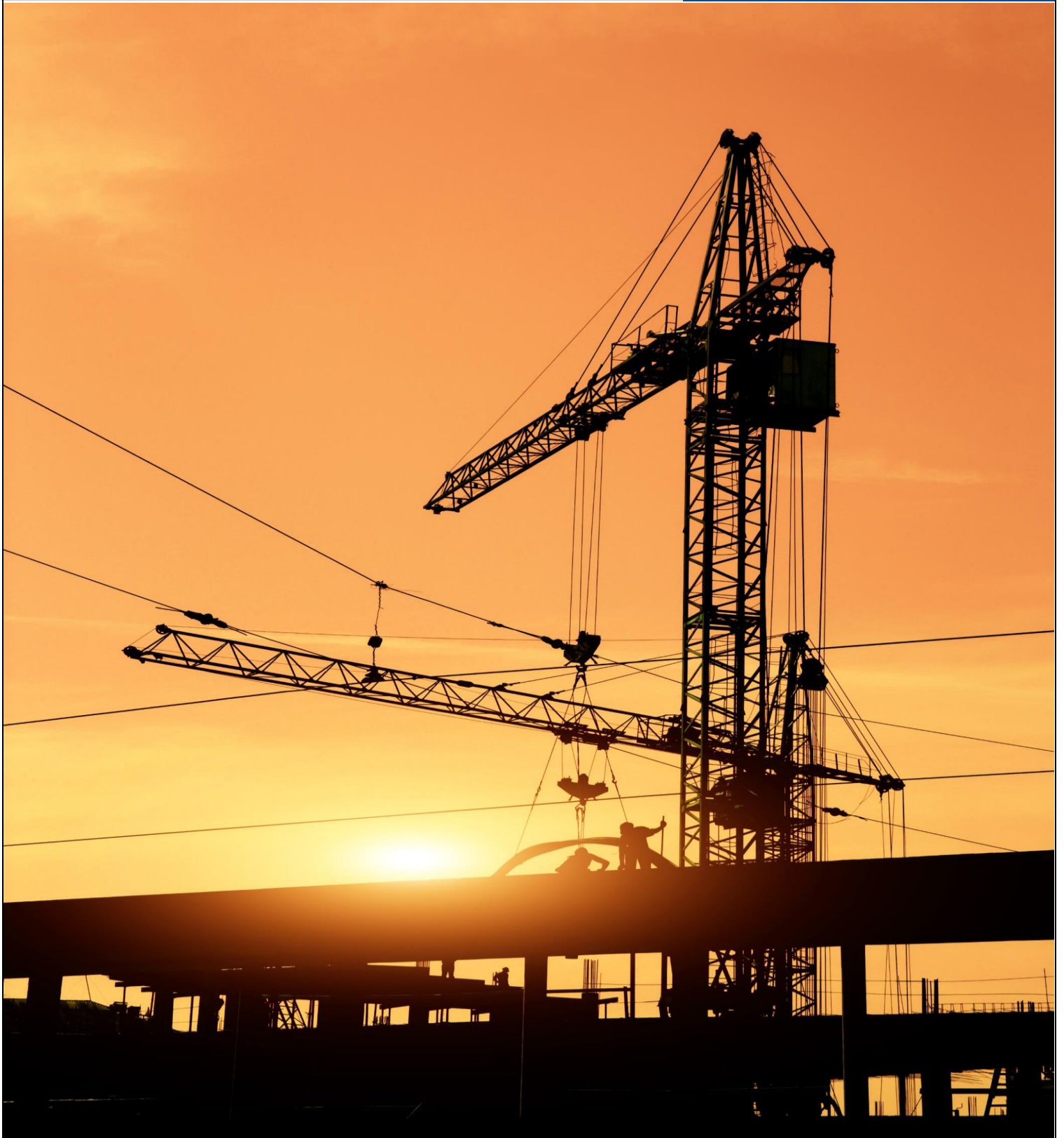


Edelweiss Investment Research

Insightful. Independent. Decisive.



PSP Projects Ltd.



Debashish Mazumdar
Research Analyst
debashish.mazumdar@edelweissfin.com

Date: 30th April 2017

Long-Term Recommendation: PSP Projects Ltd

An Efficient Growth Story

CMP INR: 575

Rating: BUY

Target Price INR: 760

Upside: 32%

PSP Projects Ltd (PSP) is an efficient and organised constructor in the medium ticket size institutional and industrial construction segment in and around Gujarat. The company has created a niche for itself in the healthcare, FMCG and educational institution construction space riding on its strong history of superior work quality and timely execution. PSP's tightly run operation, centralized control and focused approach has made the company most efficient amongst peers with highest net profit margin of 10%, negative NWC cycle, lean balance sheet and industry leading RoCE of 30%. Surat Diamond Bourses (SDB), worth INR 1,575 cr, is the largest order the company won and its execution will eject PSP into the league of larger constructors like L&T, Shapoorji and NCC wherein competition is limited to 5-6 players. With strong order book and revenue visibility, the company's topline is expected to grow at 50% CAGR over FY17-20E, and is expected to maintain an EBITDA margin of 13% -14%. We initiate coverage with a 'BUY' recommendation and target price of INR 760.

A disciplined building contractor with strong order book and revenue visibility

PSP has achieved strong brand recall and recorded a stellar performance in its small life of existence. The company has completed 97 projects within a decade of its operating history and ticket size of an average project also moved to multi-level high from INR 24 cr in FY14 to INR 100 cr currently. The company gets consistent repeat orders from clients, like Zydus-Cadila, Claris, Torrent Pharma and Amul. PSP is also constructing six out of eight large private building projects in 'GIFT City' Ahmedabad. FY18 was a year of inflection — for the full year the company added orders worth INR 2,542 cr backed by SDB order worth INR 1,575 cr; and that offers more than four years revenue visibility (higher vs industry average).

Revenue expected to clock 50% CAGR, operating margin likely to stay at 13% –14% over FY17-20E

The lack of organized and efficient players in the small ticket sized building construction space (INR 50-150 cr) has put PSP in a sweet spot and successful completion of SDB will make the company eligible for projects more than INR1,000 cr where competition is limited into 5-6 large players. With 37 projects worth (order book INR 2,745 cr) at different stages of execution, PSP's revenue is likely to grow at 50% CAGR over FY17-20E to reach INR 1,516 cr in FY20E and EBITDA margin of the company will remain in the range 13% –14%. Due to the lean balance sheet structure, the company records the highest net profit margins (PAT margin of 9-10%) amongst peers and we estimate this gap to be maintained going forward.

Efficient capital allocation to aid highest RoCE among peers

Timely execution and proficient project selection aid efficient capital management for PSP. The company has no legacy receivable from the past, nor are there any significant instances of retention monies being withheld/performance bank guarantees invoked by the clients etc. PSP has the best working capital cycle in the sector and is expected to remain an efficient capital allocator going forward. As a result of the lean balance sheet, prudent working capital management and profitable execution, the return metrics (RoCE of 32% and RoE of 29% in FY20E) are the best in the sector and are expected to remain healthy going forward.

Outlook and valuation: initiate with a 'BUY'

We envisage PSP's healthy order book and lean balance sheet to support industry leading growth going forward. At CMP of INR 575, PSP is trading at 19x/14x of FY19/20E EPS of INR 31/42 which is slightly higher than industry peers. We believe, PSP will continue to get industry leading valuations due to its superior growth and highest return metrics among peers. We initiate coverage with a 'BUY' recommendation and target price of INR 760 after ascribing 18x multiple on FY20E expected EPS of INR 42.

Debashish Mazumdar

Research Analyst

+91 (22) 4088 5819

debashish.mazumdar@edelweissfin.com

Bloomberg:	PSPPL:IN
52-week range (INR):	595.00 / 190.00
Share in issue (cr):	3.6
M cap (INR cr):	2,069
Avg. Daily Vol. BSE/NSE :('000):	132
Promoter Holding (%)	72.13

	FY16	FY17	FY18E	FY19E	FY20E
Revenues (INR Cr)	476	457	667	1,144	1,516
Rev growth (%)	69.7	(4.0)	45.9	71.7	32.4
EBITDA (INR Cr)	35	67	93	154	212
PAT (INR Cr)	22	41	57	109	152
P/E (x)	36.3	20.1	36.0	18.9	13.6
P/B (x)	12.8	7.8	8.0	5.6	4.0
RoACE (%)	25%	32%	24%	31%	32%
RoAE (%)	35%	39%	22%	30%	29%

Date: 30th April 2018

Healthy Demand Scenario in institutional building construction space, strong order book due to Surat Diamond Bourse and other GIFT City projects will aid PSP's revenue to grow at 50% CAGR over FY17-FY20E. Focus on timely execution, efficient capital allocation, negative working capital cycle and Net cash Balance Sheet have contributed in generating highest ROCE for PSP in the construction industry.

Sales CAGR ~50% due to strong industry tail winds and high order inflows.

INR Crore	FY16	FY17	FY18E	FY19E	FY20E
Revenue	476	457	667	1159	1516
EBIDTA	35	67	90	156	212
EBIDTA Margin	7%	15%	14%	14%	14%
PAT	23	41	57	105	153

Very Strong management and promoter quality backed by strong execution and delivery track record.

	FY16	FY17	FY18E	FY19E	FY20E
RoACE	25%	32%	23%	31%	32%
Debt to Equity (x)	0.73	0.74	0.30	0.20	0.15

Improving ROCE and debt free balance sheet to aid better return going forward.

P/E Multiple	Multiple	Price Target
	16x	674
PSP Projects	18x	760

At CMP, FY20E P/E is 14x



FY18E-20E RoE of 26-29%



At Target Price, FY20E P/E is 18x

Upside of 31%

Risk-reward extremely favourable

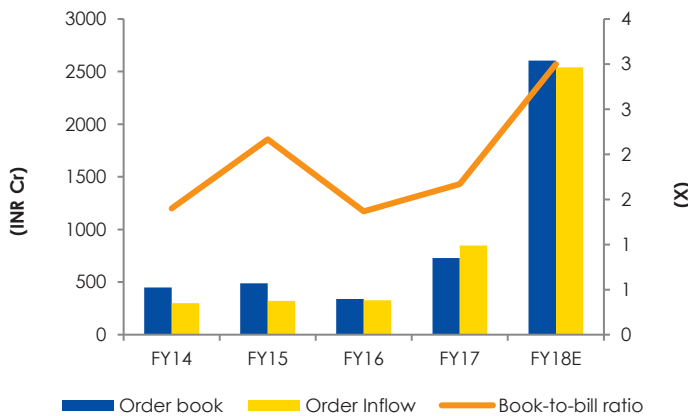
Price Target	INR 760	We value the stock at a 2-year forward PE multiple of 18x based on industry leading growth and return metrics. We recommend ' BUY ' with a TP of INR 760.
Bull	INR 877	In a bull case scenario, we value the company on a 2-year forward PE multiple of 18x with strong execution and delivery, which yields a target price of INR 877, an upside of 51% from CMP.
Base	INR 760	In the base case scenario, We value the stock at a 2-year forward PE multiple of 18x based on industry leading growth and return metrics, which yields a target price of INR 765, an upside of 31% from CMP.
Bear	INR 470	In a bear case scenario, we value the company at a 2-year forward PE multiple of 15x, which yields a target price of INR 465, a downside of 20% from CMP.

