

PSP Projects

BUY

Momentum to pick up in FY24

Summary

PSP Projects (PSP) Q4FY23 PAT came 42%/29% lower than our/consensus estimate. Miss in the numbers is due to lower than expected execution (revenue) in Q4FY23. And thus for FY23 revenue is 8-9% lower than guidance. This has led us to cut FY24E/25E EPS by ~10% and TP is revised lowered to Rs825 (Earlier Rs905). Historically, PSP's execution has been lumpy in nature. After strong YoY revenue increase in FY22 by 41%, FY23 revenue increased by 10%. This, PSP is guiding to improve in FY24E with revenue guidance of Rs27bn (implying 40% uptick) and then an increase of 20% in FY25E. Order inflow in FY23 was around 10% lower than guidance but company did close the year with highest ever order inflow of Rs34bn. Maintain BUY, as execution is expected to pick up, and order momentum remain strong with bid pipeline of Rs60bn.

Key Highlights and Investment Rationale

- **Q4FY23 snapshot:** PSP's revenue increased by 31% YoY at Rs7.2bn with EBITDA margin contracting to 10.7% (down 520bps YoY). PAT at Rs463mn declined by 12% YoY, due to lower EBITDA margin. Company received order inflow of Rs34bn in FY23 (including L1 order in Q4FY23).
- **Guidance:** Company FY24E revenue is guided at Rs27bn. EBITDA margin is expected in the range of 11-13%. Order inflow guidance for FY24E is Rs30bn. Bid Pipeline is strong at Rs60bn of which 67% is expected from the Private Players & State wise 70% is from Gujarat.
- **Slow moving order removed from OB:** Bhiwandi and Pandharpur projects, 14% of total OB as on Q3FY23, which are slow moving orders has been removed from the order book. Rest order book is fully mobilized and is in execution.

TP	Rs825		Key Stock Data		
CMP	Rs703		Bloomberg/Reuters	PSPL IN / PSPP.BO	
Potential upside/downside	17%		Sector	Infrastructure	
Previous Rating	BUY		Shares o/s (mn)	36	
Price Performance (%)			Market cap. (Rs mn)	25,295	
	-1m	-3m	3-m daily avg Trd value (Rs mn)	4.6	
Absolute	5.1	2.9	52-week high / low	Rs776 / 459	
Rel to Sensex	2.2	2.2	Sensex / Nifty	58,961 / 17,487	
V/s Consensus			Shareholding Pattern (%)		
EPS (Rs)	FY24E	FY25E	Promoters	67.6	
IDBI Capital	57	69	FII	2.5	
Consensus	57	71	DII	2.6	
% difference	-	(2.6)	Public	27.3	
Financial snapshot (Rs mn)					
Year	FY21	FY22	FY23	FY24E	FY25E
Revenue	12,409	17,488	19,266	26,169	30,826
Change (yoY, %)	-17	41	10	36	18
EBITDA	1,348	2,565	2,250	3,293	3,889
Change (yoY, %)	-29	90	-12	46	18
EBITDA Margin(%)	10.9	14.7	11.7	12.6	12.6
Adj.PAT	835	1,620	1,330	2,057	2,474
EPS (Rs)	23	45	37	57	69
Change (yoY, %)	(35)	94	(18)	55	20
PE(x)	30	16	19	12	10
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	4.7	3.7	3.2	2.6	2.1
RoE (%)	17	26	18	23	22
RoCE (%)	22	36	24	30	29

Source: IDBI Capital Research

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Conference call takeaways:

