

PSP Projects

HOLD

Guidance lowered

Summary

PSP Projects Q4FY24 PAT came lower than our & Consensus estimate by 60%+. This is due to weak execution and lower EBITDA margin at ~8% vs 11% YoY and 10% QoQ. Margin was muted due to execution of order in UP, which PSP expects to get concluded in Q1FY25, as 90% of projects are completed. In order win, PSP is amongst few companies which has surpassed its FY24 order inflow guidance of Rs30bn. For FY25E PSP is guiding order inflow of Rs35bn. Despite order win, PSP guides FY25E revenue growth of 15% vs 28% revenue growth in FY24 and margin of 10-11% (earlier guidance of 11-12%). This has made us to cut the EPS and TP is revised to Rs714 (earlier Rs860). We value PSP at 14x PER and lower rating to HOLD from BUY earlier. Stock catalyst remains execution better than guidance and stability in the margin.

Key Highlights and Investment Rationale

- **Q4FY24 snapshot:** PSP Revenue of Rs6.4bn was down 11%YoY due to weak execution, EBITDA margins at 8% decreasing 270bps YoY due to less margins from UP projects. PAT reported at Rs153mn -67% YoY, PAT is also impacted from higher interest expenses & depreciation costs. Gross Debt stood at Rs4.6bn (FY24) vs. Rs4.8bn (9MFY24).
- **Guidance FY25E:** PSP targets revenue growth of 15% YoY for FY25 with an EBITDA margin of 10-11% (vs. earlier 11-12%). Post completion of low margin UP projects, margins for FY25 could see an uptick, but company still maintains conservative EBITDA margin of 10-11%.
- **Pre-Cast Facility:** PSP will focus more in this segment expecting revenue to increase to Rs3.5-4bn from Rs2bn currently in next 3-4 years with 14-15% margins.

TP	Rs714
CMP	Rs668
Potential upside/downside	+7%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(3.6)	(4.5)	(7.9)
Rel to Sensex	(5.1)	(7.6)	(29.7)

V/s Consensus		
EPS (Rs)	FY25E	FY26E
IDBI Capital	39	51
Consensus	49	54
% difference	(19.9)	(6.4)

Key Stock Data	
Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	40
Market cap. (Rs mn)	26,477
3-m daily avg Trd value (Rs mn)	9.1
52-week high / low	Rs846 / 598
Sensex / Nifty	75,410 / 22,957