Average Daily Turnover (INR cr)			Stock Price (CAGR)				NIFTY CAGR (%)			
3 months	6 months	1 year	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
3.00	3.98	4.95	56%	NA	NA	NA	16%	8%	14%	9%

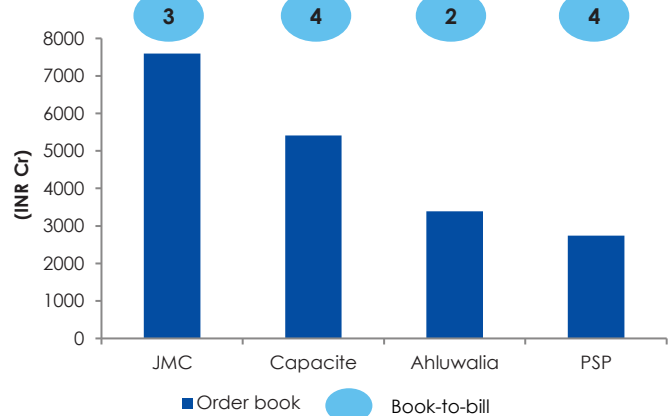
Business Value Drivers	Nature of Industry	PSP Projects is a leading construction and contracting company with expertise in institutional and industrial buildings. The company has a significant presence in and around Gujarat.
	Opportunity Size	Increased institutional and industrial Infrastructure spending across India provides a very good opportunity. Massive jump in transacted space in Ahmedabad due to competitive pricing and good quality office space looks bright. Prominent landmark in Ahmedabad's office space is the GIFT City, which will change dynamics of the Ahmedabad office space market. PSP is expected to bag around 20-25% of the projects in GIFT city.
	Capital Allocation	With negative cash conversion cycle, no legacy receivable and retention issues and high fixed asset turnover PSP has a strong net cash balance sheet and best return metrics in the construction industry.
	Predictability	With PSP having won its big ticket sized project, Surat Diamond Bourse and multiple projects in GIFT City, the business is set to grow to a level much above the industry average. Industry tailwinds likely to be a further boon.
	Sustainability	One of the strongest execution teams among peers and strong delivery track record gives PSP the edge. Credits, owing to having completed 1.8 mn square feet of housing projects ahead of schedule, have helped the company win a great deal of credential in clients mind. Strong management and good contacts over a period of time gives PSP bargaining and pricing power.
	Disproportionate Future	With healthy order inflow anticipated in industrial and institutional infrastructure, such as projects like GIFT city in Gujarat and other parts of the country, the company is well set on a strong growth trajectory. Completion of Surat Diamond Bourse project will push the company into an orbit of larger ticket size projects where competition is limited within 5-6 large players.
	Business Strategy & Planned Initiatives	PSP will continue to select institutional building and industrial projects with high profitability and limited capital requirements to earn high return ratios.
	Near-Term Visibility	Currently 37 projects worth INR 2,745 cr are different stages of execution and that offers strong revenue visibility in near term. The company can triple the revenue over FY17-20E even without any incremental order addition over next two years.
	Long-Term Visibility	The company will continue to be in the forefront to grab upcoming industrial and institutional building opportunities in Gujarat. Management intends to conservatively explore opportunities outside the state with its focus being on segments in which it already operates.

Focus Charts – Story in a Nutshell

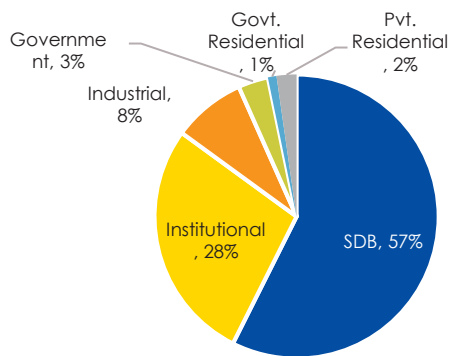
FY18 was a year of inflection mainly due to Surat Diamond Bourses (SDB) order win



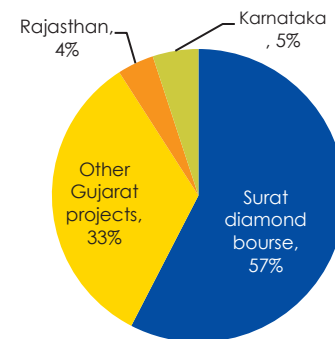
Book-to-bill ratio is higher versus the industry average currently



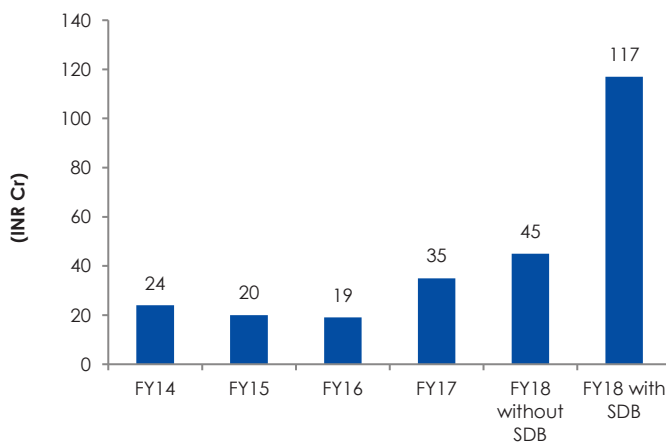
PSP majorly focuses on Institutional building constructions



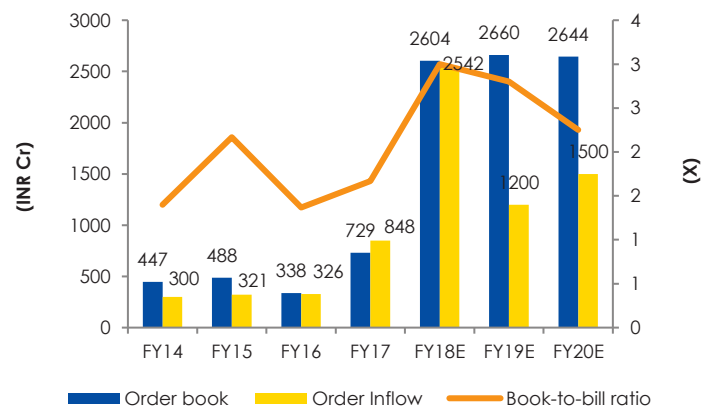
PSP has strong client base in and around Gujarat



Average ticket size of projects increased significantly

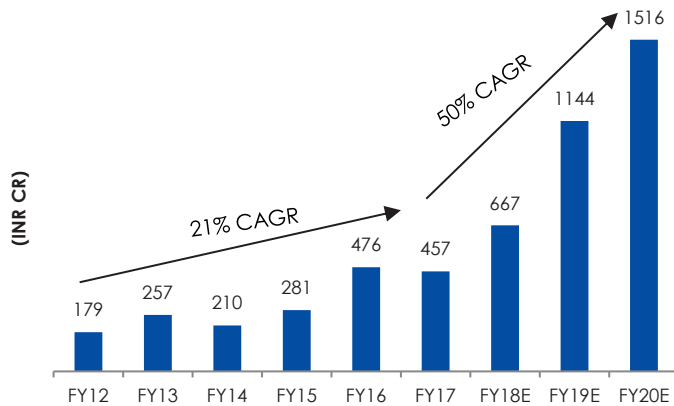


The company is expected to maintain more than 2 years of revenue visibility

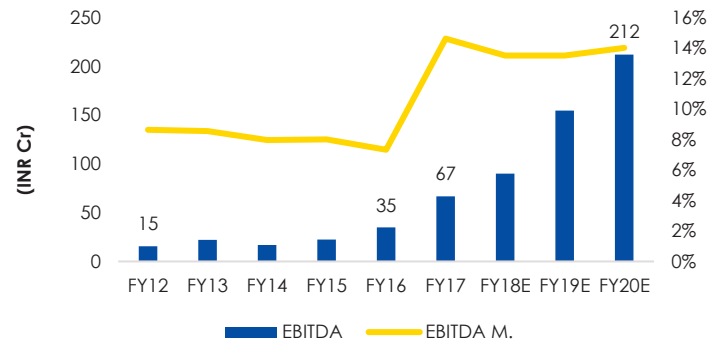


Source: Company Data, Edelweiss Investment Research

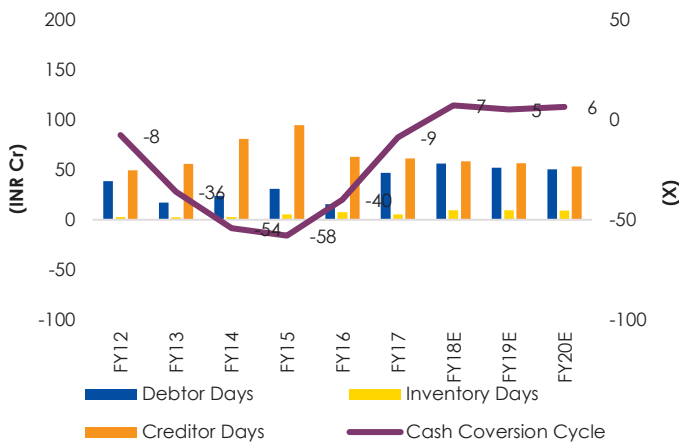
Revenue to grow by 3.3x over FY17-20E



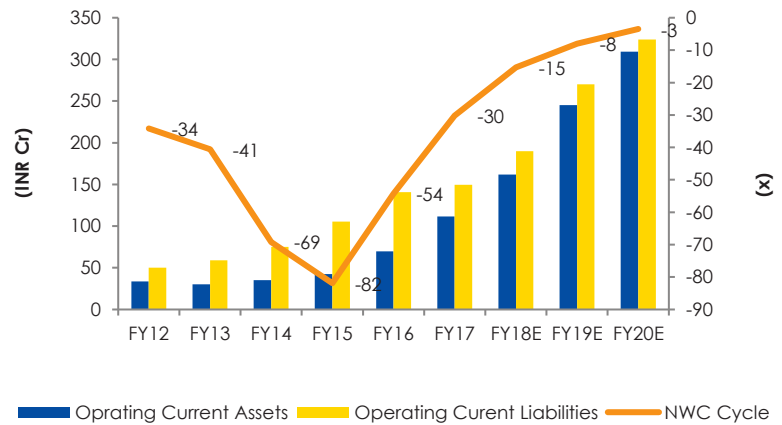
EBITDA is expected to report 47% CAGR over FY17-20E



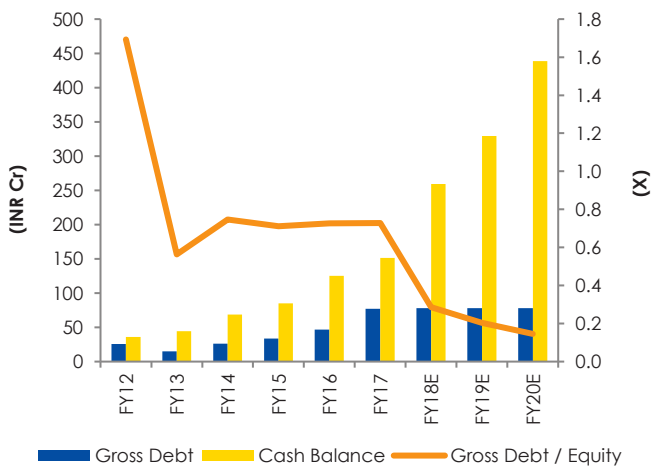
Overall cash management to remain efficient



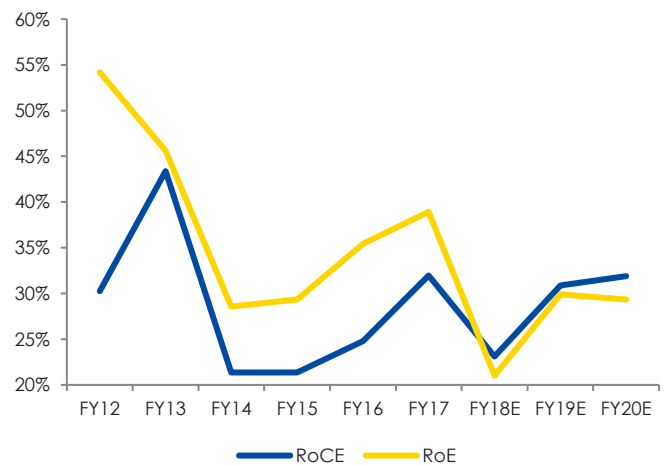
Working capital cycle will always remain negative



PSP continue to remain a net cash company going forward



RoCE and RoE will continue to improve going forward



Source: Company Data, Edelweiss Investment Research

Peer Comparison

PSP is expected to outpace industry revenue growth

INR Cr	FY16	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E
JMC Projects	2401	2328	2823	3280	3714	17%
Ahluwalia	1250	1427	1660	1971	2276	17%
Capacite	853	1157	1438	1756	2208	24%
PSP Projects	476	457	667	1144	1516	50%
Overall industry	4980	5369	6525	8048	9576	22%

PSP's Net profit margin is 300 bps higher than the industry average

	FY16	FY17	FY18E	FY19E	FY20E	Average FY17-20E
JMC Projects	2%	3%	3%	4%	4%	3%
Ahluwalia	7%	6%	7%	8%	8%	7%
Capacite	6%	6%	6%	6%	7%	6%
PSP Projects	5%	9%	9%	10%	10%	9%
Overall industry	5%	6%	6%	7%	7%	6%

