

View: Order Inflows and pick up in execution a key; Maintain Buy

- PSP reported results above estimates on all fronts.
- PSP posted 22.2%/ 43.3%/ 56.0% YoY de-growth in revenue/ EBITDA/ APAT to Rs2.4 bn/ Rs245 mn/ Rs144 mn in Q2FY21. SBD revenue – Rs656 mn vs. Rs881 mn (Q2FY20).
- We broadly maintain our FY21E/ FY22E estimates and introduce FY23E. Labour strength is back at pre covid levels of 95% which stood at 75-80% (Q1FY21) vs. 20-25% in Apr'20. We expect a 7.1%/ 7.5% revenue/ Adj. PAT CAGR over FY20-23E, with EBITDA margins of 11.2%/ 13.0%/ 13.0% for FY21E/ FY22E/ FY23E.
- 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 FY20-23E. PSP will continue to witness superior return ratios (average RoE/ RoCE of 21.8%/ 21.9% over FY20-23E), 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 548 (13x Sep'22E EPS). **Key risk – Order inflows**

Order book provides 2.3x revenue visibility

PSP standalone won orders worth Rs15.8 bn/ Rs2.16 bn in FY20/ YTD FY21. The current order book (Rs27.8 bn) provides revenue visibility for 2.3x TTM revenue. Excluding the SDB project, order book stands at Rs22.7 bn. We expect SDB's revenue contribution of Rs4.7 bn (34.5%) in FY21E from Rs 3.6 bn/ Rs 5.4 bn (34.0%/ 36.2%) in FY19/ FY20. PSP has bid pipeline of Rs20 bn. We reduce our order inflow from Rs20 bn to Rs16 bn for FY21E and expect Rs35 bn/ Rs25 bn for FY22E/ FY23E.

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.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	2,431	3,125	(22.2)	1,069	127.4
Total Expense	2,186	2,693	(18.8)	1,056	107.0
EBITDA	245	433	(43.3)	13	1788.2
Depreciation	63	62	1.0	62	1.7
EBIT	183	370	(50.7)	(49)	(475.1)
Other Income	45	69	(34.1)	48	(5.7)
Interest	42	37	15.4	29	46.4
EBT	185	402	(53.9)	(30)	(724.5)
Tax	41	75	(45.0)	(8)	(650.7)
RPAT	144	327	(56.0)	(22)	(749.4)
APAT	144	327	(56.0)	(22)	(749.4)
			(bps)		(bps)
Gross Margin (%)	17.1	19.5	(243)	12.3	483
EBITDA Margin (%)	10.1	13.8	(375)	1.2	887
NPM (%)	5.9	10.5	(454)	(2.1)	800
Tax Rate (%)	22.3	18.7	362	25.3	(298)
EBIT Margin (%)	7.5	11.9	(435)	(4.6)	1206

CMP	Rs 391
Target / Upside	Rs 548 / 40%
NIFTY	12,461

Scrip Details

Equity / FV	Rs 360mn / Rs 10
Market Cap	Rs 14bn
	USD 190mn
52-week High/Low	Rs 560/ 232
Avg. Volume (no)	26,597
Bloom Code	PSPL IN

Price Performance	1M	3M	12M
Absolute (%)	(2)	(3)	(28)
Rel to NIFTY (%)	(7)	(15)	(33)

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	73.8	74.0	0.0
MF/Banks/FIs	5.7	5.8	0.0
FIs	1.3	1.3	0.0
Public / Others	19.2	19.0	100.0

Valuation (x)

	FY21E	FY22E	FY23E
P/E	14.3	9.9	8.8
EV/EBITDA	8.0	5.2	4.2
ROE (%)	19.8	23.8	21.9
RoACE (%)	19.9	23.8	22.0

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	13,621	16,476	18,393
EBITDA	1,530	2,150	2,392
PAT	984	1,426	1,608
EPS (Rs.)	27.3	39.6	44.7

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	2,431	2,308	5.3	Better execution
EBITDA (Rs mn)	245	175	40.3	-
EBITDA%	10.1	7.6	251	Lower construction, employee and other expenses
PAT (Rs mn)	144	97	47.8	Better operating performance

