

Buy

Annual Report 2021: Challenging The Now, Embracing The New

The annual report theme highlights how to challenge the current situations like the pandemic and how one should embrace the new changes. Despite the challenging circumstances of the year due to the outbreak of COVID-19 and the resultant lockdowns, PSP focused on working smarter. In a year of survival, they not only expanded the business and geographical presence, but also worked relentlessly to leverage the innovative capabilities and move ahead to implement futuristic pre-cast technologies in project execution.

MDA Overview

The construction sector is expected to be on a strong growth route in FY22 due to large pipeline of projects across manufacturing, infrastructure and housing and various government measures aiding growth. The new order inflows are expected to be strong driven by a huge pipeline of projects to be awarded in the infrastructure sector through National Infrastructure Pipeline (NIP). A major part of the NIP is towards transportation (roads, railway, etc.), energy/ power and urban infrastructure. Growth will also be driven by the newly-announced Affordable Rental Housing Complex (ARHC) scheme and investments in the industrial segment due to Indian government's push towards 'Atmanirbhar Bharat'.

Opportunities

Firstly, the government is developing various Industrial Corridor Projects as part of National Industrial Corridor Programme which is aimed at development of greenfield industrial cities in India. Secondly, the government has taken various initiatives to drive growth for infrastructure and real estate sectors. The production linked incentive scheme in 2020 to boost domestic manufacturing, allocation of sizable funding for housing in Union Budget 2021- 22, Pradhan Mantri Awas Yojana (PMAY) program for affordable housing to all urban poor by 2022 through initiatives like financial support, and the extension of tax holiday up to March 2022 to increase the supply of affordable housing units are expected to benefit the construction sector. Lastly, the urban infrastructure in India is not properly developed to meet the demands of the existing and increasing urban population and migration from rural to urban areas thus the construction industry will grow due to growth in real estate and infrastructure.

Setting up a Precast Concrete Plant

PSP is setting up a 3mn sq. ft precast concrete plant near Sanand, Gujarat for Rs950 mn (Rs850 mn already spent) to be operational by Q2FY22 for Phase-I of 1mn sq.ft. It will be financed through internal accruals. This plant will improve quality, reduce time and labour requirement, however will not improve margin. Hence, difficult to see near-term benefit to company.

Financial Snapshot

Revenue decreased by 17.2% YoY in FY21 to Rs12.4 bn vs. Rs15.0 bn in FY20. SDB's revenue too decreased by 19.5% YoY in FY21 to Rs4.4 bn (35.2% of revenue) vs. Rs5.4 bn (36.2% of revenue) in FY20. EBITDA margins down 187 bps YoY to 10.9% in FY21 vs. 12.7% in FY20. APAT decreased by 35.4% YoY in FY21 to Rs0.8 bn vs. Rs1.3 bn in FY20. PSP received order inflow of Rs23.7 bn in FY21 vs. Rs14.7 bn in FY20, a growth of 60.9% YoY. PSP has received order inflow of Rs828 mn in YTD FY22. PSP's orderbook as on Jun'21 stands at Rs38.5 bn providing revenue visibility of 2.7x TTM revenue.

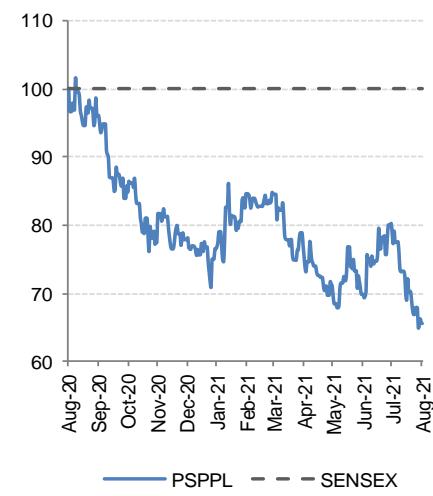
CMP	Rs 417
Target / Upside	Rs 568 / 36%
BSE Sensex	56,086
NSE Nifty	16,705

Scrip Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 15bn
	US\$ 204.0mn
52-week High/Low	Rs 531/Rs 378
Avg. Volume (no)	1,78,359
NSE Symbol	PSPPROJECT
Bloomberg Code	PSPPL IN

Shareholding Pattern Jun'21(%)

Promoters	74.2
MF/Banks/FIs	3.0
IIs	1.3
Public / Others	21.6

Company Relative to Sensex
VP Research: Shravan Shah

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DOLAT CAPITAL

Annual Report Macro View

Key Management	Mrs. Shilpaben P. Patel (DIN: 02261534), Whole Time Director of the company has resigned from the directorship of the company w.e.f. 5 Aug'20 due to personal reasons.																																																														
Board of Directors	No Changes																																																														
Credit Rating		FY2020	FY2021																																																												
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Auditors	No changes M/s. Kantilal Patel & Co. and M/s. Riddhi P. Sheth & Co. continue to remain Joint Statutory Auditors of the company. Rohit Shantilal Dudhela is the Secretarial auditor. Manubhai & Shah LLP is the Internal Auditor and M/s. K.V. Melwani & Associates is the Cost Auditor.																																																														
Pledged Shares	% of shares pledged:	FY2020	FY2021																																																												
	-	-	-																																																												
Macro-economic Factors	Indian economy was in severe slowdown especially in the mid-2020 due to the COVID-19 and lockdown. Indian economy contracted by 22.4% in Q1 2020 and 7.3% in Q2 2020 as social distancing and lockdown impacted the manufacturing, consumer sentiment and the supply chain. Indian economy is estimated to contract by 7.3% in FY21 as per the provisional estimates of National Statistical Office (NSO). Construction is estimated to contract 8.6% in FY21 compared to 1.0% growth in FY20. The RBI estimated the Indian economy to grow 9.5% in FY22 on the basis that the impact of second wave of COVID-19 will be transient. However, the second wave of pandemic could impact the economic activity lowering the growth projection.																																																														
Key Holders	<table border="1"> <thead> <tr> <th>Shareholding Pattern</th> <th>Jun'20</th> <th>Jun'21</th> </tr> </thead> <tbody> <tr> <td>A. Promoters</td> <td>73.96</td> <td>74.19</td> </tr> <tr> <td>B. Public Shareholding</td> <td></td> <td></td> </tr> <tr> <td>1. Institutions:</td> <td></td> <td></td> </tr> <tr> <td>a. Mutual Funds</td> <td>5.23</td> <td>2.17</td> </tr> <tr> <td>b. Banks/FI</td> <td>0.02</td> <td>-</td> </tr> <tr> <td>c. Central Govt.</td> <td>-</td> <td>-</td> </tr> <tr> <td>d. State Govt.(s)</td> <td>-</td> <td>-</td> </tr> <tr> <td>e. Venture Capital Funds</td> <td>-</td> <td>-</td> </tr> <tr> <td>f. Insurance Companies</td> <td>-</td> <td>1.03</td> </tr> <tr> <td>g. FII(s) / FPI(s)</td> <td>1.27</td> <td>1.29</td> </tr> <tr> <td>h. Foreign Venture Capital Funds</td> <td>-</td> <td>-</td> </tr> <tr> <td>i. Others (Alternate Investment Funds)</td> <td>0.57</td> <td>0.77</td> </tr> <tr> <td>j. Qualified Institutional Buyer</td> <td>-</td> <td>-</td> </tr> <tr> <td>2. Non-Institutions:</td> <td></td> <td></td> </tr> <tr> <td>a. Bodies Corp.</td> <td>6.56</td> <td>6.54</td> </tr> <tr> <td>b. Individuals</td> <td>10.94</td> <td>11.98</td> </tr> <tr> <td>c. Others</td> <td>1.45</td> <td>2.03</td> </tr> <tr> <td>C. Shares held by Custodian for GDRs & ADRs</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> </tr> </tbody> </table>	Shareholding Pattern	Jun'20	Jun'21	A. Promoters	73.96	74.19	B. Public Shareholding			1. Institutions:			a. Mutual Funds	5.23	2.17	b. Banks/FI	0.02	-	c. Central Govt.	-	-	d. State Govt.(s)	-	-	e. Venture Capital Funds	-	-	f. Insurance Companies	-	1.03	g. FII(s) / FPI(s)	1.27	1.29	h. Foreign Venture Capital Funds	-	-	i. Others (Alternate Investment Funds)	0.57	0.77	j. Qualified Institutional Buyer	-	-	2. Non-Institutions:			a. Bodies Corp.	6.56	6.54	b. Individuals	10.94	11.98	c. Others	1.45	2.03	C. Shares held by Custodian for GDRs & ADRs	-	-	Total	100.00	100.00		
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Source: Company, DART

