

Stock Update

PSP Projects Ltd.

August 07, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Infrastructure	Rs.780.6	Buy in the band of Rs. 772 - 788 & add more on dips to Rs. 690 - 698 band	Rs.850	Rs.908	3-4 quarters

HDFC Scrip Code	PSPPROEQNR
BSE Code	540544
NSE Code	PSPPROJECT
Bloomberg	PSPPL:IN
CMP August 04, 2023	780.6
Equity Capital (Rs cr)	36
Face Value (Rs)	10
Equity Share O/S (cr)	3.6
Market Cap (Rs cr)	2,801
Book Value (Rs)	222
Avg. 52 Wk Volumes	1,84,822
52 Week High	802
52 Week Low	560

Share holding Pattern % (June, 2023)	
Promoters	66.22
Institutions	9.58
Non Institutions	24.20
Total	100.0

**HDFCsec Retail research stock rating meter**  
for details about the ratings, refer at the end of the report  
 \* Refer at the end for explanation on Risk Ratings  
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**Our Take:**

PSP Projects Limited (PSP) is engaged in Infrastructure construction, development, and management. It has expertise in the execution of projects including EPC contracts, Trunkey Projects and Civil construction. The company is a major player of EPC projects having executed 196 projects spread across 6 states. The company’s portfolio includes affordable housing, aside from Smart City and institutional construction along with industrial and marquee government projects. The company is leveraging strong project execution track record to diversify into new functional areas of infrastructure development in precast facilities which will enable to manufacture all elements of building and infrastructure industry, such as Beams, Columns, Slabs, Load Bearing Walls, Partition Walls, Staircase, and Lift cores. Over the years, the company has diversified its order book in different segments like industrial, institutional, government, government residential, residential projects and precast.

The company is also targeting opportunities in Government’s focus in construction of Central Vista project, Gem & Jewellery Park, and other private projects.

PSP has provided its guidance for the upcoming FY24 with an increase in topline by approx. 25% YoY to Rs.2,500-2,600 crores and maintaining its current margin level of 11-13% on the back of its prudent bidding discipline. As of June 2023 end, the order book stood at Rs.5,321 Cr (excluding slow moving projects of Pandharpur and Bhiwandi worth Rs.727 crores) indicating a robust visibility of 2.75x of FY23 revenue and displaying growth of 15% over Q1FY23. Recently, the company has been awarded a project by Surat Municipal Corporation for its building worth Rs.1,344 crores; with this the order-book stands at Rs.5,321 crores. With this new order, the order Intake in FY23 stands at Rs.3,421 crores surpassing the annual guidance of Rs.2,500 crores. Post FY23 the company has received orders worth Rs.758 crores Q1FY24.

On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock.

We had issued an initiating coverage report earlier on PSP Projects Ltd. on Nov 27, 2020 ([Link](#)) for base and bull targets of Rs.431.5 and 478 respectively which were duly achieved on February 05, 2021.



### Valuation & Recommendation:

PSP Projects Ltd. is one of the key beneficiaries of increase in housing demand, government target of completing 8 Mn houses under the Pradhanmantri Awas Yojna and also the strong allocation towards affordable housing in the Union Budget. It is focusing on implementation on both EPC, Civil Construction and Turnkey Institutional Projects over next few years. Its focus on margins and cash flow generation augurs well from a long-term perspective. Over the years, the company has transformed itself into one of the leading EPC players for Private Institutional, Industrial as well as Government Residential projects. PSP Projects Limited has grown its order book and revenue at a healthy rate with sustainable margins. PSP has also calibrated diversification to continue the growth momentum, without assuming concentration risk, leading to superior scalability and recognition. Robust execution capabilities coupled with strong repository of asset base enables efficient execution that would reflect in strong revenue growth.

