

Event Update

PSP Projects Ltd

New order wins lead to earning upgrades

PSP Projects (PSP) over the last two days announced order wins (including L1) worth ~INR 2,500 cr. With these order wins, FY21 turned out to be the best ever order addition year for the company. Currently, PSP is sitting on a historic high orderbook of ~INR 5,000 cr and now has revenue visibility of ~4 years which is again at historic high levels. We are upgrading our estimates to accommodate these new orders. We believe, Revenue of the company will grow at 23% CAGR over FY20-23E against our earlier estimate of 15%. We also upgrade our EBITDA and PAT estimates by 20%/26% and 18%/24% for FY22/23E. Due to higher earning visibility and upgrade in earnings, we upgrade our price target to INR 700 and maintain BUY.

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CMP INR: 460

Rating: BUY

Target Price INR: 700

Upside: 52%

Recent Order Announcements makes FY21 as historic best year of Order Addition

We were concerned about PSP's muted order addition as till 9MFY21 company had received orders of only INR 200 cr. However, over the last two days, PSP announced strong orders (including L1) worth ~INR 2,500 cr. With this, total order book reached to historic high levels of INR 5,000 cr and now has revenue visibility of ~4 years which is again at historic high for the company. Also, with these wins, FY21E turns out to be the best ever order addition year for PSP with total declared order wins of INR 2,700 cr. as of today. The recent order wins includes INR 236 cr order for an Institutional project at Gujarat, INR 590 cr project from a private developer at Ahmedabad and L1 bidder for projects totalling INR 1,670 cr for construction of medical colleges at multiple locations at Uttar Pradesh.

We are revising our Earnings Estimates by 18%/24% of FY22/23E

Based on the recent wins, we are upgrading our estimates. We believe, Revenue of the company will grow at 23% CAGR over FY20-23E against our earlier estimate of 15%. We upgrade our EBITDA estimates by 20%/26% for FY22/23E. Despite hike in raw material prices, the company able reach 12% EBITDA margin in Q3FY21 and we expect the EBITDA margin to cross 13% in FY23E. We also upgrade our PAT estimates by 18%/24% for FY22/23E.

Cash conversion cycle remains key monitorable

With the new orders, PSP's orderbook share tilted more towards government projects where Cash Conversion cycle is not as good as private and industrial projects. PSP currently has 54% of the orderbook coming from Govt. projects which will structurally put upward pressure on NWC cycle and company is not expected go back to its previous NWC cycle of 10-15 days. We remained confident on project selection capability of the company but will continue to monitor the NWC cycle going forward.

Reiterate 'BUY' with upgrade in target price to INR 700

At CMP of INR 460, the stock is trading at 10x / 7x of FY22E / FY23E EPS. Due to higher earning visibility and upgrade in earnings we upgrade the price target to INR 700 and maintain BUY.

Bloomberg:	PSPPL:IN
52-week range (INR):	232 / 540
Share in issue (cr):	3.6
M cap (INR cr):	1,607
Promoter Holding (%)	73.28

(INR Cr)	FY20	FY21E	FY22E	FY23E
Revenues	1499	1267	2030	2784
EBIDTA	191	136	249	369
EBIDTA Margin	13%	11%	12%	13%
PAT	128	85	165	249
PAT Margin	9%	7%	8%	9%
Diluted EPS (INR)	36	24	46	69
Diluted PE (x)	11	19	10	7
EV/EBIDTA	7	11	6	3
ROE(%)	28%	16%	23%	26%

Date: February 5, 2021

Income Statement (Consolidated)

(INR cr)

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Income from operations	1,050	1,499	1,267	2,030	2,784
Direct Expenses	416	535	456	751	1,023
Employee Cost	43	59	54	76	97
Other Expenses	443	714	621	954	1,294
Total operating expenses	902	1,309	1,131	1,782	2,415
EBITDA	149	191	136	249	369
Depreciation and amortisation	24	27	31	43	56
EBIT	124	164	105	205	313
Interest expenses	10	15	10	6	6
Other income	23	24	18	20	25
Profit before tax	137	173	113	220	332
Provision for tax	48	45	28	55	83
Core profit	89	128	85	165	249
Extraordinary items	0	0	0	0	0
Profit after tax	89	128	85	165	249
Minority Interest	0	0	0	0	0
Share from associates	-0	-0	0	0	0
Adjusted net profit	89	128	85	165	249
Equity shares outstanding (Crs)	3.6	3.6	3.6	3.6	3.6
EPS (INR) basic	24.8	35.6	23.6	45.8	69.3
Diluted shares (Crs)	3.6	3.6	3.6	3.6	3.6
EPS (INR) fully diluted	24.8	35.6	23.6	45.8	69.3
Dividend per share	5.0	0.0	0.0	0.0	0.0
Dividend payout (%)	20.2	0.0	0.0	0.0	0.0

Common size metrics- as % of net revenues

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Operating expenses	85.9	87.3	89.3	87.8	86.8
Depreciation	2.3	1.8	2.4	2.1	2.0
Interest expenditure	0.9	1.0	0.8	0.3	0.2
EBITDA margins	14.1	12.7	10.8	12.3	13.3
Net profit margins	8.5	8.5	6.7	8.1	9.0