Shareholding Pattern (%)	
Promoters	66.2
FII	2.3
DII	2.2
Public	29.3

Financial snapshot

	(Rs mn)				
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

Vishal Periwal

vishal.periwal@idbicapital.com
+91-22-4069 1814

Shubham Shelar

Shubham.shelar@idbicapital.com
+91-22-4069 1859

Conference call takeaways

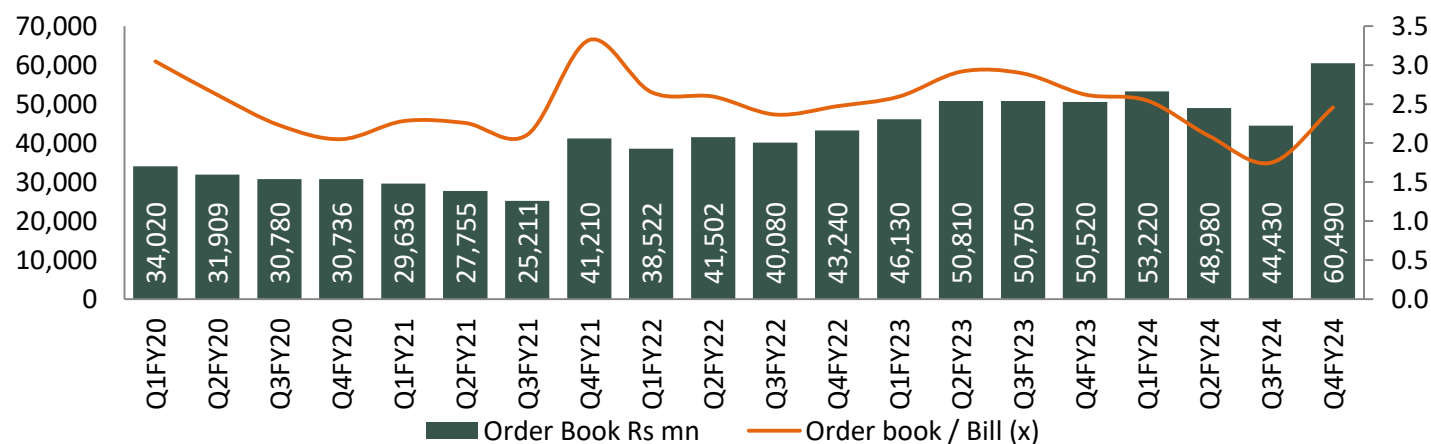
- PSP order book stood at Rs60.4bn (2.5x TTM revenue); currently all projects are under execution. Order inflow for FY24 stood at Rs34.9bn excl. GST. In FY24 PSP completed 17 projects & currently company has 56 ongoing projects.
- In May' 24, PSP had court settlement with SDB (Surat Diamond Bourse) SDB has agreed to pay Rs2.24bn in tranches (Rs1.7bn excl. GST); Rs1bn is expected to be received in Jun'24, majority is expected to be received in FY25.
- PSPPL targets revenue growth of 15% YoY for FY25 with an EBITDA margin of 10-11% (vs. earlier 11-12%). Post completion of low margin UP projects, margins for FY25 could see an uptick, but company still maintains conservative EBITDA margin of 10-11%. Company targets an order inflow of Rs35bn for FY25.
- PSP has approved the allocation of 3.6mn equity shares (10.12% dilution) of FV of Rs10 each to eligible QIP at an issue price of Rs670/sh, including a premium of Rs660/sh, with this company has raised Rs2.4bn and total outstanding equity shares has increased to 39.64mn.
- Gross Debt stood at Rs4.6bn (FY24) vs. Rs4.8bn (9MFY24). Company has already repaid debt of Rs1.88bn and targets to become Net Cash by FY25 factoring it receives all the pending claims.
- Mobilization advance/Unbilled revenue/Retention money (current + non-current) stood at Rs1.4 bn/Rs4.4 bn/Rs1.5 bn in Q4FY24.
- Bid pipeline is Rs57bn : 1) Commercial project, Delhi - Rs20bn, 2) AIMS project, New Delhi - Rs4.4bn, 3) Residential project for Tata Institute, Hyderabad - Rs3.5bn, 4) Residential building project, Bangalore - Rs3.5bn
- PSPPL expects to cater more demand from Pre Cast segment. Given revenue from precast of Rs2-2.5bn in FY24, the company will focus on scaling its business within 3-4 years and expects annual revenue of Rs3.5-4bn with 14-15% margins.
- PSP is executing SMC (Surat municipal Corp.) project worth Rs13.44bn which is to be completed in 3 years. It expects to book revenue of Rs5bn in FY25 (incl. 3-4bn of structure work).

Exhibit 1: Financial snapshot

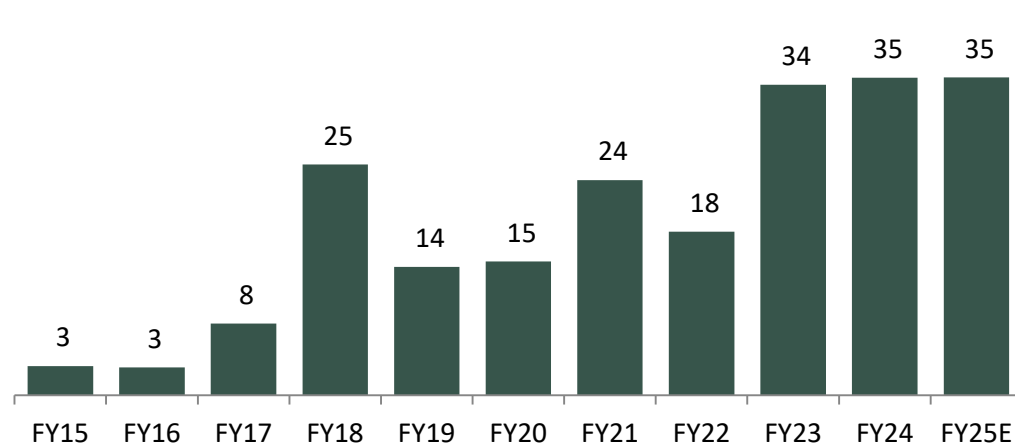
(Rs mn)