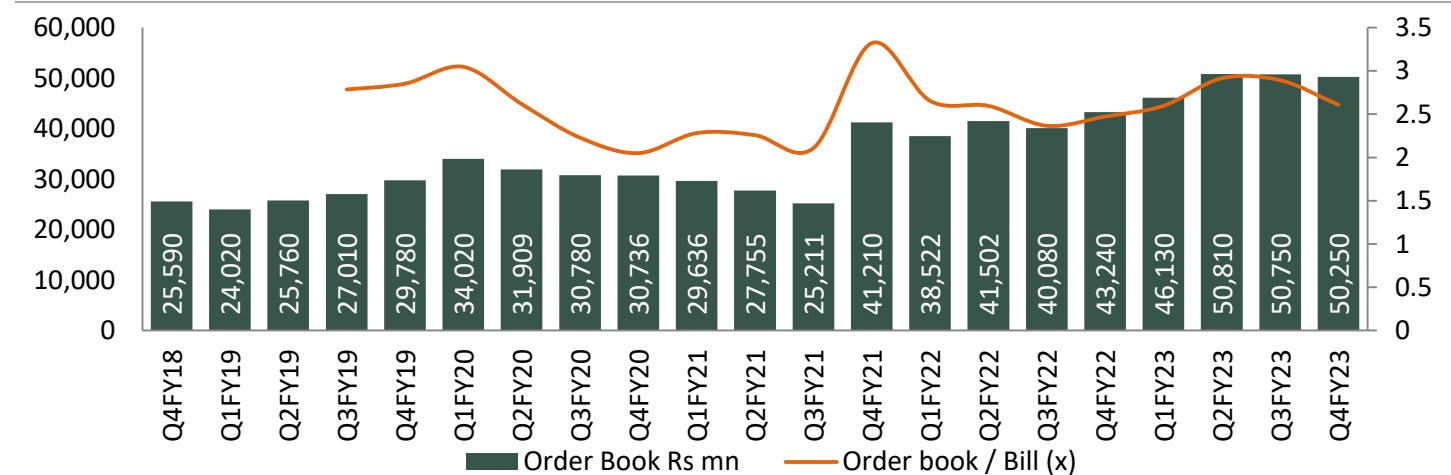
- Order book stood at Rs51bn (2.5x FY23 revenue) with Government/ Institutional/ Industrial/ Residential at 52%/ 26%/ 11%/ 11%.
- Order Inflow for FY23 stood at Rs34bn against the guidance of Rs38-40bn taking the outstanding order book to Rs51Bn. Execution of all outstanding projects has started.
- Company is expecting Order Inflow of Rs30Bn for upcoming FY24E.
- Revenue increased by 10% YoY against the guidance of 20-25%, lower than expected, Company expects to complete revenue backlog in FY24 and match the revenue projection of 20%.
- Working Capital days stood at 41 days, Inventory Days/ Debtor Days/ Creditor Days stood at 29/82/70 respectively for FY23.
- Removed two slow moving projects of Pandharpur & Bhiwandi, Company refused the work as client caused the delays, company will retain the outstanding dues.
- Bid Pipeline stood at Rs60Bn of which 67% is expected from the Private Players & State wise 70% is from Gujarat. Major Projects include, Navi Mumbai Jems & Jewellery Park Rs25Bn, Central Vistas, Delhi Rs12Bn, It Park Chennai Rs4Bn.
- Long Term debt for the company stood at Rs700Mn & Short term Debt for the company stood at Rs750Mn.
- Unbilled Revenue stood at Rs2.5Bn, Retention Non-Current stood at Rs1Bn & Current stood at Rs0.3Bn, Advance Billing Stood at Rs2.7Bn, Mobilisation of advance stood at Rs2.4Bn for FY23.
- Total Fund & Non Fund Limit Stood at Rs10.4Bn, out of which company has utilized Rs8.9Bn; Rs8.2Bn non-Fund based & Rs0.7Bn Fund Based.
- Decrease in Cash flow from operations is attributable to Increase in receivable, Increase in Assets, Retention Money & also rise in Inventories, expected to improve in upcoming year.
- On capex front, company expects only maintenance capex of 3-4% of revenue.