Source: Company, DART

Exhibit 2: Change in estimates – Maintain FY21E/ FY22E and introduce FY23E estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% change	New	Old	% change	New	Old	%change
Net revenues	13,621	13,579	0.3	16,476	16,452	0.1	18,393	-	-
EBIDTA	1,530	1,526	0.3	2,150	2,147	0.1	2,392	-	-
EBIDTA margin (%)	11.2	11.2	(0)	13.0	13.0	(0)	13.0	-	-
Adj. Net Profit	984	983	0.1	1,426	1,428	(0.2)	1,608	-	-
EPS (Rs)	27.3	27.3	0.1	39.6	39.7	(0.2)	44.7	-	-

Source: DART, Company

Key earnings takeaways

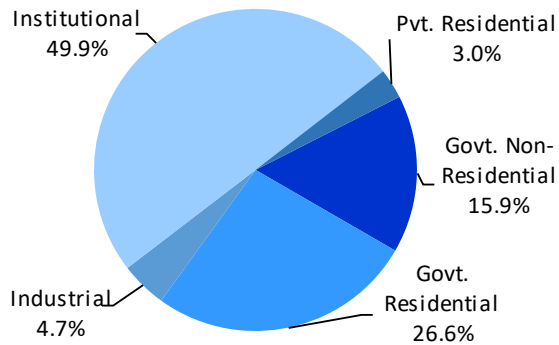
- PSP has a bid pipeline of Rs20 bn viz. Rs4.5 bn govt plaza in Delhi and Govt. university Rs8 bn in Baroda where outcome is expected by Dec'20. Other project values are Rs8.5 bn IT Park in Bengaluru, Rs2.5 bn, Rs1.3 bn, Rs3.5 bn.
- PSP will focus to bid in building segment and can look for airport buildings as well. Qualification criteria will increase to Rs20 bn once SDB is completed.
- Order inflow as on date stands at Rs2.16 bn and PSP expects ~Rs13 bn additional inflows in FY21E. All Central Vista bids (Rs130-140 bn) can come before Mar'21E.
- Currently working at 95% labour strength vs. 75-80% (Q1FY21) vs. 20-25% in Apr'20. PSP has spent Rs25 mn for reverse migration of labour and covid related expenses.
- PSP guided for flat YoY revenue growth in FY21E and margin guidance of 11-13% depending on the activity of the project.
- 95% of SDB project revenue booking should be completed by Mar'21E and handing over should take further 2 months. Sept'20 month run rate was Rs420 mn and Oct'20 run rate is Rs600 mn. Can expect Rs550-600 mn monthly revenue run rate till Mar'21E.
- Bhiwandi project (Rs6 bn) and Sabha Hall in Ahmedabad (Rs1.05 bn) are the only slow moving projects, rest all are executing properly. Bhiwandi project is in the process of approval and should commence post Diwali and Sabha Hall project timeline is not known and management is not confident if project will continue.
- Precast civil work going on and already invested Rs200 mn for land and Rs60 mn civil cost. Precast should be completed by Apr-May'21E and revenue can come by Sept'21E.
- No issues in payments from government or private projects.

- Gross Debt stood at Rs1.14 bn. Capex for H1FY21 is Rs359 mn. Expect Rs750-800 mn capex for precast upto Jun'21. Maintenance capex will be additional Rs50 mn for FY21E.
- Retention money/ Mobilization advance/ Unbilled revenue stood at Rs700mn/ Rs700 mn/ Rs950 mn.
- Debtor/ Inventory/ Creditors days stood at 72/ 35/ 68 days. Core WC days stood at 39 days.
- Free FD/ FD under lien stands at Rs430 mn/ Rs 1.49 bn. Rs 70 mn is given to clients for security deposits.
- Total Fund and Non-Fund based limits stands at Rs 6.1 bn out of which Rs1.72 bn are unutilized.
- USA subsidiary – 1st unit sold in Q1FY21 and 2nd unit in Q3FY21. Loss and advances to subsidiary is Rs250 mn and outstanding is Rs200 mn. Cumulative loss stands at Rs20 mn. Rs7 mn already impaired on consolidated level and management expects twice impairment of Rs7 mn each in FY21E. Expect completion of projects by Dec'22E.

