

# PSP Project Limited

**Strong foundation to capture future growth**

**Initiating Coverage**



Asian Markets Securities Pvt. Ltd.

**Institutional Research**

<b>CMP (Rs)</b>	<b>558</b>
<b>Target (Rs)</b>	<b>639</b>
<b>Upside (%)</b>	<b>15%</b>

**Nifty: 10,637; Sensex: 34,443**

**Key Stock Data**

BSE Code	540544
NSE Code	PSPPROJECT
Bloomberg	PSPPL IN
Shares O/s mn (FV Rs10)	36
Mcap (Rsbn)	20.1
52-week High/Low	595/189
3-m daily avg vol.	1,21,569

**Price Performance**

(%)	1m	3m	12m
PSP	11.7	52.5	NA
NIFTY Index	3.6	6.5	29.2
Sensex	3.6	8.2	28.9

**Shareholding Pattern**

(%)	Jun17	Sep17	Dec17
Promoter	72.0	72.0	72.0
FII	1.1	1.3	1.4
DII	13.6	10.5	9.4
Others	13.3	16.2	17.2

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**PSP Project Limited**

**BUY**

**Strong foundation to capture future growth**

**PSP Project Ltd (PSP)** is Gujarat based civil construction company offering complete solution from design EPC to MEP. Despite small in size, PSP with its efficient execution and quality construction has positioned itself at par with leading companies like Ahluwalia Contracts (ACIL) and Shapoorji Pallonji. PSP recently won marquee surat diamond bourse project of Rs15.75bn (largest single order so far) in 3QFY18, beating the bigger competitors like L&T, Shapoorji pallonji, JMC and Ahluwalia. The order book as on 31<sup>st</sup> Dec'17 stands at Rs29.3 bn, having execution period ranging 18-30 months. Book to bill of 7.3x (FY17 revenue) provides strong growth visibility. The recently won Surat project brought PSP into big league. The revenues and profits are expected to take a big leap in FY19 owing to huge order inflow in FY18. PSP's cash rich balance sheet and negative working capital resulting in superior return ratios; further enhances its position among efficient construction player and makes it a deserving candidate to garner superior valuations. Given the strong order book, healthy margin, superior return ratio, strong cash rich balance sheet post IPO, negative working capital, free cash flow, expanding geographical footprint and large opportunity in infrastructure space; we are positive on the business and stock. We initiate coverage with BUY rating and target price of Rs639 based on 18x FY20E earning.

**Robust standalone order book at 7.3x of FY17 revenue; provides strong growth visibility:** PSP Project has strong order book of Rs29.3bn as on Dec'17, ensuring strong revenue growth. Order inflows is robust at Rs24.5bn till Dec'17 Vs Rs8bn in FY17, reflecting FY19 revenue to see a big leap of over 100%. The order backlog implies a strong book-to-bill ratio of 7.3x in FY17 revenue. Further the order pipeline looks strong with reasonably big projects like IIM Ahmedabad (~5bn), IIT Hyderabad (Rs15bn), IIT Gandhinagar (Rs5bn) apart from the regular construction orders. The Average ticket size increased to Rs852mn in Oct'17 Vs Rs450mn in FY17. We expect order inflow of Rs10bn/12bn in FY19/20E and sales/Order book CAGR growth of 61.6%/32.6% during FY17-20E respectively.

**Revenue and PAT CAGR of 61.6% and 45.7% during FY17-20E:** With the last order of Surat Diamond bourse, the order book increased by 155% Vs 2QFY17; the execution of the same would take the revenue growth to significantly higher levels. We expect despite factoring muted order inflow in FY19/20, PSP to register 62% revenue CAGR during FY17-20E. Further conservatively factoring much lower EBITDAM of 11.5% in FY20E Vs 16.4% in FY17, the PAT CAGR is robust at 45.7% during FY17-20. Further we have conservatively factored in average execution cycle of more than 30 months instead of management guidance of 18-30 months.

**Strong cash rich balance sheet with negative working capital:** PSP has a strong balance sheet with net cash of Rs1.7bn in 1HFY18 post IPO of Rs1.5bn. Due to its efficient project management and focus on doing value added projects; PSP has enjoyed negative working capital since FY11, supported by maintaining low inventory days of below 10 days by introducing latest technology, good relationship with creditors lead to enjoy favorable credit period of ~60 days and further PSP receives upfront interest free mobilization advance. With the positive cash flows and higher revenues, we expects the net cash to increase to Rs2.6bn by FY20E; despite taking significantly higher working capital of 8 days in FY20E from negative 49days in FY17.

**Superior return ratio Vs Peer:** PSP owing to its strong balance sheet, negative working capital and positive cash flows enjoys strong return ratios with ROCE of 40.8% and ROE of 47.5% in FY17. PSP stands out as superior than peers in almost all the valuation parameters like revenue & PAT CAGR, Book-to-Bill of 7.3x, negative D/E and working capital, higher return ratios and reasonable valuations. Further despite equity dilution post IPO, increased cash balance, increased working capital we expect the ROCE and ROE to be high at 37% and 29% respectively.

**Outlook & Valuation:** We expect revenue CAGR of 61.6% and PAT CAGR of 45.7% during FY17-20E, respectively. We expect ROE and ROCE to remain strong at 29%/37% respectively in FY20E. The stock is trading at 15.7x FY20E earning lower than the sector average of 17.9x. Given the robust order book, healthy margin, superior return ratio, strong balance sheet & free cash flow, expanding geographical footprint and opportunity in infrastructure space; we are positive on the business and stock as a long term investment opportunity. We believe given the superior fundamentals, efficient execution and higher sustainable return ratios; the stock should command premium over industry average. We initiate coverage with BUY rating and target price of Rs639 based on 18x FY20E earning.

**Exhibit 1: Key Financials**

Y/E Mar/Rs mn	FY16	FY17	FY18E	FY19E	FY20E
Sales	4,580	4,008	6,041	12,240	16,907
yoy (%)	63.3	(12.5)	50.7	102.6	38.1
EBITDA	393	658	755	1,408	1,944
yoy (%)	79.3	67.7	14.7	86.4	38.1
Adjusted PAT	251	413	522	948	1,279
yoy (%)	81.3	64.4	26.4	81.5	35.0
Equity	32	288	360	360	360
Diluted EPS (Rs)	7.0	11.5	14.5	26.3	35.5

Source: Company, AMSEC Research

**Exhibit 2: Key Ratios**

Y/E Mar	FY16	FY17	FY18E	FY19E	FY20E
EBITDAM (%)	8.6	16.4	12.5	11.5	11.5
Adj PATM (%)	5.4	10.0	8.4	7.6	7.5
PER (x)	79.9	48.6	38.5	21.2	15.7
P/BV (x)	30.3	18.7	6.6	5.2	4.1
EV/Sales (x)	4.3	4.9	3.0	1.5	1.0
EV/ EBITDA (x)	49.6	29.6	23.8	12.7	9.1
ROCE (%)	38.1	40.8	23.4	34.2	37.3
ROE (%)	44.4	47.5	25.5	27.6	29.2

### Investment Rationale

#### Strong standalone Order book at 7.3x on FY17 revenue; provides strong growth visibility

PSP Standalone order book as on Dec'2017 stand at Rs29.3bn Vs Rs7.3bn in FY17 has seen a significant improvement. Company's order inflow in FY18 till date increased to Rs24.5bn Vs 7.9bn in FY17. The current book-to-bill of 7.3x of FY17 revenue, wherein the average execution cycle is 18-30 months suggests significant revenue growth in FY19/20. Management is expecting further Rs4-5bn of inflow in 2HFY18 and Rs12-15bn each year in FY19/20. However we have conservatively factored in NIL additional inflow in 4QFY18 and Rs10bn/Rs12bn of fresh orders in FY19/FY20 respectively.

PSP bagged marquee Surat diamond bourse project worth Rs15.75bn in 3QFY18; its single largest contract executable over 30 months period. New orders lead to increase in Average ticket size to Rs852mn in Oct17 from Rs450mn in FY17 and Rs192mn in FY16.

India, more particularly Gujarat has sizable construction opportunity in both near as well as long term perspective. Apart from the large not quantified opportunity of Gift city, Sabarmati River front, Dahez Industrial park etc. The very near term visible order pipeline itself is strong at Rs 32-34bn during FY18-FY19E coming from various projects at bidding or PQ stages (Exhibit: 7).

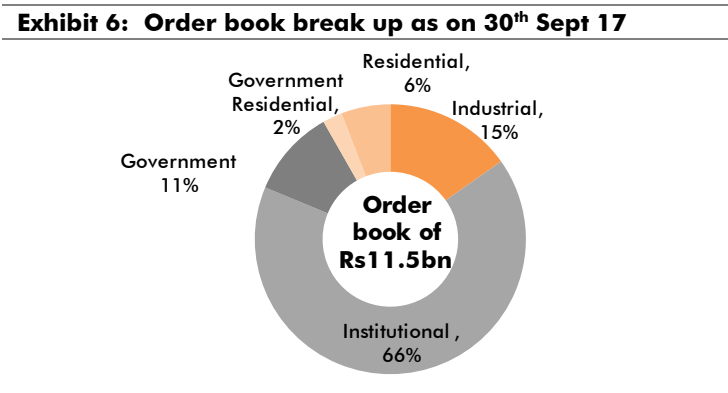
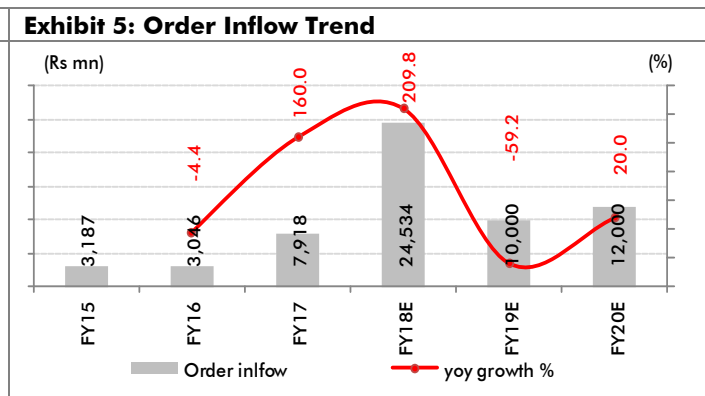
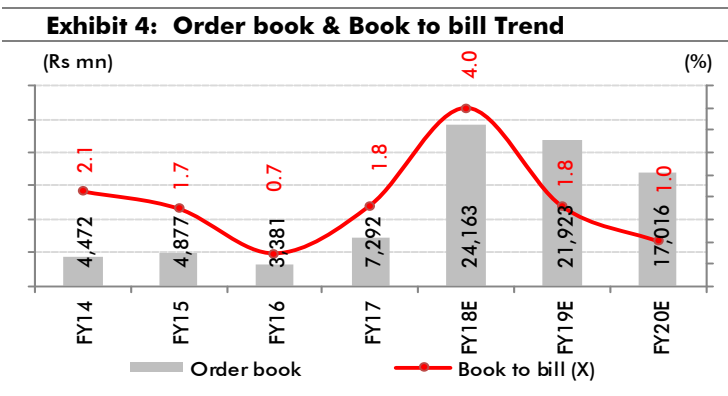
The institutional project holds highest order of 66.05% of total order book (Sept 17) followed by industrial (15.2%), government (10.5%), residential (5.9%) and government residential (2.3%).