PSP has Highest RoCE among peers

	FY16	FY17	FY18E	FY19E	FY20E	Average FY17-20E
PSP Projects	25%	32%	24%	31%	32%	29%
Ahluwalia	20%	18%	19%	19%	18%	19%
Capacite	27%	23%	15%	12%	14%	18%
JMC Projects	10%	9%	11%	12%	14%	11%
Industry Average	20%	20%	17%	19%	19%	19%

Highest growth made the valuation attractive in FY20E

Company	CMP INR	M Cap INR Cr	EV/Sales (x)			EV/EBITDA (x)			P/E (x)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
PSP Projects	575	2080	3	2	1	21	12	9	36	19	14
Ahluwalia	421	2821	2	1	1	13	10	9	23	18	16
Capacite	363	2468	2	1	1	11	9	7	28	22	17
JMC Projects	642	2155	1	1	1	10	9	8	23	17	14

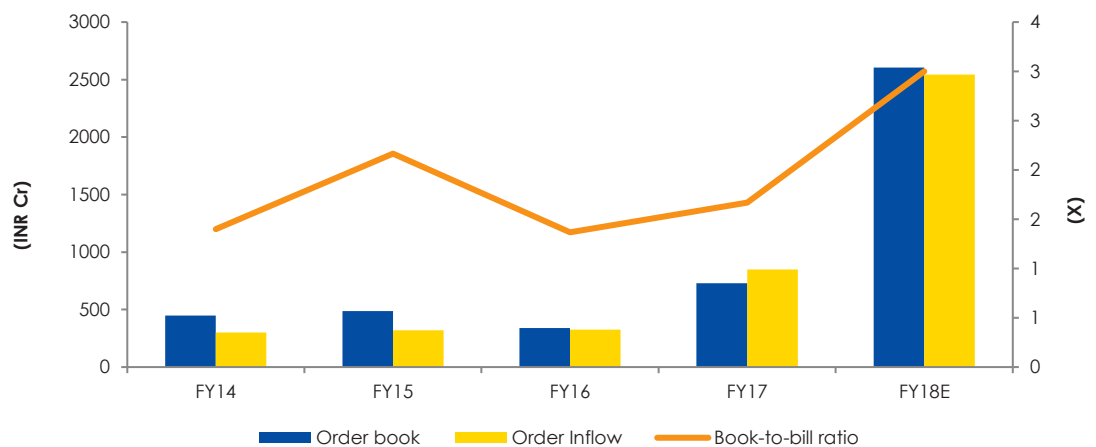
I. PSP Projects (PSP): A constructor with superior order book, disciplined execution and strong brand recall

A. PSP's strong order book offers more than 4 years of revenue visibility

PSP Projects Ltd (PSP), one of the most organised and tightly managed building constructors in India, particularly in the institutional and industrial construction space in Gujarat, has created strong brand recall amongst clients due to the quality of its construction and on-time delivery.

PSP has established itself as a strong executor in contracts worth INR 25–100 cr and has filled the vacuum of limited organized players in the low-ticket sized construction space. FY18 was a year of inflection for the company, as for the full year the company added orders worth INR 2,542 cr against ~INR 1,800 cr of total orders added over FY14-17. With INR 2,745 cr worth of orders, PSP has more than four years of revenue visibility. 'Surat Diamond Bourses' (SDB) was the single largest order the company added in its history of project additions.

FY18 was a year of inflection

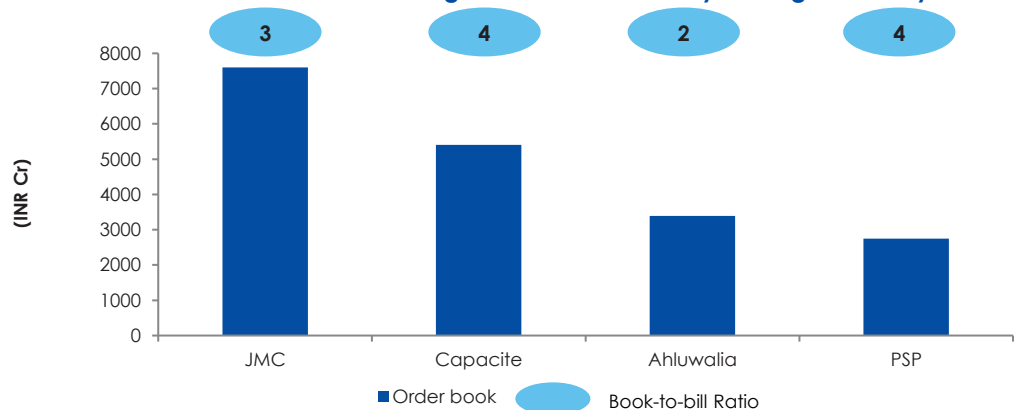


Source: Company Data, Edelweiss Investment Research

B. PSP's book-to-bill ratio is highest among peers

The company at 9MFY18 has a book-to-bill ratio of 3.5x, which is one of the highest among peers and higher than the industry average of 3x.

Book-to-bill ratio is higher versus the industry average currently



Source: Company Data, Edelweiss Investment Research

C. Surat Diamond Bourses (SDB) - A make or break project for PSP

PSP won the Surat Diamond Bourse (SDB) project in Q2FY18 at a total project cost of Rs 1,575 cr (excluding GST). This project is a significant step up in the company's history, as prior to this, their largest project was worth INR 400 cr. The total development potential in SDB is 66 lakh sqft and in a timeframe of next 30 months. The average rate is Rs 2,400/sqft and EBITDA margin is expected to be 12-13% for the project. This project was won in competition with eight other large constructors such as L&T, Shapoorji, Ahluwalia, JMC, Capacite etc. The project is funded by diamond merchants and about 90% of the project is sold out while the remaining 10% has been retained for sales on project completion. Until now payments have been timely and there is no impact of the recent scam in the sector.

The project work started on time and the company has already received the entire mobilization advance of INR 78 cr currently. Excavation work worth INR 60 cr has been completed and expected revenue from this project in FY18 is INR 35-40 cr. INR 600 cr worth of building work is related to the structure and management is confident of completing it in the next 18 months.

The execution of SDB will place PSP in a different league altogether. This will increase the pre qualification of the company to INR 2,000 cr from the current limit of INR 500 cr. Currently in India, only four or five large players have the qualification and capability to execute projects larger than INR 1,000 cr; with SDB, PSP will enter into that trajectory.

Execution of SDB will put PSP in a different trajectory



Scope of work –

- 10 buildings with 2 basements
- Ground + 15 floors
- 65 lakh sq. ft.

Timeline -

- Construction to be completed within 30 months starting November '17
- Revenue generation to begin from Q4FY18 for PSP.

Project cost -

- INR 1,575 cr excluding GST.
- Revenue to be billed monthly based on quantity of work done.
- Minimum billing of INR 20 cr for raising invoice

Current condition-

- 90% of the project sold and the authority is receiving INR 30 cr cash inflow per month now.
- 10% of the area retained for foreign partnership.

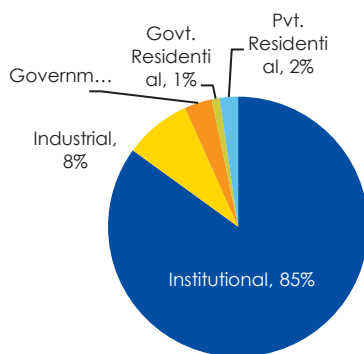
Source: Company Data, Media Report, Edelweiss Investment Research

D. Key focus on institutional projects; PSP largely has private sector exposure

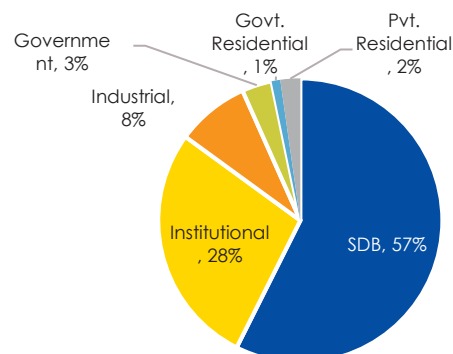
Nearly 85% of PSP's order book comprises institutional projects that include construction of buildings for hospitals, educational institutes and corporate offices. Until date the company has executed 30 institutional projects. The second largest exposure is to the industrial segment which includes construction of industrial buildings for pharmaceutical plants, food processing units, engineering units and manufacturing units. Until date the company has executed 42 institutional projects.

Private sector projects are the key focus area for the company. Within the category of government projects, the company focuses only on challenging and prestigious projects of larger size. Until date the company has executed a total of 18 government projects.

PSP's Project profile including SDB



PSP's Project profile after putting SDB separately



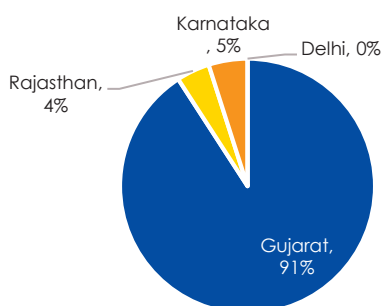
Source: Company Data, Edelweiss Investment Research

E. Gujarat is the core market; expanding presence in other geographies

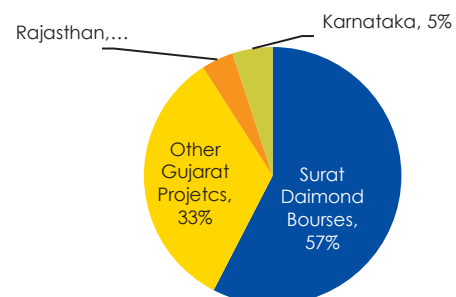
Projects in Gujarat dominate the order book of the company with 91% share. Even after excluding SDB, the other projects in Gujarat comprise 57% of the overall order book. The company is also executing projects in other states like Karnataka (two projects), Rajasthan (two projects) and Delhi (one project).

The management is confident of expanding its presence beyond Gujarat and is targeting to get 30% business from the other geographies compared with 13% presently. The company is comfortable adding projects with ticket sizes of more than INR 100 cr outside of Gujarat. We believe, there are ample opportunities in the state of Gujarat (Gift City, Dream City, Riverfront) that will likely to suffice the growth potential of the company over the next few years.

State wise exposure with SDB



State wise exposure after putting SDB separately



Source: Company Data, Edelweiss Investment Research

F. PSP achieved stellar performance in a short span of its operating history

PSP has achieved strong brand recall and recorded a stellar performance in its small life of existence. The company has completed 97 projects across diverse segments within a decade of its operating history and is currently constructing 37 projects. The company's topline also grew by 2.7x over FY12-17 to INR 457 cr (consolidated) in FY17 from INR 179 cr in FY12.

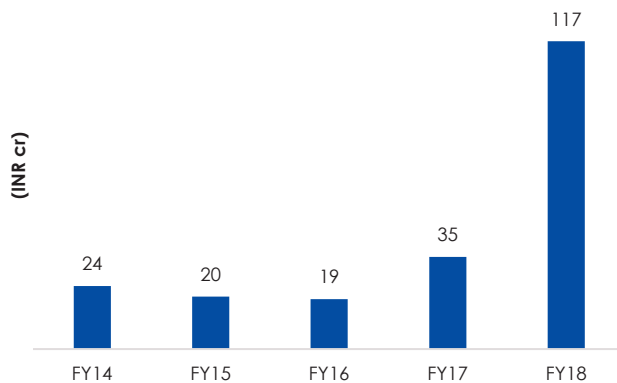
PSP has diverse experience across different segments of building construction

Type	Description	Projects Completed
Institutional	Construction of buildings for hospitals and healthcare services, educational institutes, malls, hospitality services and corporate offices.	30
Industrial	Construction of industrial buildings for pharmaceutical plants, food processing units, engineering units as well as manufacturing and processing facilities.	42
Government	Focus only on challenging and prestigious government projects	19
Residential	Construction of buildings for group housing and townships	6

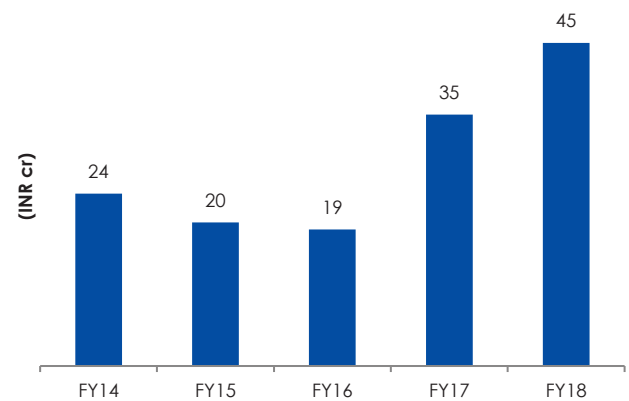
Source: Company Data, Edelweiss Investment Research

The ticket size of an average order has moved to multi-level highs. From an average project size of INR 24 cr in FY14, the company has crossed the threshold of the average project size of INR 100 cr in FY18. Even if we remove SDB from the order book, we note the average ticket size for projects has increased significantly in FY17 and FY18.

