

PSP Projects

Marginal miss

PSP 2QFY21 performance was a minor miss, labour availability has ramped up to pre-COVID levels now. While execution is back on track, order book ramp up remains key from revenue visibility standpoint. PSP remains caught between growth and BS balance, FCFF has deteriorated due to pandemic and funding of suppliers, whilst PSP extension of SDB project completion timeline has impacted Govt project eligibility. Long term focus remains on Building & Factories segment with growth likely to pick up from FY22. No change in estimates. We maintain BUY on PSP Projects with a target price of Rs 490/sh (12x Sep-22E EPS).

- **2QFY21 Financial Highlights:** PSP Projects posted revenue Rs 2.4bn (-22/+127% YoY/QoQ, 4.2% miss) on the back sequential recovery in labor strength from ~50% in July to ~90% by end-August, and is now at pre-COVID level of 4,000+ labour. EBIDTA margins came in at 10.1% resulting in EBIDTA of Rs 245mn (-43%/18x YoY/QoQ, 8% miss). EBIDTA margins to stabilize to ~13% by 1QFY22E as per management. APAT stood at Rs 144mn (-56% Yoy, miss of 13%). FY21E revenue guidance stands at ~Rs 13bn+. Of the Rs 750mn pre-caste plant capex by 1QFY22, Rs 260mn have been incurred in 1HFY21 including land outgo of Rs 200mn. .
- **2QFY21 Operational Highlights:** SDB project revenue contribution for the quarter stood at Rs 650mn (Rs 10.7bn of 15.8bn recognized till 2QFY21), and is on track to be handed over by 1QFY22E. Sabha Hall (Rs 1bn) and Bhiwandi affordable housing project (Rs 6bn) remain slow moving as of now. While Bhiwandi project is in final approval stages, clarity is yet to emerge on the Sabha Hall order from the client side. Total order book including SDB (Rs 5.1bn) and the 2 slow moving orders stands at Rs 27.8bn. Order bid book stands at Rs 20bn which largely comprises of warehouses/logistics projects, Commercial IT Park in Bengaluru, Govt. University, Govt plaza development, etc. PSP expects order inflows for FY21 to be ~13-15bn, in-line with its revenue guidance. Rs 7mn impairment loss was taken on US entity, with additional Rs 14mn loss to be spread over next 2 quarters (Rs 20mn cumulative).
- **Balance sheet & Working capital:** Gross debt stood at Rs 1.14bn (vs Rs 0.72bn QoQ), with total fund based and non-fund based utilisation at Rs 4.4bn (vs Rs 3.8bn QoQ) of the total limit of Rs 6.1bn. Working capital has stretched due to reduction in current liabilities, whilst trade receivable has improved vs Mar-20, seems like PSP is funding the suppliers to keep up pace on execution. During 1HFY21 PSP generated negative FCFF of Rs 936mn vs Rs 327mn negative FCFF during 1HFY20. This shortfall has been partly met by BS cash/cash equivalent balance and increase in debt.

Financial summary

YE March	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY22E
Net Sales	2,431	3,125	(22)	1,069	127	14,993	10,489	14,801	17,887
EBITDA	245	432	(43)	13	1,788	1,910	1,096	1,948	2,427
APAT	144	327	(56)	(22)	.	1,293	657	1,322	1,619
Diluted EPS (Rs)	4.0	9.1	(56)	(0.6)	.	35.9	18.2	36.7	45.0
P/E (x)						10.9	22.9	11.4	9.3
EV / EBITDA (x)						7.6	13.6	7.7	6.1
RoE (%)						31.2	13.6	23.4	23.6

Source: Company, HSIE Research

BUY

CMP (as on 09 Nov 2020)	Rs 390
Target Price	Rs 490
NIFTY	12,461

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 490	Rs 490
EPS	FY21E	FY21E
change %	-	-

KEY STOCK DATA

Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (Rs bn) / (\$ mn)	14/189
6m avg traded value (Rs mn)	12
52 Week high / low	Rs 560/232

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.3)	13.9	(27.8)
Relative (%)	(15.3)	(20.7)	(33.4)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	73.96	74.16
FIs & Local MFs	6.53	5.82
FPIs	0.57	1.27
Public & Others	18.94	18.75
Pledged Shares	-	-

Source: BSE

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Disclosure:

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