*Highest ever book to bill at 7.3x on FY17 revenue*

*Avg execution cycle 18-30 months*

*Strong order pipeline with few large visible projects itself totaling Rs 32-34bn during FY18-FY19E*

Exhibit 3: Top orders in order book	Amount (Rs mn)	% Total OB
Surat Diamond Bourse	15,750	53.8
Ramanbhai Foundation- Medical College and Hospital at Dahod	2,250	7.7
Dalal Street Commercial Cooperative Society Ltd.	1,310	4.5
Parliament Building in new sachivalaya Complex	910	3.1
The Mandya District Co-op Milk Producers Soc Union Ltd, Karnataka	730	2.5
UP Rajkiya Nirman Nigam -Cons of 100 Bedded ESIC Hospital, UP	720	2.5
Bangalore Milk Union Limited, Karnataka	621	2.1
<b>Top Orders</b>	<b>22,291</b>	<b>76.2</b>
Others	6,973	23.8
<b>Total Order book (31/12/17 without deducting Q3FY17 Revenue)</b>	<b>29,264</b>	<b>100.0</b>



**Exhibit 7: Upcoming Orders Pipeline for FY18-FY19E**

List of Project	Rs Mn
IIM Ahmedabad extension	5,000
IIT Hyderabad -2 Pacakge	15,000
IIT Gandhinagar-5 Pacakage (Rs1bn each)	5000
Sabarmati riverfront- 52 Plots	700-1,000
Gift City Project	
LIC office building	600-700
SBI office building	1,250
SBI Residential Tower	1,000
MRF factory in dahej	3,000-4,000
banas dairy in sabarkantha	700-800
<b>Total</b>	<b>32350-33750</b>

Source: Company, AMSEC Research

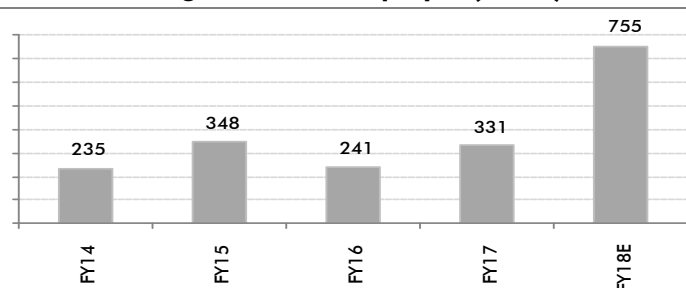
### Niche positioning and strong management track record, charting the growth story of PSP

In a short span of time of around 10 year PSP has grown from a small civil contractor with turnover of below Rs300mn to an efficient and preferred civil construction company with order book of over Rs29bn with marquee project in its kitty. PSP's experienced management team under the leadership of Mr. PS Patel (over 30yrs of experience) have successfully carved out a niche for itself as a efficient, credible and quality civil construction company. Over the years, it has developed capabilities across various stages of a typical project life cycle, commencing from business development, tendering, engineering and design, procurement and construction.

PSP has over 650 employees including over 150 professional engineers, apart from over 6500 contract labor in various projects. It has a dedicated and long associated team of vendors and contractors for various parts of projects such as MEP or part subcontracting.

PSP and its team's efficiency can be judged from the growth path of the company so far wherein it has not only grown in size but has constructed prestigious time bound projects having strong competition from big corporate. The milestone projects include Charitable Hospital for Cadila (Rs1.25bn), Swarnim Sankul (Rs2.2bn), GIFT City (won 6 out of 8 projects), Sabarmati River Front Office, Surat Diamond Bourse etc.

**Exhibit 8: Average Ticket size of project (Rs mn)**



**Exhibit 9: No. of projects awarded**



Source: Company, AMSEC Research

**Exhibit 10: Strong execution track record- More than 80 projects executed from 2010 to 2017**

Description of Project	Location	Type of Project	Contract Value (Rs Mn)	Year of Completion
Civil construction work for two additional blocks between Vidhansabha and Sachivalaya for Executive Engineer	Gandhinagar	Government	1,459	2013-14
Civil Construction work	Ahmedabad	Institutional	1,250	2014-15
Construction & Electrical Work For Medical Collage Hospital, Residential Bulging for Gujarat Cancer Society	Ahmedabad	Institutional	1,240	2012-13
Construction work	Ahmedabad	Residential	820	2012-13
Civil Construction Works for M/s Inductotherm (India) Private Limited	Sanand	Institutional	473	2015-16
Interior works for Block - 1 between Vidhansabha & Sachivalaya block no. 4 – 5	Gandhinagar	Government	418	2013-14
Cadila expansion project at SEZ by Cadila Healthcare Limited (CHL), Ahmedabad.	Ahmedabad	Institutional	405	2016-17
Construction of Commercial Building "The Signature"	Gandhinagar	Institutional	393	2016-17
Civil works for Expansion of Facilities for Nirma Healthcare Unit at Sachana for Nirma Limited	Ahmedabad	Industrial	355	2009-10
Civil, electrical, horticulture and Signage works for upper walkway for Sabarmati River Front Development Corp. Limited	Ahmedabad	Institutional	304	2016-17
Providing & fixing furniture and Interior work for New Block no. 2	Gandhinagar	Government	285	2013-14
Construction of Luxurious Apartments near Science City Road	Ahmedabad	Industrial	250	2012-13
Construction work of Nirma Vidyavihar Building for Nirma Education & Research Foundation	Ahmedabad	Industrial	248	2012-13
Construction of Commercial Complex Building	Ahmedabad	Institutional	198	2014-15
Civil works of RM warehouse, Change Rooms, Utility Blocks, Scrap Yard & ETP for Torrent Pharmaceuticals Limited	Indrad	Industrial	184	2011-12
Civil, Electrical, Plumbing & Infrastructural works for construction of Shopping Complex, Food Court, Vegetable Market etc	Himatnagar	Government	183	2014-15
Construction of buildings and Electrical Work for Amul Dairy, Anand	Khatraj	Industrial	162	2010-11

Source: Company, AMSEC Research



**Expanding geographical footprint to various parts of India**

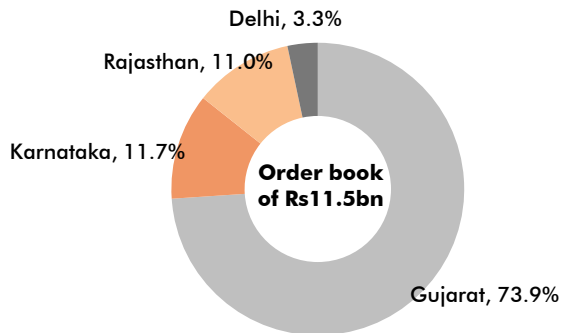
Historically PSP had executed 96% of order in Gujarat region mainly in Ahmedabad. Company has offlate expanded its geographical footprint and undertaken business from outside of Gujarat. As of Sept 2017, project in Gujarat accounted for ~74%. Company diversified its geographical presences to outside Gujarat to Karnataka (11.7% of OB), Rajasthan (10.9%) and Delhi (3.3%). Management expects non Gujarat revenue to increase to 30% in the long run, whereas Gujarat would continue to dominate the order book in the near term. Company will continue to bid in Gujarat along with exploring healthy orders from rest of India. PSP currently executing 2 projects in Karnataka, 2 projects in Rajasthan & 1 project in Delhi.

*As of Sept 2017, project in Gujarat accounted for ~74% Vs 96% in FY14*

*Intending to increased non-Gujarat revenue to 30% of total business in the long run*

*PSP currently executing 2 projects in Karnataka, 2 projects in Rajasthan & 1 project in Delhi.*

**Exhibit 11: Geographical Order book break up (Sept'2017)**



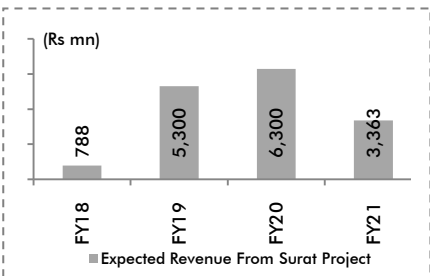
Source: Company, AMSEC Research

**The game changer Surat diamond bourse project (SDB)**

PSP has recently won prestigious single largest project of Rs15.75bn in October'17. Project will be executed over period of next 30 months. PSP has won this project against competitors like L&T, JMC, Ahluwalia contracts and Shapoorji pallonji etc.

The overall project, which is worth Rs 24bn, will be constructed on 6.6 mn square foot land. The deadline for completing the project has been set for 30 months. There will be 11 iconic towers of 11 floors each, housing more than 4500 office of diamond units. The SDB is expected to create 1,50,000 jobs.

Management expects capex of 4-5% of total project value and expects revenue to start from Jan'18 onwards.



**Exhibit 12: Surat Diamond Bourse**



Source: Company, AMSEC Research

### Indian Construction Industry is in sweet spot

The Indian construction industry's outlook is better than that of 2014-15, with average annual growth in real terms set to improve from 2.95% to 5.65% in 2020. Growth will be driven by investments in infrastructure and energy construction projects, and the continued expansion of residential and commercial buildings. India's construction industry is expected to reach a nominal value of Rs40.1 Tn (USD 593.8 bn) in 2020; up from Rs 25.6 trillion (USD 406.2 billion) in 2015.

The recent policy reforms such as the Real Estate Act, GST, REITs, steps to reduce approval delays etc. are only going to strengthen the real estate and construction sector.

#### Exhibit 13: Driver of Indian infra space:

Segment	Expected market growth (CAGR) by FY2020	Segment driver
Industrial Construction	8.80% in nominal terms, to value Rs 3.0 trillion	<ul style="list-style-type: none"> <li>• Make in India program</li> <li>• Government announced eight Investment Regions along the Delhi Mumbai Industrial Corridor project as National Investment and Manufacturing Zones</li> </ul>
Institutional Construction	7.76% in nominal terms, to value Rs.1.4 trillion	<ul style="list-style-type: none"> <li>• Significant healthcare segment investments - 3 million beds needed to achieve 3 beds / 1,000 people target by 2025</li> <li>• Narayana Hrudayalaya is planning to establish 100 low-cost specialty hospitals (expected investment of Rs 50.0 bn)</li> <li>• GMR Group Limited (GMR) is undertaking the construction of multi-specialty hospital project in Telangana (expected investment of Rs46.7bn).</li> <li>• Aster DM Healthcare has announced the launch of three new healthcare projects in Kerala at an investment of Rs 10bn. Two super speciality hospitals in Kannur and Thiruvananthapuram as well as a children's hospital in Kochi are in the pipeline.</li> <li>• Govt may spend over Rs200bn crore on six new IITs</li> <li>• Cabinet approves Rs 70bn for construction of six IIT campuses</li> </ul>
Residential Construction	9.19% in nominal terms, to value Rs 12.3 trillion	<ul style="list-style-type: none"> <li>• Rs. 480bn for building 100 smart cities under Smart Cities Mission</li> <li>• Rs. 500bn for 500 cities under AMRUT</li> <li>• Strong structural drivers and government focus: "Housing for All by 2022"</li> <li>• GOI, launched 352 affordable housing projects worth Rs 380bn (US\$ 5.9 bn) in 53 cities across 17 states for building over 200,000 houses.</li> <li>• Urban housing requirement estimated at 45 Mn units by 2022</li> <li>• The government's approval redevelop seven General Pool Residential Accommodation in New Delhi With an estimated project cost of Rs 328.35bn, including maintenance and operation costs for 30 years, the project shall involve replacing existing stock of 12,970 houses with 25,667 dwelling units</li> </ul>
Commercial Construction	8.08% in nominal terms, to value Rs 2.9 trillion	<ul style="list-style-type: none"> <li>• Commercial real estate supply in top Indian cities is expected to be at 40-50 mn sq. ft per year until 2020</li> </ul>

Source: Company, AMSEC Research

### Well place to capture huge infrastructure opportunity within Gujarat region.

In Gujarat government has planned investment of around Rs. 11.8 trillion for the period up to the year 2020. This investment covers sectors such as energy, transportation, SEZs / investment regions, urban infrastructure, water, tourism, IT, education and health and human resource development. We believe PSP large presence in Gujarat and specialization in executing specializes building and civil infra projects; would make it one of the biggest beneficiaries of growing opportunity in Gujarat Infrastructure space.