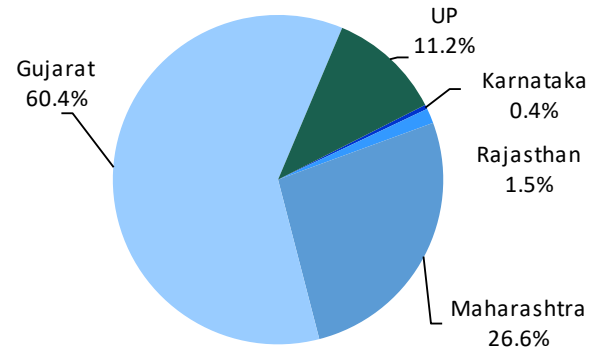
Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Revenue	2,431	3,125	(22.2)	1,069	127.4	3,500	6,198	(43.5)
(Inc)/dec in stocks & WIP	(39)	(274)	-	(35)	-	(74)	(278)	-
Material consumed	747	1,236	(39.6)	359	107.9	1,106	2,389	(53.7)
Construction exp	1,308	1,553	(15.8)	614	113.0	1,922	2,878	(33.2)
Employees cost	133	146	(9.0)	97	37.0	230	284	(19.1)
Other expenditure	38	32	18.1	21	77.7	59	66	(10.4)
Total expenditure	2,186	2,693	(18.8)	1,056	107.0	3,242	5,339	(39.3)
EBITDA	245	433	(43.3)	13	1,788.2	258	859	(70.0)
Depreciation	63	62	1.0	62	1.7	124	121	2.8
Operating profit	183	370	(50.7)	(49)	-	134	738	(81.9)
Other income	45	69	(34.1)	48	(5.7)	93	120	(22.7)
EBIT	228	439	(48.1)	(1)	-	227	859	(73.6)
Interest	42	37	15.4	29	46.4	71	64	10.9
EBT	185	402	(53.9)	(30)	-	156	795	(80.4)
Provision for Tax	41	75	(45.0)	-8	-	34	212	(84.1)
Net income	144	327	(56.0)	(22)	-	122	582	(79.1)
EPS (Rs)	4.0	9.1	(56.0)	(0.6)	-	3.4	16.2	(79.1)
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	10.1	13.8	(375)	1.2	887	7.4	13.9	(649)
EBIDTA Margin (Incl. O.I.)	11.9	16.0	(409)	5.7	625	10.0	15.8	(577)
NPM (%)	5.8	10.2	(443)	(2.0)	780	3.4	9.2	(583)
Tax/PBT (%)	22.3	18.7	362	25.3	(298)	21.7	26.7	(498)
Material cons/Revenue (%)	82.9	80.5	243	87.7	(483)	84.4	80.5	388