PSP Projects Limited has strong financials, healthy balance sheet and track record compared to its peer companies which gives also company a competitive advantage in bidding for new big projects upto Rs.2,500 Crores. Its continued focus on adding and diversifying project portfolio at healthy margins reinforces our positive view on the company. We expect revenue/EBITDA/PAT to grow at a CAGR of 20.3%/24.7%/28% over FY23–25E. **We think the base case fair value of the stock is Rs.850 (14x FY25E EPS) and the bull case fair value is Rs.908 (15x FY25E EPS) over the next three-four quarters. Investors can buy the stock in the band of Rs.772-788 (12x FY25E EPS) and add more on dips to Rs. 690 - 698 band (11.5x FY25E EPS).**

Particulars (Rs cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY21	FY22	FY23P	FY24E	FY25E
Total Operating Income	509.6	345.2	47.6	727.4	-29.9	1,240.9	1,748.8	1,926.6	2,420.0	2,783.0
EBITDA	64.7	47.1	37.3	77.7	-16.7	134.8	256.5	225.0	302.5	347.9
Depreciation	11.8	8.7	35.8	12.4	-4.4	25.6	32.1	40.0	40.0	44.9
Other Income	5.7	5.6	0.7	6.7	-15.0	16.9	21.3	27.1	25.5	27.8
Interest Cost	9.1	5.6	62.4	9.2	-1.2	14.7	26.4	32.0	34.9	40.0
Tax	12.7	9.9	27.9	16.4	-22.8	27.9	56.9	47.1	63.5	73.0
PAT	36.7	28.5	28.8	46.3	-20.7	83.5	162.4	133.0	189.6	217.9
Adjusted PAT	36.7	28.5	-	46.3	-	83.5	162.4	133.0	189.6	217.9
EPS (Rs)	10.2	7.9	-	12.9	-	22.4	45.1	36.9	52.7	60.5
RoE-%						16.8	26.6	17.9	21.5	20.8
P/E (x)						34.8	17.3	21.1	14.8	12.9
EV/EBITDA						19.7	10.6	12.1	8.7	7.4

(Source: Company, HDFC sec)



## Q1 FY24 Earnings Update:

- Standalone Revenue from operations for Q1FY24 stood at Rs.509.6 crores, 47.6%/-29.9% (YoY/QoQ). EBITDA for the quarter stood at Rs. 64.7 crores 37.3%/-16.7% (YoY/QoQ).
- SA EBITDA margin for Q1FY24 stood at approximately 12.70%.
- Management has guided to maintain around 11-13% EBITDA margin.
- PAT reported for Q1FY24 is Rs.36.7 crores 28.8%/-20.7% (YoY/QoQ).
- Quarterly EPS stood at Rs.10.2 Vs Rs.7.9 in the previous year.
- Borrowings as on June'23 stood at Rs.282 crores, Long term borrowing of Rs.97 crores and Short term borrowing of Rs.185 crores.
- The company has secured FY23 order inflow of Rs.3,421 crores as compared to Rs. 1,802 crores during same period last year, depicting a growth of over 85%.
- Within the outstanding order book, the government projects comprised 54%, institutional projects comprised of 27%, industrial and residential projects comprised of 9% & 10% respectively. As on date, the company have 48 ongoing projects of which 79% are based on Gujarat, 21% in UP.

## Q1 FY24 Con-Call Highlights:

- Major projects awarded during the quarter are Development of Tourist/ Pilgrimage destination at Dharoi Dam, Design Build project for BAPS Sabha Hall at Vadodara and Surat, Two commercial complexes in Surat totaling to Rs.758 crores.
- During the quarter, the revenue booked from all UP projects is to the tune of Rs.196 crore and as on date the revenue booked is Rs.915 crore. The company expects approximately Rs.450 crores of revenue from the UP project from the outstanding order-book of Rs.576 crores.
- The company has booked total revenue to the tune of Rs.90 crores till date from the SMC project. The total revenue from the SMC project is expected to be around Rs.300 crores and is expected to increase by FY25. The SMC project awarded is for construction of two 27 storey state of the art high rise office building with a builtup area of 2.20 lakh square meter. It is a turnkey project with 36-month completion.
- The company is expecting the debt number to cool off by end of the year; the major reason behind the steep rise in the debt levels is due to some more investment required in the UP projects for achieving desired completion target.
- The company has a bid pipeline of approximately Rs. 6,000 crores (Including the Railway station orders opportunity). Few Major bid pipeline projects are as follows:



