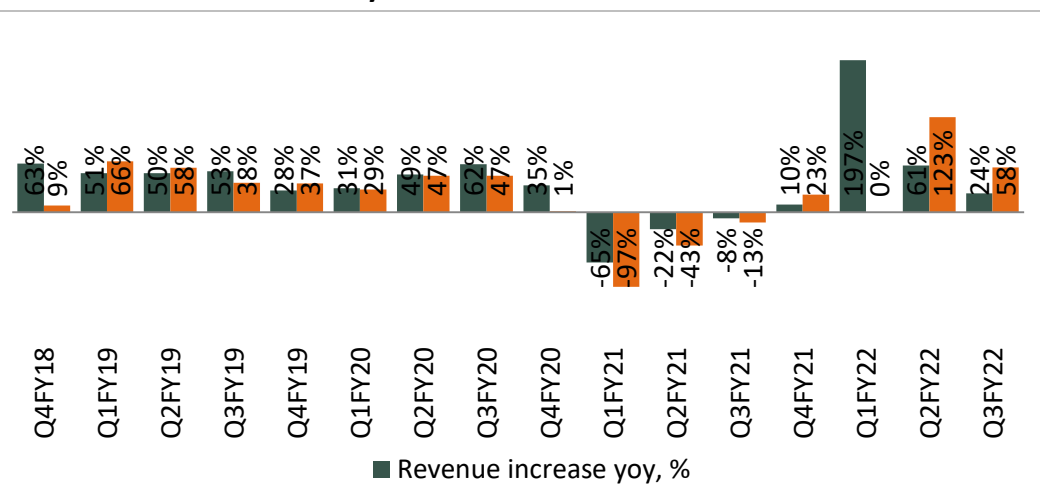
Source : Company

Exhibit 6: Execution trajectory in terms of projects



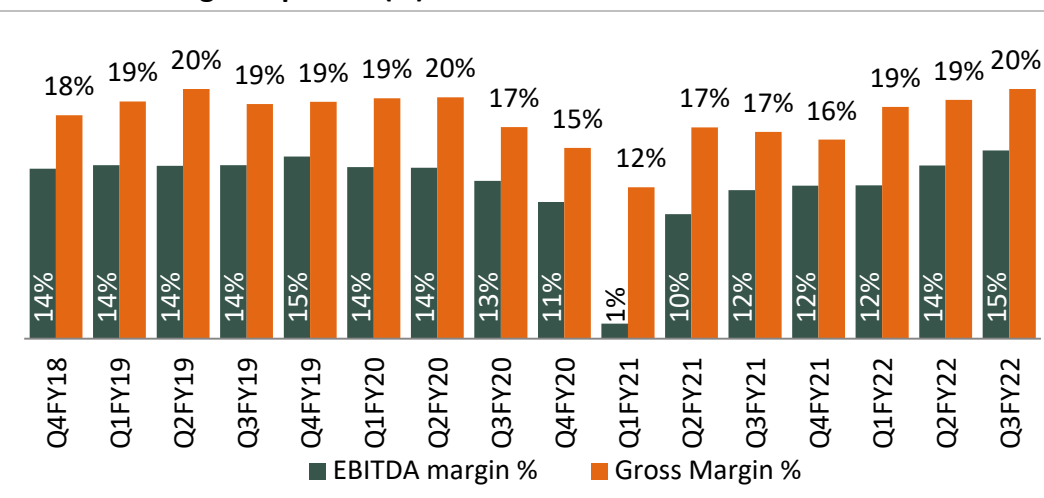
Source Company

Exhibit 7: Execution healthy



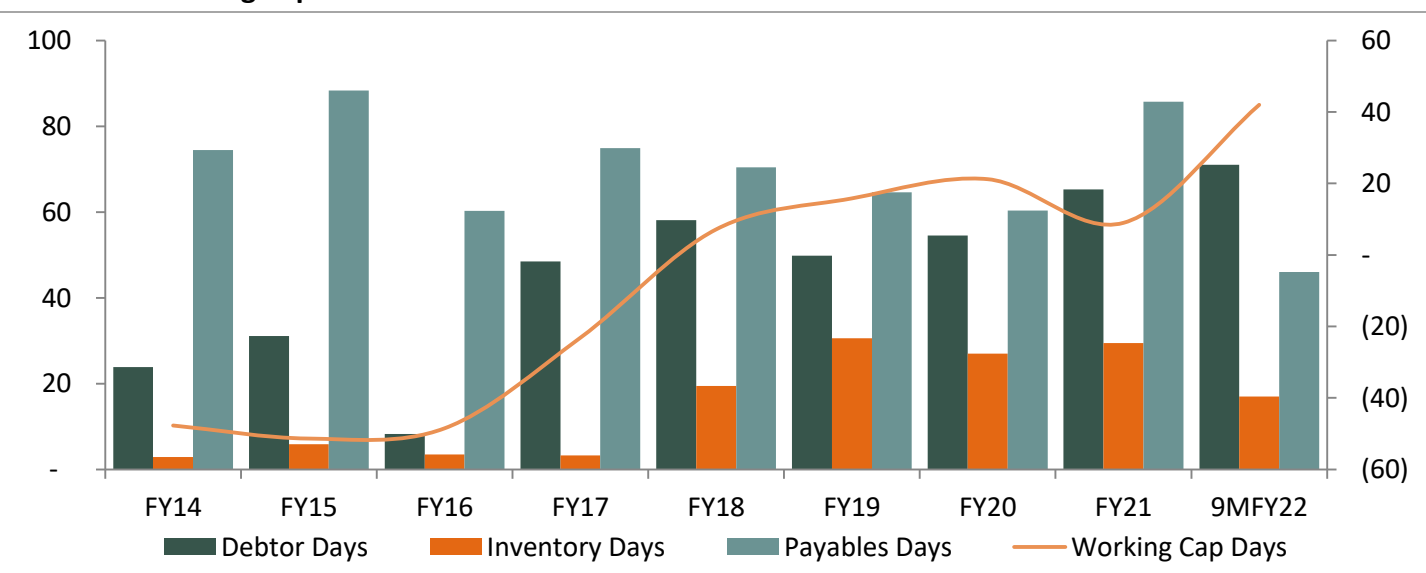
Source : Company

Exhibit 8: Margin improved (%)