Exhibit 1: Financial snapshot

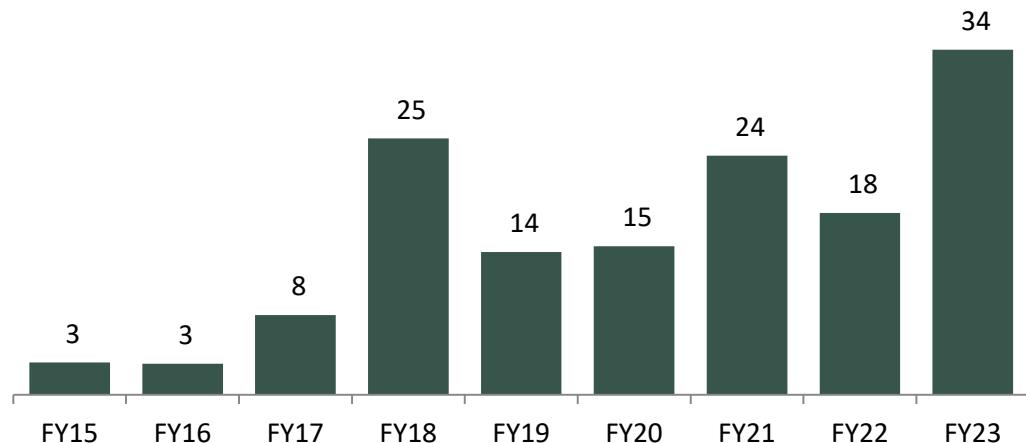
Particulars	Q4FY23	Q4FY22	YoY Chg (%)	Q3FY23	QoQ Chg (%)
Revenue	4,974	4,856	2	3,566	39
Cost of Sales ex Depreciation	4,357	4,116	6	3,180	37
EBITDA	616	741	-17	386	60
Margin %	12.4	15.3	-286bps	10.8	157bps
Depreciation	98	94	5	91	9
Other Income	65	76	-15	83	-22
Interest Expensed	101	98	4	70	44
Pre-tax profit	482	625	-23	308	56
Tax	129	156	-18	79	63
Adjusted net profit	353	469	-25	229	54