- Gems & Jewery Park, Mumbai - Rs. 2,500 crores (the company stood second lowest bidder for the same and still is awaiting finalization of the bid).
  - Central Vista\_MP Chambers At Delhi NCR – Rs. 1,200 crores
  - Private Residential Township, Delhi NCR - Rs.450 crores
  - IT Park, Chennai – Rs. 400 crores
  - Government office in Odisha – Rs. 400 crores
  - Private Club in Chennai – Rs. 300 crores
  - Commercial Building in Ahmedabad – Rs. 300 crores
  - Dharoi Package II – Rs.300 crores
  - One of Tallest Residential in Ahmedabad – Rs. 100 crores
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- Apart from the aforesaid opportunities, the company might bid for few railway station projects in Ahmedabad & Delhi which are expected to be in tune of Rs.5,000 crores approx. through a JV by September for Ahmedabad station and October for Delhi station.
  - The company has provided revenue guidance of Rs.2600 crores (increase 25% YoY) for FY24 whereas it maintained its EBITDA margin guidance at 11-13% for FY24.
  - The company is targeting approximately Rs.3000 crores worth of order inflows in FY24, Company has achieved its order inflow guidance of Rs.2500 crores for FY23; with order inflow at Rs.3,421 crores.
  - The company is not anticipating any pressure on the margins, the margins were lower in FY23 compared to FY22 due to the completion of major projects of SDB, BSE Complex & Kashi Vishwanath.
  - Bhiwandi and Pandharur comprises 14% of total order-book of around Rs.730 crores, (Rs.601 crores and Rs.126 crores respectively). Currently, it is under arbitration and company has made the claims to recover all the losses. And on Pandharpur, the company has denied to resume the work as company was asked to invest into the project. The company has applied in High court for the arbitration to evoke for Pandharpur.
  - Company expects to incur only maintenance capex of 3-4% of revenue which can increase by 1% given any sudden additional orders.
  - In precast facility, the company is getting more inquires and has also received orders from L&T for bullet train materials and from Godwitt for whom company is making warehouses & discussion of three or four more orders of Godwitt in and around Ahmedabad. The company is undertaking capex of Rs.17 crores on expanding its precast facility. The outstanding order of L&T precast (Rs.195 crores) has started to move and is expected to complete by FY24.

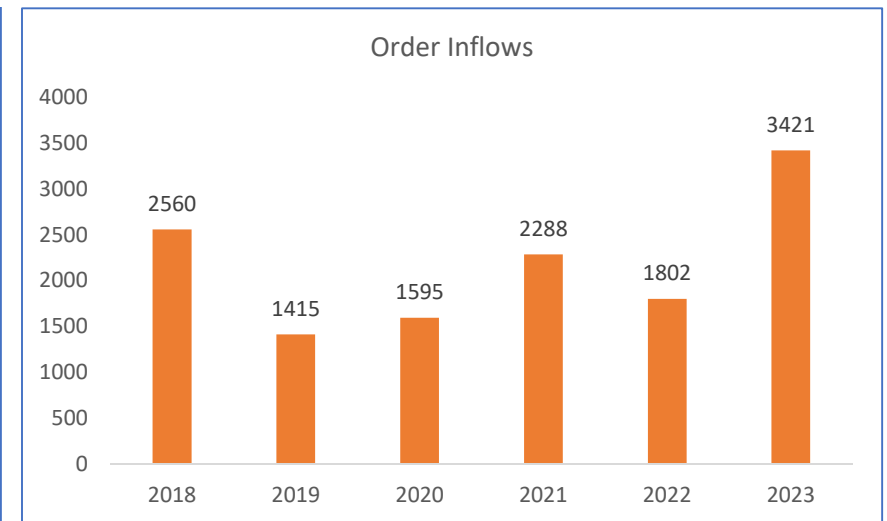
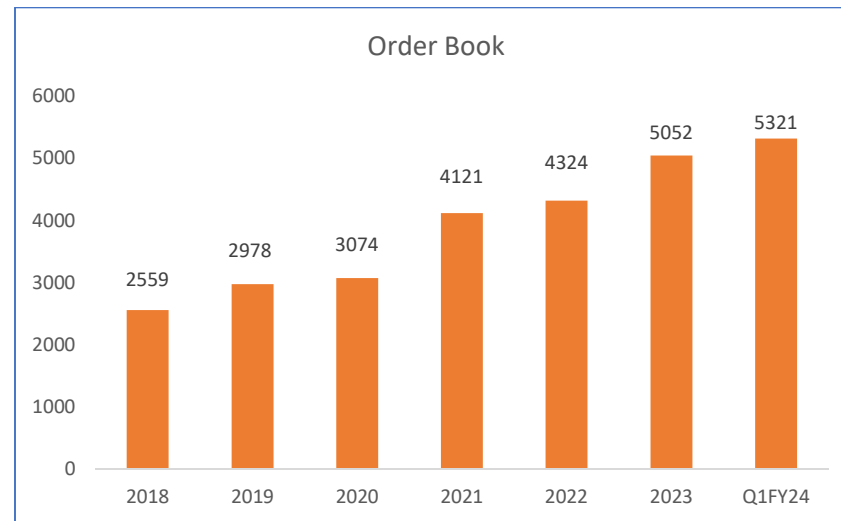