Management Discussion & Analysis

The nationwide lockdown restrictions imposed in late March 2020 have heavily weighed on the construction industry, as activities came to a standstill during most of April and May 2020. The Centre announced a slew of relief measures to support players, including relaxation on EMD (earnest money deposit) and performance security, relaxation of bidding eligibility criterion and increased frequency of payments for government tenders.

The construction sector is expected to be on a strong growth route in FY22 due to large pipeline of projects across manufacturing, infrastructure and housing and various government measures aiding growth. The new order inflows are expected to be strong driven by a huge pipeline of projects to be awarded in the infrastructure sector through National Infrastructure Pipeline (NIP). A major part of the NIP is towards transportation (roads, railway, etc.), energy/ power and urban infrastructure. Growth will also be driven by the newly-announced Affordable Rental Housing Complex (ARHC) scheme and investments in the industrial segment due to Indian government's push towards 'Atmanirbhar Bharat'.

Industry Structure and Developments

Industrial construction segment overview

The Union Budget 2021-22 has provided large allocation for infrastructure sector including Rs1.18 lakh crore for Ministry of Road Transport and Highways and Rs1.1 lakh crore for railways. Addressing the need of external funding in infrastructure sector, the government also announced to set up a Development Finance Institution (DFI) for the long-term financing of its ambitious Rs111 lakh crore National Infrastructure Pipeline (NIP). The DFI will have a lending portfolio of at least Rs5 lakh crore in three years' time with government allocated a sum of Rs20,000 crores to capitalize this institution. The government support for the manufacturing and infrastructure sector will drive the growth for this sectors benefiting the industrial construction market.

Residential construction segment overview

The realty sector has been witnessing steady recovery in its residential demand across categories – affordable housing, mid income and premium housing – since June 2020. The growth was primarily driven by a gradual unlocking of the economy, improved affordability on the back of reduced home loan rates and attractive payment schemes/discounts. The various initiatives taken by the government will drive the growth for the housing sector. The allocation of sizable funding for housing in Union Budget 2021-22 reflected the strong government support at the national level for housing sector. The budget allocated Rs54,581 crores to the Ministry of Housing and Urban Development (MoHUA). Pradhan Mantri Awas Yojana (PMAY) program, which aims to provide affordable housing to all urban poor by 2022 through initiatives like financial support, is expected to be a driver of growth. The extension of tax holiday up to March 2022 announced by the Finance Minister to increase the supply of affordable housing units will encourage developers to launch new projects under this category.

Commercial construction segment overview

The commercial real estate market was severely impacted due to the closure of offices during the lockdown. As per the Colliers report, the commercial office gross absorption was about 34 million square feet across the top six cities in India in CY2020, a decline of about 41% from 2019. Demand picked up in H2 2020 with gross absorption rising 25% over H1 2020. However, the increase in gross absorption was driven by pre-commitments in new completions during H2 2020. The work from home trend is expected to impact the office market in the medium to long term. This dip will be counter-balanced by increasing demand for office spaces from emerging sectors like healthcare, e-commerce and data centres. In the near term, with rising cases and the anticipation of another lockdown in some of the top cities, commercial leasing activity is expected to remain weak.

Outlook

The range of reforms taken by the government including production linked incentive scheme, large budget allocation for manufacturing, infrastructure and housing are expected to drive the construction market growth in FY22. While the vaccination drive across countries and in India is gathering pace, the current second wave and the possibility of a third wave in different countries are a cause of concern.

Opportunities in Gujarat

The Gross State Domestic Product (GSDP) of Gujarat for FY21 contracted 0.7% to Rs16.6 trillion from Rs16.7 trillion in FY20. In August 2020, the State Government of Gujarat announced the New Gujarat Industrial Policy (GIP) 2020. The policy is designed to strengthen Gujarat's manufacturing ecosystem as well as provide a thrust to the 'up and coming' sectors of India's dynamic business ecosystem. Some of the key reforms announced are special incentives to businesses, investing in less developed industrial areas, incremental incentives to key sectors, providing capital and interest subsidies to Micro, Small and Medium Enterprises (MSME) based on the taluka in which the MSME unit is located, offering financial support to set up industrial infrastructures, such as construction and upgradation of roads, warehousing facilities, underground utilities, etc., at 80% of the project cost up to Rs250 mn. The policy also aims at providing various fiscal incentives for ensuring greater compliance with environmental standards and developing sustainable manufacturing and industrial infrastructure.

Gujarat received FDI of \$21.2 bn between April 2020 and December 2020, highest ever in a year, despite subdued global economic and investment environment, which was hampered on account of COVID-19 pandemic.