Source: Company

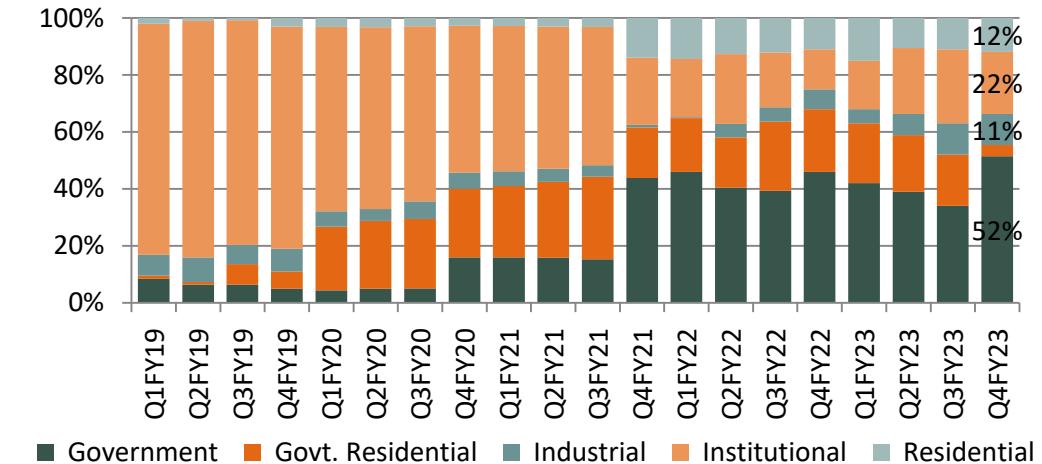
Exhibit 2: Order-book trajectory



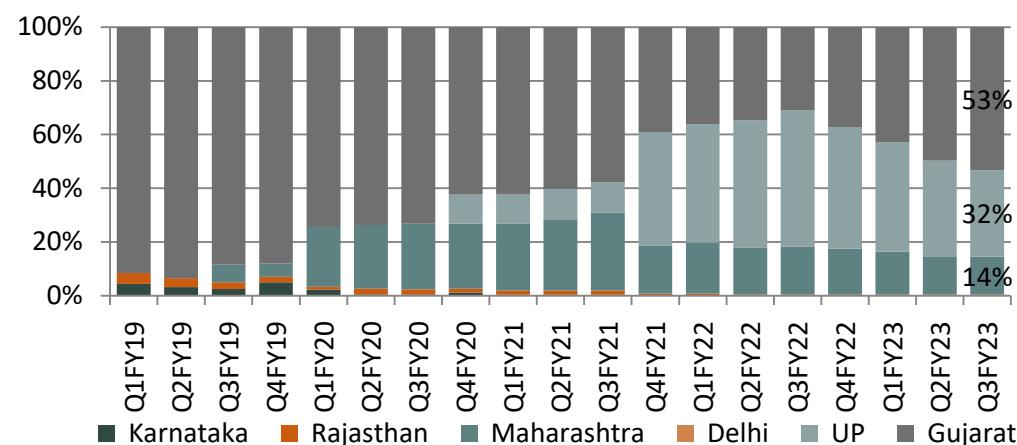
Source: Company

Exhibit 3: Order inflow FY23 at Rs34bn


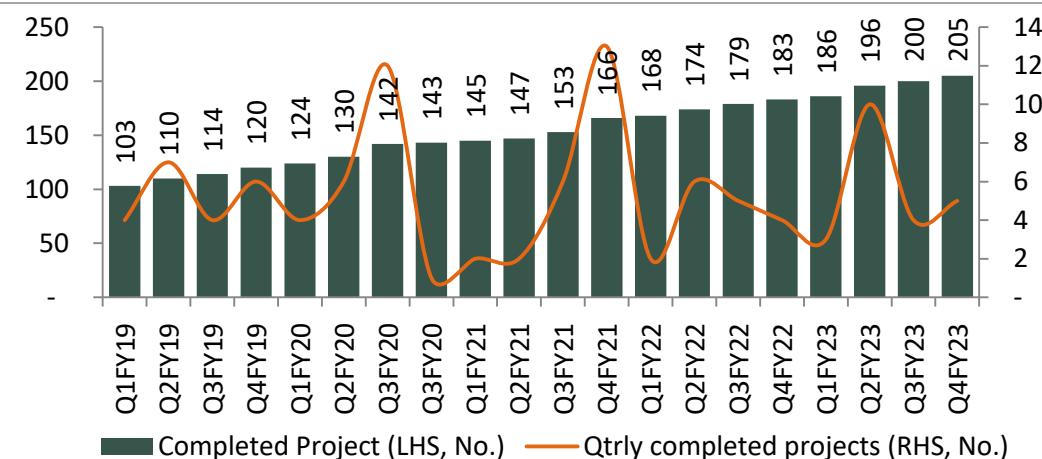
Source : Company

Exhibit 4: Order book break up segment wise


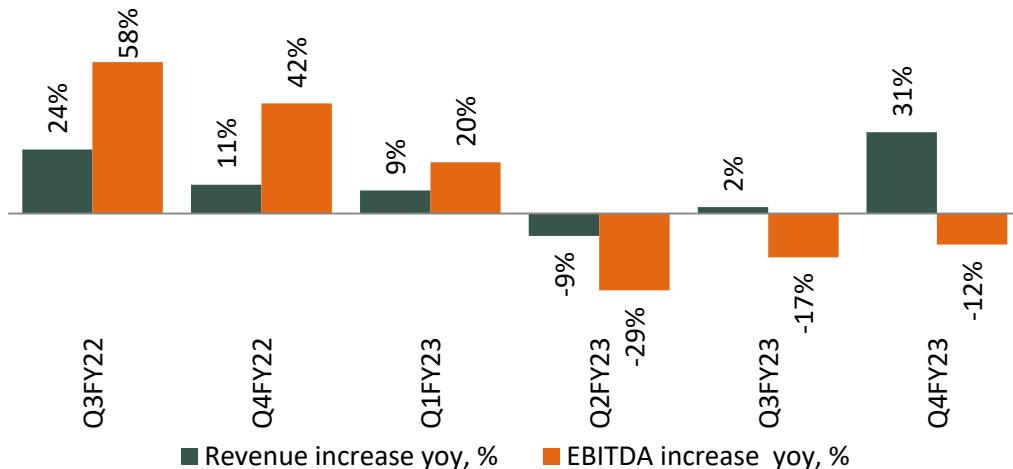
Source : Company