### Key Drivers:

**Strong Revenue Visibility & Bid Pipeline:** The current order book of the company as on June 2023 stands at Rs.5,321 crores which gives company a robust revenue visibility over next 2-3 years. The current order book of the company stood at almost 2.75 times FY23 revenue. By diversifying skill sets and order book across different projects, PSP can pursue a broader range of project tenders and consequently, optimize business volume and profit margins. PSP has bidding pipeline of over Rs. 6,000 crores. With successful completion of the Surat Diamond Bourse project worth Rs. 1,850 crores, the company will now enter the big league of handling prestigious projects upto Rs. 2,500 Crores. Addition of big ticket sized project is expected to boost its overall order book position by eyeing more opportunities on Cental Vista and Private projects in state of Gujarat, Maharashtra & UP.

The company is focused & well-positioned to tap new construction opportunities in and around GIFT City Gandhinagar, Dholera and noteworthy Gujarat Industrial Development Corporation (GIDC) projects at Sanand, Dahej, Becharaji etc which may give further boost to its order book.

The bid pipeline is of Rs.6,000 crores & FY23 has been the best year in terms of order inflows and will outlay a strong revenue outlook in coming years.

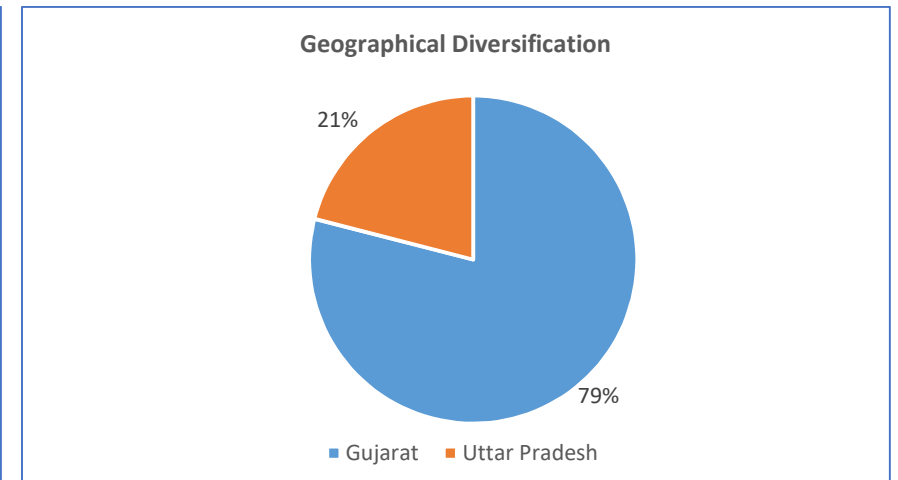
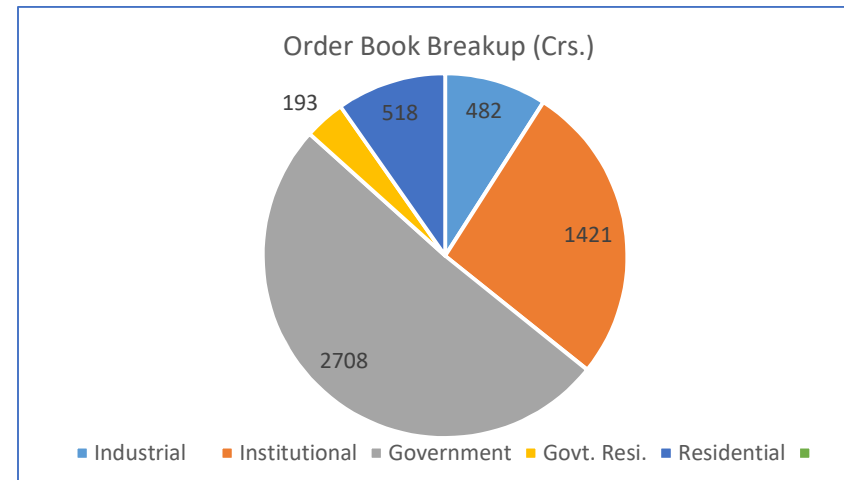