Source Company

Exhibit 9: Working Capital trend



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net sales	10,440	14,993	12,409	16,443	19,884	23,965
<i>Change (yoy, %)</i>	43	44	(17)	33	21	21
Operating expenses	(8,951)	(13,083)	(11,060)	(14,310)	(17,275)	(20,787)
EBITDA	1,489	1,910	1,348	2,133	2,608	3,178
<i>Change (yoy, %)</i>	47	28	-29	58	22	22
<i>Margin (%)</i>	14.3	12.7	10.9	13.0	13.1	13.3
Depreciation	(242)	(267)	(256)	(334)	(435)	(519)
EBIT	1,247	1,643	1,092	1,799	2,173	2,659
Interest paid	(92)	(146)	(147)	(116)	(85)	(54)
Other income	229	247	169	186	214	278
Pre-tax profit	1,385	1,744	1,087	1,870	2,302	2,884
Tax	(483)	(452)	(279)	(480)	(591)	(740)
<i>Effective tax rate (%)</i>	34.9	25.9	25.7	25.7	25.7	25.7
Minority Interest	-	-	-	-	-	-
Net profit	902	1,292	808	1,390	1,712	2,144
Exceptional items	-	-	(27)	-	-	-
Adjusted net profit	902	1,292	835	1,390	1,712	2,144
<i>Change (yoy, %)</i>	40	43	(35)	66	23	25
EPS	25	36	23	39	48	60
Dividend per sh	5	10	-	4	4	4
<i>Dividend Payout %</i>	20	28	-	10	8	7

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Shareholders' funds	3,714	4,571	5,380	6,626	8,194	10,194
Share capital	360	360	360	360	360	360
Reserves & surplus	3,354	4,211	5,020	6,266	7,834	9,834
Total Debt	4	40	28	28	28	28
Other liabilities	-	4	8	8	8	8
Curr Liab & prov	3,587	4,977	4,488	5,484	6,344	7,390
Current liabilities	3,584	4,970	4,478	5,474	6,334	7,380
Provisions	3	7	10	10	10	10
Total liabilities	3,591	5,022	4,524	5,520	6,380	7,426
Total equity & liabilities	7,305	9,593	9,904	12,146	14,574	17,620
Net fixed assets	1,032	1,079	1,578	1,828	2,093	2,274
Investments	-	-	-	-	-	-
Other non-curr assets	942	1,594	1,414	1,806	2,166	2,587
Current assets	5,332	6,920	6,911	8,512	10,315	12,759
Inventories	750	968	892	1,326	1,604	1,933
Sundry Debtors	1,426	2,240	2,220	2,942	3,558	4,288
Cash and Bank	2,217	1,967	2,288	2,392	2,992	4,009
Loans and advances	158	119	85	111	133	161
Total assets	7,305	9,593	9,904	12,146	14,574	17,620

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,385	1,744	1,087	1,870	2,302	2,884
Depreciation	242	267	256	334	435	519
Tax paid	(477)	(556)	(243)	(504)	(615)	(765)
Chg in working capital	(720)	(1,116)	(362)	(717)	(528)	(628)
Other operating activities	(153)	(149)	(30)	(70)	(129)	(225)
Cash flow from operations (a)	277	190	708	912	1,464	1,786
Capital expenditure	(394)	(331)	(792)	(584)	(700)	(700)
Chg in investments	(160)	(2)	678	-	-	-
Other investing activities	215	220	168	186	214	278
Cash flow from investing (b)	(339)	(112)	54	(397)	(486)	(422)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	2	418	(21)	(266)	(235)	(204)
Dividend (incl. tax)	(217)	(434)	-	(144)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(215)	(16)	(21)	(410)	(379)	(348)
Net chg in cash (a+b+c)	(277)	61	741	104	600	1,017

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	103	127	149	184	228	283
Adj EPS (Rs)	25.1	35.9	23.2	38.6	47.5	59.6
Adj EPS growth (%)	40	43	-35	66	23	25
EBITDA margin (%)	14.3	12.7	10.9	13.0	13.1	13.3
Pre-tax margin (%)	13	12	9	11	12	12
Net Debt/Equity (x)	-0.6	-0.4	-0.4	-0.4	-0.4	-0.4
ROCE (%)	37	39	22	30	29	29
ROE (%)	27	31	17	23	23	23

DuPont Analysis

Asset turnover (x)	1.6	1.8	1.3	1.5	1.5	1.5
Leverage factor (x)	1.9	2.0	2.0	1.8	1.8	1.8
Net margin (%)	8.6	8.6	6.7	8.5	8.6	8.9

Working Capital & Liquidity ratio

Inventory days	26	24	26	29	29	29
Receivable days	50	55	65	65	65	65
Payable days	65	60	86	86	86	86

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	23	16	25	15	12	10
Price/Book value (x)	5.6	4.5	3.8	3.1	2.5	2.0
EV/Net sales (x)	2	1	1	1	1	1
EV/EBITDA (x)	12	10	14	9	7	5
Dividend Yield (%)	1	2	0	1	1	1

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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