Exhibit 5: State wise order book profile


Source: Company

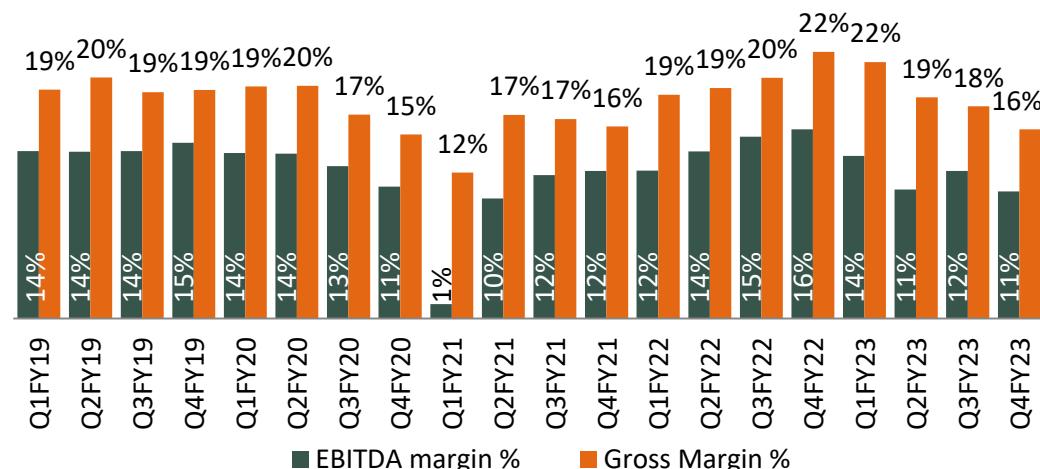
Exhibit 6: Execution trajectory in terms of projects


Source: Company

Exhibit 7: Execution in Q4FY23


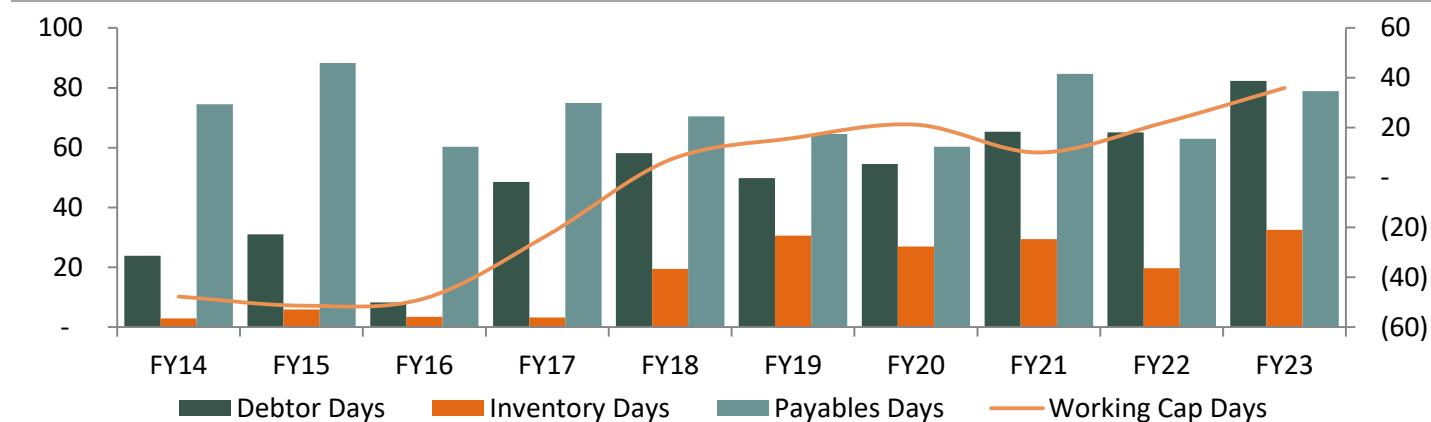
■ Revenue increase yoy, % ■ EBITDA increase yoy, %

Source : Company

Exhibit 8: Margin declined YoY (%)