Particulars	Q4FY24	Q4FY23	YoY Chg (%)	Q3FY24	QoQ Chg (%)
Revenue	6,492	7,274	-11	6,966	-7
Cost of Sales ex Depreciation	5,973	6,498	-8	6,252	-4
EBITDA	518	777	-33	714	-27
Margin %	8.0	10.7	-269bps	10.3	-227bps
Depreciation	199	124	61	187	6
Other Income	60	67	-10	65	-8
Interest Expensed	140	92	53	153	-8
Pre-tax profit	239	628	-62	440	-46
Tax	86	164	-48	115	-25
Adjusted net profit	153	463	-67	325	-53

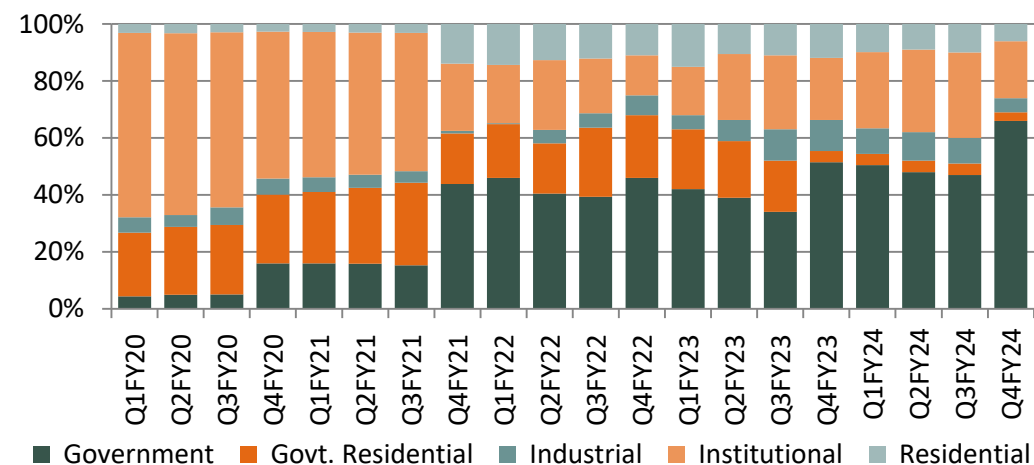
Source: Company

Exhibit 2: Order-book trajectory

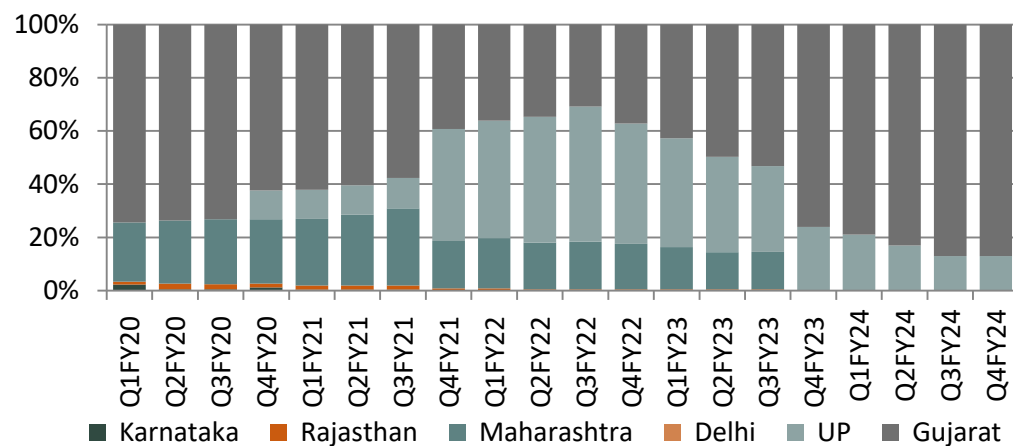
Source: Company

Exhibit 3: Order inflow expected in FY25E at Rs35bn

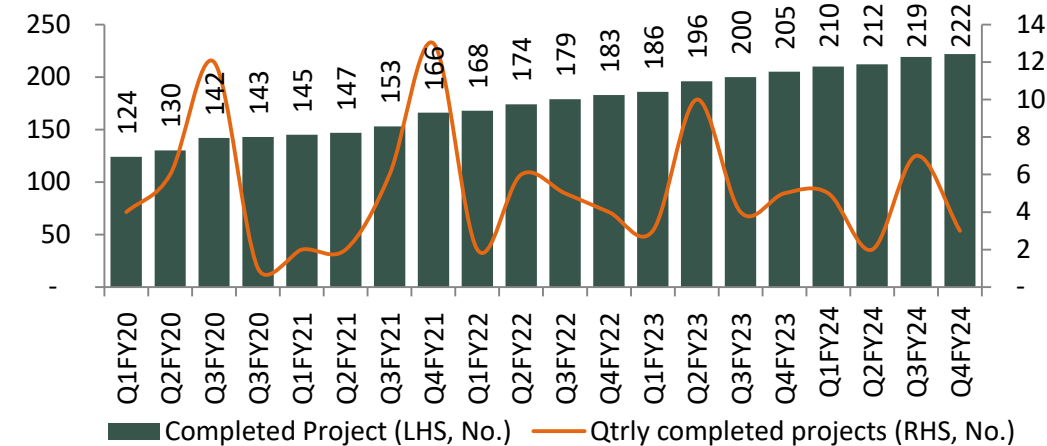
Source : Company

Exhibit 4: Order book break up segment wise

Source : Company

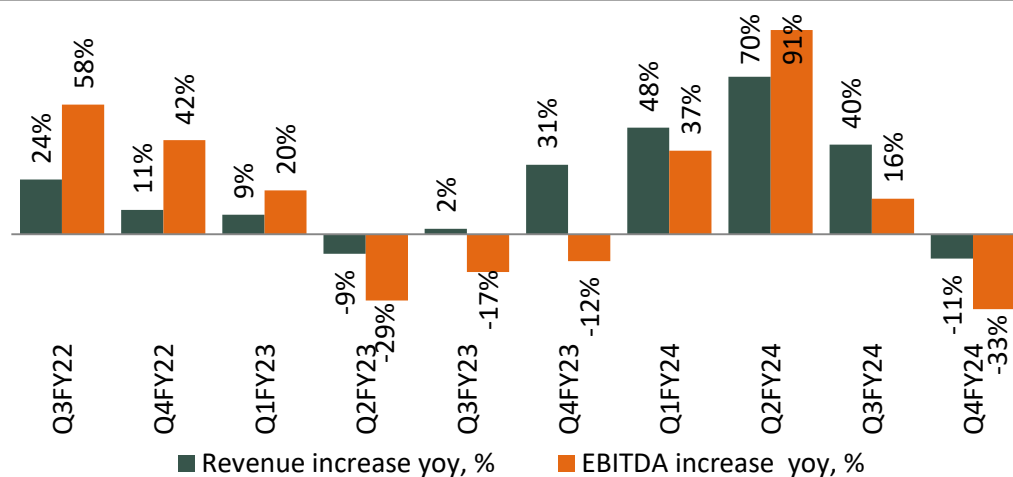
Exhibit 5: State wise order book profile