Some of the key upcoming mega projects planned by GIDB are Dholera SIR & Dholera Airport, Mandal-Becharaji Special Investment Region (MBSIR), Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR), Ahmedabad-Mumbai High Speed Rail, Greenfield Ports Development, Coastal Employment Zones (CEZs), Sea water desalination plants in various locations in Gujarat and Dream City Surat.

Industry Growth Drivers

Young Population

The young population represents about 28% of the total population and the working age population has been higher than its non-working age population. Realization of demographic dividend is expected to result in acceleration of the economy driving higher growth for every segment of economy.

Industrial Investment

The government initiatives including easy access to land, relaxation in labour laws, simplified tax regime will be helpful for the industries. The PLI scheme announced by the government in 2020 providing incentive on the incremental sales of goods in selected segments has attracted many local and foreign manufacturers. Regulatory reforms aided with incentive policies is expected to drive industrial growth.

Infrastructure Investment

Infrastructure is the key for improving the manufacturing competitiveness of a country. The National Infrastructure Pipeline (NIP) for FY 2020-25 aimed at improving business environment in India will strengthen the infrastructure status. The program initially earmarked for 6,835 projects and expanded to 7,400 projects in 2021 is focused on building roads, housing, urban development, railways, conventional power, renewable energy, and irrigation.

Urbanization

The proper management of urbanization is key to India's growth. The various initiatives including smart cities mission, housing for all, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) taken by the government will transform the cities for sustainable habitat. Planned urbanization will support higher economies of agglomeration driving steady growth.

FDI

The infrastructure and construction sector is allowed for 100% foreign investment through automatic route. In 2020, the government has increased the FDI limits in several sectors such as defense, civil aviation, and insurance. Relaxation of FDI limit in selected sectors will attract foreign investors driving higher investment opportunity.

Opportunities

Industrial Corridor

The government is developing various Industrial Corridor Projects as part of National Industrial Corridor Programme which is aimed at development of greenfield industrial cities in India. The development of these corridors is aimed to expand the industrial output, increasing employment opportunities, provide better living and social facilities for the new and growing workforce. The government has provided approval for 11 corridors to support industrialization.

Policy Reforms

Government has taken various initiatives to drive growth for infrastructure and real estate sectors. The production linked incentive scheme in 2020 to boost domestic manufacturing, allocation of sizable funding for housing in Union Budget 2021- 22, Pradhan Mantri Awas Yojana (PMAY) program for affordable housing to all urban poor by 2022 through initiatives like financial support, and the extension of tax holiday up to March 2022 to increase the supply of affordable housing units are expected to benefit the construction sector.

Growth in Real Estate and Infrastructure

The construction industry will grow due to growth in real estate and infrastructure. The urban infrastructure in India is not properly developed to meet the demands of the existing and increasing urban population and migration from rural to urban areas.

Precast Concrete Plant

As the construction industry moves forward, PSP is setting up its own precast concrete factory at Sanand, Gujarat, using futuristic technology. The plant is spread across 60 acres of land and includes a factory shed of 2 lakh sq. ft. The annual production capacity of the plant is expected to be 3 million sq. ft. once fully operational, however, initially PSP has set up a plant with 1 million sq. ft. as Phase I, and is a futuristic solution to achieve the desired quality within the timeline for volumetric projects. The Company will be able to manufacture all elements with regards to building and infrastructure industry, which includes (but may not be limited to) Beams, Columns, Slabs, Load Bearing Walls, Partition Walls, Staircase, and Lift Cores, among others.

As a construction player, using precast will decrease turnaround time of projects and help operate in challenging terrains with ease. The company believes that setting up its own manufacturing unit of precast concrete elements/products will help them to increase its operating efficiency and margins, eliminate the dependence on laborers over time, reduce the safety concerns, allow faster delivery and better quality of work as compared to in situ work and such other benefits.

Backward integration through the concrete plant will strengthen capabilities by converting a portion of work to off-site manufacturing. Further, the plant will produce a wide range of products for infrastructure and general development projects including precast slabs, beams and columns, viaduct segments and piers, noise barrier walls, underground watertanks, among others, which can be sold directly to infrastructure companies, EPC contractors and other real estate players, further adding to PSP's revenues.

Exhibit 1: Board and Committee composition

Name of Directors	Audit	Nomination & Remuneration	Stakeholders Relationship	CSR	Risk management
Mr. Vasishtha Patel	✓	•			
Mr. Sandeep Shah	•	•		✓	
Mr. Prahaladbhai S. Patel	•			•	✓
Mr. Chirag Shah		✓	✓		•
Ms. Pooja P. Patel			•	•	
Mrs. Shilpaben P. Patel					
Mr. Sagar P. Patel			•		•
Mrs. Zarana P. Patel	•				•
Total No. of Members	4	3	3	3	4

Source: Company, DART, ✓ Chairperson, • Member

Exhibit 2: Trend of Remuneration (Rs mn)

Name	Position	FY19	FY20	FY21
Mr. Prahaladbhai S. Patel	MD & CEO	54.0	54.0	50.0
Mrs. Shilpaben P. Patel	Whole time Director	18.0	18.0	4.9
Ms. Pooja P. Patel	Executive Director	10.2	10.2	12.3
Mr. Sagar P. Patel	Executive Director	-	1.0	2.2
Mrs. Hetal Patel	CFO	2.2	2.5	2.3
Ms. Mittali Christachary	CS & Compliance	0.5	0.7	0.6

Source: Company, DART

Mrs. Shilpaben P. Patel resigned from the directorship w.e.f 5 Aug'20

Financial Highlights

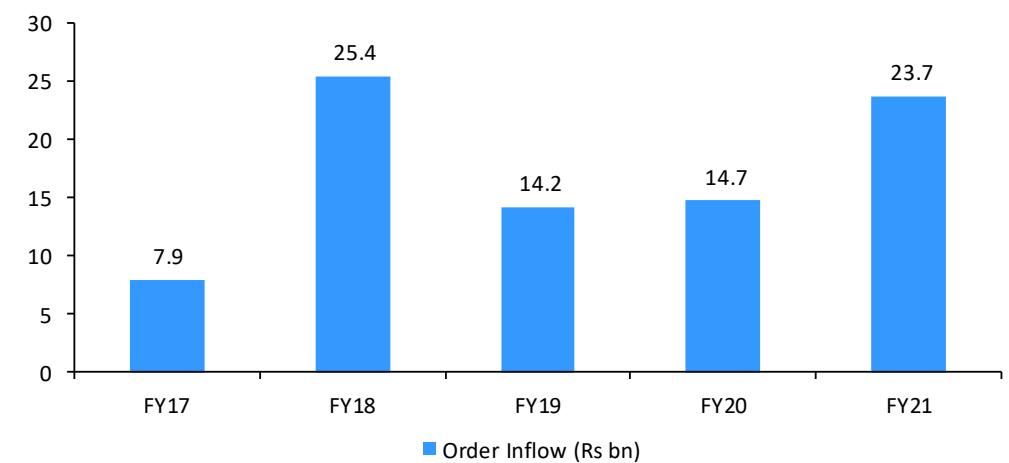
Operational Performance

Order Inflows: PSP has received orders worth Rs23.7 bn (including Rs2 bn scope of work in SDB project announced on 4 Feb'21) in FY21 vs. Rs14.7 bn in FY20, a growth of 60.9% YoY. PSP has received orders worth Rs828 mn in YTDFY22E.