#### Major Investments in Gujarat till 2020

Exhibit 14: Major Envisaged Investments		Exhibit 15: Major Projects in Gujarat	
Project	Approximate Total Investment	Mega projects	Amount Rs bn
Metro Link Project	INR360 Bn	Kalpsar project	503
GIFT	INR323 Bn	Irrigation sector	717
Investments for Top4 cities	INR101 Bn	Bullet train- Ahmedabad	663
JNNURM	INR93 Bn	Townships under Gujarat integrated township policy	94
UIDSSMT	INR26 Bn	Sabarmati River front project	11,520
		<b>Total mega project investment</b>	<b>14,179</b>
Exhibit 16: Sector Wise Investments		Exhibit 17: Opportunity in healthcare sector in Gujarat	
Sector Wise	Investments Rs Bn	Project	Total Investment
Logistics parks & services	42	Integrated Healthcare Townships	Rs 100 Bn
Airports	159	Medical University	Rs 2 Bn
Urban Infrastructure	1,119	Center for Excellence in Life Sciences	Rs 15 Bn
Education	159	Center for Excellence in Knowledge Development and Information Technology for Healthcare	Rs 2 Bn
Water Supply	1,364	Center for Excellence in Indian System of Medicine	Rs 500 Mn
Agro infrastructure	194	Center for Excellence in Pharmaceuticals	Rs 350 Mn
Health	161		
Capacity building and development of government and quasi government staff	2		
Tourism	487		
<b>Total Investment</b>	<b>3,688</b>		

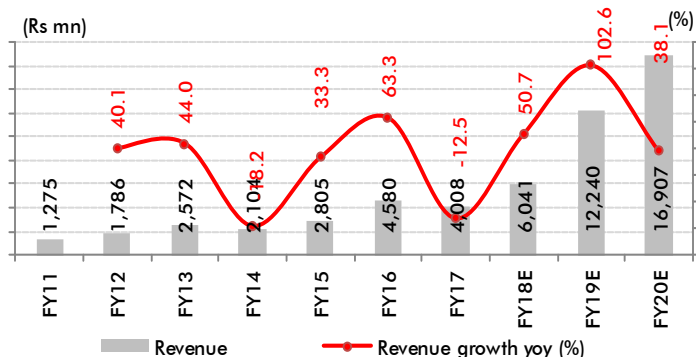
Source: Company, AMSEC Research; Vibrant Gujarat

### Revenue and PAT CAGR of 61.6% and 45.7% during FY17-20E

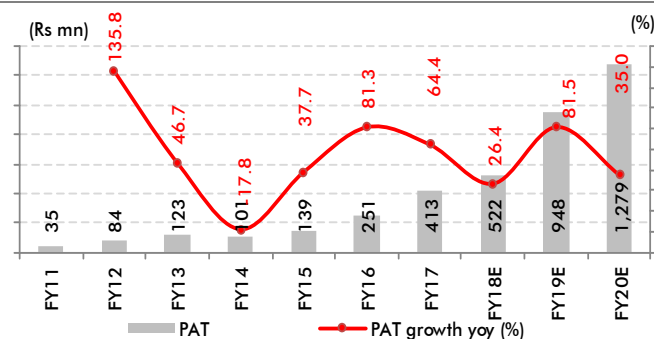
Surat Diamond bourse, the order worth Rs15.75bn is larger than PSP's entire orderbook of Rs 11.5bn in 1HFY17. As the execution period is just 30 months the execution of the same along with other projects in the order book would take the revenue growth to significantly higher levels. We believe SDB project has positioned PSP into a different league in terms of revenue growth, credibility to execute bigger projects and pre qualification to bid for other large projects independently.

Despite factoring muted order inflow in FY19/20, we expect PSP to register 61.6% revenue CAGR during FY17-20. We have factored in average execution cycle of total orderbook more than 30 months instead of management guidance of 18-30 months. Despite factoring much lower EBITDAM of 11.5% in FY20 Vs 16.4% in FY17 as FY17 had few pure service contracts without materials, the PAT is reflecting robust CAGR of 45.7% during FY17-20.

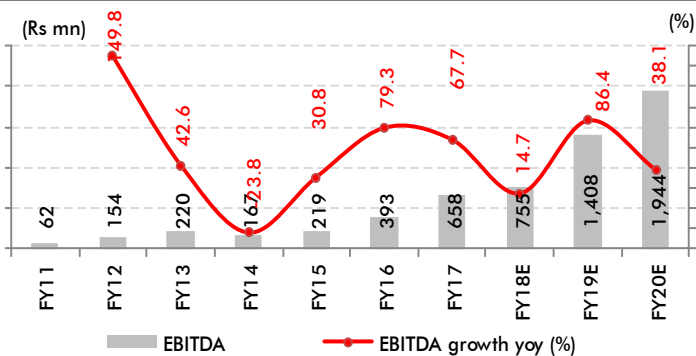
**Exhibit 18: Revenue CAGR of 61.6% During FY17-20E**



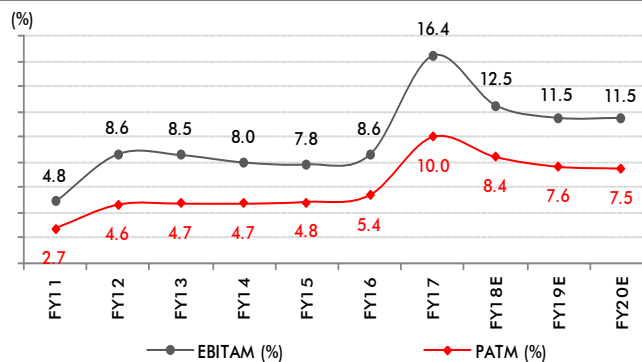
**Exhibit 19: Adj. PAT CAGR of 45.7% During FY17-20E**



**Exhibit 20: EBITDA CAGR of 43.5% During FY17-20E**



**Exhibit 21: EBITDAM & PATM remains strong at 11.5%/7.5% in FY20E**



Source: Company, AMSEC Research



**Strong cash rich balance sheet with negative working capital**

With the recent IPO worth Rs1.5bn the company has the net cash position of Rs1.7bn as on Sept'17, despite of working capital going up significantly due to lower billing and collection owing to GST. We expect the company to continue to be net cash company even after factoring fresh capex and higher working capital.

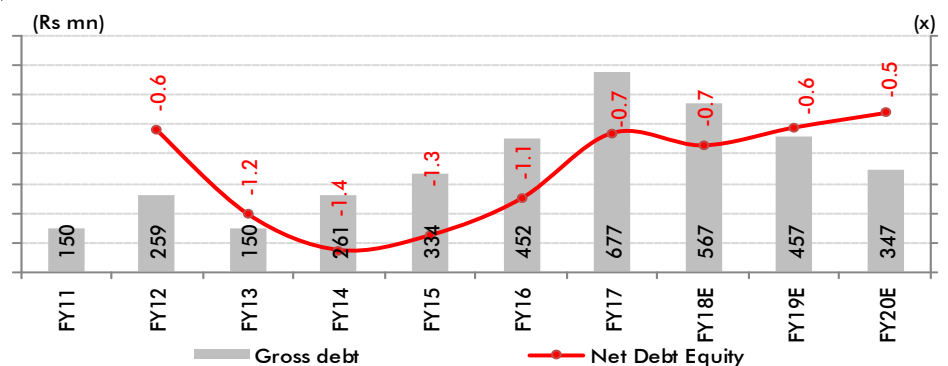
Company has negative working capital cycle throughout FY11-FY17, Supported by Maintaining low inventory days of below 10 days by introducing latest technology (SAP & CANDY), good relationship with creditors lead to favorable credit period of ~60 days and further PSP received upfront interest free mobilization advance in most of its projects along with its efficient project management skills and focus on doing value added projects

With the positive cash flows and higher revenues, we expects the net cash to increase to Rs2.6bn by FY20E; despite taking significantly higher working capital of 8 days in FY20E from negative 49days in FY17.

*Company enjoys net cash of Rs1.7bn in 1HFY17 and we expect company to have net cash of Rs2.6bn in FY20E*

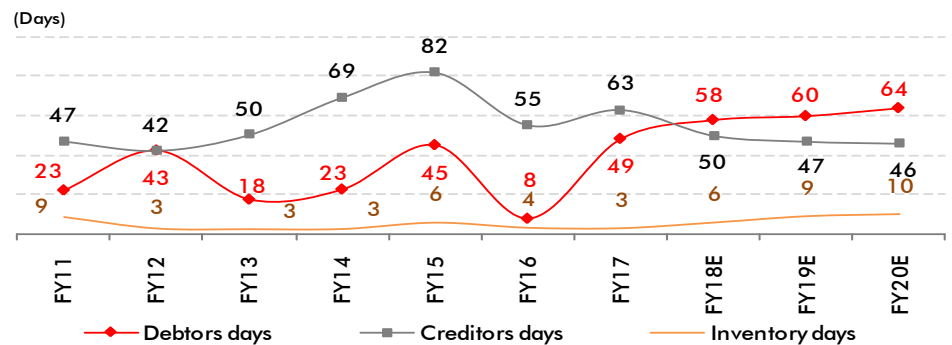
*PSP recorded continuously Positive CFO & FCFE except FY17*