Growth metrics (%)

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Revenues	39.7	42.7	(15.5)	60.3	37.1
EBITDA	42.0	28.3	(28.6)	82.6	48.3
PBT	34.1	26.1	(34.6)	94.0	51.2
Net profit after minority interest	35.2	43.7	(33.7)	94.0	51.2
EPS	35.2	43.7	(33.7)	94.0	51.2

Balance Sheet (Consolidated)
(INR cr)

As on 31st March	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	36	36	36	36	36
Warrants	0	0	0	0	0
Reserves & surplus	334	418	504	669	919
Shareholders funds	370	454	540	705	955
Borrowings	30	78	53	28	28
Minority interest	1	1	1	1	1
Sources of funds	401	533	593	734	983
Gross block	167	197	247	347	447
Depreciation	64	90	121	165	220
Net block	103	106	126	182	226
Capital work in progress	0	3	2	2	2
Total fixed assets	103	110	127	184	228
Goodwill	0	0	0	0	0
Non Current Assets	64	156	161	166	171
Inventories	75	97	83	188	256
Sundry debtors	148	235	204	338	464
Cash and equivalents	248	197	175	205	406
Loans and advances	59	135	180	190	200
Other current assets	37	34	0	0	0
Total current assets	567	698	643	922	1,326
Sundry creditors and others	159	217	338	539	743
Other Current Liabilities	162	212	0	0	0
Provisions	0	1	0	0	0
Total CL & provisions	322	430	338	539	743
Net current assets	245	269	304	383	583
Net Deferred tax	0	0	0	0	0
Misc expenditure	0	0	0	0	0
Uses of funds	401	533	593	734	983
Book value per share (INR)	111	148	165	204	273

Cash flow statement
(INR cr)

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Net profit	89	128	85	165	249
Add: Depreciation	24	27	31	43	56
Add: Interest net of tax	6	11	7	4	4
Add: Deferred tax	0	0	0	0	0
Add: Others	28	20	30	30	30
Gross cash flow	147	186	153	242	339
Less: Changes in W. C.	120	167	150	100	100
Operating cash flow	28	19	3	142	239
Less: Capex	47	30	50	100	100
Less: Investment in subsidiaries	0	0	0	0	0
Free cash flow	-19	-11	-47	42	139

Profit & Efficiency Ratios

Year to March	FY19	FY20	FY21E	FY22E	FY23E
ROAE (%)	24%	28%	16%	23%	26%
ROACE (%)	31%	31%	18%	28%	32%
Debtors (days)	51	57	59	61	61
Current ratio	1.7	1.6	1.9	1.7	1.8
Gross Debt/Equity	0.0	0.0	0.1	0.0	0.0
Inventory (days)	26	24	24	34	34
Payable (days)	55	53	54	52	51
Cash conversion cycle (days)	22	28	29	43	43
Gross Debt/EBITDA	0.0	0.0	0.4	0.1	0.1
Net debt/Equity	(0.7)	(0.4)	(0.2)	(0.3)	(0.4)

Valuation Parameters

Year to March	FY19	FY20	FY21E	FY22E	FY23E
Diluted EPS (INR)	24.8	35.6	23.6	45.8	69.3
Y-o-Y growth (%)	35.2	43.7	(33.7)	94.0	51.2
CEPS (INR)	31.5	43.0	32.2	57.8	84.8
Diluted P/E (x)	16.1	11.2	19.5	10.0	6.6
Price/BV(x)	3.9	3.2	3.1	2.3	1.7
EV/Sales (x)	1.1	0.8	1.2	0.7	0.5
EV/EBITDA (x)	8.0	6.5	11.3	5.9	3.5
Diluted shares O/S	3.6	3.6	3.6	3.6	3.6
Basic EPS	24.8	35.6	23.6	45.8	69.3
Basic PE (x)	16.1	11.2	19.5	10.0	6.6
Dividend yield (%)	1%	0%	0%	0%	0%

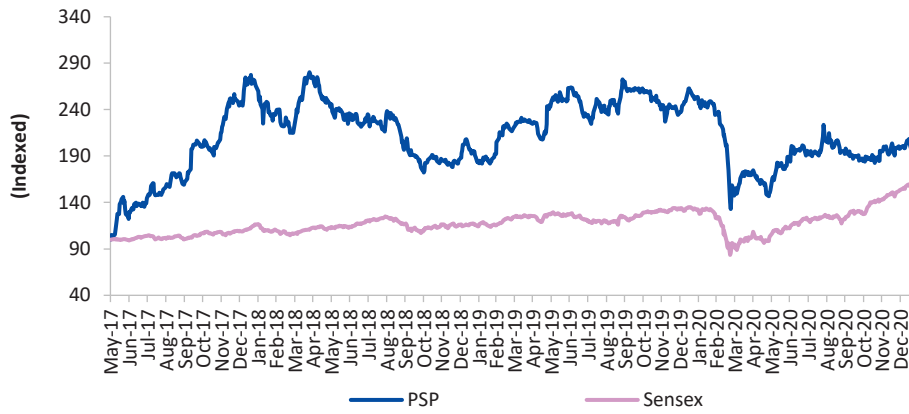
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Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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