



Company Name	: PSP PROJECTS
BSE Code	: 540544
Time Duration	: 1 year
CMP	: ₹524.45 (as on 13 June, 2019)
Target Price	: ₹625

The Value Pick for the month of June is PSP Projects Limited. PSP projects is an Ahmedabad-based construction company. PSP took over the business of BPC Projects in 2009 and is currently engaged in providing construction and services across industrial, institutional, government, and residential projects. PSP is engaged in planning, designing, construction and after-construction activities in the construction projects. It has executed approximately 103 projects till FY19.

### Diversified projects horizon and key projects

The company possesses a well-diversified business model which operates on a contractual basis. Its activities are categorised into industrial, institutional, government and residential projects, etc. PSP has its projects in pharmaceutical plants for Torrent Pharmaceuticals Ltd, Cadila Healthcare, dairy plant for Amul Dairy, manufacturing unit for JBM Auto Ltd which comes under the industrial business segment. While projects such as Zydus Hospital, CIMS Hospital, CEPT University Library Building, Nirma Vidhya Vihar, YMCA Club, The Signature by Hiranandani, Irish Exotica come under the institutional, government and residential business segments.

Most companies operating in the construction business are tasked with selling the properties, plants and facilities they build. Their responsibility is not limited to timely and successful construction alone; but extends to selling the constructed unit as well. What distinguishes PSP Projects from these companies is that the onus of selling the constructed properties is not borne by the company. The company's role ends upon successful construction of the project. In other words, the company's profits are not governed by the sales numbers of the constructed project. Thus, its earnings are relatively more assured and stable as compared to other companies.

### Fast-paced growth

The growth shown by the company is remarkable across the board. Be it the project size to order book size, there is robust growth. In FY13, it had just 6 projects under development, which

had reached to 34 in FY19. During the same period, the average project size that the company executed increased from Rs. 8.54 crore to Rs. 110.51 crore. On the order book front, as of FY19, the company had outstanding order book of Rs. 2978 crore, which was Rs. 729 crore in FY13, CAGR of 2643 per cent. The growth is predominantly driven by strong operational performance and timely execution of projects.

### Robust project completion

PSP, since its inception, has developed capabilities across various stages of a typical project life cycle, commencing from business development, tender filing, design and EPC. This has led the company to create expertise in executing projects across a wide range of segments and well within the deadlines which, in turn, enables in strengthening its market position and reduces dependence on any one sector or type of project.

### Work on hand – Key driver ahead

The company has bagged total orders of Rs.1415 crores in this financial year. So, adding fresh order of FY19 to total order book of the last fiscal and deducting revenue book from the current ongoing projects, the company has strong order book of Rs. 2978 crore as on end of FY19. The order book includes 46 projects under execution spread across Gujarat, Rajasthan, Karnataka and Maharashtra. This translates into a strong 2.9x book-to-bill ratio for FY19.

The order inflow guidance is expected to be over Rs. 1500 crore for FY20E, considering its projects worth Rs. 250 crore in the final stages, along with Rs 3500 crore worth of works, including two large projects in Barmer and Jamnagar. During FY18, the company secured major order worth Rs. 1575 crore for Surat Diamond Bourse (SDB). PSP Projects was awarded this contract following intense bidding by some of the largest construction companies in India. This scale of order is key driver with estimated revenue up to next 24 months. With a pending contract value of around Rs. 1160 crore, the company can clock revenue of Rs 700-800 crore in the current fiscal.

*Continued On PG 2...*

**CONFIDENTIALITY NOTICE** : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer**: The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJ.in

## Non-Gujarat Growth – New way forward

The company continues to expand its presence in non-Gujarat areas. In FY19, the company started its first project in Maharashtra. It secured affordable housing project in Pandharpur. The company as of FY19 has not booked any revenue. The company has its wholly-owned subsidiary in the US, which is currently working on two projects in San Francisco and Livermore. The management has guided that it will start generating revenue from Q2FY20 for Livermore project, while by the end of FY20 it will start generating income from San Francisco project. For FY19, its geographical revenue distribution was 89 per cent from Gujarat, 4.34 per cent from Rajasthan and 8.5 per cent from Karnataka.

## Financial Performance

PSP has shown stellar performance over the last five financial years. Its revenue grew at CAGR of 23.19 since FY14, while it was able to achieve compounded profit growth of 39.32 per cent during same period. On the margin front too, the company delivered strong growth. Its margins have expanded from 9 per cent in FY13 to 14 per cent in FY19. Going ahead, we expect that the company will achieve operating margin in the range of 15 per cent to 18 per cent in FY21E.

For the recently concluded quarter and FY19, the company booked revenue from operations of Rs. 338 crore for Q4FY19, a 28 per cent YoY growth. The revenue from operations for FY19 as a whole stood at Rs. 1044 crore, registering a YoY growth of 43

per cent as compared to previous fiscal's revenue of Rs. 729.83 crore. The EBITDA for Q4FY19 was Rs. 49.87 crore, which has risen by 37 per cent on a YoY basis, compared to the same quarter last year. Accumulative EBITDA for FY19 grew by 47 per cent to Rs. 148.94 crore as compared to as compared to EBITDA of Rs. 101.28 crore in FY18. EBITDA margin stood at 14.27 per cent for FY19. Profit after tax including other comprehensive income for the quarter was Rs. 30.04 crore, which increased at YoY basis by 30%. PAT for FY19 grew up by 40% to Rs. 90.22 crore as compared to FY18 profit of Rs. 64.34 crore. PAT margin stood at 8.46% for FY19.

## Valuation

PSP is expected to gain largely from strong project execution with respect to the current order book. Tailwinds provided by the SDB project execution augur well for meeting qualification requirements of large government as well as private orders. PSP's increased share of order book in the Mumbai and Bengaluru regions will help in reducing dependence on Gujarat.

The stock is currently trading at TTM EPS of Rs. 24.84 and TTM PE multiple of 21.15x. Looking at its strong order inflow, expected revenue recognition and company's track record of timely delivery of project, we expect 15 per cent to 20 per cent revenue growth by FY20E. This transforms into EPS growth in the range of Rs. 35 to Rs. 40 and forward PE of 15x. Hence, we recommend a BUY with target price up to Rs. 625.

### Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201903	201803	201703	201603	201503
Net Sales	1044.01	729.83	400.76	457.98	280.46
Total Income	1066.99	748.20	414.15	468.24	286.97
Total Expenditure	895.07	628.44	334.82	418.71	258.05
PBIDT	171.92	119.76	79.33	49.54	28.92
PAT	90.24	64.37	41.61	25.13	14.05
Dividend %	50.00	50.00	25.00	150.00	87.50
Adj. EPS(Rs)	25.07	17.88	14.45	78.53	175.68

### Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201903	201812	Q on Q Var%	201803	Y on Y Var%
Net Sales	338.26	261.09	29.56	263.68	28.28
Total Expenditure	288.38	224.40	28.51	227.39	26.82
PBIDT (Excl OI)	49.88	36.69	35.93	36.29	37.44
PAT	30.13	21.46	40.38	22.97	31.20
PBIDTM% (Excl OI)	14.75	14.05	4.98	13.76	7.19
PBIDTM%	16.71	15.90	5.09	15.98	4.57
PATM%	8.91	8.22	8.39	8.71	2.30
Adj. EPS(Rs)	8.37	5.96	40.44	6.38	31.19



\*\*Track calls using our new investor app