**Exhibit 22: Gross Debt & Net Debt-equity**



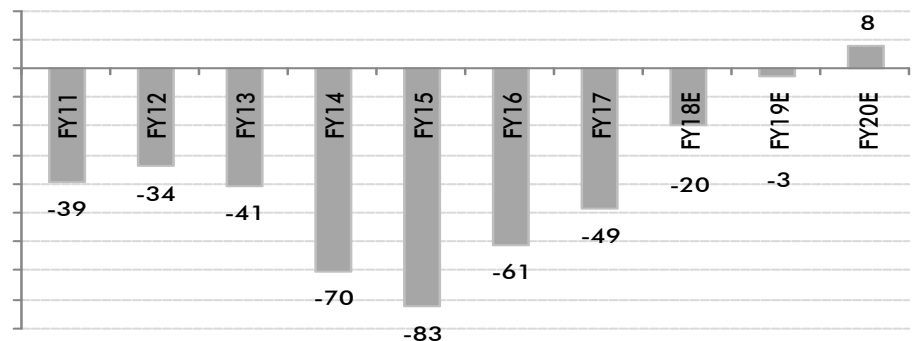
Source: Company, AMSEC Research

**Exhibit 23: Working capital cycles**



Source: Company, AMSEC Research

**Exhibit 24: Net Working capital cycle (Days)**



Source: Company, AMSEC Research

### Superior return ratio and low capital intensive business model

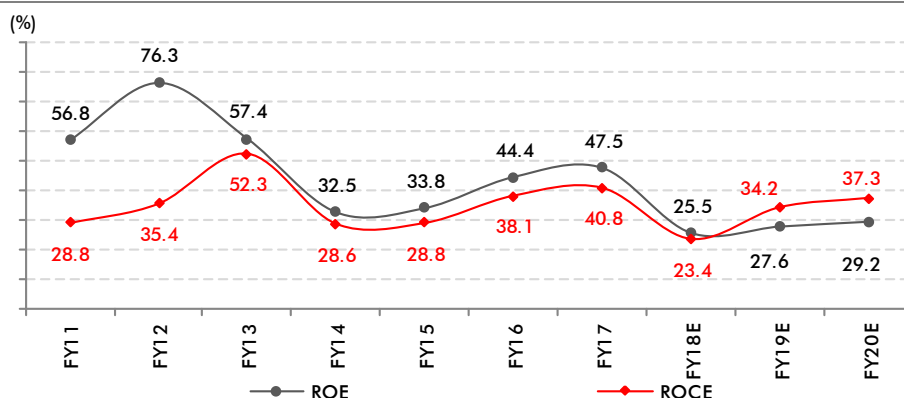
PSP owing to its strong balance sheet, negative working capital and positive cash flows enjoys strong return ratios with ROCE of 40.8% and ROE of 47.5% in FY17. We have factored in significantly higher working capital, moving up from negative 49 days in FY17 to positive 8 days in FY20E. Despite the higher working capital estimates and high level of low yielding cash balance the return ratios looks very attractive and amongst highest in the industry. We estimate ROCE and ROE of 37% and 29% in FY20E.

*Asset-light business model and low debt balance sheet lead to high return ratio. We estimate ROCE and ROE of 37% and 29% in FY20E.*

*PSP throughout its life cycle has focused towards higher value added projects instead of run of the mill civil construction projects*

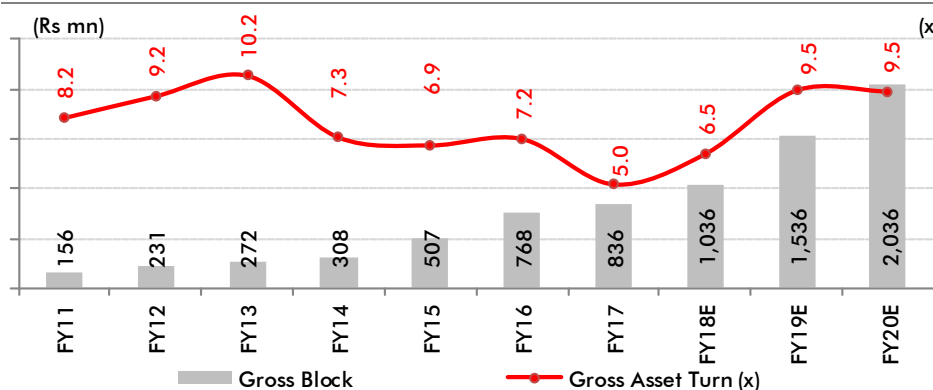
PSP throughout its life cycle has focused towards higher value added projects instead of run of the mill civil construction projects. It has evolved itself from a small civil contractor to a complete solution provider and worthy enough to execute prestigious projects such as speciality hospitals, GIFT city complex, Surat Diamond Bourse, Swarnim Sankul (CM's Office) etc; where it has higher scope of value addition. The efficiency and focused approach towards adding value has led to lower capex requirement for newer projects. Like PSP expect fresh capex of just Rs600mn for the SDB project worth Rs15.75bn over next two years. The same reflects in superior financial health and Asset turn ratios.

**Exhibit 25: Superior ROE & ROCE**



Source: Company, AMSEC Research

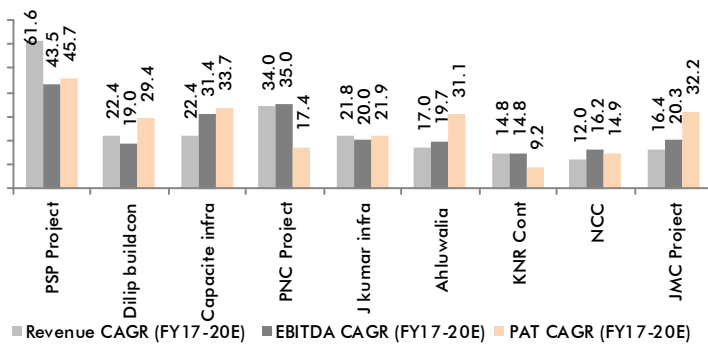
**Exhibit 26: High gross asset turnover ratio owing to low capex business model**



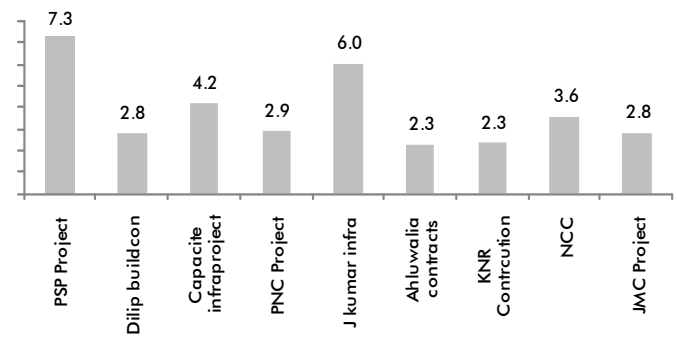
Source: Company, AMSEC Research

**Peer comparison- PSP Stand ahead of competitors**

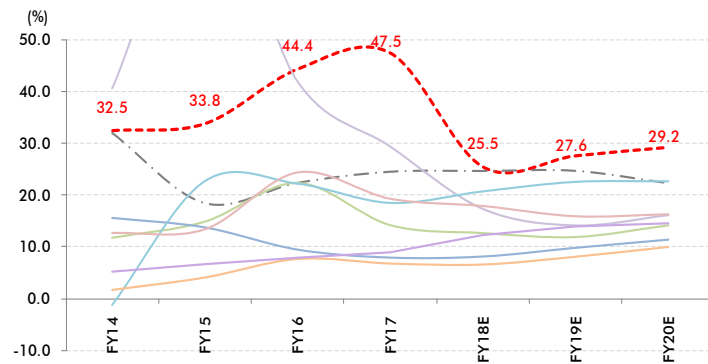
**Exhibit 27: PSP enjoys highest Revenue/EBITDA/PAT CAGR (FY17-20E)**



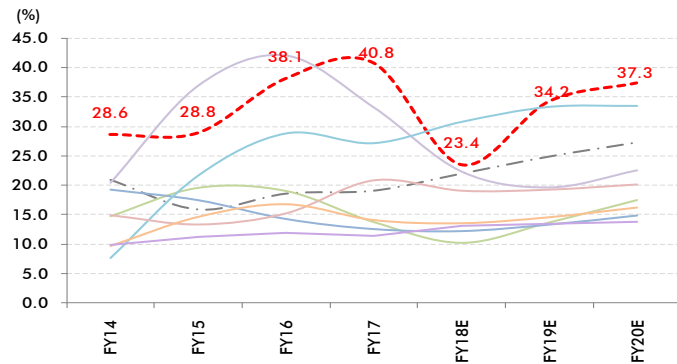
**Exhibit 28: PSP has highest Book to bill on FY17 Sales**



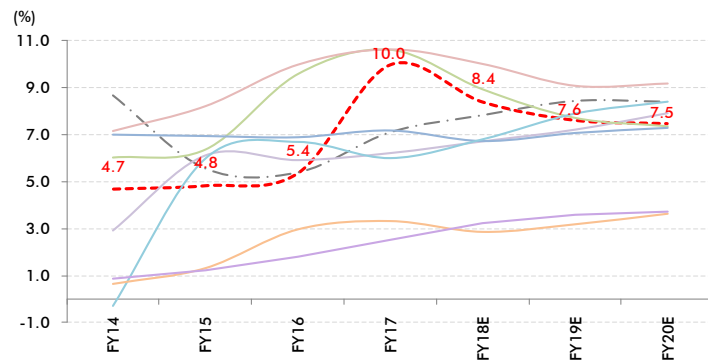
**Exhibit 29: PSP enjoys highest ROE in industry**



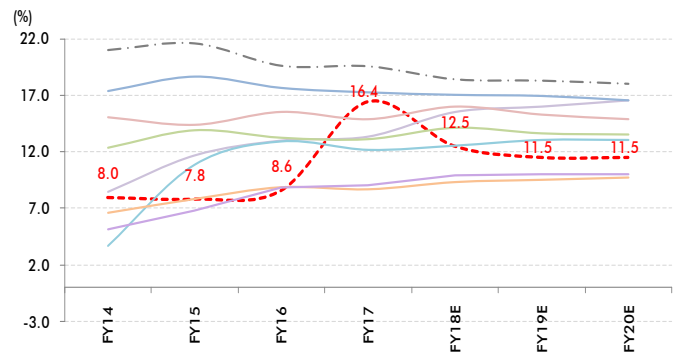
**Exhibit 30: PSP enjoys highest ROCE in industry**



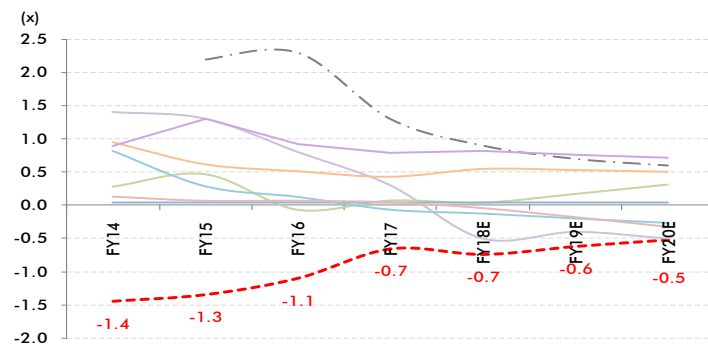
**Exhibit 31: PATM stand stable at 7.5% in FY20**



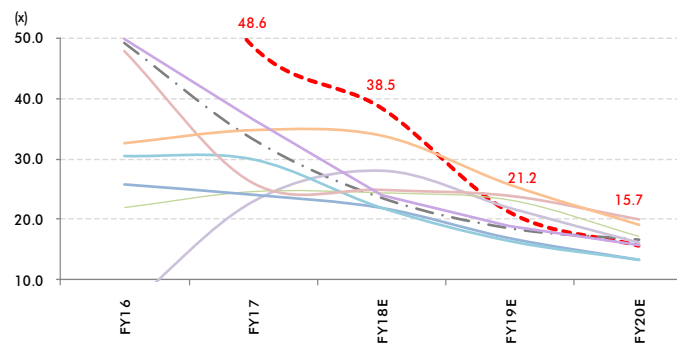
**Exhibit 32: EBITDAM stable at 11.5% in FY19 & FY20**



**Exhibit 33: Net debt to equity continues to be negative**



**Exhibit 34: PERx**



--- PSP Project Ltd     
 --- Dilip buildcon Ltd     
 --- Capacite infraproject Ltd  
--- PNC Project Ltd     
 --- J kumar infra     
 --- Ahluwalia contracts  
--- KNR Contruction     
 --- NCC     
 --- JMC Project

Source: Company, AMSEC Research; Dilip buildcon & Capacite infra estimates are from Bloomberg

### Revenue and PAT CAGR of 21.0% and 50.6% during FY11-17

The last decade has seen many ups and down for the construction industry. During this period most of the companies in the space have seen high growth as well as very poor (negative) performance phase. However, PSP in spite of the tough phase in the industry is been able to show positive revenue and PAT growth in last 7 years. Revenue growth in FY17 looks muted owing to few projects executed on pure service contracts without materials forming part of the revenue billing.