(Source: Company, HDFC sec)



**Increase in capacity of Precast Facility:** The Company has currently production capacity of 1Mn. Sq.ft. The company will be able to manufacture all elements of building and infrastructure industry, such as Beams, Columns, Slabs, Load Bearing Walls, Partition Walls, Staircase, and Lift Cores, among others. Going forward company plans to expand its capacity to 3Mn. Sq.ft. The precast technology will benefit company by becoming less labor intensive, thus improving the turnaround time for projects and helps to increase operating and efficiency margins. The company believes offsite modular construction technology is the future to achieve seamless quality, speed in delivery and larger volumes in a controlled environment. The management expects significant traction in its precast facility. Rs. 195 crores worth of order from L&T was awarded in Q1FY23. Also, the company is receiving good traction from the Infrastructure space and thus the company is expanding its precast capacity. It has incurred capex of Rs.17.7 crores and apart from the recent orders the company is also aiming more orders from Godwitt in and around Ahmedabad.

**Diversified Order Book & projects:** The Company being headquartered in Ahmedabad, but has gradually expanded its presence to six different states of India viz. Gujarat, Rajasthan, UP, Karnataka, New Delhi and Maharashtra. The company has also diversified in different verticals from starting as a civil contractor and gradually forayed into EPC segment. The company has currently ongoing big project in UP for medical colleges and other order from private players.



(Source: Company, HDFC sec)



**Strong Execution History & Repeat Orders:** The Company has completed 210 projects till date which includes some of major projects like Largest Retail mall in Gujarat, construction of Surat Diamond Bourse (world’s largest Building on a single basement). With the proven track record in delivering projects in time the company has retained faith among its clients and has secured repeat orders.

Major Ongoing Projects	State	Client Name	Contract Value (Cr.)	Outstanding Contract Value (Cr.)
SMC Highrise Building	Gujarat	Municipal Corporation	1,344	1,249
7 Medical Colleges & Hospitals	Uttar Pradesh	Public Works Department	1,491	576
Sports Complex	Gujarat	Municipal Corporation	504	409
Dharoi Dam	Gujarat	State Government	317	317
Noodle Factory Phase 2	Gujarat	Industrial	315	252
Residential Project	Gujarat	Private Company	252	197
Residential Buildings of PAC Mahila Battalion at Badaun, UP	Uttar Pradesh	Public Works Department	239	193
Tallest Residential in GIFT city	Gujarat	Industrial	122	108
Corporate Office Building	Gujarat	Institutional	290	220
L&T Highspeed Rail (Precast)	Gujarat	L&T	195	195
Commercial Building in Surat	Gujarat	Institutional	139	139
BAPS Sabha Hall at Vadodara and Surat	Gujarat	Institutional	260	260

(Source: Company, HDFC sec)

### PSP’s Major Clients:



Repeat Customers	No. of Projects Served
Zydus Cadila Group	29
Torrent Group	15
UP- Public Works Department	8
Sabarmati Riverfront	8
Adani Group	7
Claris group	6
Road & Building Gujarat	4
Intas Group	2
Reliance Group	2





**Strong Sectorial Outlook:** GoI announced an ambitious project of adding 100 new airports by 2024 and National Infrastructure Pipeline (NIP) earmarked 7,400 projects focused on building roads, housing, urban development, railways, conventional power, renewable energy, and irrigation.