Exhibit 3: Some of the major awards won in FY21

Project	State	Value (Rs bn)
Medical colleges and hospitals	UP	14.9
Private residential project	Gujarat	5.0
High rise and low rise building at SG Highway	Gujarat	1.0
Rehab and Rescue project for Reliance Ind	Gujarat	0.8

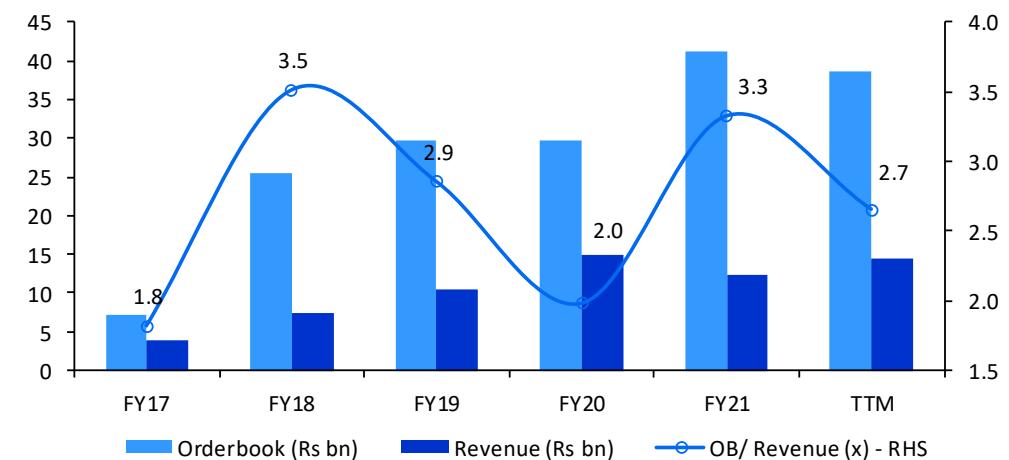
Source: Company, DART

Exhibit 4: Order Inflow Trend (Rs bn)


Source: Company, DART

Order Book: PSP's orderbook as on FY21 stood at Rs41.2 bn and as on Jun'21 it stood at Rs38.5 bn providing revenue visibility of 2.7x TTM revenue.

Exhibit 5: Order book (Rs38.5 bn) as on Jun'21



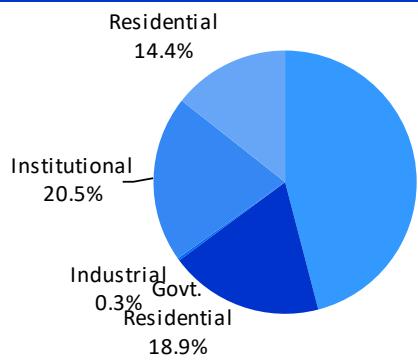
Source: Company, DART

Exhibit 6: Surat Diamond Bourse orderbook and revenue trend

Project	FY19	FY20	FY21	Jun'21
SDB Orderbook (Rs bn)	11.6	6.2	3.8	2.9
Revenue (Rs bn)	3.6	5.4	4.4	4.8
OB/ Revenue (x)	3.2	1.1	0.9	0.6
% of total orderbook	39.0	20.2	9.2	7.5

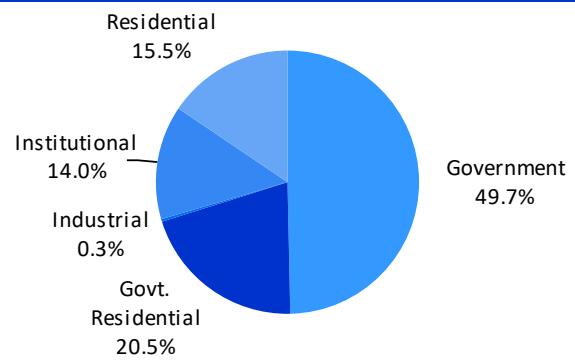
Source: Company, DART

Exhibit 7: Category wise orderbook (Rs38.5 bn) as on Jun'21



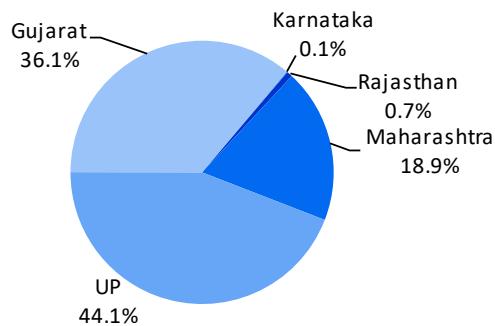
Sources: Company, DART

Exhibit 8: Category wise orderbook (Rs38.5 bn) excl SDB as on Jun'21



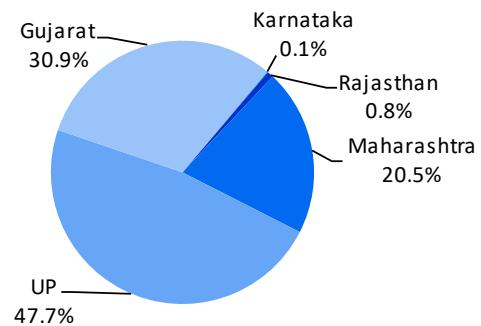
Sources: Company, DART

Exhibit 9: Geography wise orderbook (Rs38.5 bn) as on Jun'21



Sources: Company, DART

Exhibit 10: Geography wise orderbook (Rs38.5 bn) excl SDB as on Jun'21



Sources: Company, DART

Exhibit 11: Some of the top projects in orderbook (Rs38.5 bn) as on Jun'21

Project	State	Client	O/S value (Rs mn)	% of total OB
Medical colleges & Hospitals	UP	PWD	14,913	38.7
EWS Housing Project at Bhiwandi	Maharashtra	Municipal Corporation	6,014	15.6
Residential Project	Gujarat	Private	4,831	12.5
Surat Diamond Bourse	Gujarat	SDB Diamond Bourse	2,893	7.5
Development of Shri Kashi Vishwanath Dham at Varanasi	UP	PWD	2,088	5.4
IIM Ahmedabad	Gujarat	IIM	2,034	5.3
Affordable Housing Project at Pandharpur	Maharashtra	PMC	1,284	3.3
High rise and a low rise building at S.G. HIGHWAY	Gujarat	Private	936	2.4
Residential Complex for Pharma Company at Dahod	Gujarat	Pharma Company	640	1.7
Multi-tenanted office at Gandhinagar	Gujarat	Dalal Street Commercial CHS Ltd.	416	1.1
Phoenix Mall at Ahmedabad	Gujarat	SGH Realty LLP	393	1.0
TOTAL			36,775	95.5