However during FY11-17, PSP has reported a 21.0% CAGR in Revenues and 50.6% CAGR in profits. Company has maintained Net Cash during FY11-17. ROE & ROCE remain above 25% over FY11-FY17. EBITDAM has improved from 4.8% in FY11 to 16.4% in FY17. However margin has increased in FY17 on account of raw material not billed during year in few projects. We have factored in lower margin of 11.5% in our estimates.

### Exhibit 35: Strong Balance Sheet, healthy return Ratios and robust EBITDAM

Key Financials Snapshot (Rs mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY11-17 CAGR
Order book				4,472	4,877	3,381	7,292	
Book to Bill (x)				2.1	1.7	0.7	1.8	
Sales	1,275	1,786	2,572	2,104	2,805	4,580	4,008	21.0%
EBIDTA	62	154	220	167	219	393	658	48.4%
PAT	35	84	123	101	139	251	413	50.6%
Cash Flow from Operations		197	245	180	273	383	97	
Cash Flow from Investing		(78)	17	4	(132)	(198)	39	
Cash Flow from Financing		74	(175)	55	22	20	58	
Equity	1	8	8	8	8	32	288	177.7%
Total Net Worth	62	157	270	350	469	663	1,076	60.8%
Gross Debt	150	259	150	261	334	452	677	28.6%
Gross Block	156	231	272	308	507	768	836	32.3%
Long Term Investments	2	26	5	8	8	51	76	77.1%
Cash & Current Investments	167	359	476	768	967	1,183	1,387	42.3%
<b>Key Ratios</b>								
EPS	1.0	2.3	3.4	2.8	3.9	7.0	11.5	
ROE%	56.8	76.3	57.4	32.5	33.8	44.4	47.5	
ROCE%	28.8	35.4	52.3	28.6	28.8	38.1	40.8	
ROIC%	22.4	30.3	43.5	21.4	20.8	28.9	33.2	
ROA%	6.8	11.5	12.6	8.5	8.3	11.8	15.2	
Net Debt Equity	-0.3	-0.6	-1.2	-1.4	-1.3	-1.1	-0.7	
Gross Asset Turn (x)	8.2	9.2	10.2	7.3	6.9	7.2	5.0	
WC Days	-39	-34	-41	-70	-83	-61	-49	
Dividend Payout %	19	6	23	21	25	23	20	
<b>Cost Matrix</b>								
RM/Sales%	34.8	76.6	67.6	61.2	64.7	70.4	60.4	
Employee cost/Sales%	2.4	3.0	2.5	5.3	8.7	3.1	5.2	
Subcontracting/Sales%		6.4	16.6	21.8	15.5	14.9	14.0	
Gross Margin%	63.5	21.3	30.6	35.1	29.2	27.4	36.0	
EBIDTAM%	4.8	8.6	8.5	8.0	7.8	8.6	16.4	
PATM%	2.8	4.7	4.8	4.8	4.9	5.5	10.3	

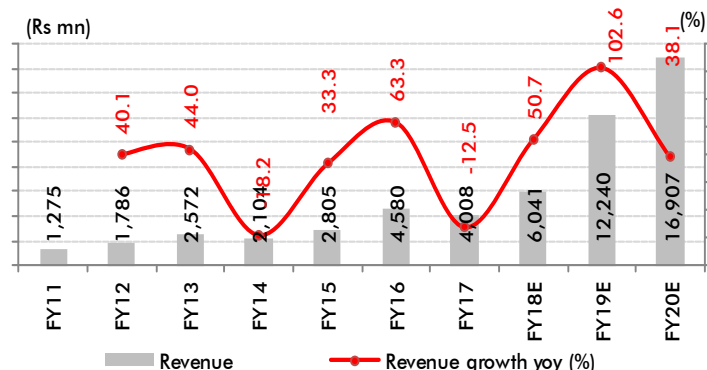
Source: Company, AMSEC Research

### Standalone Financials

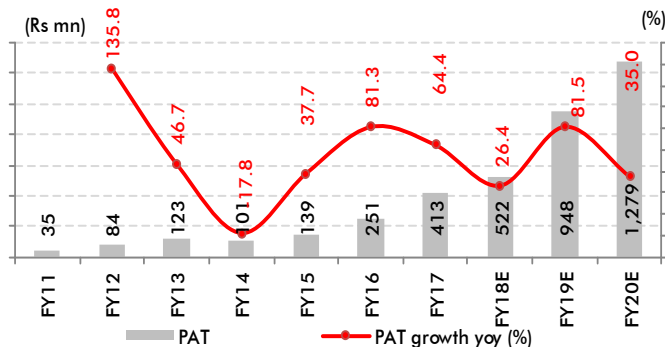
#### Net Sales/PAT to grow by 61.6%/45.7% CAGR during FY17-20E

With a strong order book and pipeline ahead, we expect PSP to have Sales/EBITDA/PAT CAGR of 61.6%/43.5%/45.7% in FY17-20E respectively. We have factored in conservative EBIDTAM of 11.5% and PATM of 7.5% in FY20E. We expect ROE/ROCE to improve to 29.2%/37.3%, respectively, in FY20E. We expect CFO/FCFF to remain positive in FY18-20.

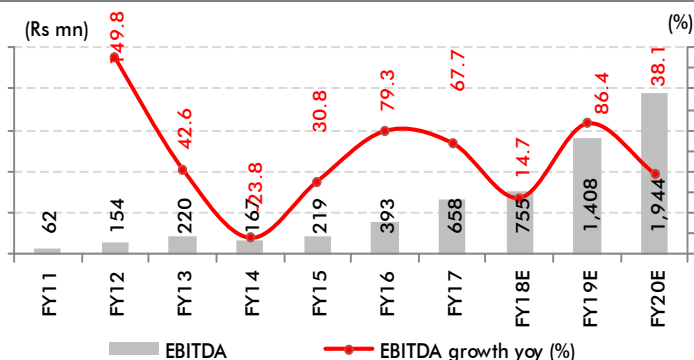
**Exhibit 36: Revenue CAGR of 61.6% During FY17-20E**



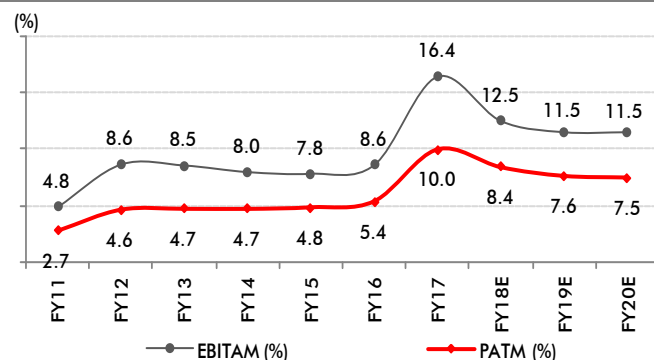
**Exhibit 37: Adj. PAT CAGR of 45.7% During FY17-20E**



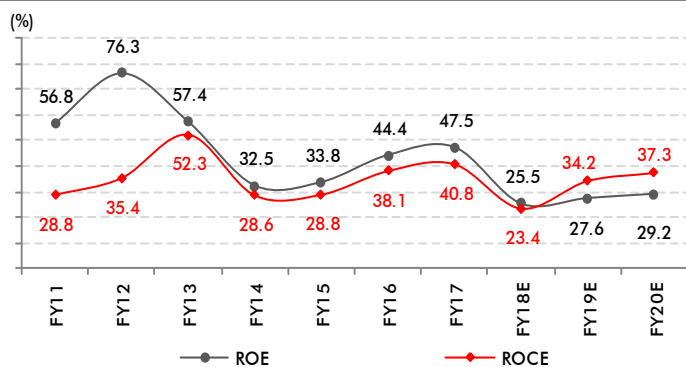
**Exhibit 38: EBITDA CAGR of 43.5% During FY17-20E**



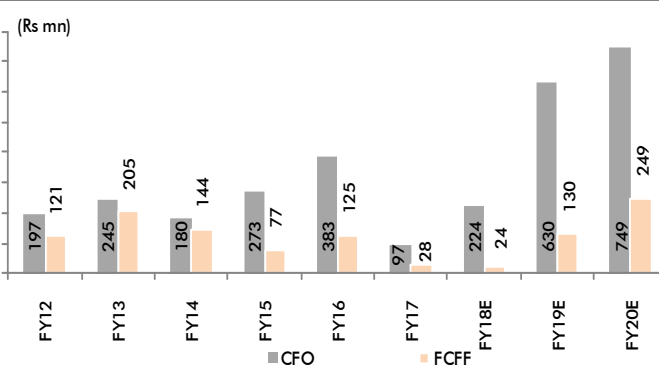
**Exhibit 39: EBITDAM & PATM remains strong at 11.5%/7.5% in FY20E**



**Exhibit 40: 29.2% ROE and 37.3% ROCE in FY20E**



**Exhibit 41: Maintain CFO & FCFF Positive**



Source: Company, AMSEC Research



### Strong 2QFY18/1HY18 standalone Quarterly results:

PSP posted Strong 79.7% yoy revenue growth in Q2FY18 standalone revenue to Rs1.4bn. EBITDA increased by 65.7% to Rs186mn and EBITDA margin declined 133bps YoY to 13.4% due to execution of projects without raw material. PAT increased by 101.8% YoY to Rs127mn and PATM improved by 90bp to 8.7%

