

PSP Projects

Muted performance

PSP Projects (PSP) reported revenue/EBITDA/APAT at INR 3/0.4/0.25bn for the quarter, 21/14/7% below our estimate. Labour shortage impacted execution. Despite no new order inflow in Q1FY22, management is confident of achieving its inflow guidance of INR 20bn for FY22. The order book (OB) stands at INR 38bn at the end of Q1FY22. PSP has lowered revenue guidance from INR 18bn to 25-30% YoY growth (INR 16.1bn on the higher end) and increased the EBITDA margin guidance for FY22 to 11.5-13%. We have tweaked our FY22/FY23 estimates to account for this operationally weak quarter. We maintain BUY on PSP and roll forward our TP to INR 542/sh (12x Jun-23E EPS).

- Q1FY22 financial highlights:** PSP registered revenue of INR 3bn (+196%/-36% YoY/QoQ), missing our estimate by 21%. EBITDA came in at INR 394mn (30x/-29.2% YoY/QoQ), a miss of 14%. EBITDA margin stood at 12.4% (+1120/+2bps YoY/QoQ, vs estimate of 11.5%). APAT came in at INR 251mn (13x/-38% YoY/QoQ, miss of 7%).
- Operationally weak quarter, revenue guidance lowered:** The company faced labour shortages for most part of the quarter, which have normalised now. With no order wins in this quarter, OB shrank to INR 38bn. The court stay remains on the Bhiwandi EWS project, whose next hearing will be in the last week of July-21. The Pandharpur project is still in a slow lane, as cash flow from the client has stopped. Work has started on five UP hospital projects while the remaining two have received their design approvals. Revenue from these UP projects will start getting recognised from Q2FY22 and will ramp up significantly from Q3FY22 onwards. On the Surat Diamond Bourse, 50-70% of the pending work will be completed in Q2FY22 and the balance in Q3FY22. The precast facility work has been completed and PSP is talking to a client for potential orders. The current bid pipeline is at INR 30bn, with Gujarat accounting for INR 21bn. The order inflow guidance for FY22 is at INR 20bn.
- Comfortable balance sheet position:** Standalone gross debt increased to INR 1.2bn (D/E 0.21x), from INR 708mn at FY21-end. Receivables increased to INR 2.8 bn from INR 2.2 bn at FY21-end as collections were delayed. However, PSP has received INR 880 mn in the early part of July-21.

Standalone Financial Summary (INR mn)

YE March	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	3,174	1069	197	5,007	(36.6)	12,409	16,579	20,179	22,750
EBITDA	394	13	2934	621	(36.5)	1,348	1,934	2,456	2,998
APAT	251	(22)	1231	407	(38.3)	835	1,260	1,534	1,902
EPS (INR)	7.0	(0.62)	12.3	11.3	(38.0)	23.2	35.0	42.6	52.8
P/E (x)						20.3	13.4	11.0	8.9
EV/EBITDA (x)						12.7	9.0	7.1	5.6
RoE (%)						16.8	21.4	21.8	22.5

Standalone Estimate Change Summary

INR mn	FY22E New	FY22E Old	(% Change)	FY23E New	FY23E Old	(% Change)
Net Revenues	16,579	17,479	-5.1	20,179	20,179	0.0
EBITDA	1,934	2,040	-5.2	2,456	2,456	0.0
Margins (%)	11.7	11.7	0.0	12.2	12.2	0.0
APAT	1,260	1,274	-1.1	1,534	1,529	0.3

Source: Company, HSIE Research

BUY

CMP (as on 19 July 2021)	INR 467
Target Price	INR 542
NIFTY	15,752

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 510	INR 542
	FY22E	FY23E
EPS change %	-1.1	0.3

KEY STOCK DATA

Bloomberg code	PSPPL IN
No. of Shares (mn)	36
MCap (INR bn) / (\$ mn)	17/226
6m avg traded value (INR mn)	80
52 Week high / low	INR 531/337

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.8	14.0	14.5
Relative (%)	5.2	7.6	(27.4)

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	74.19	74.19
FIs & Local MFs	5.53	3.97
FPIs	1.29	1.29
Public & Others	18.99	20.55
Pledged Shares	-	-

Source: BSE

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