

View: Poor show, inflows and pick up in execution a key; maintain Buy

- PSP reported results below estimates on all fronts.
- PSP posted 65.2%/ 97.0% YoY de-growth in revenue/ EBITDA to Rs1.1 bn/ Rs13 mn in Q1FY21. PSP reported loss of Rs22 mn vs. profit of Rs255 mn (Q1FY20). SDB revenue - Rs456 mn vs. Rs936 mn (Q1FY20).
- We reduce our revenue/ EBITDA margin/ PAT estimates by 4.4%/ 105 bps/ 15.6% for FY21E considering Q1FY21 results. We broadly maintain our FY22E estimates. Labour strength stood at 75-80% vs. 20-25% in the previous quarter. We expect a 4.8%/ 5.1% revenue/ Adj. PAT CAGR over FY20-22E, with EBITDA margins of 11.2%/ 13.0% for FY21E/ FY22E.
- PSP refrain from providing any guidance. Given its conservative strategy towards leverage and an efficient capital allocation, PSP will continue to remain a net cash company, with negative Net D:E of 0.4x over FY20-22E. PSP will continue to witness superior return ratios (average RoE/ RoCE of 21.8%/ 22.1% over FY20-22E), due to a strong PAT growth in FY22E, well-managed lean balance sheet and efficient working capital management. We maintain BUY, with a TP of Rs 516 (13x FY22E EPS). **Key risk – Order inflows**

Order book provides 2.3x revenue visibility

PSP standalone won orders worth Rs 15.8 bn in FY20 and nil in YTD FY21. PSP is L1 in GIDC project worth Rs2.75 bn. Including the same, the current order book (Rs 32.4 bn) provides revenue visibility for 2.5x TTM revenue. Excluding the SDB project, order book stands at Rs23.9 bn. We expect SDB's revenue contribution to rise to Rs6.2 bn (45.5%) in FY21E from Rs 3.6 bn/ Rs 5.4 bn (34.0%/ 36.2%) in FY19/ FY20. PSP has bid pipeline of Rs30 bn. We maintain order inflow of Rs20 bn/ Rs35 bn for FY21E/ FY22E.

Setting up a Precast Concrete Plant

PSP is setting up a 3mn sq.ft precast concrete plant near Sanand, Gujarat for Rs750 mn (land cost of Rs200-250 mn) to be operational by May'21 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.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	1,069	3,073	(65.2)	4,564	(76.6)
Total Expense	1,056	2,646	(60.1)	4,059	(74.0)
EBITDA	13	427	(97.0)	505	(97.4)
Depreciation	62	59	4.8	76	(19.0)
EBIT	(49)	368	-	429	-
Other Income	48	52	(7.7)	74	(35.4)
Interest	29	28	5.0	42	(30.7)
EBT	(30)	392	-	461	-
Tax	(8)	137	-	119	-
RPAT	(22)	255	-	343	-
APAT	(22)	255	-	343	-
			(bps)		(bps)
Gross Margin (%)	12.3	19.5	(721)	15.4	(317)
EBITDA Margin (%)	1.2	13.9	(1267)	11.1	(985)
NPM (%)	(2.1)	8.3	-	7.5	-
Tax Rate (%)	-	34.9	-	25.7	-
EBIT Margin (%)	(4.6)	12.0	-	9.4	-

CMP	Rs 403
Target / Upside	Rs 516 / 28%
BSE Sensex	37,710
NSE Nifty	11,102

Script Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 14bn
	US\$ 194mn
52-week High/Low	Rs 577/Rs 232
Avg. Volume (no)	27,792
NSE Symbol	PSPPROJECT
Bloomberg Code	PSPPL IN

Shareholding Pattern Jun'20(%)

Promoters	74.0
MF/Banks/FIs	5.8
FII	1.3
Public / Others	19.0

Valuation (x)

	FY20A	FY21E	FY22E
P/E	11.2	14.8	10.2
EV/EBITDA	6.9	8.2	5.4
ROE (%)	31.2	19.8	23.8
RoACE (%)	31.4	20.1	24.1

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	14,993	13,579	16,452
EBITDA	1,910	1,526	2,147
PAT	1,293	983	1,428
EPS (Rs.)	35.9	27.3	39.7

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Exhibit 1: Actual vs. DART estimates

(in Rs mn)	Actual	DART Est.	% Variation	Comment
Revenue	1,069	1,420	(24.7)	Muted execution
EBITDA	13	118	(89.0)	
EBITDA Margin (%)	1.2	8.3	(711 bps)	Higher expense than estimates
Adj. PAT	(22)	48	-	Poor operating efficiency

Source: Company, DART

Exhibit 2: Change in estimates – Downgrade FY21E estimates but broadly maintain FY22E estimates