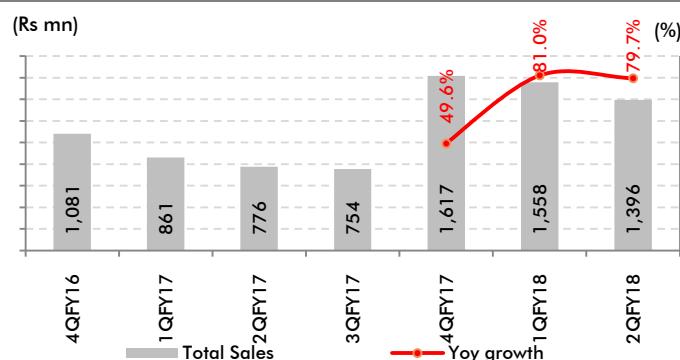
PSP reported stellar 1HFY18 results; revenue increased by 80.4% to Rs2.95bn, EBITDA increased by 67% to Rs385mn and EBITDAM declined by 105bps, PAT increased by 90.4% to Rs262mn and PATM improved by 44bps to 8.6%

#### Exhibit 42: 2QFY18/1HY18 standalone Quarterly results

P&L (Rs mn)	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	yoy(%)	qoq (%)	1HFY17	1HFY18	yoy (%)
<b>Total Sales</b>	<b>861</b>	<b>776</b>	<b>754</b>	<b>1,617</b>	<b>1,558</b>	<b>1,396</b>	<b>79.7</b>	<b>(10.4)</b>	<b>1,637</b>	<b>2,954</b>	<b>80.4</b>
Stock Adjustment	6	7	(34)	41	(72)	48	(563.7)	(166.5)	13	(24)	(286.1)
Consumption of RM	330	193	274	485	744	569	195.6	(23.5)	522	1,313	151.4
Construction Exp	227	306	352	625	411	323	5.5	(21.6)	533	734	37.8
Employee Cost	46	48	47	68	60	67	41.1	12.4	94	127	35.4
Sub-Contracting work bills	115	52	-	-	166	165	217.6	(0.5)	167	332	98.1
Other Expenditure	18	58	20	65	50	36	(37.5)	(26.9)	77	86	12.5
Total Expenditure	742	664	660	1,283	1,359	1,209	82.1	(11.0)	1,406	2,568	82.6
<b>EBITDA</b>	<b>118</b>	<b>112</b>	<b>94</b>	<b>334</b>	<b>199</b>	<b>186</b>	<b>65.7</b>	<b>(6.4)</b>	<b>231</b>	<b>385</b>	<b>67.0</b>
Add: Other Income	27	23	50	29	41	52	126.2	26.3	50	93	87.3
Interest	15	18	22	20	14	20	14.0	47.4	33	34	2.5
Depreciation	17	18	19	21	18	23	24.4	24.3	35	41	16.8
<b>Profit Before Tax</b>	<b>113</b>	<b>99</b>	<b>103</b>	<b>322</b>	<b>208</b>	<b>195</b>	<b>96.5</b>	<b>(6.1)</b>	<b>212</b>	<b>403</b>	<b>90.1</b>
Provision for Taxation	38	37	30	122	72	69			75	141	
<b>PAT</b>	<b>75</b>	<b>63</b>	<b>73</b>	<b>200</b>	<b>136</b>	<b>127</b>	<b>101.8</b>	<b>(6.6)</b>	<b>138</b>	<b>262</b>	<b>90.4</b>
Equity Capital (FV Rs 10)	32	32	288	288	360	360			32	360	
<b>Basic EPS (Rs)</b>	<b>23.4</b>	<b>19.6</b>	<b>2.5</b>	<b>7.0</b>	<b>3.8</b>	<b>3.5</b>			<b>43.0</b>	<b>7.3</b>	
<b>Adjusted EPS (In Rs)</b>	<b>23.4</b>	<b>19.6</b>	<b>2.5</b>	<b>7.0</b>	<b>3.8</b>	<b>3.5</b>			<b>43.0</b>	<b>7.3</b>	
EBITDA (%)	13.8	14.5	12.5	20.6	12.8	13.4	(-113bp)	58bp	14.1	13.1	(105bp)
PAT (%)	8.5	7.9	9.1	12.2	8.5	8.7	90bp	27bp	8.2	8.6	44bp
Tax / PBT (%)	33.5	36.9	28.7	37.8	34.8	35.2	(-171bp)	33bp	35.1	35.0	(11bp)
Interest/Net Sales	1.8	2.3	2.9	1.2	0.9	1.4	(-83bp)	57bp	2.0	1.1	(87bp)
Employee cost/Net Sales	5.4	6.1	6.3	4.2	3.8	4.8	(-132bp)	98bp	5.7	4.3	(143bp)
Sub-Contracting/Net Sales (%)	13.4	6.7	-	-	10.7	11.9	515bp	119bp	10.2	11.2	100bp
RM / Net Sales (%)	65.3	65.2	78.6	71.2	69.5	67.4	220bp	(-216bp)	65.3	68.5	324bp
<b>Balance sheet data</b>										<b>1HFY18</b>	
Gross debt										539	
Total Cash										2,226	
Net Debt										(1,686)	
Net Working capital (Ex Cash)										21	
Debtors										1,257	
Inventory										92	
Creditors										1,031	

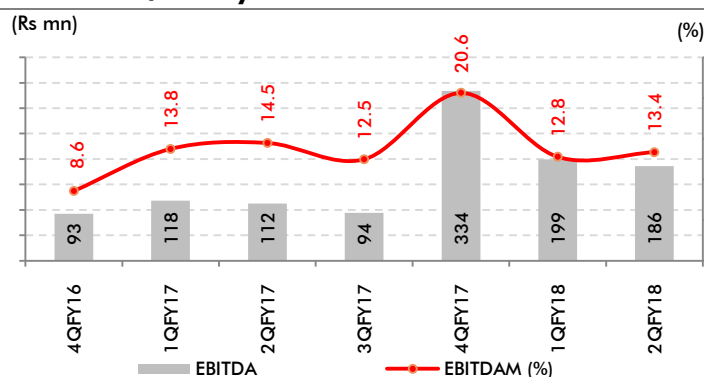
Source: Company, AMSEC Research

#### Exhibit 43: Quarterly Revenue Trend



Source: Company, AMSEC Research

#### Exhibit 44: Quarterly EBITDA & EBITDAM Trend



### Investment in Subsidiary & JV

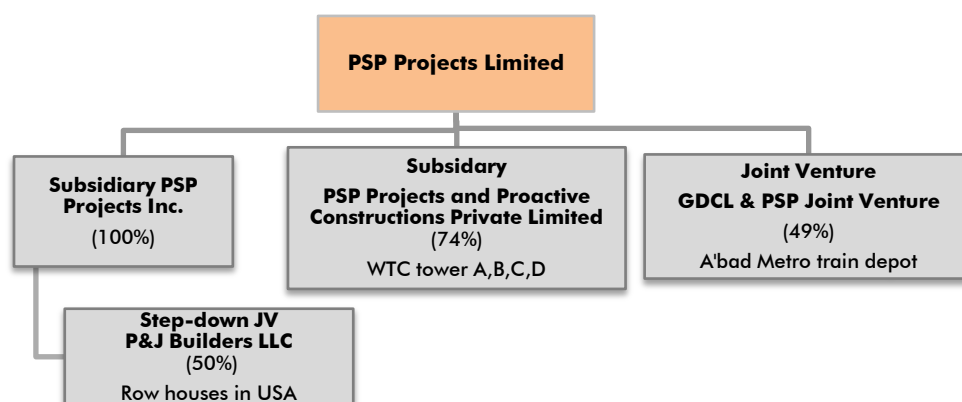
PSP has invested ~Rs37mn equity & Rs50mn working capital loan in PSP Projects & Proactive Constructions Pvt Ltd (PSP has 74% Ownership). It has been awarded a project that involves the development of structure work of Tower - A, B, C and D of the project named "WTC-GIFT" located at Gift City, on December 10, 2015, with a total contract value of Rs1.6bn and Rs770mn is unexecuted. This Project has 9-10% of EBITDAM. It has shown turnaround in financial and posted Rs4mn profit in FY17 Vs loss of Rs31mn. Reported healthy ROE & ROCE of 18%/13% respectively in FY17.

PSP has invested ~Rs4.46mn in GDCL & PSP Joint Venture (Share of PSP Projects Limited is 49%). It has been awarded a project for the construction of metro train depot cum workshop at Gyaspur on the North-South Corridor of the Ahmedabad Metro Rail Project Phase-1, on December 31, 2015, with a total contract value of Rs1.3bn and Rs1.0bn is unexecuted. This Project has 9-10% of EBITDAM.

PSP has invested Rs160mn in PSP Projects INC (USA subsidiary) in FY16-17. PSP Projects Inc. has one step-down JV P&J Builders LLC which is engaged in development and construction of Residential and Commercial Properties in USA.

Conservatively we have not assigned any value to these investments.

### Exhibit 45: Corporate Structure



Source: Company, AMSEC Research

### Exhibit 46: Financial Snapshot of PSP Project Proactive Construction Pvt Ltd

Key Financials Snapshot (Rs in Mn)	FY16	FY17
Order book	1,600	770
Book to Bill (x)	7.8	1.5
Sales	206	517
EBIDTA	(47)	12
PAT	(31)	4
Cash Flow from Operations	(5)	(54)
Free cash flow to firm	(5)	(54)
Equity	50	50
Total Net Worth	19	23
Gross Debt	15	72
Capital employed	34	96
Gross Block	14	18
Cash & Current Investments	47	46
<b>Key Ratios</b>		
EPS	-0.86	0.12
ROE%	-1.64	18
ROCE%	-1.38	13
Net Debt Equity	-0.6	0.5
Gross Asset Turn (x)	11	22
<b>Margin Analysis</b>		
Gross Margin%	2.9	17.9
EBIDTAM%	-22.7	2.4
PATM%	-15.1	0.8

Source: Company, AMSEC Research

### Valuations & Outlook: strong case for premium valuations over peers....

PSP's Order book to Sales ratio stands strong at 7.3x of FY17 revenue Vs industry Avg of 4.2x, which gives revenue and steep growth visibility for next few years.

At CMP the stock is trading at 21.2x FY19E and 15.7x FY20E its standalone EPS. The stock at current valuations is trading at discount to the sector average multiple of 17.9x FY20E.

Given the Indian infra push, Superior return ratios (ROCE 37%, ROE 29%), cash rich B/S (Net cash Rs1.7bn in 1HFY18), Negative net working capital (-49 days in FY17), sharp revenue (60%) and PAT (45%) CAGR during FY17-20E, marquee projects and past track record makes a strong case for premium valuations over peers.

We believe given the above factors the stock should command the premium over industry average of 18x PER FY20E. However, we have valued PSP's core standalone construction business conservatively at 18x PER of FY20E EPS at par with the industry average. We have not assigned any value to investment in PSP Project & proactive, PSP Project INC GDCL & PSP Joint Venture. We initiate coverage on the stock with a 'BUY' recommendation and a target price of Rs.639 (based on 18x PER of FY20E EPS).