■ EBITDA margin % ■ Gross Margin %

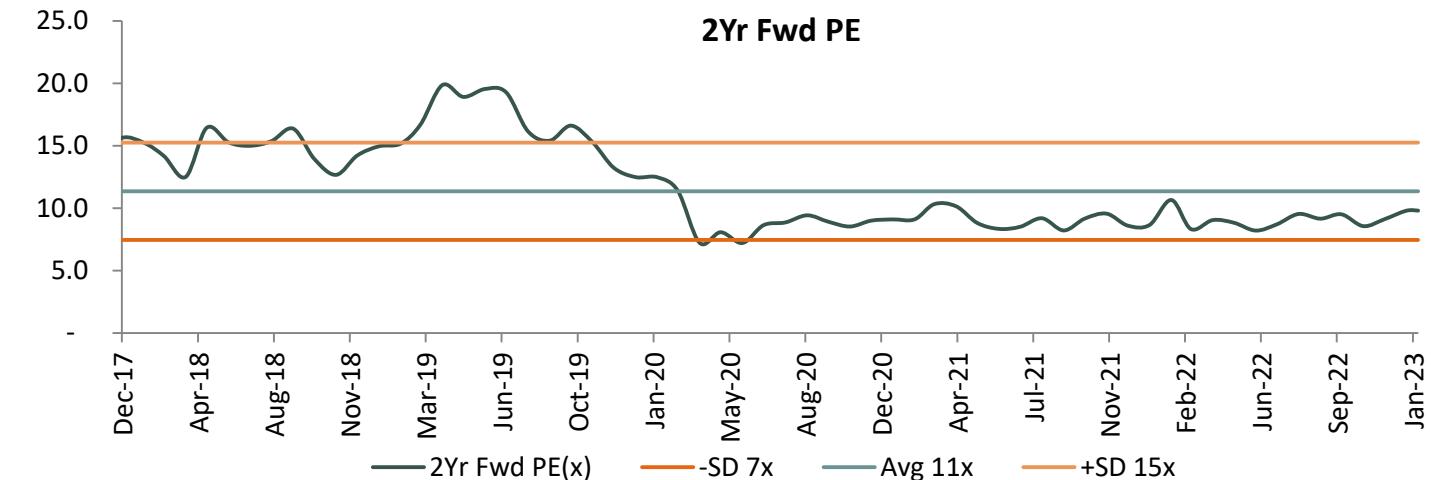
Source : Company

Exhibit 9: Working Capital trend


■ Debtor Days ■ Inventory Days ■ Payables Days ■ Working Cap Days

Source: Company

Exhibit 10: Valuation band (PE ratio)



Source: Bloomberg

Financial Summary

Profit & Loss Account

	(Rs mn)					
Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	14,993	12,409	17,488	19,266	26,169	30,826
Change (yoY, %)	44	(17)	41	10	36	18
Operating expenses	(13,083)	(11,060)	(14,923)	(17,016)	(22,876)	(26,937)
EBITDA	1,910	1,348	2,565	2,250	3,293	3,889
Change (yoY, %)	28	-29	90	-12	46	18
Margin (%)	12.7	10.9	14.7	11.7	12.6	12.6
Depreciation	(267)	(256)	(321)	(400)	(477)	(556)
EBIT	1,643	1,092	2,245	1,850	2,815	3,333
Interest paid	(146)	(147)	(264)	(320)	(286)	(253)
Other income	247	169	212	271	220	227
Pre-tax profit	1,744	1,087	2,193	1,802	2,749	3,307
Tax	(452)	(279)	(573)	(471)	(692)	(832)
Effective tax rate (%)	25.9	25.7	26.1	26.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	1,292	808	1,620	1,330	2,057	2,474
Exceptional items	-	(27)	-	-	-	-
Adjusted net profit	1,292	835	1,620	1,330	2,057	2,474
Change (yoY, %)	43	(35)	94	(18)	55	20
EPS	36	23	45	37	57	69
Dividend per sh	10	4	5	4	4	4
Dividend Payout %	28	17	11	11	7	6