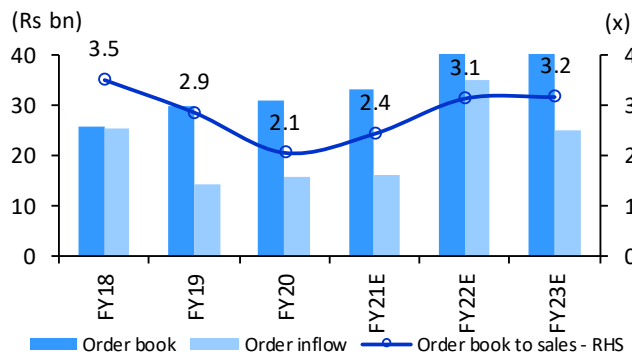
Source: DART, Company

Exhibit 4: Rs27.8 bn OB break up


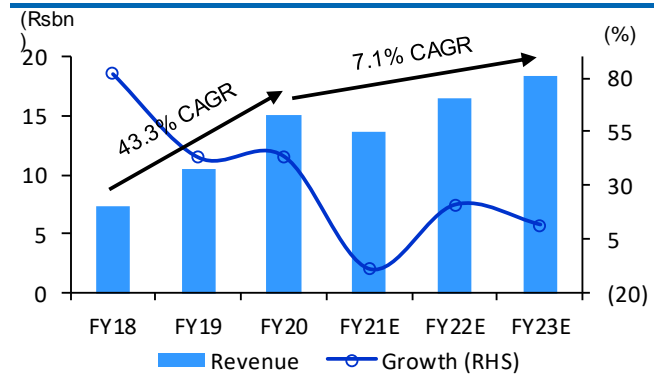
Source: Company, DART

Exhibit 5: Rs27.8 bn OB geographic break up


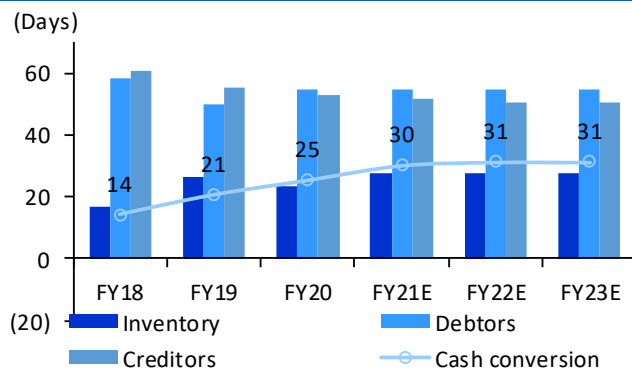
Source: Company, DART

Exhibit 6: Order book trend (Standalone)


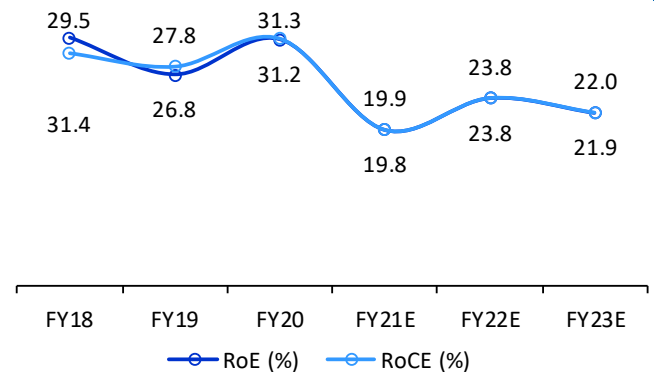
Source: Company, DART

Exhibit 7: 7.1% revenue CAGR over FY20-23E


Source: Company, DART

Exhibit 8: Efficient cash conversion


Source: Company, DART

Exhibit 9: Superior return ratios to continue


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	14,993	13,621	16,476	18,393
Total Expense	13,083	12,091	14,326	16,001
COGS	12,355	11,376	13,528	15,106
Employees Cost	594	571	628	690
Other expenses	134	144	170	204
EBIDTA	1,910	1,530	2,150	2,392
Depreciation	267	315	387	462
EBIT	1,643	1,215	1,762	1,930
Interest	146	140	130	110
Other Income	248	248	285	342
Exc. / E.O. items	0	0	0	0
EBT	1,744	1,322	1,917	2,162
Tax	452	339	491	554
RPAT	1,293	984	1,426	1,608
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,293	984	1,426	1,608

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	360	360	360	360
Minority Interest	0	0	0	0
Reserves & Surplus	4,211	5,015	6,260	7,688
Net Worth	4,571	5,375	6,620	8,048
Total Debt	748	760	470	680
Net Deferred Tax Liability	(58)	(78)	(98)	(118)
Total Capital Employed	5,262	6,057	6,993	8,610

Applications of Funds

Net Block	1,079	1,614	1,727	1,964
CWIP	0	0	0	0
Investments	44	44	44	44
Current Assets, Loans & Advances	8,412	8,457	10,007	11,931
Inventories	968	1,022	1,236	1,380
Receivables	2,240	2,043	2,471	2,759
Cash and Bank Balances	1,967	2,669	3,403	4,736
Loans and Advances	394	387	444	496
Other Current Assets	2,842	2,336	2,452	2,560
Less: Current Liabilities & Provisions	4,273	4,059	4,785	5,329
Payables	2,163	1,935	2,292	2,560
Other Current Liabilities	2,110	2,124	2,493	2,769
<i>sub total</i>				
Net Current Assets	4,139	4,399	5,222	6,602
Total Assets	5,262	6,057	6,993	8,610