#### Strong case for premium valuations

- Superior ROCE 37% & ROE 29%
- Cash rich B/S (Net cash Rs1.7bn in 1HFY18)
- Negative net working capital (-49 days in FY17)
- Sharp revenue and PAT FY17-20E CAGR (60%, 45%)

#### Exhibit 47: Valuation

Particulars	
PAT (Rs mn)	1,279
<b>EPS(Rs)</b>	<b>35.5</b>
Multiple (x)	18
Equity value (Rs mn)	360
Diluted no of shares (mn)	36
<b>Value per share (Rs)</b>	<b>639</b>
CMP (Rs)	558
<b>Upside</b>	<b>15%</b>

Source: Company, AMSEC Research

#### Exhibit 48: Relative Valuation

INFRA PEER SET	Mcap Rs mn	EBITDAM (%)			ROE (%)			PE Ratio (x)			EV/EBITDA (x)			PEG Ratio (x)	Net D-E (x)	Bk-to-bill (x)
		FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20			
Lasern & Turbo (C)	1,867.3	10.8	11.3	11.7	13.1	13.7	14.7	27.2	23.8	20.1	20.3	17.3	14.7	1.3	1.5	1.8
NBCC India (C)	225.8	6.1	6.7	7.5	22.9	28.5	33.1	55.7	38.0	28.2	33.3	28.4	19.3	0.9	-0.7	12.0
Dilip Buildcon (S)	135.3	18.5	18.4	18.0	24.6	25.0	22.3	25.0	19.1	17.7	6.9	5.4	4.5	0.6	1.1	2.8
NCC (S)*	77.9	9.3	9.5	9.7	6.5	8.0	9.9	33.8	25.7	19.1	13.3	11.1	9.3	1.3	0.4	3.6
PNC Infra (S)*	51.6	14.1	13.6	13.5	12.7	11.9	14.2	24.4	23.2	17.3	22.2	15.4	10.7	1.0	0.1	2.9
KNR Contraction (S)*	43.3	16.0	15.3	14.9	17.8	15.8	16.2	24.8	23.8	19.9	15.9	13.9	11.3	2.2	0.0	2.3
Capacite Infraprojects (S)	27.4	15.5	16.0	16.5	17.3	14.2	16.4	28.5	22.2	16.5	11.0	9.0	6.9	0.5	0.3	4.2
Ahluwalia Contracts (C)*	25.7	12.5	13.0	13.0	20.7	22.6	22.7	21.8	16.3	13.3	11.6	9.4	7.8	0.4	-0.1	2.3
Jkumar (S)*	25.4	17.0	16.9	16.5	8.1	9.8	11.4	21.9	16.9	13.3	9.1	7.4	6.1	0.6	-0.0	6.0
JMC Project (S)*	21.6	9.9	10.0	10.0	12.3	13.9	14.5	24.1	18.8	15.7	9.6	8.3	7.3	0.5	0.8	2.8
<b>PSP Project (S)*</b>	<b>20.1</b>	<b>12.5</b>	<b>11.5</b>	<b>11.5</b>	<b>25.5</b>	<b>27.6</b>	<b>29.2</b>	<b>38.5</b>	<b>21.2</b>	<b>15.7</b>	<b>23.8</b>	<b>12.7</b>	<b>9.1</b>	<b>0.3</b>	<b>-0.7</b>	<b>7.3</b>
Nila Infrastructures (S)	10.9	23.2	22.7	NA	12.1	12.6	NA	38.8	32.8	NA	12.0	10.4	NA	1.6	0.7	2.0
<b>Average</b>	<b>211.0</b>	<b>13.8</b>	<b>13.7</b>	<b>13.0</b>	<b>16.1</b>	<b>17.0</b>	<b>18.6</b>	<b>30.4</b>	<b>23.5</b>	<b>17.9</b>	<b>15.7</b>	<b>12.4</b>	<b>9.7</b>	<b>0.9</b>	<b>0.3</b>	<b>4.2</b>

Source: Company, AMSEC Research, \* AMSEC Research estimates and others are Bloom estimates

### Key Risks

**High concentration in single project of SDB:** The single largest project of Surat Diamond Bourse (SDB) of Rs15.75bn constitutes more than 50% of PSP's current total order book. In case of any delay or cost overrun in this project will impact PSP's overall performance significantly. In case of any adversity in this project, company's business would be adversely impacted and in turn impact our estimates

**High concentration in the state of Gujarat:** Historically PSP is heavily dependent on the demand for construction services in Gujarat, while company has recently expanded its operations to the states like Karnataka, Rajasthan & Delhi. Income from projects in Gujarat would continue to dominate the order book. In case of any adversity in the region, company's business would be adversely impacted and in turn impact our estimates.

**Delay in execution of key projects:** The timely execution of projects is the key to achieve targeted margins and profitability. Cost overruns due to delay in execution can have significant impact of profitability and margins. PSP is known for its better and quality execution of projects however any delay in executing the current projects and any cost overruns on the same may impact the company's performance and our earnings estimates negatively.

**Any slowdown in infrastructure spending by the government & private capex:** Any slowdown in government & private capex will lead to reduction in revenue visibility for construction companies and may negatively impact our estimates.

**Steep competition:** Company faces competition from various national and regional construction companies. Moreover, as company have begun to diversify its operations outside the state of Gujarat in the recent past, company may face the risk that some of competitors have a wider geographical reach while some other competitors have a strong presence in regional markets. Company also faces competition from various small unorganized operators in various sectors. Management sees many companies competing in below Rs1.5bn order, whereas for larger project competition is among few players but is intense.

**Sustaining growth rate beyond FY20:** Post completion of the current order book leading to strong revenue growth in FY19-FY20, PSP would need to have a large order inflow to sustain the higher revenue and PAT growth. In the event of lower order inflow it would impact PSP's future earnings beyond FY20.

### Exhibit 49: Business Quality Quadrant



Source: Company, AMSEC Research

## About the company

### Company Snapshot:

The company incorporated as PSP project Ltd on August 26, 2008 at Ahmedabad, Gujarat. PSP is a multidisciplinary construction company offer a diversified range of construction and allied services across industrial, institutional, government, government residential and residential project in India.

*Commenced as civil construction contractor, extended to MEP & Design*

*PSP received repeat business from torrent pharma, intas, cadila healthcare, claris etc.*

Company provide services across the construction value chain, ranging from planning and design to construction and post construction activities to private and public-sector enterprises. Historically, PSP has focused on project in Gujrat region. Now it has geographically diversified its portfolio of services and is undertaking bid for project in pan India level. Company has executed 80 Project as of March 31, 2017. PSP received repeat business from Torrent Pharma, Intas, Cadila Healthcare, Claris etc.

As of Sept 31, 2017, the size of PSP's workforce stands at ~620 employees, 6500 of contract labour. Out of Total 650 employee, 150 are Engineer & Out of total engineer, 40 are project manager

### Segment of Constructions projects

- Industrial Projects:** These projects primarily involve the construction of industrial building for pharmaceutical plants, food processing units, engineering units and manufacturing & processing facilities. PSP have expertise in undertaking industrial project that cater to the specialized need of pharmaceutical manufactures.
- Institutional Projects:** Institutional projects involve the construction of building for hospitals, healthcare services, educational institutes, malls, hospitality services and corporate offices. Recently Company received marquee project of Rs15.75bn for construction of Surat diamond bourse.
- Government Projects:** Company focus on undertaking selected government project that to be challenging and prestigious nature. Company have executed marquee government project such as the swarnim sankul 1 and 2 at gandhinagar, various works relation to the Sabarmati riverfront development project at ahmedabad.
- Government residential:** Company mainly executes certain prestigious government residential project such as design-build of affordable high-rise residential buildings cum commercial units in Gujarat under the "Mukhya Mantri GRUH Yojana" for a major Gujarat-based public-sector customer.
- Private residential:** Residential project typically involve the construction of buildings for group housing and township, as well as independent residences for selected private customers

Segment	% of OB	Number of projects executed
Industrial projects	15%	42
Institutional Projects	66%	28
Government projects	11%	16
Government residential projects	2%	2
Residential projects	6%	6

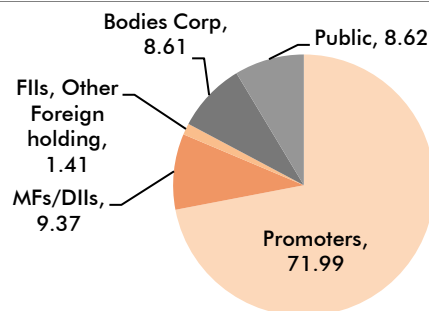
Note: order book % is as on 1HFY18

### Exhibit 50: Public shareholders more than 1% (Dec-17)

Investors list	Dec-17
Reliance Cap. Trustee -A/C Reliance smallcap Fund	2.81
IDFC Equity Fund	1.88
SBI Magnum Multicap Fund	1.81
Sundaram MF A/C Sundaram Select Micro Cap series I	1.41
Tata AIA Life Ins. -Whole Life Mid Cap Equity Fund	1.21
Birla Sun Life Insurance Company Limited	1.12
ICG Q Limited	1.04
Alternative Investment Fund	0.33

Source: Company, AMSEC Research

### Exhibit 51: Shareholding Pattern (as on Sept 30, 2017)



### Exhibit 52: IPO details

IPO Date	May 19, 2017
Issue Size	Rs 2116.8 Mn (Fresh Issue Rs1512 mn)
	Fresh Issue: 7,200,000 Equity Shares of Rs 10 each
	Offer for Sale: 2,880,000 Equity Shares of Rs 10 each
Issue Price:	Rs 210 Per Equity Share
Objective	Funding working capital requirements (Rs 630 Mn)
	Funding capital expenditure requirements (520 Mn)
	General corporate purposes (Rs 269 Mn)

Source: Company, AMSEC Research



### Key Management personnel

#### Exhibit 53: Key Management personnel

1	Mr. Prahaladbhai S. Patel	MD & CEO
2	Mrs. Shilpaben Patel	Whole-time Director
3	Mrs. Hetal Patel	CFO
4	Mrs. Minakshi Tak	Company Secretary and Compliance Officer

Source: Company, AMSEC Research

**Prahaladbhai Shivrambhai Patel**, aged 53 years, is the Chairman and Managing Director and CEO of PSP Project. He holds a Bachelor's degree in civil engineering. Prior to incorporation of Company, he had been carrying on the business of civil construction by way of a proprietorship firm. He has over 30 years of experience in the business of construction and has played a significant role in the development of company business.

**Shilpaben Patel**, aged 50 years, is the whole-time Director of Company. She holds a bachelor's degree in commerce from Gujarat University. She has experience in administration. She has been a Director of Company since incorporation. She participates in the corporate social activities of the Company and is the chairman of the CSR committee.

**Hetal Patel**, aged 43, is the chief financial officer of Company. She holds a Master's degree in commerce from Gujarat University. She is a member of the Institute of Chartered Accountant of India. Prior to joining PSP, she worked with Arabian Odessey Travel & Tourism LLC, Ramky Infrastructure Limited and Sterling Adlife India Limited.

**Minakshi Tak** is the Company Secretary and Compliance Officer of Company, aged 28. She holds a bachelor's degree in commerce from Maharshi Dayanand Saraswati University, Ajmer and bachelor's degree in law from Gujarat University.