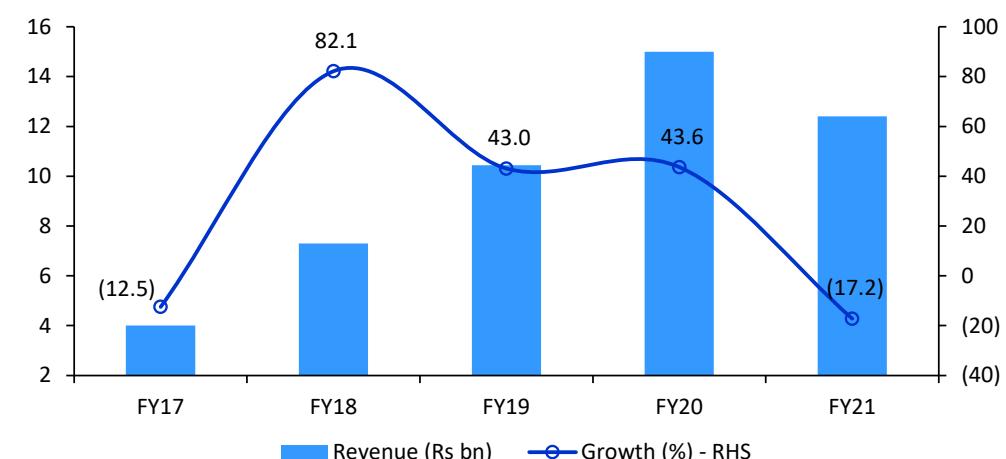
Source: Company, DART

Profit and Loss Analysis

Revenue: PSP reported revenue of Rs12.4 bn in FY21 vs. Rs15.0 bn in FY20, a de-growth of 17.2% YoY.

Till FY21, PSP had successfully completed 166 projects out of which 23 projects were completed during FY21. The Major projects completed during FY21 includes Zydus Hospital at Sitapur, Gujarat, Construction of Medical College and Hospital at Dahod, Gujarat, Construction of R & D and Research centre at Vadodara Gujarat and C.G road beautification Project at Ahmedabad, Gujarat.

Exhibit 12: Revenue growth of 32.7% CAGR between FY17-FY21



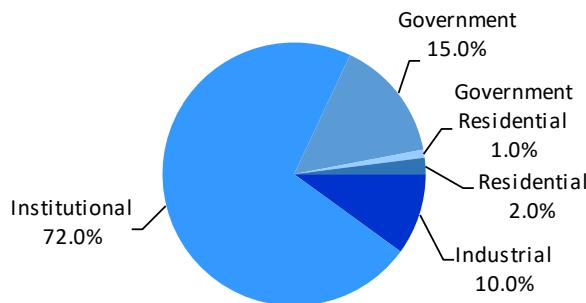
Source: Company, DART

Exhibit 13: Surat Diamond Bourse revenue trend

(Rs mn)	FY19	FY20	FY21	TTM
SDB Revenue (Rs bn)	3.6	5.4	4.4	4.8
Total Revenue (Rs bn)	10.4	15.0	12.4	14.5
% of total revenue	34.0	36.2	35.5	33.3

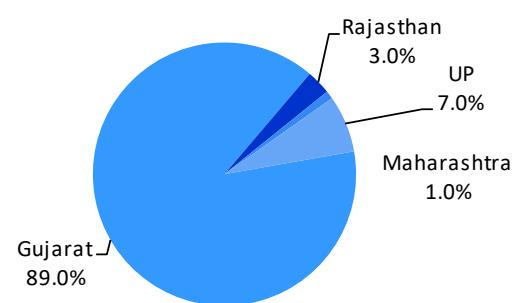
Source: Company, DART

Exhibit 14: Sector wise revenue breakup (FY21)



Sources: Company, DART

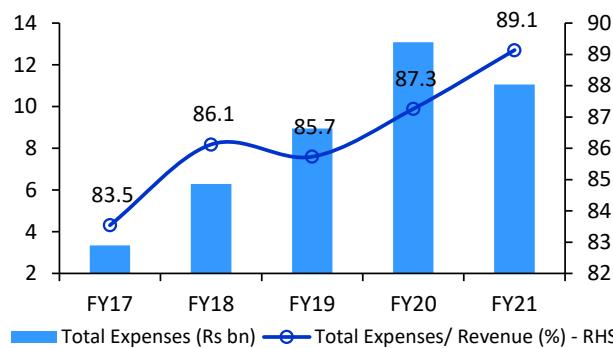
Exhibit 15: Region wise revenue breakup (FY21)



Sources: Company, DART

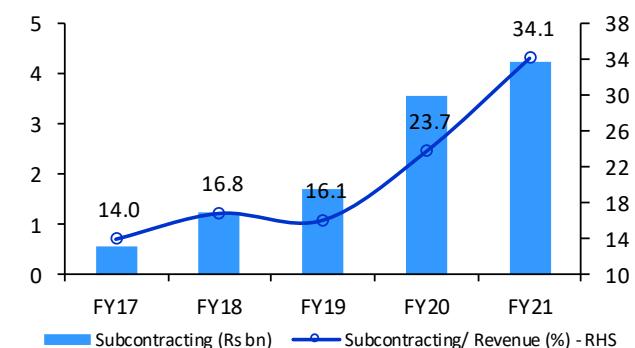
Expenses: Total expenses decreased by 15.5% YoY to Rs11.1 bn due to fall in construction expenses by 8.0% YoY to Rs6.4 bn followed by material consumption by 24.4% YoY to Rs4.0 bn and employee expense by 14.4% YoY to Rs0.5 bn which was partially offset by rise in sub-contracting expense by 18.9% YoY to Rs4.2 bn and rise in other expenses by 11.9% YoY to Rs150 mn.