Average ticket size with SDB



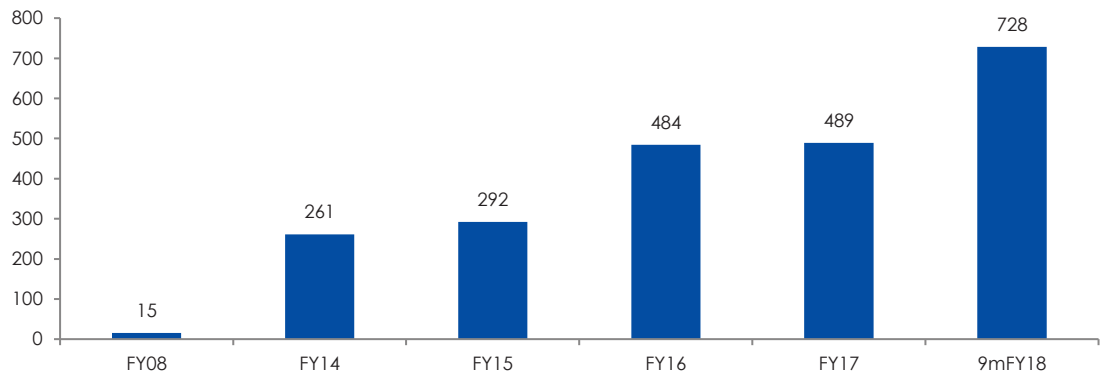
Average ticket size without SDB



Source: Company Data, Edelweiss Investment research

From 15 full time employees in 2008, PSP has currently more than 728 full time employees and ~7,000 contract employees. With construction work on the SDB project in full swing, the number of contract employees is expected to reach ~14,000 in 2019.

Strong growth in full time employees over the last decade

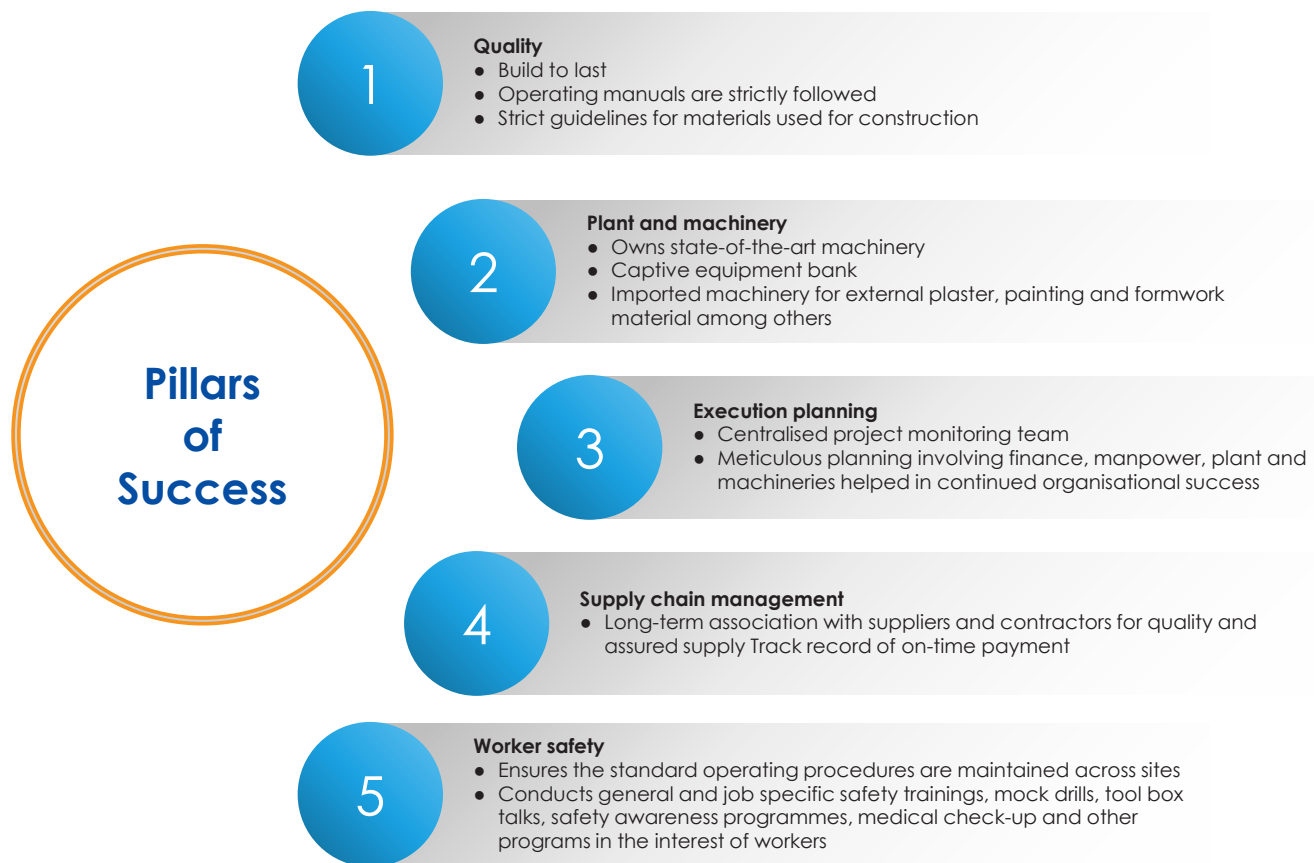


Source: Company Data, Edelweiss Investment Research

G. Disciplined execution and tight project monitoring — key to success

PSP is a tightly controlled ship with strong centralized control over its operations. Founder and MD Mr. P.S. Patel is directly involved in almost all the projects and this has resulted in strong efficiency and superior project management operations. The company keenly focuses on the quality of work at each and every working site and this feature has made the company one of the most preferred partners in the institutional development segment.

Quality of execution and proper monitoring is key to success for a constructor



Source: Company Data, Edelweiss Investment Research

H. Prestigious projects and consistent repeat orders speaks about the quality of construction

PSP is an organized constructor in the INR 50-100 cr building construction space with a strong history of quality work and timely execution. The company has created a niche in the healthcare, FMCG and educational institution constructions wherein PSP is gaining repeat orders from large private as well as government entities. Some of the clients from where PSP gets consistent repeat orders are Zydus-Cadila, Claris, Torrent Pharma, and Amul.

Prestigious clientele and strong project execution history



Source: Company Data, Edelweiss Investment Research

II. Big opportunities and limited competition to aid strong order book accretion going forward

A. Ahmedabad office market - initial sign of recovery is visible

Office space transactions in the Ahmedabad market reported strong YoY growth of 53% in CY17 and this growth was far higher in the second half. The jump in transactions was mainly attributed to availability of good quality office spaces at competitive rates. Signs of the growing Ahmedabad office space market can also be gauged from the fact that for the first time transacted office space in the city crossed 1 msf in CY17 compared with 0.95 msf in CY16 and 0.8 msf in CY15. Amongst the landmarks in Ahmedabad office market 'Gujarat International Finance Tech-City' or 'GIFT' is the most prominent one which has witnessed office space pick-up by companies from the BFSI, IT/ITeS and Other Services sectors in H2 CY17.

New completions of Grade A office buildings, on the other hand, witnessed a YoY dip of 36% in H2 CY17. During H2 CY17, only 0.69 mn sq ft of office space entered the market compared to 1.08 mn sq ft space in H2 CY16.

Ahmedabad office market- a snapshot of recovery

Mn Sq. Ft. (msf)	CY16	CY17	YoY growth	H2FY16	H2FY17	YoY growth
Total transactions	0.95	1.46	54%	0.21	0.32	60%
New completions	1.67	2.92	75%	1.08	0.69	-37%
Unsold inventory	15.54	18.46	19%			
Vacancy	20%	24%				

Source: Industry Data, Edelweiss Investment Research

B. GIFT City is offering a huge opportunity to constructors

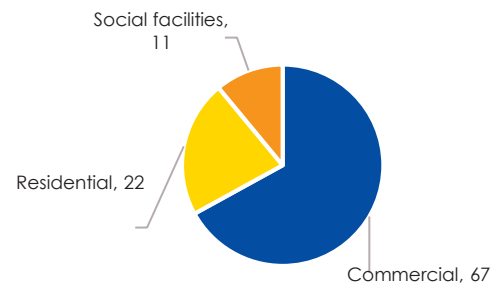
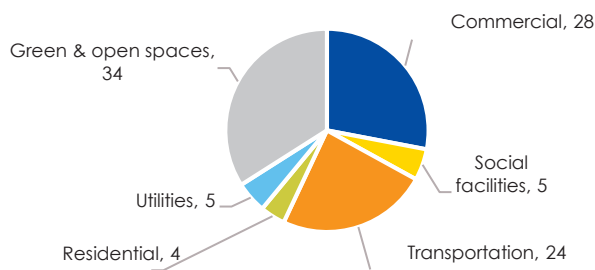
'Gujarat International Finance Tech-City' is an integrated development of the central business district on 886 acres with 62 msf of built-up area of office space, school, hospital and residential units between Ahmedabad and Gandhinagar. The development of the project is planned in 3 phases of four years each at a budgeted cost of INR 70,000 cr.

Under Phase 1: Two commercial towers, each of 29 floors called the GIFT ONE and GIFT TWO have been completed. Tendering for the next lot of towers is presently ongoing, this phase will also include the building of basic infrastructure. In phase 1, total private investment is expected to be INR 10,500 cr.

Under Phase 2: Construction has already begun and the Hiranandani Signature building has been built which hosts the India International Exchange. The World Trade Centre is under construction apart from a couple of buildings as part of the SEZ.

Under Phase 3: The construction and commencement of the fully built city is expected to be completed in CY23.

Land usage of GIFT City is majorly towards Commercial construction



Source: Gujarat Govt. Documents, Edelweiss Investment Research

Private investment is expected to be INR 10,535 cr in Phase-I

Type of Building	INR Cr.
Commercial	6,835
Residential	2,800
Social	900
Total	10,535

Source: Gujarat Govt. Documents, Edelweiss Investment Research

C. GIFT City may offer an immense growth opportunity to PSP

PSP is the only organized building constructor active in GIFT City. Among the eight large private building projects under construction currently, PSP is concerned with constructing six projects. We believe, GIFT city and other institutional developments in and around Gujarat, particularly in Ahmedabad will likely to aid PSP's growth in near to medium term.