#### Exhibit 54: Statutory Auditors & Registered Office

M/s. Prakash B. Sheth & Co., Chartered Accountants, Ahmedabad
<b>Registered Office :</b> "PSP House", Ahmedabad

Source: Company, AMSEC Research

#### Exhibit 55: Key Milestones

2008 Aug	Incorporation
2009 Apr	Acquired the business of BPC Projects
2009 Dec	Opportunity to construct Medical College & Hospital College & Hospital for Gujarat Cancer Society
2010 Jul	Commenced working on Narendra Modi's dream development project of Sabarmati riverfront
2011 Jan	Awarded order to construct 72 meter Zydus Hospital, Ahmedabad
2011 Dec	Awarded. Narendra Modi's pet project to construct office building for Chief Ministers and Cabinet Ministers at Sachivalaya
2012 Apr	SAP implementation
2014 Apr	Started Design and construction of 45m high (28 towers) affordable housing project for Gujarat government
2015 Jul	Selected as preferred construction company by the investors in India's first Smart City (GIFT City, Gandhinagar).
2016 Apr	Awarded 'Excellent Contractor of the Year 2016' award by Gujarat Contractor Association
2016 Jul	Turnkey project for Gujarat Housing Board in Transportnode, Ahmedabad, awarded Affordable Housing Project
2017 May	Listed on NSE and BSE
2017 Jul	Awarded Most Admired Multidisciplinary Construction Company of the Year (Gujarat)
2017 Oct	Awarded Asia's biggest office building construction project for Surat Diamond Bourse (6.5 mn sq ft built-up area).

Source: Company, AMSEC Research

## Financials (Standalone)

(Rs Mn)

Profit & Loss Accounts						Cash Flow Statement					
Particulars	FY16	FY17	FY18E	FY19E	FY20E	Particulars	FY16	FY17	FY18E	FY19E	FY20E
<b>Net sales</b>	<b>4,580</b>	<b>4,008</b>	<b>6,041</b>	<b>12,240</b>	<b>16,907</b>	PBT	394	639	779	1,414	1,909
Raw material	3,226	2,419	3,896	7,944	10,905	Non-cash adjustments	(32)	(56)	(87)	(62)	(17)
Subcontracting Expenses	683	560	846	1,787	2,536	Changes in working capital	138	(412)	(274)	(311)	(565)
Employee benefits expenses	140	209	302	612	845	Interest Paid	31	75	62	55	52
Other expenses	137	161	242	490	676	Tax Paid & Other Adj	(147)	(150)	(257)	(467)	(630)
<b>Total Expenditure</b>	<b>4,187</b>	<b>3,349</b>	<b>5,286</b>	<b>10,832</b>	<b>14,962</b>	<b>Cashflow from operations</b>	<b>383</b>	<b>97</b>	<b>224</b>	<b>630</b>	<b>749</b>
<b>EBITDA</b>	<b>393</b>	<b>658</b>	<b>755</b>	<b>1,408</b>	<b>1,944</b>	Capital exp. & Advances	(258)	(68)	(200)	(500)	(500)
Depreciation	71	76	93	138	183	Change in investments	(42)	(25)	(30)	-	-
<b>Operating profit</b>	<b>322</b>	<b>583</b>	<b>662</b>	<b>1,269</b>	<b>1,761</b>	Other investing cashflow	103	132	180	200	200
Other income	103	132	180	200	200	<b>Cashflow from investing</b>	<b>(198)</b>	<b>39</b>	<b>(50)</b>	<b>(300)</b>	<b>(300)</b>
<b>EBIT</b>	<b>425</b>	<b>715</b>	<b>842</b>	<b>1,469</b>	<b>1,961</b>	Issue of equity	-	-	1,512	-	-
Interest	31	75	62	55	52	Issue/repay debt	118	225	(110)	(110)	(110)
Exceptional items	-	-	-	-	-	Interest Paid	(31)	(75)	(62)	(55)	(52)
<b>Profit before tax</b>	<b>394</b>	<b>639</b>	<b>779</b>	<b>1,414</b>	<b>1,909</b>	Dividends paid	(68)	(92)	(86)	(130)	(216)
Tax	143	226	257	467	630	Other financing cashflow	-	-	-	-	-
<b>Reported net profit</b>	<b>251</b>	<b>413</b>	<b>522</b>	<b>948</b>	<b>1,279</b>	<b>Cashflow from financing</b>	<b>20</b>	<b>58</b>	<b>1,253</b>	<b>(294)</b>	<b>(378)</b>
EO Items (loss/ (gain))	-	-	-	-	-	<b>Change in cash &amp; cash eq</b>	<b>205</b>	<b>193</b>	<b>1,428</b>	<b>35</b>	<b>71</b>
<b>Adjusted net profit</b>	<b>251</b>	<b>413</b>	<b>522</b>	<b>948</b>	<b>1,279</b>	<b>Opening cash &amp; cash eq</b>	<b>848</b>	<b>1,053</b>	<b>1,246</b>	<b>2,674</b>	<b>2,709</b>
Share O/s mn	3.2	28.8	36.0	36.0	36.0	<b>Closing cash &amp; cash eq</b>	<b>1,053</b>	<b>1,246</b>	<b>2,674</b>	<b>2,709</b>	<b>2,780</b>
Diluted EPS Rs (adjusted)	7.0	11.5	14.5	26.3	35.5	<b>Free cash flow to firm</b>	<b>125</b>	<b>28</b>	<b>24</b>	<b>130</b>	<b>249</b>

Balance Sheet						Ratio					
Particulars	FY16	FY17	FY18E	FY19E	FY20E	Particulars	FY16	FY17	FY18E	FY19E	FY20E
<b>SOURCES OF FUNDS :</b>						<b>PER SHARE</b>					
Share Capital	32	288	360	360	360	EPS Rs (adjusted)	7.0	11.5	14.5	26.3	35.5
Reserves	631	788	2,664	3,482	4,545	CEPS Rs	8.9	13.6	17.1	30.2	40.6
<b>Total Shareholders Funds</b>	<b>663</b>	<b>1,076</b>	<b>3,024</b>	<b>3,842</b>	<b>4,905</b>	Book Value Rs	18.4	29.9	84.0	106.7	136.3
<b>Non-Current Liabilities</b>						<b>VALUATION</b>					
Long term borrowings	10	34	24	14	4	EV / Net Sales	4.3	4.9	3.0	1.5	1.0
Long-term provisions	6	9	9	9	9	EV / EBITDA	49.6	29.6	23.8	12.7	9.1
<b>Current Liabilities</b>	<b>1,598</b>	<b>2,030</b>	<b>2,331</b>	<b>3,663</b>	<b>4,512</b>	P / E Ratio	79.9	48.6	38.5	21.2	15.7
Short term borrowings	433	625	525	425	325	P / BV Ratio	30.3	18.7	6.6	5.2	4.1
Trade payables	694	693	828	1,576	2,131	<b>GROWTH YOY%</b>					
Other current liabilities	436	593	830	1,360	1,640	Sales Growth	63.3	(12.5)	50.7	102.6	38.1
Short term provisions	34	118	149	302	417	EBITDA Growth	79.3	67.7	14.7	86.4	38.1
<b>Total Equity &amp; Liabilities</b>	<b>2,277</b>	<b>3,149</b>	<b>5,388</b>	<b>7,528</b>	<b>9,431</b>	Net Profit Growth	81.3	64.4	26.4	81.5	35.0
<b>APPLICATION OF FUNDS :</b>						Gross Fixed Asset Growth					
<b>Non Current Assets</b>	<b>704</b>	<b>912</b>	<b>1,113</b>	<b>1,561</b>	<b>1,978</b>	<b>Margin Analysis (%)</b>					
Gross block (Total)	768	836	1,036	1,536	2,036	Gross profit Margin	27.4	36.0	32.0	31.6	32.0
Less : accumulated deprecia	245	318	411	550	733	EBITDA Margin	8.6	16.4	12.5	11.5	11.5
Net block (Total)	522	518	624	986	1,303	EBIT Margin	9.3	17.8	13.9	12.0	11.6
Capital work in progress	-	-	-	-	-	Adj PAT Margin	5.4	10.0	8.4	7.6	7.5
Investment in Equity Shares	39	40	70	70	70	Int/Debt	6.8	11.1	11.0	12.0	15.0
Other Investment	12	36	36	36	36	Tax/PBT	36.2	35.4	33.0	33.0	33.0
Deferred tax assets	9	11	11	11	11	<b>Return Ratio (%)</b>					
Long term loans and advances	47	225	275	325	375	ROE	44.4	47.5	25.5	27.6	29.2
Other non-current assets	75	82	97	133	183	ROCE	38.1	40.8	23.4	34.2	37.3
<b>Current Assets</b>	<b>1,573</b>	<b>2,237</b>	<b>4,275</b>	<b>5,967</b>	<b>7,453</b>	ROIC	28.9	33.2	18.4	29.5	33.5
Current investment	130	140	140	140	140	<b>Turnover</b>					
Inventories	40	30	87	267	410	Net Working capital (Days)	(61)	(49)	(20)	(3)	8
Sundry debtors	103	533	960	2,012	2,964	Debtors Velocity (Days)	8	49	58	60	64
Cash and bank	1,053	1,246	2,674	2,709	2,780	Inventory (Days)	4	3	6	9	10
Short loans and advances	194	235	331	671	926	Creditors Velocity (Days)	55	63	50	47	46
Others current assets	52	53	83	168	232	Gross Asset Ratio	7.2	5.0	6.5	9.5	9.5
<b>Total Assets</b>	<b>2,277</b>	<b>3,149</b>	<b>5,388</b>	<b>7,528</b>	<b>9,431</b>	Total Asset Ratio	215	148	142	190	199
Net Working Capital	(766)	(535)	(327)	(102)	364	<b>LIQUIDITY</b>					
Total Gross Debt	452	677	567	457	347	Current Ratio	1.0	1.1	1.8	1.6	1.7
Total Net Debt	(731)	(709)	(2,247)	(2,392)	(2,573)	Quick Ratio	0.2	0.4	0.6	0.9	1.0
Capital Employed	1,116	1,754	3,591	4,299	5,252	Net Debt-Equity Ratio	(1.1)	(0.7)	(0.7)	(0.6)	(0.5)
Order book	3,381	7,292	24,163	21,923	17,016	Interest Coverage (x)	10.5	7.7	10.6	23.1	33.8
Order inflow	3,046	7,918	24,534	10,000	12,000	<b>PAYOUT</b>					
Book To bill (x)	0.7	1.8	4.3	1.9	1.1	Payout %	23	21	25	23	20
						Dividend %	150	25	30	50	60
						Yield %	0.2	0.4	0.5	0.9	1.1

Source: Company, AMSEC Research

## Recommendation rationale

<b>Buy:</b> Potential upside of	> +15% (absolute returns)
<b>Accumulate:</b>	> +5 to +15%
<b>Reduce:</b>	+5 to -5%
<b>Sell:</b>	< -5%
<b>Not Rated (NR):</b>	No investment opinion on the stock

## Sector rating

<b>Overweight:</b>	The sector is expected to outperform relative to the Sensex.
<b>Underweight:</b>	The sector is expected to underperform relative to the Sensex.
<b>Neutral:</b>	The sector is expected to perform in line with the Sensex.

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