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	17.6	16.5	17.9	17.9
EBIDTA Margin	12.7	11.2	13.0	13.0
EBIT Margin	11.0	8.9	10.7	10.5
Tax rate	25.9	25.6	25.6	25.6
Net Profit Margin	8.6	7.2	8.7	8.7
(B) As Percentage of Net Sales (%)				
COGS	82.4	83.5	82.1	82.1
Employee	4.0	4.2	3.8	3.8
Other	0.9	1.1	1.0	1.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	11.2	8.7	13.6	17.5
Inventory days	24	27	27	27
Debtors days	55	55	55	55
Average Cost of Debt	29.0	18.6	21.1	19.1
Payable days	53	52	51	51
Working Capital days	101	118	116	131
FA T/O	13.9	8.4	9.5	9.4
(D) Measures of Investment				
AEPS (Rs)	35.9	27.3	39.6	44.7
CEPS (Rs)	43.3	36.1	50.4	57.5
DPS (Rs)	12.1	5.0	5.0	5.0
Dividend Payout (%)	33.6	18.3	12.6	11.2
BVPS (Rs)	127.0	149.3	183.9	223.6
RoANW (%)	31.2	19.8	23.8	21.9
RoACE (%)	31.3	19.9	23.8	22.0
RoAIC (%)	57.5	33.6	44.6	46.0
(E) Valuation Ratios				
CMP (Rs)	391	391	391	391
P/E	10.9	14.3	9.9	8.8
Mcap (Rs Mn)	14,089	14,089	14,089	14,089
MCap/ Sales	0.9	1.0	0.9	0.8
EV	12,870	12,179	11,155	10,032
EV/Sales	0.9	0.9	0.7	0.5
EV/EBITDA	6.7	8.0	5.2	4.2
P/BV	3.1	2.6	2.1	1.8
Dividend Yield (%)	3.1	1.3	1.3	1.3
(F) Growth Rate (%)				
Revenue	43.6	(9.2)	21.0	11.6
EBITDA	28.2	(19.9)	40.5	11.3
EBIT	31.7	(26.1)	45.1	9.5
PBT	25.9	(24.2)	45.0	12.8
APAT	43.2	(23.9)	45.0	12.8
EPS	43.2	(23.9)	45.0	12.8

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	190	1,613	1,549	1,771
CFI	(424)	(602)	(215)	(358)
CFF	(16)	(308)	(600)	(80)
FCFF	(140)	763	1,049	1,071
Opening Cash	2,217	1,967	2,669	3,403
Closing Cash	1,967	2,669	3,403	4,736

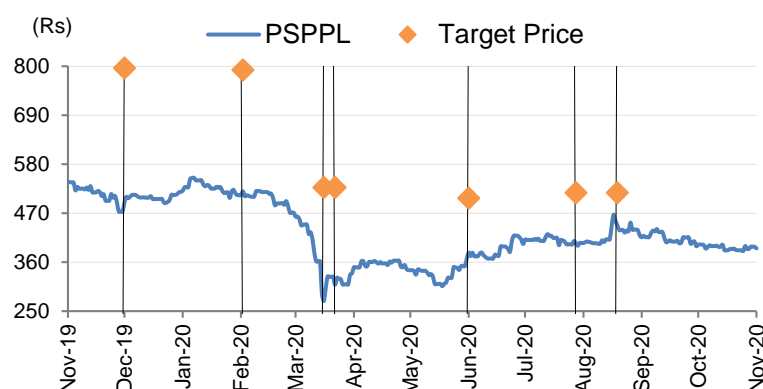
E – Estimates

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.)
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
Aug-20	Buy	516	403
Aug-20	Buy	516	444

*Price as on recommendation date

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Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

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