Current area allotted to different corporates and PSP's presence in that

Company	Purpose	Area (msf)
IL&FS	Office, residential & social	7.77
World Trade Centre Association	Office, residential & social	1.0
LIC India	Office building	0.2
State Bank of India	Local headquarters & residential building	0.4
Brigade Group	Office, residential & social	1.0
Tata Communications	Tier IV data centre	0.1
Brokers forum	BSE tower	0.5
Global Skill and Knowledge Foundation	Global insurance training	0.2
B.U. Bhandari Landmarks	Office & residential building	0.8
Jamnabai Narsee School	ICSE school	0.1
Hiranandani	Office building	0.3
Prestige Group	Office building	0.3

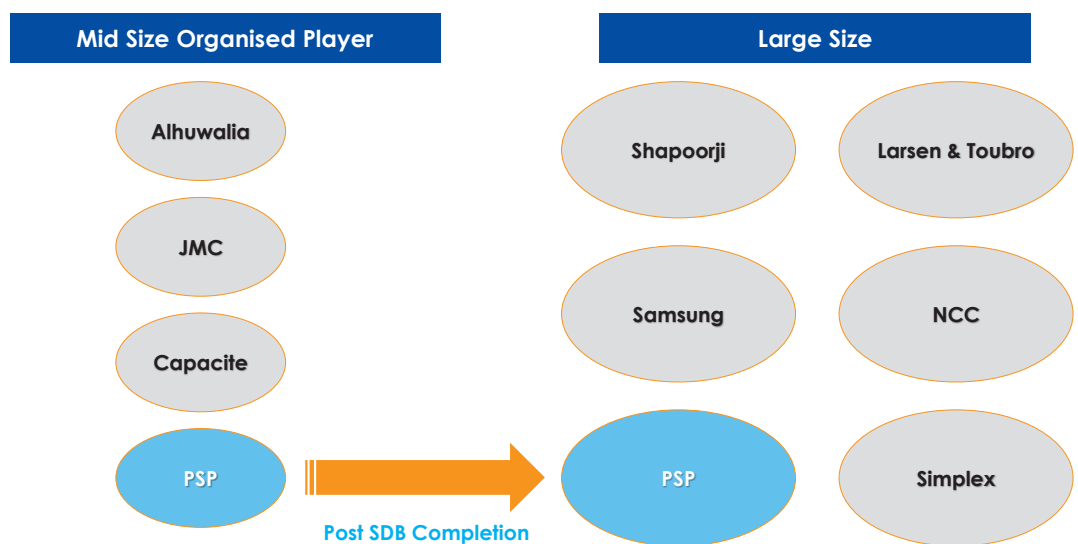
Source: Gujarat Govt. Documents, Edelweiss Investment Research

PSP Projects under constructions

D. Limited competition in building construction space may aid order book accretion to PSP

The lack of organized and efficient players in the small ticket sized building construction space (INR 50-150 cr) has put PSP in a sweet spot. The building construction industry (both institutional/ industrial projects and real estate construction) is largely consolidated in India with the top players garnering the lion's share of the overall construction opportunity. Companies, such as L&T and Shapoorji are active in large sized contracts — upwards of INR 200-250 cr. Players like, Ahluwalia and JMC are more active in the northern and southern Indian markets respectively. And due to the industry having faced tough times over last few years, players like, CCCL, Era Infra, Pratibha Industries and Unity Infra have not been active in the market. This has placed PSP in a sweet spot both geographically and in terms of project size.

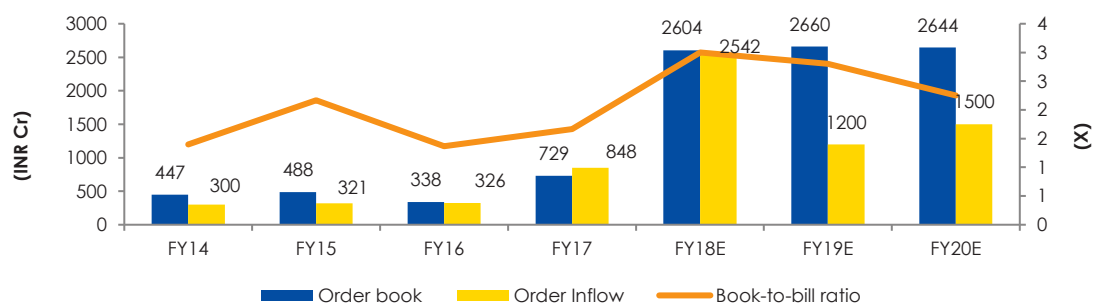
Moreover post completion of the SDB, the company will be eligible for large ticket sized orders — upwards of INR 1,000 cr — wherein only the bigger players such as L&T and Shapoorji are eligible to get contracts.



E. Large opportunity and strong brand image expected to percolate into strong order inflow

With ready acceptance among clients in an industry which is experiencing tailwinds and impacted by the lack of quality suppliers, we believe accumulation of non-margin dilutive orders will not be a challenge for the company. Currently, PSP is adding INR 250–300 cr of average orders every quarter over the last few quarters and this trend is expected to improve going forward. We believe, the company will add INR 1,200 / INR 1,500 cr orders in FY19/ 20E.

PSP is expected to maintain more than 2 years of book-to-bill ratio through FY18-20E



Source: Company Data, Edelweiss Investment Research

III. 50% revenue CAGR expected, operating margin to stay at 13% –14% over FY17-20E

A. PSP has strong revenue visibility over next two years

With 37 projects in hand at various stages of execution, PSP has strong revenue visibility over the next three-four years. Construction of SDB will be completed in the next 30 months; and within that about INR 600 cr worth of work is related to structures, which the company intends to complete in the next 18 months. Apart from SDB, there are 36 other projects with outstanding orders worth INR 1,070 cr, and expected to be executed over the next 18-24 months. We believe, even without any incremental order book addition from here, the company will likely be able almost triple its revenue over FY17-20E.

Revenue will likely triple even sans any new order additions

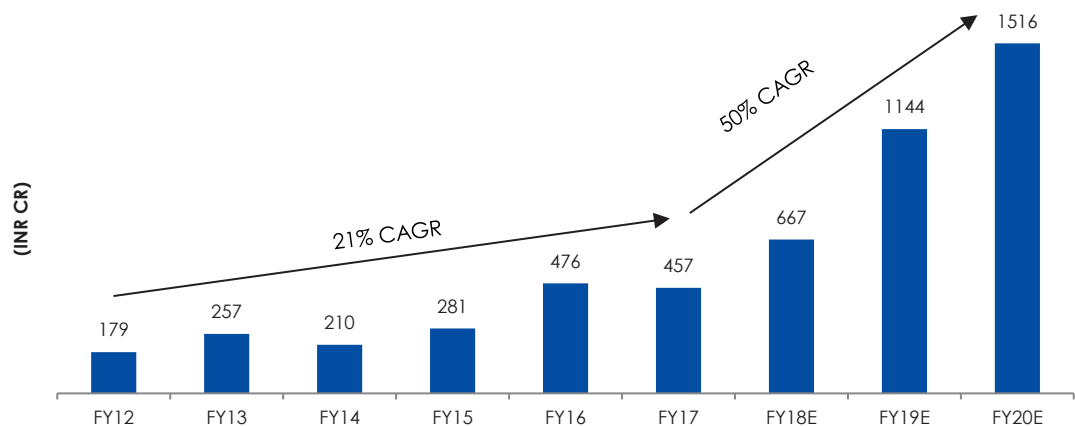
INR Cr	FY17	FY18E	FY19E	FY20E
Surat Diamond Bourse				
Opening order book	NA	0	1,535	998
Order inflow	NA	1,575	0	0
Revenue visibility	NA	40	537	768
Closing order book	NA	1,535	998	230
Other Projects				
Opening order book	338	729	1,069	519
Order inflow	848	967	0	0
Revenue visibility	457	627	550	519
Closing order book	729	1069	519	0
Total Revenue Visibility	457	667	1,087	1,287

Source: Company Data, Edelweiss Investment Research

B. Robust order book to translate into higher revenue growth going forward

PSP's strong execution track record has made us confident about the growth prospects of the company. We believe, revenue of the company will grow at 50% CAGR over FY17-20E to reach INR 1,516 cr in FY20E. SDB is expected to contribute ~INR 537 cr as revenue in FY19E and ~INR 768 cr as revenue in FY20E.

Revenue to grow by 3.3x over FY17-20E



Source: Company Data, Edelweiss Investment Research

C. PSP's topline growth is expected to be highest among peers

PSP's topline growth is expected to be highest among peers over the next three years and the company is expected to grow at more than double the pace of industry's CAGR of 21% over FY17-20E.

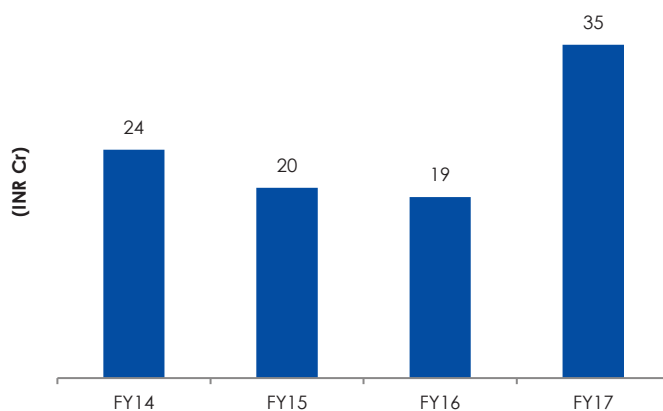
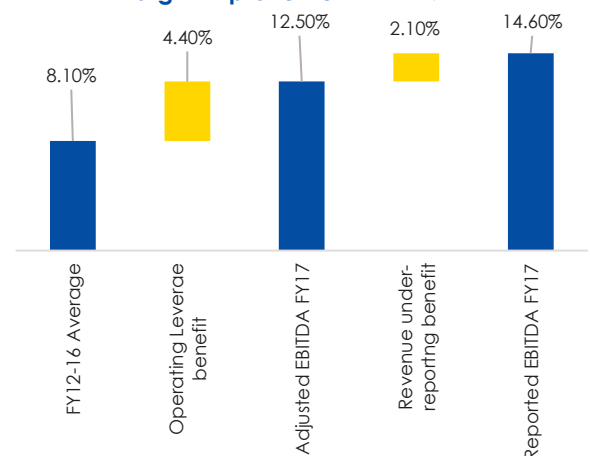
PSP is expected to outpace industry growth

INR Cr	FY16	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E
JMC Projects	2401	2328	2823	3280	3714	17%
Ahluwalia	1250	1427	1660	1971	2276	17%
Capacite	853	1157	1438	1756	2208	24%
PSP Projects	476	457	667	1144	1516	50%
Overall industry	4980	5369	6525	8048	9576	22%

Source: Company Data, Bloomberg Estimates, Edelweiss Investment Research

D. EBITDA margin to remain at 13% -14% , EBITDA to grow at 47% CAGR over FY17-20E

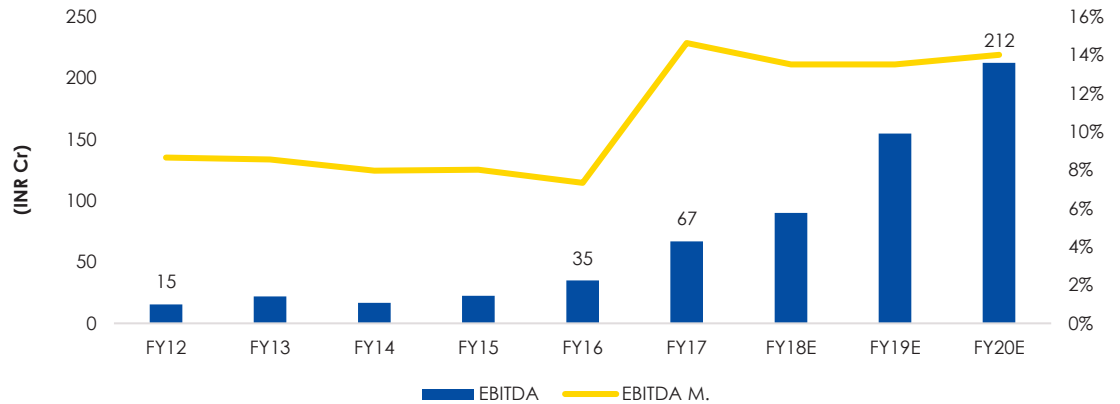
The company reported a strong spurt in EBITDA margin in FY17 to 14.7% compared with the average margin of 8.1% through the period FY12-16. This was led by the execution of 4-5 pure play labour supply contracts worth ~INR 80 cr in which clients had undertaken the responsibility to supply materials. After adjusting for that, EBITDA margin in FY17 would be 12.5% which is still higher by ~440 bps YoY. We note this has been posted owing to the higher operating leverage of having executed large ticket sized projects. Moreover, EBITDA margin in FY16 was lower compared with its historical average as the company had executed only a few low-margin contracts that year.

Average order size increased significantly**Operating leverage and only labour contracts aided margin improvement in FY17**

Source: Company Data, Edelweiss Investment Research

Going forward, management is confident of maintaining EBITDA margin in the range 13% -14%. PSP is a tightly managed company with a strong discipline around project bidding and execution. We believe, EBITDA margin of the company will remain in the range of 13% -14% over FY18-20E.

EBITDA is expected to report 47% CAGR over FY17-20E



Source: Company Data, Edelweiss Investment research

Other players in building construction space have also been reporting EBITDA margins between 13%-14%. PSP with the achievement of scale is expected to report operating margins in line of industry average.