Balance Sheet							(Rs mn)
Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E	
Shareholders' funds	4,571	5,380	6,847	7,998	9,912	12,242	
Share capital	360	360	360	360	360	360	360
Reserves & surplus	4,211	5,020	6,487	7,638	9,552	11,882	
Total Debt	40	28	172	381	381	381	
Other liabilities	4	8	15	21	21	21	21
Curr Liab & prov	4,977	4,488	5,632	9,162	11,251	12,394	
Current liabilities	4,970	4,478	5,630	9,149	11,239	12,382	
Provisions	7	10	2	13	13	13	13
Total liabilities	5,022	4,524	5,819	9,564	11,653	12,796	
Total equity & liabilities	9,593	9,904	12,666	17,562	21,565	25,038	
Net fixed assets	1,079	1,578	2,074	2,573	2,846	3,040	
Investments	-	-	-	-	-	-	-
Other non-curr assets	1,594	1,414	2,399	2,252	2,986	3,503	
Current assets	6,920	6,911	8,194	12,737	15,733	18,495	
Inventories	968	892	806	1,516	2,332	2,747	
Sundry Debtors	2,240	2,220	3,118	4,342	5,898	6,947	
Cash and Bank	1,967	2,288	1,952	2,421	1,986	2,549	
Loans and advances	119	85	59	112	151	177	
Total assets	9,593	9,904	12,666	17,562	21,565	25,038	

Cash Flow Statement							(Rs mn)
Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E	
Pre-tax profit	1,744	1,087	2,193	1,802	2,749	3,307	
Depreciation	267	256	321	158	477	556	
Tax paid	(556)	(243)	(636)	(568)	(720)	(860)	
Chg in working capital	(1,116)	(362)	(620)	(1,118)	(1,898)	(1,395)	
Other operating activities	(149)	(30)	(52)	(85)	66	27	
Cash flow from operations (a)	190	708	1,205	431	675	1,634	
Capital expenditure	(331)	(792)	(766)	(788)	(750)	(750)	
Chg in investments	(2)	678	(814)	344	-	-	
Other investing activities	220	168	175	240	220	227	
Cash flow from investing (b)	(112)	54	(1,405)	(484)	(530)	(523)	
Equity raised/(repaid)	-	-	-	-	-	-	
Debt raised/(repaid)	418	(21)	67	295	(436)	(403)	
Dividend (incl. tax)	(434)	-	(144)	(180)	(144)	(144)	
Chg in minorities	-	-	-	-	-	-	
Other financing activities	-	-	-	-	-	-	
Cash flow from financing (c)	(16)	(21)	(77)	115	(580)	(547)	
Net chg in cash (a+b+c)	62	741	(277)	63	(435)	563	

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	127	149	190	222	275	340
<i>Adj EPS (Rs)</i>	35.9	23.2	45.0	37.0	57.1	68.7
<i>Adj EPS growth (%)</i>	43	-35	94	-18	55	20
<i>EBITDA margin (%)</i>	12.7	10.9	14.7	11.7	12.6	12.6
<i>Pre-tax margin (%)</i>	12	9	13	9	11	11
<i>Net Debt/Equity (x)</i>	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
<i>ROCE (%)</i>	39	22	36	24	30	29
<i>ROE (%)</i>	31	17	26	18	23	22
DuPont Analysis						
Asset turnover (x)	1.8	1.3	1.5	1.3	1.3	1.3
Leverage factor (x)	2.0	2.0	1.8	2.0	2.2	2.1
<i>Net margin (%)</i>	8.6	6.7	9.3	6.9	7.9	8.0
Working Capital & Liquidity ratio						
Inventory days	24	26	17	29	33	33
Receivable days	55	65	65	82	82	82
Payable days	60	85	63	79	79	79

Valuations

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	20	30	16	19	12	10
Price/Book value (x)	5.5	4.7	3.7	3.2	2.6	2.1
EV/Net sales (x)	2	2	1	1	1	1
EV/EBITDA (x)	12	17	9	10	7	6
<i>Dividend Yield (%)</i>	1	1	1	1	1	1

Source: Company; IDBI Capital Research



Notes

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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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