The Indian economy appears to have got back to normal again beginning 2022-23 after unfortunate effects of Covid-19. We believe the Union Budget was very supportive of the long term growth of the infrastructure sector in India through its focus on urban infrastructure and the digital economy. The Budget has focused on high impact areas and accelerating the capital expenditure cycle by providing for a sharp increase in capex outlay by 33% to 10 lakh crores which is likely to strongly augment infrastructure spend.

Recently, in the Union budget of 2023-24, the government has allocated Rs.79,600 crores towards Affordable housing outlay under the PMAY. In Union Budget 2022-23, the Indian government announced that 80 Lakhs houses would be completed for the identified eligible beneficiaries of Pradhan Mantri Awas Yojana. For both rural and urban regions, Rs. 48,000 Crores was allocated.

India's real estate sector is witnessing a healthy increase in demand and the market is anticipated to reach USD1 Trillion by 2030, with affordable housing playing an impactful role. The emergence of nuclear families, rapid urbanization and rising household income are key growth drivers in the residential real estate sector. Moreover, the sector is expected to contribute 13% of the country's GDP by 2030.

**Healthy Financials and Improving Balance Sheet strength:** PSP Projects Ltd. reported healthy revenue growth at a CAGR of 21.5% over FY18-23 and is expected to grow at similar pace with a target of achieving Rs. 2,600 crores revenue by end of current fiscal year growing at rate of 25% YoY. The company has managed to maintain healthy operating margins (11-13%) despite tough operating environment. Strong balance sheet, and focus on EPC projects, targeting selected regions in India has led to company delivering strong operating performance during the last many years. The management expects its EBITDA margins of 11%-13% over the near-to-medium term as it has a pass through clause for majority of its contracts. Net working capital cycle as on 31<sup>st</sup> March, 2023 is 41 days and is expected to remain in this range. With strong execution and moderate working capital requirements, operating cash flow is strong. The company planned total Capex of Rs.70-80 crores for FY24. The company has maintained its strong fundamental position by efficiently leveraging its debt levels. The total debt of the company stood around Rs.145 crores at end of FY23 and Rs.282 crores as on June 2023 due to working capital with debt equity ratio of 0.18x in FY23. The company believes to maintain its debt at current sustainable levels at around Rs.170-180 crores.



### Key Risks:

**Rise in Input Prices:** The Company's order book comprises of 21% of projects from Uttar Pradesh and some of the contracts executed are on fixed price method. The company does not have pass through clause in those projects. The rise in prices of base materials and commodities may affect adversely on margins in those projects. However in most of the new projects the company has incorporated the clause of passing through of increase of material price rise while bidding for the same to mitigate risk to an extent.

**Sluggish performance of some Governmental projects:** Out of the total order book of Rs. 5,321 crores as on 30<sup>th</sup> June'23, Government residential project under PMAY at Bhiwandi & Pradhanpur constituted approximately Rs.720 crores i.e 14% of the existing order book has been excluded. Pradhanpur project is currently is been stopped presently due to non-payment of dues from the client and on Bhiwandi project the company is pleading with the court of Appeal to appoint an Arbitrator to settle the disputes between the parties. The company has already written off expenses amounting to Rs. 9.3 crores pertaining to these projects.

**Presence in a highly fragmented and competitive construction industry:** The civil construction industry is highly fragmented and competitive with presence of many mid and large sized players and its tender driven nature of business. Further, Gujarat, which offers a relatively conducive and stable environment for construction companies witnesses high level of competition due to large number of players willing to take up projects located in this region. However, PSP's established track record in execution of multiple civil construction in Gujarat and Maharashtra and in-house availability of resources gives it an edge to bid competitively and execute orders in a timely manner.

**Geographical concentration in Order Book, although reduction in FY23:** As on 30<sup>th</sup> June, 2023, out of the total order book of 5,321 crores, Gujarat and Uttar Pradesh comprises of total order book (i.e 79% from Gujarat and 21% from Uttar Pradesh). Also the majority of the orders awarded in the current year were from Gujarat. However, PSP has in the past executed projects in 6 states and keeps hunting for opportunities to diversify its geographical presence.

**Execution delays could impact revenue and margin growth:** The Company has faced some delays in the past for approvals for some of the projects and can be some potential risks in revenue booking.

