INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Review

- **PSP Projects:** We maintain REDUCE on PSP Projects with a target price of Rs 370/sh (10x Mar-22E EPS). As expected, 1QFY21 was a washout with in-line revenue of Rs 1.07bn (6.1% beat). We have maintained our FY21/22E EPS. Further, sites across Gujarat, Karnataka, Rajasthan and UP remain operational. Labour availability has gradually ramped up from ~20-25% levels to ~70-75% across these states. In Maharashtra, which constitutes ~25% the order book, sites remain shut till date. At present, finishing works are progressing well, with more intensive RCC structural works on hold till labour strength returns to normalcy. No change in FY21E/22E estimates.

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HDFC securities 20 YEARS

PSP Projects

In-line performance

We maintain REDUCE on PSP Projects with a target price of Rs 370/sh (10x Mar-22E EPS). As expected, 1QFY21 was a washout with in-line revenue of Rs 1.07bn (6.1% beat). We have maintained our FY21/22E EPS. Further, sites across Gujarat, Karnataka, Rajasthan and UP remain operational. Labour availability has gradually ramped up from ~20-25% levels to ~70-75% across these states. In Maharashtra, which constitutes ~25% the order book, sites remain shut till date. At present, finishing works are progressing well, with more intensive RCC structural works on hold till labour strength returns to normalcy. No change in FY21E/22E estimates.

- **1QFY21 Highlights:** PSP Projects posted revenue/EBIDTA/APAT of Rs 1,069/13/(22) mn vs our estimates of Rs 1007/58/19 mn. Due to revenue de-growth of 65/77% YoY/QoQ, EBITDA margin slumped by 1,268bps to 1.2%. Company does not expect monsoon to impact work on Surat Diamond Bourse project as large part of exterior work is done and is hopeful of finishing it on time with revised timeline of Apr-21 (Dec-20 pre-COVID).
- Order book stands at Rs 29.6bn (including Rs 5.7bn SDB project). Bid book stands at Rs 30bn, which comprises parliament building of Rs 9bn, warehouses, Brigade Hyderabad building, Reliance Jamnagar works, etc. Equity raising plans have been shelved off for now as Central Vista project has been delayed, and in the meantime, completion of several large projects led to freeing up of BG limits. Rs 8mn loss was booked on 1 of the 2 residential units in US. Gross debt stood at Rs 0.72bn, with total fund based and non-fund based utilisation at Rs 3.8bn of the total limit of Rs 6.1bn.
- **Setting up a pre-cast concrete plant:** PSP will invest Rs 750mn in FY21 to set up a pre-cast manufacturing facility. The company has acquired land encompassing an area of ~1.4 mn sq ft near Sanand (about Rs ~250mn outgo on land). PSP intends to cater to both captive and third-party precast demand and envisages payback period to be ~5 years. PSP believes that whilst cost of construction under pre-cast is higher by ~10% vis-à-vis conventional RCC, it leads to gains in terms of quality and shorter completion timelines. Apart from this, the capex run rate will come down as equipment is to be redeployed from projects nearing completion. We believe that private contract designs are largely consultant or client driven and, hence, projects are built in-situ. Scope of pre-cast is limited. Government contracts are standard and with limited pre-cast scope again. Hence, PSP needs to build awareness and client education for use of this technology. Few product from this plant may be used for captive purpose. Large use can be for affordable housing projects under PMAY which PSP has in Maharashtra.

Financial summary

Year Ending March	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	1,069	3,073	*(65)*	4,564	*(77)*	10,441	14,993	10,489	14,801
EBITDA	13	427	*(97)*	505	*(97)*	1,490	1,910	1,096	1,948
APAT	(22)	255	*(109)*	343	*(106)*	902	1,293	664	1,331
Diluted EPS (Rs)	(0.6)	7.1	*(109)*	9.5	*(106)*	25	36	18	37
P/E (x)						16.2	11.3	20.7	10.3
EV / EBITDA (x)						9.8	7.9	12.3	7.0
RoE (%)						26.8	31.2	13.7	23.5

Source: Company, HSIE Research

REDUCE

CMP *(as on 05 Aug 2020)*	Rs 405
Target Price	Rs 370
NIFTY	11,102

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 370	Rs 370
	FY21E	FY22E
EPS change %	-	-

KEY STOCK DATA	
Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (Rs bn) / ($ mn)	15/197
6m avg traded value (Rs mn)	13
52 Week high / low	Rs 577/232

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	17.1	(21.0)	(14.7)
Relative (%)	(1.7)	(13.4)	(16.2)

SHAREHOLDING PATTERN (%)	Mar-20	Jun-20
Promoters	73.82	73.96
FIs & Local MFs	6.33	6.53
FPIs	1.27	0.57
Public & Others	18.58	18.94
Pledged Shares	0.0	0.0

Source : BSE

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Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	PSP Projects	CFA	NO
Rohan Rustagi	PSP Projects	MBA	NO
Chintan Parikh	PSP Projects	MBA	NO

Disclosure:

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