Exhibit 16: Total expenses trend as a % to revenue



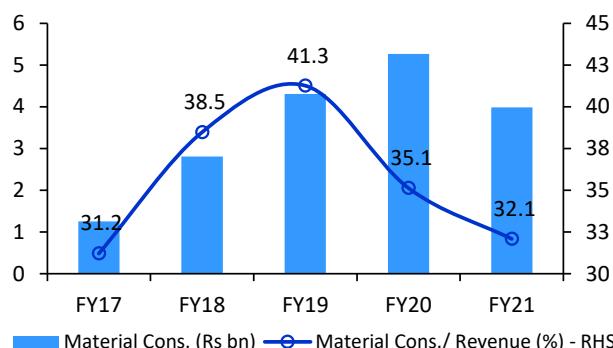
Sources: Company, DART

Exhibit 17: Sub-contracting trend as a % to revenue



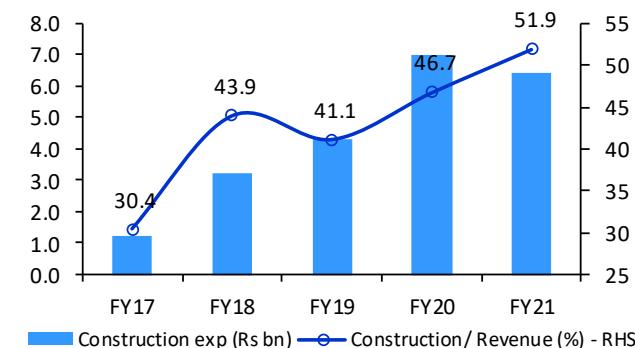
Sources: Company, DART

Exhibit 18: Material cons. trend as a % to revenue



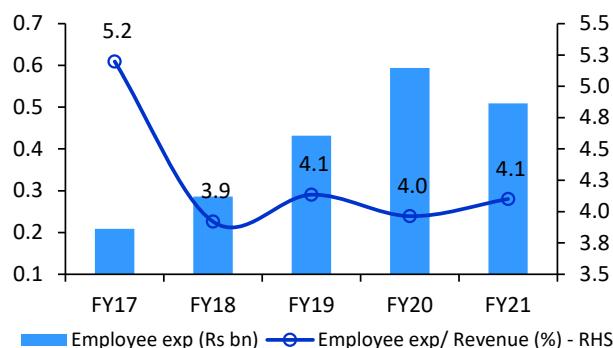
Sources: Company, DART

Exhibit 19: Const. expenses trend as a % to revenue



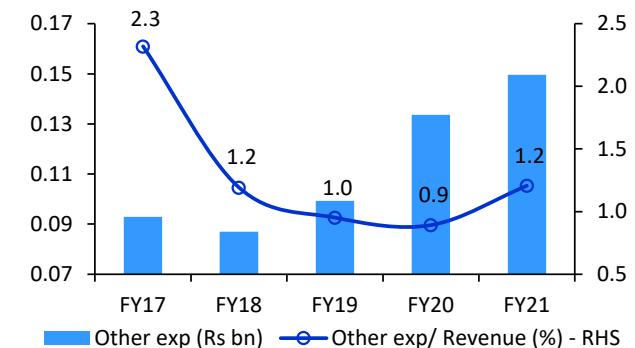
Sources: Company, DART

Exhibit 20: Employee exp trend as a % to revenue



Sources: Company, DART

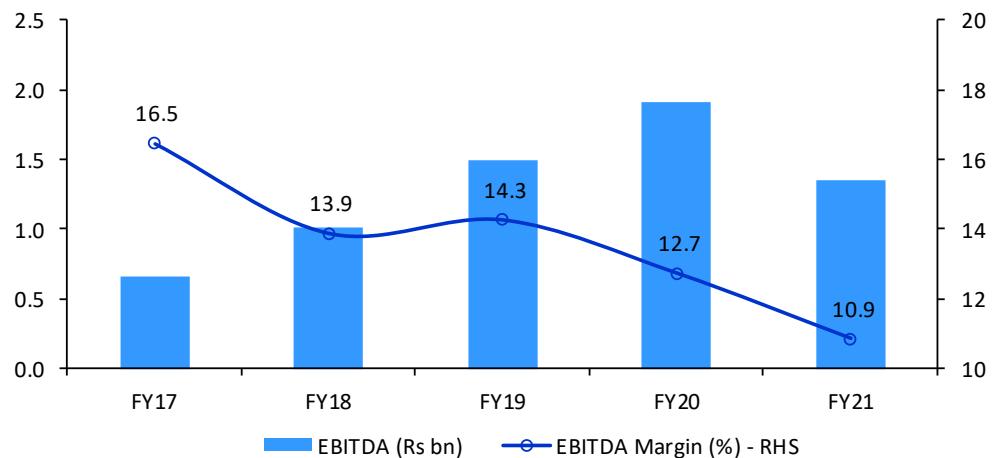
Exhibit 21: Other exp. trend as a % to revenue



Sources: Company, DART

EBITDA: EBITDA decreased by 29.4% YoY to Rs1.3 bn in FY21 and EBITDA margins were down by 187 bps YoY to 10.9%.

Exhibit 22: EBITDA Margin Trend



Source: Company, DART

Depreciation: Depreciation decreased by 3.9% YoY to Rs256 mn in FY21 vs. Rs267 mn in FY20. Gross block increased by 17.0% YoY to Rs2.3 bn vs. Rs2.0 bn in FY20.

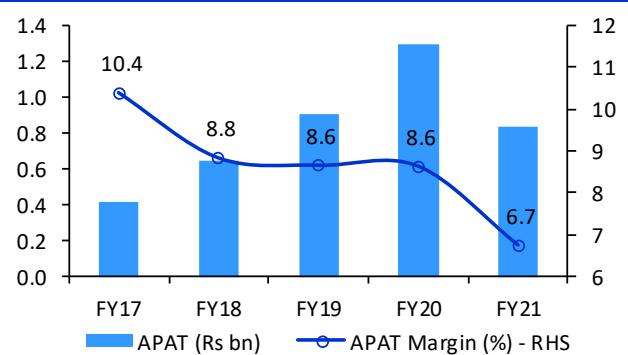
Finance Cost: Finance cost was almost flat at Rs147 mn in FY21.

Effective Tax Rate: Total effective tax rate for FY21 stood at 25.7% vs. 25.9% in FY20.

APAT: APAT decreased by 35.4% YoY to Rs835 mn in FY21 vs Rs1.3 bn in FY20. NPM decreased by 184 bps YoY at 6.6% in FY21.