PSP's peers also report EBITDA margin in the range 13%-14%

	FY16	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E
EBITDA (INR Cr)						
JMC Projects	214	211	282	336	390	22%
Ahluwalia	161	173	216	267	309	21%
Capacite	115	158	211	249	313	25%
PSP Projects	35	67	93	154	212	46%
Overall industry	524	609	802	1006	1224	26%
EBITDA margin (%)						
JMC Projects	9%	9%	10%	10%	11%	
Ahluwalia	13%	12%	13%	14%	14%	
Capacite	13%	14%	15%	14%	14%	
PSP Projects	7%	15%	14%	14%	14%	
Overall industry	11%	12%	13%	13%	13%	

Source: Company Data, Bloomberg Estimates, Edelweiss Investment research

E. PSP's lighter balance sheet aids highest PAT margin amongst building construction companies

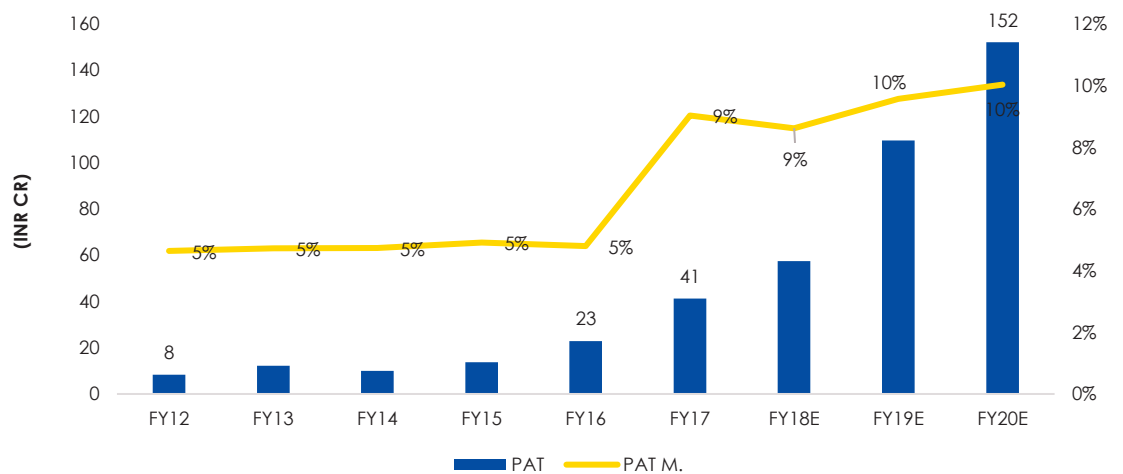
PSP's improved utilization of assets and negative working capital structure has made its balance sheet lighter versus peers. Due to low interest cost and lower depreciation, the company has recorded the highest net profit margin among peers and ~300 bps higher than the industry average in FY17; we estimate this gap to be maintained going forward.

PSP's Net profit margin is 300 bps higher than the industry average

INR Cr	FY16	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E
Net profit						
JMC Projects	43	59	92	124	153	37%
Ahluwalia	84	86	122	155	178	27%
Capacite	49	70	88	113	149	28%
PSP Projects	23	41	57	109	152	54%
Overall industry	199	256	360	502	632	35%
Net profit margin						
JMC Projects	2%	3%	3%	4%	4%	
Ahluwalia	7%	6%	7%	8%	8%	
Capacite	6%	6%	6%	6%	7%	
PSP Projects	5%	9%	9%	10%	10%	
Overall industry	5%	6%	6%	7%	7%	

Source: Company Data, Bloomberg Estimates, Edelweiss Investment research

With the growth in topline and stable margins, PSP is expected to report 40% bottomline CAGR over FY17-20E.

Net profit margin is expected remain stable over FY17-20E

Source: Company Data, Edelweiss Investment Research

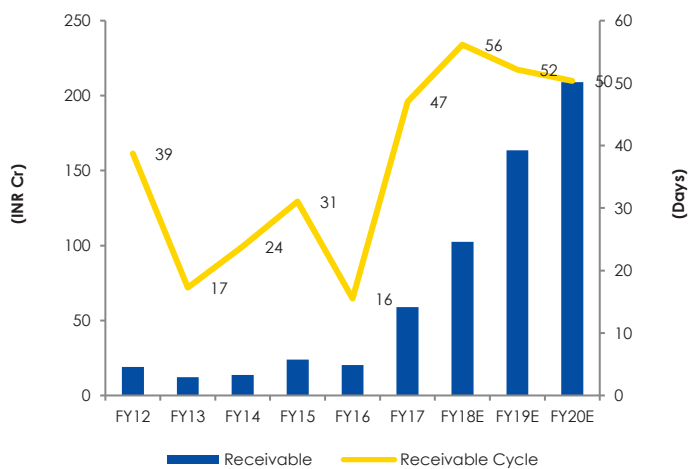
IV. Efficient capital allocation to aid highest RoCE among peers

A. PSP's working capital management was always efficient and is expected to remain so

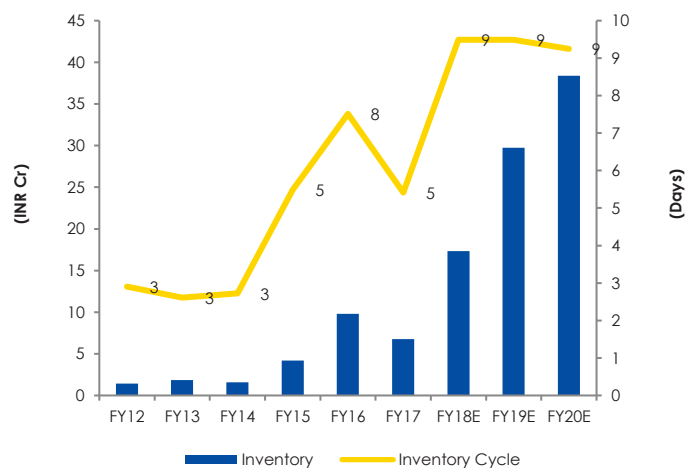
PSP has a strong track record of managing working capital efficiently and that is evident from the historical negative cash conversion cycle. Timely execution and proficient project selection have aided the efficient management of capital. The company is keenly involved in construction of revenue generating industrial and institutional projects where billing is dependent on the material used rather than milestones achieved (which is the case for residential real estate and government infrastructure projects); hence work-in-progress does not feature in the inventory cycle and that normally results in a lower cash conversion cycle.

We believe, considering the opportunities in the institutional construction space and strong mind share the company enjoys with large clients, PSP will be able to grow by focusing only on institutional/ industrial projects and hence the company will be able to manage the working capital requirement efficiently. This will limit the requirement of capital and hence the capital raises will arise due to growth aspirations rather than capital mis-management.

Receivables cycle has remained under control

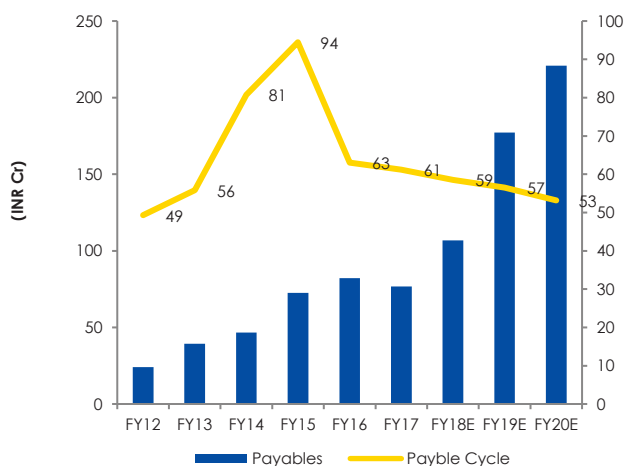


Inventory cycle lowest in the industry

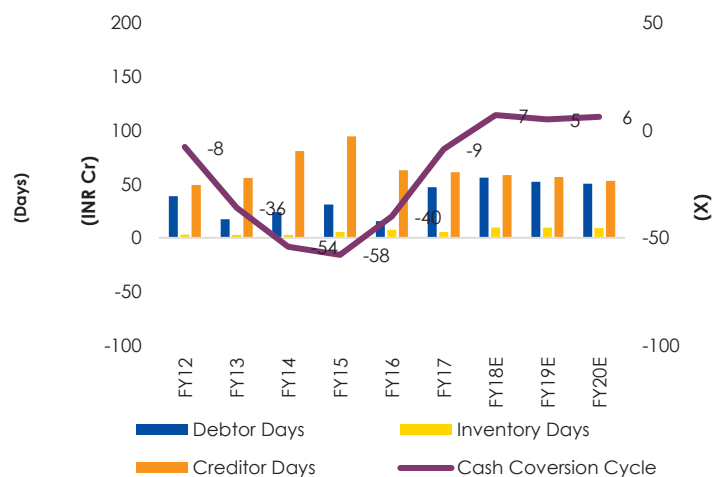


Source: Company Data, Edelweiss Investment research

Payables cycle largely matches receivables cycle



Overall cash management has remained efficient



Source: Company Data, Edelweiss Investment research

B. The company has the best cash conversion cycle amongst competition

Apart from PSP, other players like, Capacite and JMC have extensive real estate exposure, which has resulted in the higher cash conversion cycle for these players. However we note, a majority of the building constructors today do not face any working capital challenges.

Only PSP has negative cash conversion cycle among peers

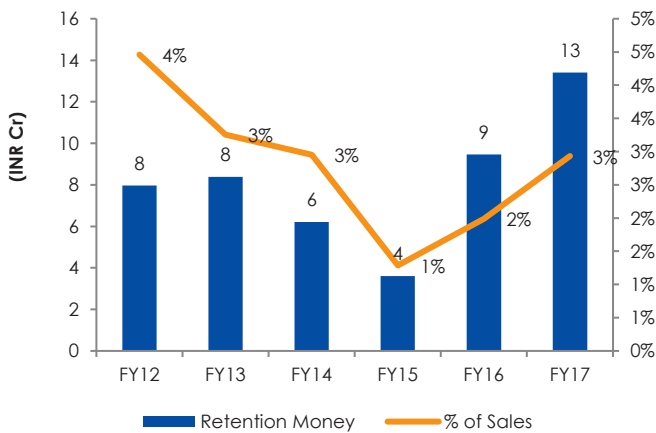
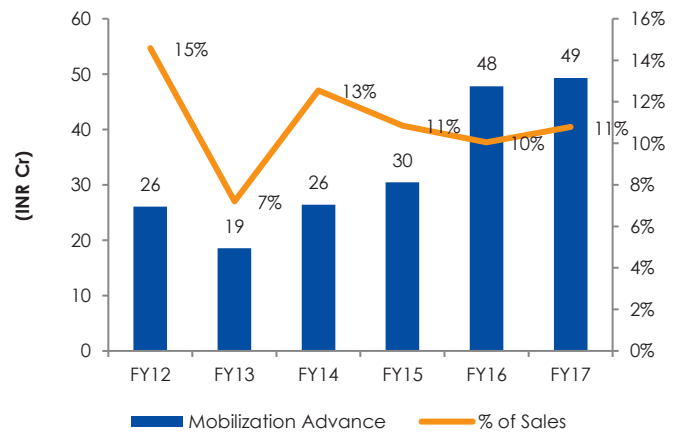
(Days)	FY12	FY13	FY14	FY15	FY16	FY17
PSP Projects	-8	-36	-54	-58	-40	-9
Ahluwalia	38	48	-14	13	28	28
Capacite	-	-	3	35	12	26
JMC Projects	30	23	16	74	90	92
Industry average	20	12	-12	16	23	34

Source: Company Data, Edelweiss Investment research

C. No legacy retention/receivables issues; mobilization advance always higher than NWC requirement

Due to stringent control of its businesses and timely execution, PSP does not have legacy retention from the past and retention money has always remained at 3-4% of sales. There are also no teething legacy receivables nor are there any major instances of retention monies being withheld /performance bank guarantees invoked by the clients etc.