(Rs mn)	FY21E			FY22E		
	New	Old	% chg	New	Old	% chg
Revenue	13,579	14,202	(4.4)	16,452	16,810	(2.1)
EBITDA	1,526	1,744	(12.5)	2,147	2,218	(3.2)
EBITDA Margin (%)	11.2	12.3	(105)	13.0	13.2	(15)
Adj. PAT	983	1,164	(15.6)	1,428	1,511	(5.5)
EPS (Rs)	27.3	32.3	(15.6)	39.7	42.0	(5.5)

Source: Company, DART

Key earnings takeaways

- PSP didn't give any guidance, will wait for Q2FY21.
- Currently working at 75-80% labour strength vs. 20-25% last quarter. Will get a clarity on labour by end of Aug'20. Labour required for finishing work have rejoined however for RCC work labour coming from Jharkhand, UP, Bihar and WB is still falling short. Construction material availability also improving.
- SDB project further delayed by 2 months to May'21 vs. earlier target of Mar'21 and Dec'20 impacted by slowdown to covid-19.
- PSP is L1 in GIDC project worth Rs2.75 bn Bid pipeline worth Rs30 bn which include Welspun warehouse in Bhiwandi, Mumbai (Rs2 bn), Torrent house in Ahmedabad (Rs1 bn), Reliance warehouse (Rs1 bn), Brigade project in Hyderabad (Rs3 bn).
- Central Vista pre-qualification process going on currently.
- Bhiwandi projects waiting for RERA and should start construction by Sept'20. Pandharpur project started.
- **Precast Concrete plant** – PSP is setting up a 3 mn sq.ft precast concrete plant near Sanand, Gujarat for Rs750 mn (incl. land of Rs200-250 mn) to be spent in FY21E. Firstly, the company is setting up Phase 1 of 1 mn sq.ft capacity. Plant and machinery cost required for Phase 1 (Rs200 mn) is already included in Rs750 mn. PSP expects this plant to be financed through internal accruals. Payback period is 5 years. This plant won't help increase margins, however this will improve quality, save time and labour requirement will reduce.
- No issues in payments from government or private projects. There is no escalation clause in government projects.
- PSP paid 35% salary in Q1FY21, but it was temporary. Expect employee cost to be higher in Q2FY21E.
- Gross Debt stood at Rs720 mn. Not much capex required as SDB capex will get free by next year.
- Debtors/ Inventory/ Payables stood at Rs1.65 bn/ Rs910 mn/ Rs1.45 bn. Retention money/ Mobilization advance stood at Rs700mn/ Rs1 bn. Unbilled revenue at Rs840 mn.

- Free FD/ FD under lien stands at Rs 490 mn/ Rs 1.48 bn. Rs 150 mn is given to clients for security deposits.
- Total Fund and Non-Fund based limits stands at Rs 6.1 bn out of which Rs3.8 bn are utilized.

Exhibit 3: Q1FY21 Performance (Standalone)

Particulars (Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY20	FY19	YoY (%)
Revenue	1,069	3,073	(65.2)	4,564	(76.6)	14,993	10,440	43.6
(Inc)/dec in stocks & WIP	(35)	(4)	-	80	-	84	(179)	-
Cons. of Raw materials	359	1,152	(68.8)	1,477	(75.7)	5,267	4,307	22.3
Construction expenses	614	1,326	(53.7)	2,302	(73.3)	7,004	4,292	63.2
Employees cost	97	138	(29.7)	158	(38.7)	594	432	37.7
Other expenditure	21	34	(37.4)	41	(48.6)	134	99	34.6
Total expenditure	1,056	2,646	(60.1)	4,059	(74.0)	13,083	8,951	46.2
EBITDA	13	427	(97.0)	505	(97.4)	1,910	1,489	28.2
Depreciation	62	59	4.8	76	(19.0)	267	242	10.2
Operating profit	(49)	368	-	429	-	1,643	1,247	31.7
Other income	48	52	(7.7)	74	(35.4)	248	230	7.8
EBIT	(1)	420	-	503	-	1,891	1,477	28.0
Interest	29	28	5.0	42	(30.7)	146	92	59.8
EBT	(30)	392	-	461	-	1,744	1,385	25.9
Provision for taxation	(8)	137	-	119	-	452	483	(6.5)
Net income	(22)	255	-	343	-	1,293	902	43.2
EPS (Rs)	(0.6)	7.1	-	9.5	-	35.9	25.1	43.2
EBIDTA Margin (Excl. O.I.)	1.2	13.9	(1,267)	11.1	(985)	12.7	14.3	(153)
EBIDTA Margin (Incl. O.I.)	5.7	15.6	(988)	12.7	(700)	14.4	16.5	(208)
NPM (%)	(2.0)	8.2	-	7.4	-	8.5	8.5	2
Tax/PBT (%)	-	34.9	-	25.7	-	25.9	34.9	(897)
Construction/Sales (%)	87.7	80.5	721	84.6	317	82.4	80.6	176

Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	10,440	14,993	13,579	16,452
Total Expense	8,951	13,083	12,053	14,305
COGS	8,420	12,355	11,338	13,507
Employees Cost	432	594	571	628
Other expenses	99	134	144	170
EBIDTA	1,489	1,910	1,526	2,147
Depreciation	242	267	312	381
EBIT	1,247	1,643	1,214	1,766
Interest	92	146	140	130
Other Income	230	248	248	285
Exc. / E.O. items	0	0	0	0
EBT	1,385	1,744	1,321	1,921
Tax	483	452	339	492
RPAT	902	1,293	983	1,428
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	902	1,293	983	1,428

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	3,354	4,211	5,014	6,262
Net Worth	3,714	4,571	5,374	6,622
Total Debt	263	723	660	470
Net Deferred Tax Liability	(49)	(58)	(78)	(98)
Total Capital Employed	3,928	5,236	5,956	6,994

Applications of Funds

Net Block	1,032	1,079	1,567	1,686
CWIP	0	0	0	0
Investments	44	44	44	44
Current Assets, Loans & Advances	6,181	8,412	8,391	10,042
Inventories	750	968	1,018	1,234
Receivables	1,426	2,240	2,037	2,468
Cash and Bank Balances	2,217	1,967	2,620	3,448
Loans and Advances	396	394	386	443
Other Current Assets	1,391	2,842	2,330	2,449
Less: Current Liabilities & Provisions	3,329	4,299	4,046	4,778
Payables	1,584	2,163	1,929	2,289
Other Current Liabilities	1,745	2,136	2,118	2,489
	<i>sub total</i>			
Net Current Assets	2,852	4,113	4,345	5,264
Total Assets	3,928	5,236	5,956	6,994

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	19.4	17.6	16.5	17.9
EBIDTA Margin	14.3	12.7	11.2	13.0
EBIT Margin	11.9	11.0	8.9	10.7
Tax rate	34.9	25.9	25.6	25.6
Net Profit Margin	8.6	8.6	7.2	8.7
(B) As Percentage of Net Sales (%)				
COGS	80.6	82.4	83.5	82.1
Employee	4.1	4.0	4.2	3.8
Other	1.0	0.9	1.1	1.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.2	0.1	0.1
Interest Coverage	13.6	11.2	8.7	13.6
Inventory days	26	24	27	27
Debtors days	50	55	55	55
Average Cost of Debt	38.3	29.7	20.3	23.0
Payable days	55	53	52	51
Working Capital days	100	100	117	117
FA T/O	10.1	13.9	8.7	9.8
(D) Measures of Investment				
AEPS (Rs)	25.1	35.9	27.3	39.7
CEPS (Rs)	31.8	43.3	36.0	50.3
DPS (Rs)	6.0	12.1	5.0	5.0
Dividend Payout (%)	24.0	33.6	18.3	12.6
BVPS (Rs)	103.2	127.0	149.3	183.9
RoANW (%)	26.8	31.2	19.8	23.8
RoACE (%)	27.8	31.4	20.1	24.1
RoAIC (%)	73.6	57.8	34.0	45.3
(E) Valuation Ratios				
CMP (Rs)	403	403	403	403
P/E	16.1	11.2	14.8	10.2
Mcap (Rs Mn)	14,499	14,499	14,499	14,499
MCap/ Sales	1.4	1.0	1.1	0.9
EV	12,544	13,254	12,539	11,521
EV/Sales	1.2	0.9	0.9	0.7
EV/EBITDA	8.4	6.9	8.2	5.4
P/BV	3.9	3.2	2.7	2.2
Dividend Yield (%)	1.5	3.0	1.2	1.2
(F) Growth Rate (%)				
Revenue	43.0	43.6	(9.4)	21.2
EBITDA	47.1	28.2	(20.1)	40.7
EBIT	38.4	31.7	(26.1)	45.5
PBT	38.7	25.9	(24.2)	45.4
APAT	40.2	43.2	(24.0)	45.4
EPS	40.2	43.2	(24.0)	45.4
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	277	190	1,588	1,543
CFI	(77)	(424)	(552)	(215)
CFF	(215)	(16)	(383)	(500)
FCFF	(117)	(140)	788	1,043
Opening Cash	2,232	2,217	1,967	2,620
Closing Cash	2,217	1,967	2,620	3,448

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.)
Aug-19	Buy	688	495
Sep-19	Buy	688	511
Oct-19	Buy	796	551
Dec-19	Buy	796	494
Feb-20	Buy	792	519
Mar-20	Buy	528	273
Mar-20	Buy	528	310
Jun-20	Buy	504	382

*Price as on recommendation date

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