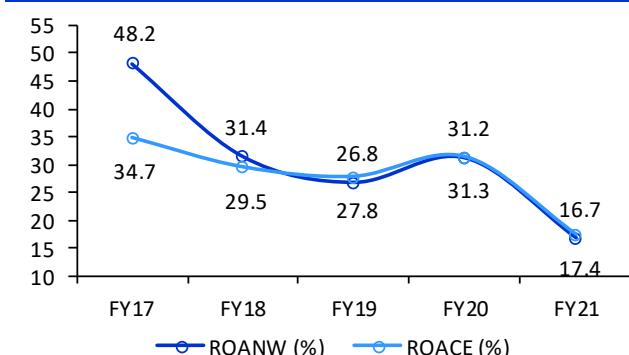
Return Ratios: ROACE decreased to 17.4% in FY21 from 31.3% in FY20 and ROANW also decreased to 16.7% from 31.2%.

Exhibit 23: PAT margin trend



Sources: Company, DART

Exhibit 24: Return Ratios Trend



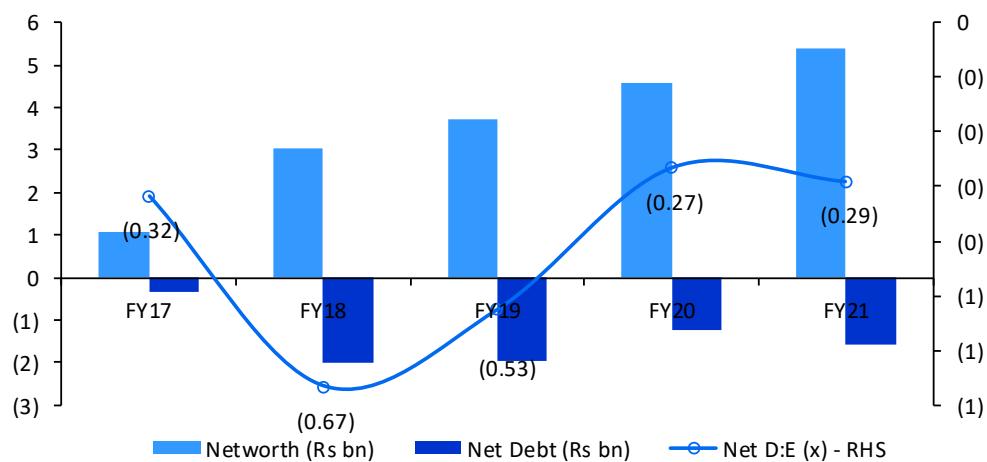
Sources: Company, DART

Balance Sheet Analysis

Networth: PSP's Networth increased 17.7% YoY to Rs5.4 bn in FY21 vs. Rs4.6 bn in FY20.

Borrowings: Total borrowings decreased by 4.0% YoY to Rs718 mn in FY21 from Rs748 mn in FY20. Net debt increased to (Rs1.57 bn) in FY21 vs. (Rs1.2 bn) in FY20. Net D:E almost flat YoY at (0.3x) in FY21.

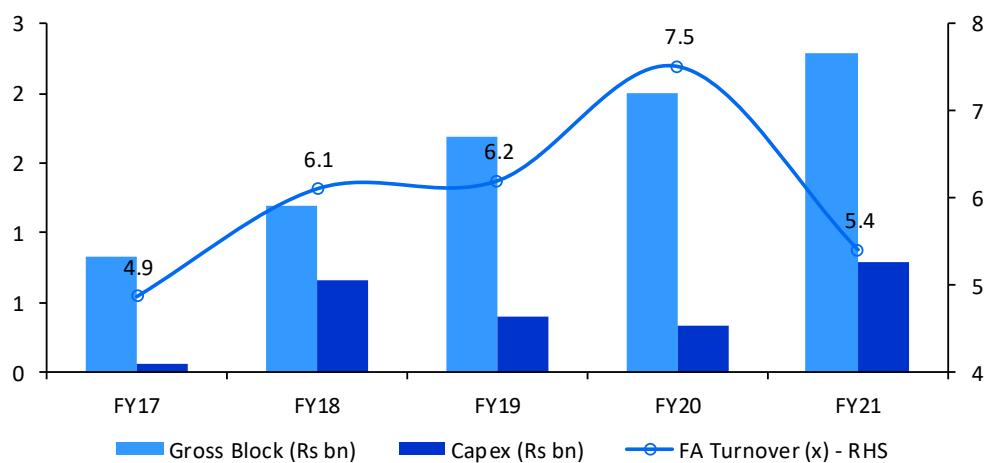
Exhibit 25: Net D:E trend



Source: Company, DART

Gross Block: Gross block increased by 14.9% YoY to Rs2.3 bn vs. Rs2.0 bn in FY20. Capex increased by 139.7% YoY to Rs793 mn in FY21 vs. Rs331 mn in FY20. FA turnover decreased to 5.4x in FY21 vs. 7.5x in FY20.

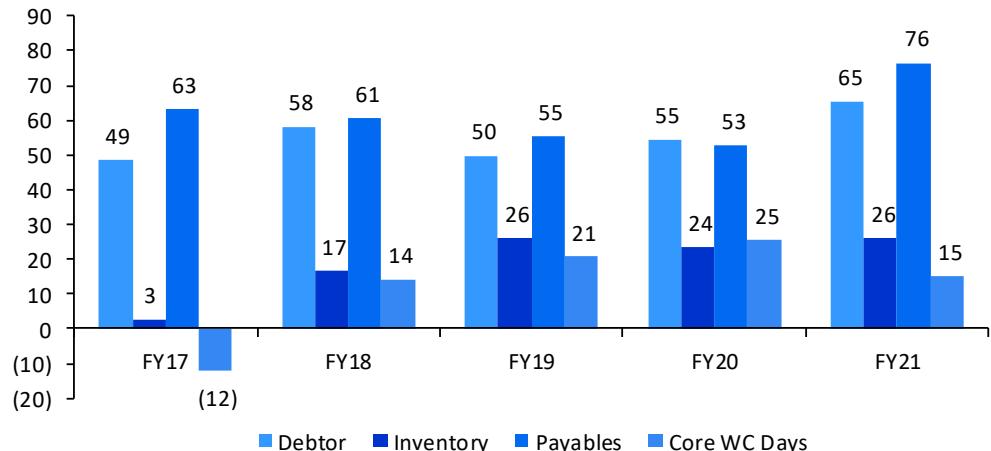
Exhibit 26: Gross Block Trend



Source: Company, DART

Working Capital: Trade receivables decreased by 0.9% to Rs2.2 bn in FY21 resulting in rise in debtor days to 65 vs. 55 days. Inventories decreased by 7.9% YoY to Rs892 mn in FY21 resulting in almost flat inventory days of 26 vs. 24 days. Trade payables too increased by 20.2% YoY to Rs2.6 bn in FY21 resulting in increased trade payable days of 76 vs. 53 days. Core working capital days thus decreased to 15 days vs. 25 days.