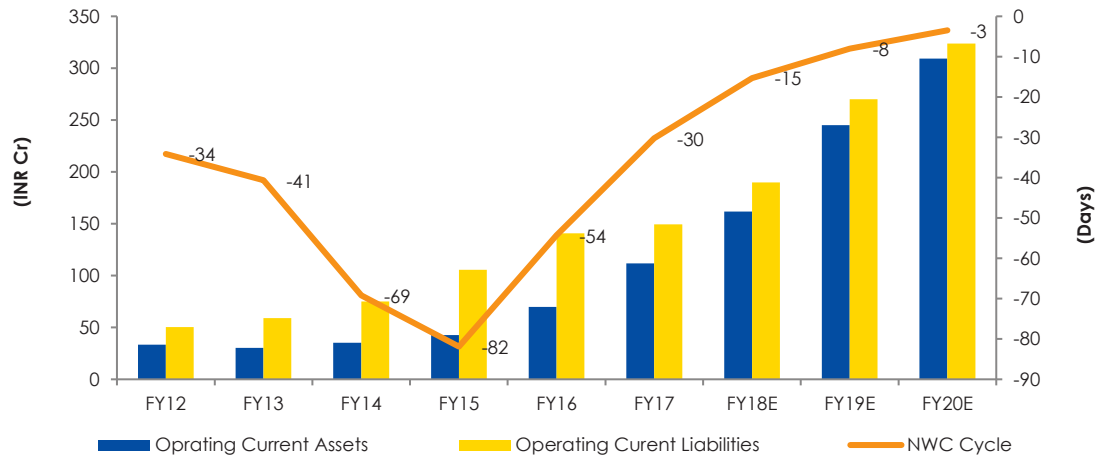
In fact advances from clients and mobilization advances have always been higher than the overall working capital requirements. Historically, mobilization advances have always remained at higher than 10% of sales.

Retention monies always remained under control**Mobilization advances have been higher than retention always**

Source: Company Data, Edelweiss Investment research

D. Overall NWC cycle is expected to remain negative going forward

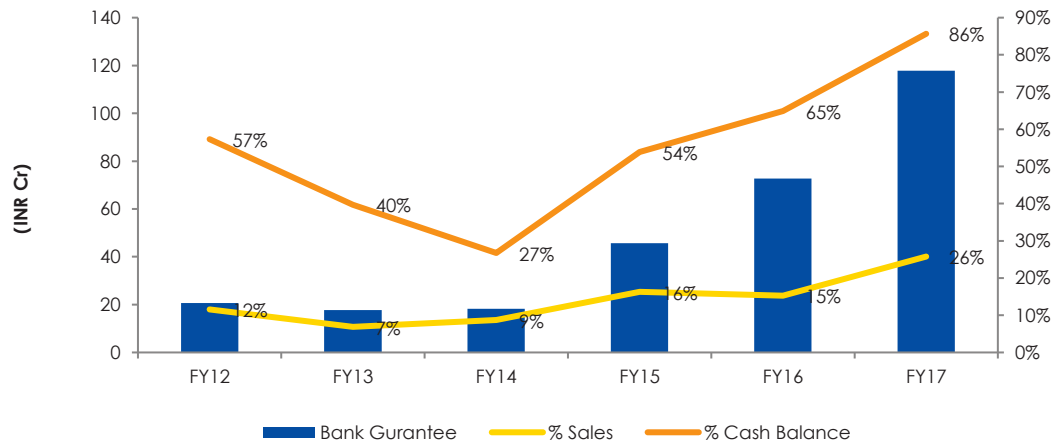
With efficient capital allocation, it is expected that the net working capital (NWC) cycle of PSP will remain negative and the company will fund the overall working capital requirement through advances from customers and strong cash generation from PSP's existing projects.

PSP is expected to be a negative working capital cycle company

Source: Company Data, Edelweiss Investment research

E. Contingent liability always remained under check

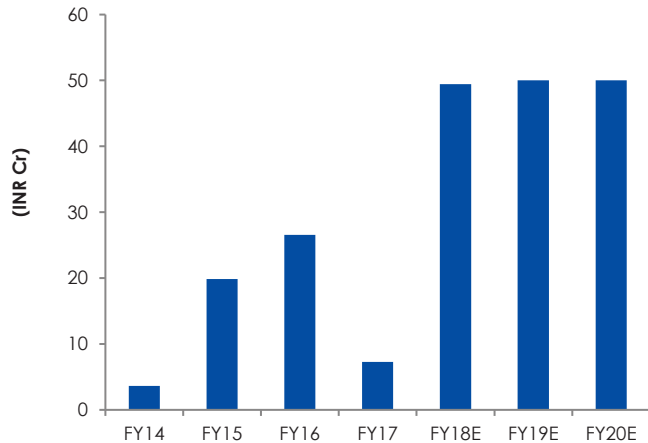
Managing bank guarantees and contingent liabilities is key for the construction business. PSP's contingent liabilities over FY12-16 were strictly under control and a gradual rise was visible as the company started chasing higher scale and larger sized contracts. PSP currently has non-fund based limits up to INR 3,500 cr, which is adequate to pursue growth currently. With increase in the cash balance, the limit is expected to increase further going forward.

Bank guarantee increased in FY17 to support higher growth pursuit

Source: Company Data, Edelweiss Investment Research

F. With limited capex; fixed asset turnover is expected to steadily move north over FY17-20E

PSP's core construction assets include the RMC plant, RMC transit vehicle, cranes, form work and hoists. During FY14-17, the company invested ~INR 54 cr in fixed assets to build up higher value contracts and to expand geographically. Going forward, the company is expected to invest INR 45-50 cr per year to execute the current order book, but with higher growth in topline, its fixed asset turnover is expected to improve going forward.

Capex is expected to remain steady over FY18-20E**Fixed asset turnover will improve gradually over FY18-20E**

Source: Company Data, Edelweiss Investment Research

G. PSP's fixed asset turnover is higher versus the industry average

Although the company has made investments with respect to gross blocks over the last three years with an objective to gain higher ticket sized projects and expand geographically, yet, the company's fixed asset turnover in FY17 was higher than the industry average.

PSP is most efficient among peers in utilizing fixed asset

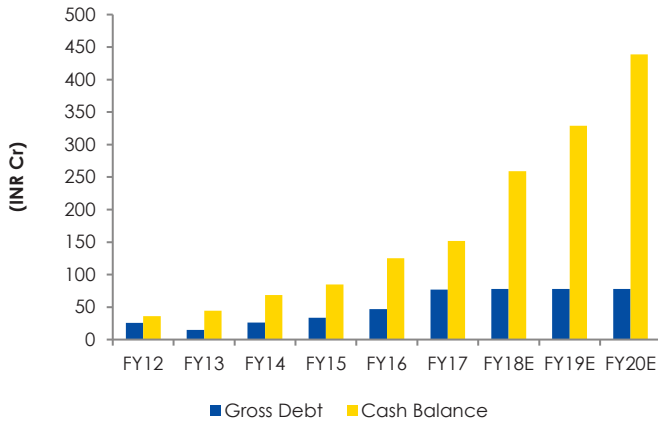
(X)	FY12	FY13	FY14	FY15	FY16	FY17
PSP Projects	8	9	7	6	6	5
Ahluwalia	4	4	3	3	4	4
Capacite	-	0	1	2	2	2
JMC Projects	5	5	5	4	5	6
Industry average	6	5	4	4	4	4

Source: Company Data, Edelweiss Investment Research

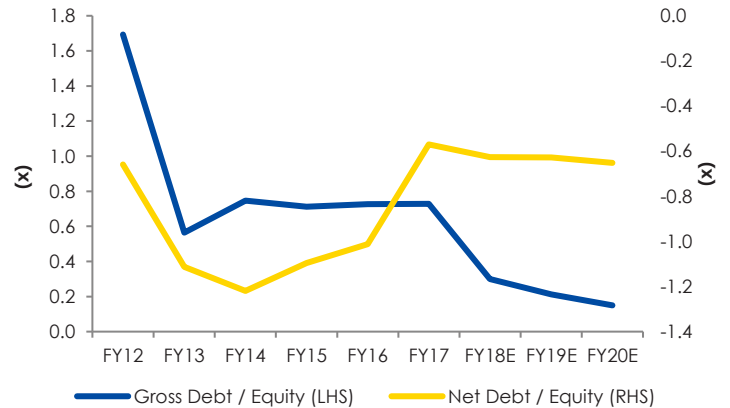
H. PSP always maintained a conservative approach towards leverage

The company has consistently reported net cash balance for the past six years owing to management's conservative approach towards leverage and higher preference in favour of fixed deposits with banks in order to build a strong balance sheet. We believe, with strong control on working capital cycle and higher fixed asset turnover, the company will always remain net cash positive going forward.

PSP is expected to be a net cash company going forward



Leverage is expected to be remain under control in future

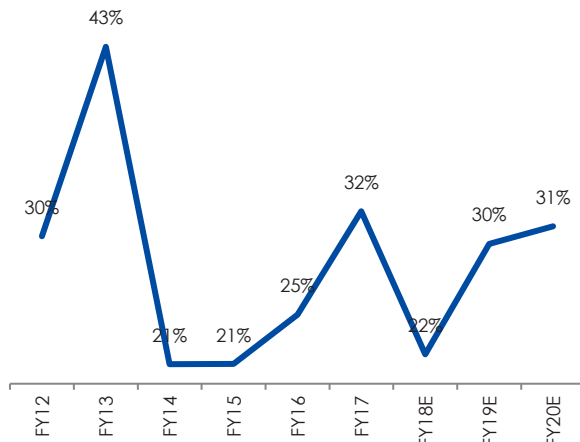


Source: Company Data, Edelweiss Investment Research

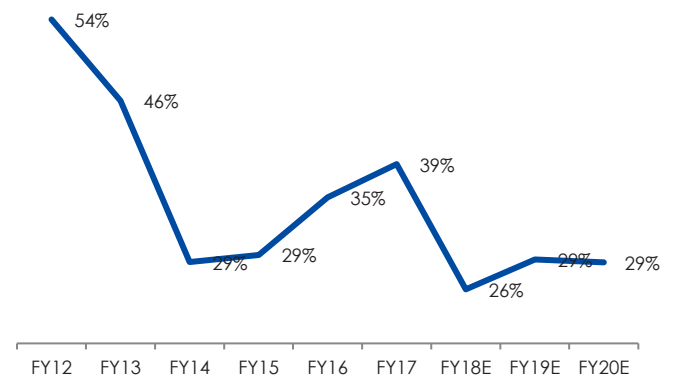
I. Strong growth and lean balance sheet is likely to drive high RoCE

As a consequence of the lean balance sheet, prudent working capital management and profitable execution, the return metrics (RoE and RoCE) for the company are healthy and also expected to remain healthy going forward.

RoCE to improve over FY18-20E



RoE to increase by 300 bps over FY18-20E



Source: Company Data, Edelweiss Investment Research

J. PSP has the highest return metrics among peers

Due to efficient management of capital and delevered balance sheet PSP has the highest RoCE and RoE among peers and the return metrics are expected to improve going forward.

PSP's RoCE is 500 bps higher than next most efficient player in FY18E

	FY16	FY17	FY18E	FY19E	FY20E	Average FY17-20E
PSP Projects	25%	32%	24%	31%	32%	29%
Ahluwalia	20%	18%	19%	19%	18%	19%
Capacite	27%	23%	15%	12%	14%	18%
JMC Projects	10%	9%	11%	12%	14%	11%
Industry Average	20%	20%	17%	19%	19%	19%

Source: Company Data, Bloomberg Estimates, Edelweiss Investment Research

RoE is highest among peers

	FY16	FY17	FY18E	FY19E	FY20E	Average FY17-20E
PSP Projects	35%	39%	22%	30%	29%	31%
Ahluwalia	22%	18%	21%	21%	20%	20%
Capacite	42%	29%	16%	13%	15%	23%
JMC Projects	10%	9%	11%	12%	14%	11%
Industry Average	27%	24%	17%	19%	19%	21%

Source: Company Data, Bloomberg Estimates, Edelweiss Investment Research

V. Outlook & Valuation: Initiate with a 'BUY'

We envisage PSP's healthy order book and lean balance sheet to support industry leading growth going forward. At CMP of INR 575, PSP is trading at 19x/14x of FY19/20E EPS of INR 31/42 which is slightly higher than industry peers. We believe, PSP will continue to get industry leading valuations due to its superior growth and highest return matrices among peers. We initiate coverage with a 'BUY' recommendation and target price of INR 760 after ascribing 18x P/E on FY20E expected EPS of INR 42.