Source: Company

Exhibit 6: Execution trajectory in terms of projects

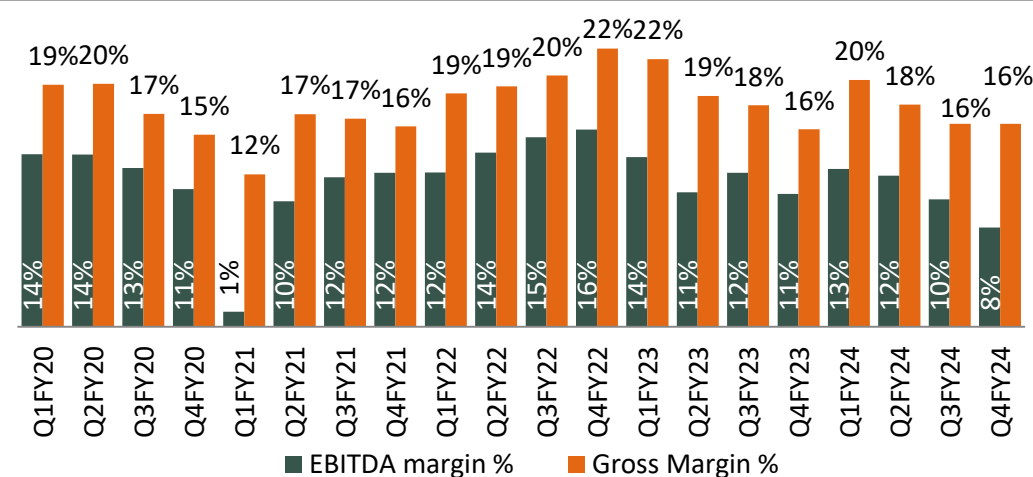
Source: Company

Exhibit 7: Execution in Q4FY24



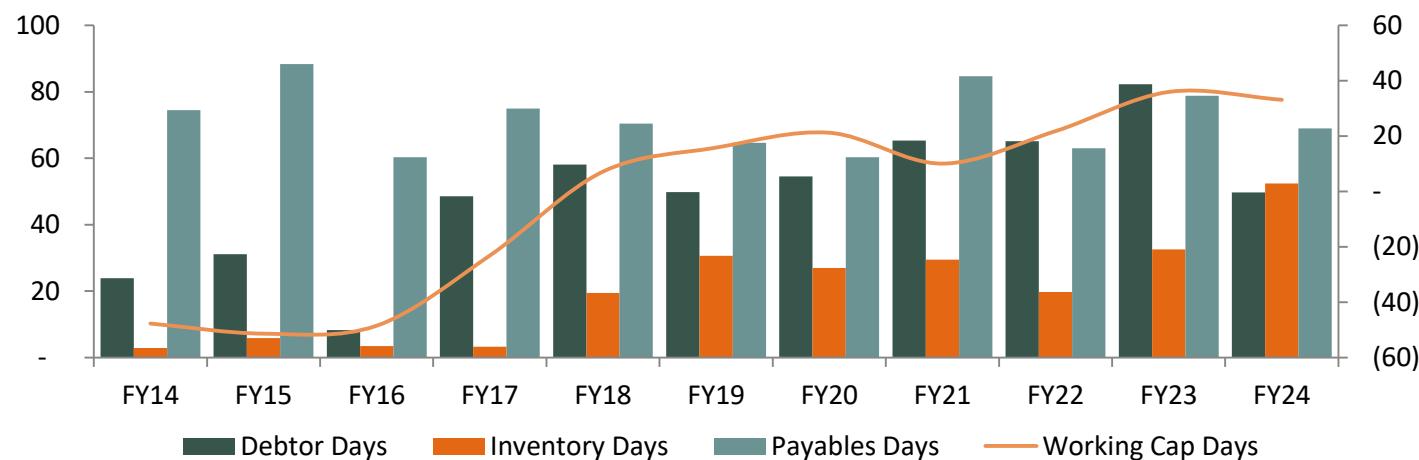
Source : Company

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	24,625	28,647	34,190
<i>Change (yoy, %)</i>	(17)	41	10	28	16	19
Operating expenses	(11,060)	(14,923)	(17,016)	(22,009)	(25,697)	(30,575)
EBITDA	1,348	2,565	2,250	2,616	2,950	3,615
<i>Change (yoy, %)</i>	(29)	90	(12)	16	13	23
<i>Margin (%)</i>	10.9	14.7	11.7	10.6	10.3	10.6
Depreciation	(256)	(321)	(400)	(649)	(812)	(944)
EBIT	1,092	2,245	1,850	1,968	2,138	2,671
Interest paid	(147)	(264)	(320)	(508)	(318)	(240)
Other income	169	212	271	243	324	348
Pre-tax profit	1,114	2,193	1,802	1,702	2,143	2,778
Tax	(279)	(573)	(471)	(463)	(583)	(756)
<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	1,560	2,022
Exceptional items	-	-	-	-	-	-
Adjusted net profit	835	1,620	1,330	1,239	1,560	2,022
<i>Change (yoy, %)</i>	(35)	94	(18)	(7)	26	30
EPS	23.2	45.0	37.0	34.4	39.4	51.0
<i>Dividend per sh</i>	4.0	5.0	2.5	4.0	3.9	5.1
<i>Dividend Payout %</i>	17.2	11.1	7	12	10	10

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	5,380	6,847	7,998	9,146	12,990	14,811
Share capital	360	360	360	360	396	396
Reserves & surplus	5,020	6,487	7,638	8,786	12,594	14,414
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	7,585	9,019
Current liabilities	3,696	4,805	8,080	6,469	7,553	8,987
Provisions	10	2	13	31	31	31
Total liabilities	4,524	5,819	9,564	11,078	10,462	11,196
Total equity & liabilities	9,904	12,666	17,562	20,225	23,453	26,007
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	1,598	1,903
Current assets	6,911	8,194	12,737	15,164	18,413	20,605
Inventories	892	806	1,516	3,160	4,113	4,909
Sundry Debtors	2,220	3,118	4,342	3,351	3,898	4,653
Cash and Bank	2,288	1,952	2,421	2,251	3,144	2,655
Loans and advances	1,511	2,318	4,458	6,401	7,257	8,388