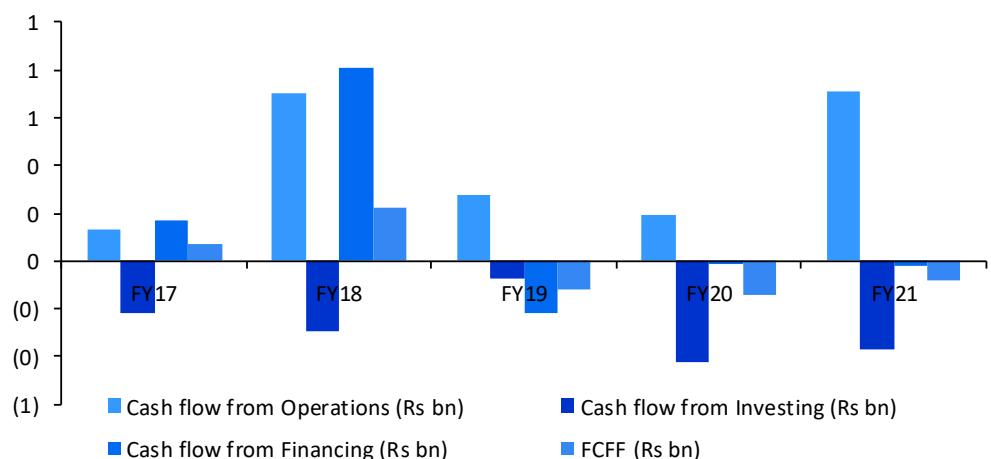
Exhibit 27: Core Working capital days trend



Source: Company, DART

Cash Flow: Cash flow from operations increased by 272.0% YoY to Rs708 mn in FY21 vs. 190 mn in FY20. Cash flow from investing stood at (Rs367 mn) in FY21 vs. (Rs424 mn) in FY20. Cash flow from financing stood at (Rs21 mn) in FY21 vs. (Rs16 mn) in FY20.

Exhibit 28: Cash Flows Trend



Source: Company, DART

Dividend: PSP declared a dividend of Rs4 per equity share on face value of Rs10 per share which is subject to approval of members at Annual General Meeting.

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	14,993	12,409	16,443	18,628
Total Expense	13,083	11,060	14,458	16,369
COGS	12,355	10,402	13,615	15,424
Employees Cost	594	509	667	733
Other expenses	134	150	177	212
EBIDTA	1,910	1,348	1,985	2,259
Depreciation	267	256	333	408
EBIT	1,643	1,092	1,652	1,851
Interest	146	147	140	120
Other Income	248	169	195	234
Exc. / E.O. items	0	(27)	0	0
EBT	1,744	1,087	1,706	1,964
Tax	452	279	437	503
RPAT	1,293	808	1,269	1,461
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,293	835	1,269	1,461

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	4,211	5,020	6,145	7,462
Net Worth	4,571	5,380	6,505	7,822
Total Debt	748	718	520	420
Net Deferred Tax Liability	(58)	(92)	(112)	(132)
Total Capital Employed	5,262	6,006	6,913	8,110

Applications of Funds

Net Block	1,079	1,162	1,849	2,141
CWIP	0	416	0	0
Investments	44	8	8	8
Current Assets, Loans & Advances	8,412	8,226	9,700	11,045
Inventories	968	892	1,233	1,397
Receivables	2,240	2,220	2,960	3,353
Cash and Bank Balances	1,967	2,288	2,046	2,471
Loans and Advances	394	343	369	393
Other Current Assets	2,842	2,483	3,093	3,430
Less: Current Liabilities & Provisions	4,273	3,806	4,644	5,083
Payables	2,163	2,599	3,036	3,274
Other Current Liabilities	2,110	1,207	1,608	1,809
<i>sub total</i>				
Net Current Assets	4,139	4,420	5,057	5,961
Total Assets	5,262	6,006	6,913	8,110

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	17.6	16.2	17.2	17.2
EBIDTA Margin	12.7	10.9	12.1	12.1
EBIT Margin	11.0	8.8	10.0	9.9
Tax rate	25.9	25.7	25.6	25.6
Net Profit Margin	8.6	6.7	7.7	7.8
(B) As Percentage of Net Sales (%)				
COGS	82.4	83.8	82.8	82.8
Employee	4.0	4.1	4.1	3.9
Other	0.9	1.2	1.1	1.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	11.2	7.4	11.8	15.4
Inventory days	24	26	27	27
Debtors days	55	65	66	66
Average Cost of Debt	29.0	20.0	22.6	25.5
Payable days	53	76	67	64
Working Capital days	101	130	112	117
FA T/O	13.9	10.7	8.9	8.7
(D) Measures of Investment				
AEPS (Rs)	35.9	23.2	35.2	40.6
CEPS (Rs)	43.3	30.3	44.5	51.9
DPS (Rs)	12.1	0.0	4.0	4.0
Dividend Payout (%)	33.6	0.0	11.3	9.9
BVPS (Rs)	127.0	149.4	180.7	217.3
RoANW (%)	31.2	16.7	21.3	20.4
RoACE (%)	31.3	17.4	21.8	21.0
RoAIC (%)	57.5	27.9	32.7	30.1
(E) Valuation Ratios				
CMP (Rs)	417	417	417	417
P/E	11.6	18.0	11.8	10.3
Mcap (Rs Mn)	15,025	15,025	15,025	15,025
MCap/ Sales	1.0	1.2	0.9	0.8
EV	13,806	13,455	13,499	12,973
EV/Sales	0.9	1.1	0.8	0.7
EV/EBITDA	7.2	10.0	6.8	5.7
P/BV	3.3	2.8	2.3	1.9
Dividend Yield (%)	2.9	0.0	1.0	1.0
(F) Growth Rate (%)				
Revenue	43.6	(17.2)	32.5	13.3
EBITDA	28.2	(29.4)	47.2	13.8
EBIT	31.7	(33.5)	51.3	12.1
PBT	25.9	(37.7)	57.0	15.1
APAT	43.2	(35.4)	51.9	15.1
EPS	43.2	(35.4)	51.9	15.1

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	190	708	649	1,256
CFI	(424)	(367)	(409)	(466)
CFF	(16)	(21)	(482)	(364)
FCFF	(140)	(83)	46	556
Opening Cash	2,217	1,967	2,288	2,046
Closing Cash	1,967	2,288	2,046	2,471

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-20	Buy	548	391
Jan-21	Buy	558	413
Feb-21	Buy	558	475
Jun-21	Buy	532	436
Jul-21	Buy	568	467

*Price as on recommendation date

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