### Company Background:

PSP Projects Limited is primarily engaged in construction and providing allied services across Industrial, Governmental, Institutional, and government residential, residential projects and precast. PSP is an Integrated EPC company across construction value chain from Design, Construction, Mechanical, Electrical, Plumbing (MEP), Interior, and O&M Services. Over the years the company has completed 210 major projects and having 48 on-going projects.



During the last financial year FY23 the company has received new order worth of Rs. 3,421 crores with successful completion of 22 projects till date. The order-book as on June 2023 stood at Rs.5,321 crores. The order-book of the company is well diversified in various segments of Governmental and Non-government Institutional projects.

The company with successful completion of its Surat Diamond Bourse Project worth Rs. 1,850 crores has been able to qualify for bidding on large projects and can bid for a single project up to a ticket size of Rs.2, 500 Cr. PSP Projects is diversified into various segments like **EPC** that includes planning, design, construction and post-construction activities, **Turnkey Projects** that include Civil, MEP, Interiors and O&M except Design **and Civil Construction Projects**. The company is having a strong order book and bidding pipeline of around Rs.6,000 crores which indicates a positive outlook for securing more orders.

PSP Projects Limited has unblemished debt servicing and impressive credit ratings with stable outlook for both short and long-term borrowings CARE A+; Stable for Long-Term and CARE A1+ for Short-Term Loans.



## Financials

### Income Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
<b>Net Revenues</b>	<b>1240.9</b>	<b>1748.8</b>	<b>1926.6</b>	<b>2420</b>	<b>2783</b>
Growth (%)	-17.2	40.9	10.2	25.6	15
Operating Expenses	1106.1	1492.3	1701.6	2117.5	2435.1
<b>EBITDA</b>	<b>134.8</b>	<b>256.5</b>	<b>225</b>	<b>302.5</b>	<b>347.9</b>
<b>Growth (%)</b>	<b>-29.3</b>	<b>90.3</b>	<b>-12.3</b>	<b>34.5</b>	<b>15</b>
<b>EBITDA Margin (%)</b>	<b>10.9</b>	<b>14.7</b>	<b>11.7</b>	<b>12.5</b>	<b>12.5</b>
Depreciation	25.6	32.1	40	40	44.9
<b>EBIT</b>	<b>109.2</b>	<b>224.5</b>	<b>185</b>	<b>262.5</b>	<b>303</b>
Other Income	16.9	21.3	27.1	25.5	27.8
Interest expenses	14.7	26.4	32	34.9	40
<b>PBT</b>	<b>111.4</b>	<b>219.3</b>	<b>180.1</b>	<b>253.1</b>	<b>290.9</b>
Tax	27.9	56.9	47.1	63.5	73
PAT	83.5	162.4	133	189.6	217.9
<b>Adjusted PAT</b>	<b>83.5</b>	<b>162.4</b>	<b>133</b>	<b>189.6</b>	<b>217.9</b>
<b>Growth (%)</b>	<b>-34.8</b>	<b>94.4</b>	<b>-18.1</b>	<b>42.6</b>	<b>14.9</b>
EPS	22.4	45.1	36.9	52.7	60.5