Total assets	9,904	12,666	17,562	20,225	23,453	26,007

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	1,114	2,193	1,802	1,702	2,143	2,778
Depreciation	256	321	400	649	812	944
Tax paid	(243)	(636)	(568)	(469)	(645)	(817)
Chg in working capital	(362)	(620)	(1,118)	(4,309)	(1,002)	(1,491)
Other operating activities	(30)	(52)	(85)	159	(5)	(108)
Cash flow from operations (a)	708	1,205	431	(2,267)	1,304	1,306
Capital expenditure	(793)	(766)	(797)	(1,419)	(1,000)	(1,000)
Chg in investments	-	-	-	-	-	-
Other investing activities	847	(639)	314	1,167	324	348
Cash flow from investing (b)	54	(1,405)	(484)	(252)	(676)	(652)
Equity raised/(repaid)	-	-	-	-	2,440	-
Debt raised/(repaid)	61	187	453	3,101	(1,700)	(700)
Dividend (incl. tax)	-	(144)	(180)	(90)	(156)	(202)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(82)	(120)	(158)	(319)	(318)	(240)
Cash flow from financing (c)	(21)	(77)	115	2,692	266	(1,142)
Net chg in cash (a+b+c)	769	(277)	63	173	893	(249)

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	149	190	222	254	328	374
Adj EPS (Rs)	23.2	45.0	37.0	34.4	39.4	51.0
Adj EPS growth (%)	-35	94	-18	-7	14	30
EBITDA margin (%)	10.9	14.7	11.7	10.6	10.3	10.6
Pre-tax margin (%)	9.0	12.5	9.4	6.9	7.5	8.1
Net Debt/Equity (x)	-0.3	-0.1	-0.1	0.3	0.0	0.0
ROCE (%)	19	32	21	17	14	16
ROE (%)	17	26	18	14	14	15

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	2.2	2.0	1.8
Net margin (%)	6.7	9.3	6.9	5.0	5.4	5.9

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	FY24E	FY25E	FY26E
PER (x)	28.8	14.8	18.1	19.4	17.0	13.1
Price/Book value (x)	4.5	3.5	3.0	2.6	2.0	1.8
EV/Net sales (x)	1.8	1.3	1.2	1.1	0.9	0.8
EV/EBITDA (x)	16.7	9.0	10.3	10.1	8.9	7.2
Dividend Yield (%)	0.6	0.7	0.4	0.6	0.6	0.8

Source: Company; IDBI Capital Research



Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 4069 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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