### Balance Sheet

As at March	FY21	FY22	FY23P	FY24E	FY25E
<b>SOURCE OF FUNDS</b>					
Share Capital	36	36	36	36	36
Reserves	502	648.7	763.8	924.5	1102.4
<b>Shareholders' Funds</b>	<b>538</b>	<b>684.7</b>	<b>799.8</b>	<b>960.5</b>	<b>1138.4</b>
Long Term Debt	2.8	17.2	38.1	17.2	17.2
Net Deferred Taxes	-9.2	-9.4	-12.2	-9.4	-9.4
Long Term Provisions & Others	0.8	1.5	2.1	0	0
<b>Total Source of Funds</b>	<b>532.4</b>	<b>694</b>	<b>827.8</b>	<b>968.3</b>	<b>1146.2</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	116.2	207.4	239.6	229.7	234.8
CWIP	41.7	0	17.7	0	0
Other Non-Current Assets	132.2	230.5	213	198.7	228.5
<b>Total Non-Current Assets</b>	<b>290</b>	<b>437.9</b>	<b>470.3</b>	<b>428.4</b>	<b>463.3</b>
Current Investments	0	0	0	0	0
Inventories	89.2	80.7	151.6	179	221.1
Trade Receivables	222	311.8	434.2	417.7	480.4
Cash & Equivalents	228.8	195.2	242.1	272.2	317.1
Other Current Assets	151.2	231.8	453.1	361.1	399.1
<b>Total Current Assets</b>	<b>691.2</b>	<b>819.4</b>	<b>1281</b>	<b>1230</b>	<b>1417.7</b>
Short-Term Borrowings	78.2	82.5	106.9	75.9	75.9
Trade Payables	256.7	257.6	367.6	431	495.6
Other Current Liab & Provisions	114	223.1	449	183.2	163.3
<b>Total Current Liabilities</b>	<b>448.8</b>	<b>563.2</b>	<b>923.5</b>	<b>690.1</b>	<b>734.8</b>
Net Current Assets	242.3	256.2	357.5	539.9	682.9
<b>Total Application of Funds</b>	<b>532.4</b>	<b>694</b>	<b>827.8</b>	<b>968.3</b>	<b>1146.2</b>



## Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	108.7	219.3	180.1	252.2	289.9
Non-operating & EO items	5.5	3.1	-24.3	-25.5	-26.4
Interest Expenses	-8.6	-8.4	15.8	34.9	39.9
Depreciation	25.6	32.1	40	40	44.9
Working Capital Change	-36.2	-62	-111.8	-77.3	-83.1
Tax Paid	-24.3	-63.6	-56.8	-63.5	-73
<b>OPERATING CASH FLOW ( a )</b>	<b>70.8</b>	<b>120.5</b>	<b>43</b>	<b>160.8</b>	<b>192.2</b>
Capex	-79.2	-75.3	-78.8	-50	-52.4
Free Cash Flow	-8.4	45.2	-35.8	110.8	139.8
Investments	68.2	-108.7	30.4	-25.8	-13.3
Non-operating income	16.4	43.5	0	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>5.4</b>	<b>-140.5</b>	<b>-48.4</b>	<b>-75.8</b>	<b>-65.7</b>
Debt Issuance / (Repaid)	6.1	18.7	45.3	0	0
Interest Expenses	-8.2	-12	0	-34	-39.1
FCFE	-10.5	51.9	9.5	76.8	100.7
Share Capital Issuance/ (Buy Back)	0	0	0	0	0
Dividend	0	-14.4	-33.8	-34.9	-39.9
Others	0	0	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-2.1</b>	<b>-7.7</b>	<b>11.5</b>	<b>-68.9</b>	<b>-79</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>74.1</b>	<b>-27.7</b>	<b>6.1</b>	<b>16.1</b>	<b>47.5</b>



## Key Ratios

	FY21	FY22	FY23P	FY24E	FY25E
<b>PROFITABILITY RATIOS</b>					
EBITDA Margin	10.9	14.7	11.7	12.5	12.5
EBIT Margin	8.8	12.8	9.6	10.8	10.9
PAT Margin	6.7	9.3	6.9	7.8	7.8
RoE	16.8	26.6	17.9	21.5	20.8
RoCE	19	32	21.4	26.3	26.5
<b>SOLVENCY RATIOS</b>					
Debt/EBITDA (x)	0.6	0.4	0.6	0.3	0.3
D/E	0.2	0.1	0.2	0.1	0.1
<b>PER SHARE DATA</b>					
EPS	22.4	45.1	36.9	52.7	60.5
CEPS	30.3	54	48	63.8	73
Dividend	0	4	5	9.4	12.8
BVPS	149.4	190.2	222.2	266.8	316.2
<b>TURNOVER RATIOS</b>					
Debtor days	67	56	71	64	59
Inventory days	27	18	22	25	26
Creditors days	70	54	59	60	61
<b>VALUATION</b>					
P/E	34.8	17.3	21.1	14.8	12.9
P/BV	5.2	4.1	3.5	2.9	2.5
EV/EBITDA	19.7	10.6	12.1	8.7	7.4
EV/Revenues	2.1	1.6	1.4	1.1	0.9



## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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