Peer Comparison

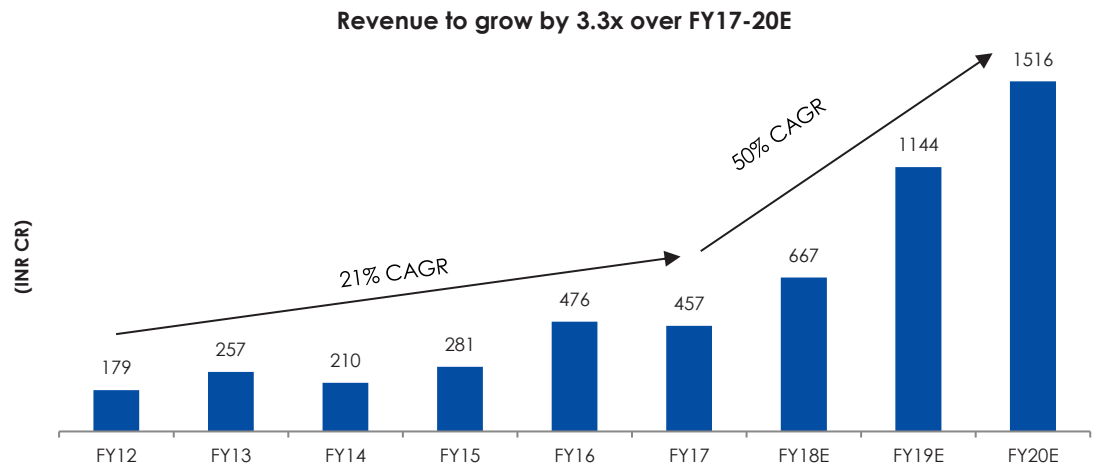
Company	CMP	M Cap	EV/Sales (x)			EV/EBITDA (x)			P/E (x)		
	INR	INR Cr	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
PSP Projects	575	2080	3	2	1	21	12	9	36	19	14
Ahluwalia	421	2821	2	1	1	13	10	9	23	18	16
Capacite	363	2468	2	1	1	11	9	7	28	22	17
JMC Projects	642	2155	1	1	1	10	9	8	23	17	14

Source: Compnay Data, Bloomberg Estimates, Edelweiss Investment Research

VI. Financials

A. Revenue to grow at 50% CAGR over FY 17-20E

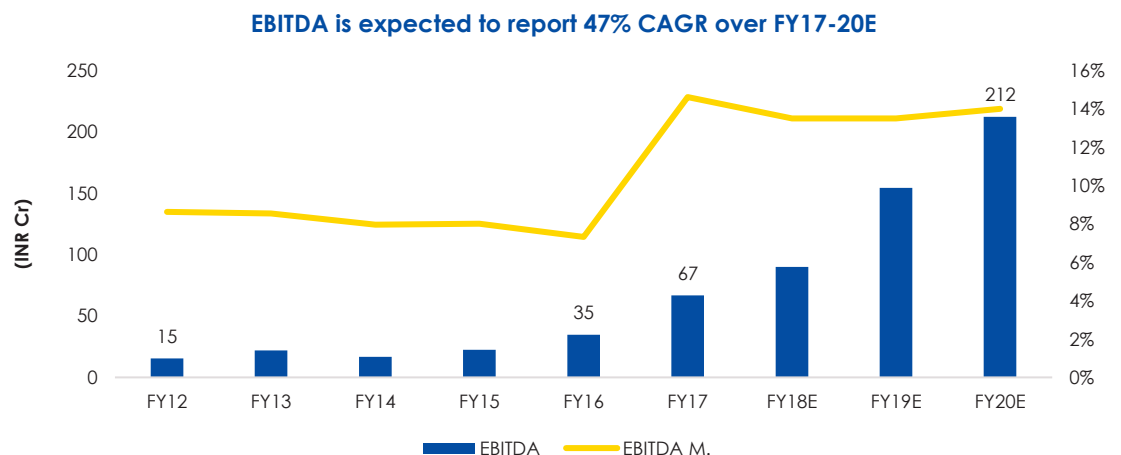
PSP's strong execution track record has made us confident about the growth prospects of the company. We believe, revenue of the company will grow at 50% CAGR over FY17-20E to reach INR 1,516 cr in FY20E. SDB is expected to contribute ~INR 537 cr as revenue in FY19E and ~INR 768 cr as revenue in FY20E.



Source: Company data, Edelweiss Investment Research

B. EBITDA to grow at 47% CAGR over FY17-20E

The company reported a strong spurt in EBITDA margin in FY17 to 14.7% compared with the average margin of 8.1% through the period FY12-16. Going forward, management is confident of maintaining EBITDA margin in the range 13% -14%. PSP is a tightly managed company with a strong discipline around project bidding and execution. We believe, EBITDA margin of the company will remain in the range of 13 % –14% over FY18-20E.

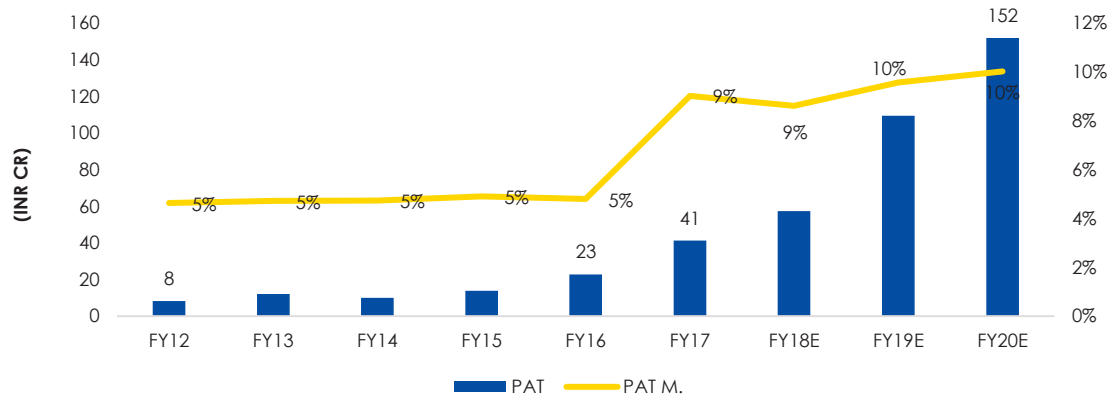


Source: Company data, Edelweiss Investment Research

C. PSP's Net Profit Margin is highest among peers

Due to low interest cost and lower depreciation, the company has recorded the highest net profit margin among peers and ~300 bps higher than the industry average in FY17; we estimate this gap to be maintained going forward. With the growth in topline and stable margins, PSP is expected to report 40% bottomline CAGR over FY17-20E.

Net profit margin is expected remain stable over FY17-20E

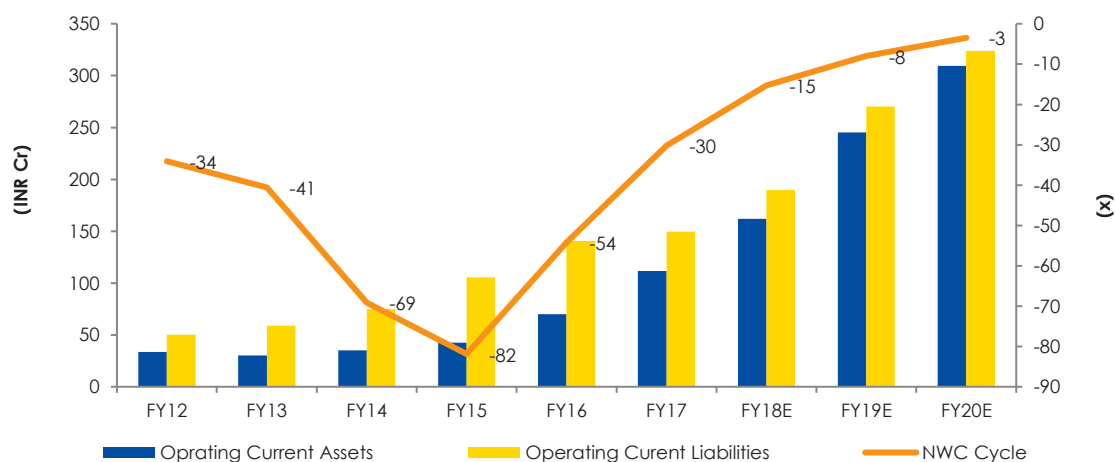


Source: Company data, Edelweiss Investment Research

D. Overall working capital cycle always expected to remain negative

With efficient capital allocation, it is expected that the net working capital (NWC) cycle of PSP will remain negative and the company will fund the overall working capital requirement through advances from customers and strong cash generation from PSP's existing projects.

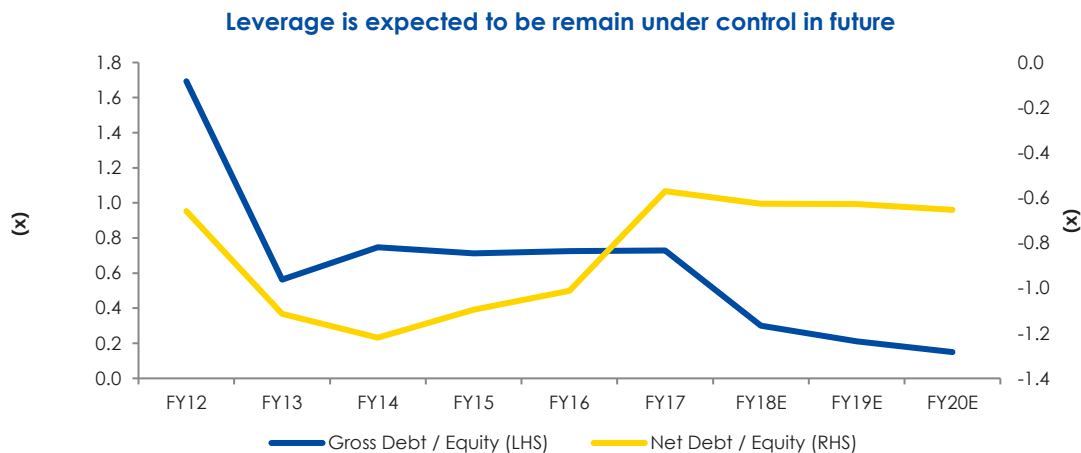
PSP is expected to be a negative working capital cycle company



Source: Company data, Edelweiss Investment Research

E. Leverage is always expected to remain low

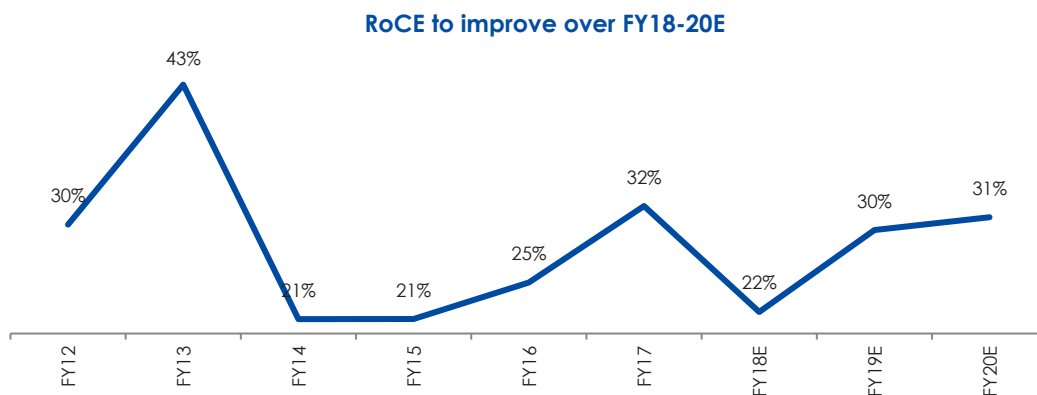
The company has consistently reported net cash balance for the past six years owing to management's conservative approach towards leverage and higher preference in favour of fixed deposits with banks in order to build a strong balance sheet.



Source: Company data, Edelweiss Investment Research

F. Return Metric will continue to improve going forward

Due to efficient management of capital and delevered balance sheet PSP has the highest RoCE and RoE among peers and the return metrics are expected to improve going forward.



Source: Company data, Edelweiss Investment Research

VI. Company Profile

PSP Projects Ltd. is a multidisciplinary construction company offering a diversified range of construction and allied services across industrial, institutional, government, government residential and residential projects in India. They 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, they have focused on projects in the Gujarat region. The company has completed and continues to undertake construction projects in this region. More recently, the company has geographically diversified its portfolio of services and is undertaking or has bid for projects pan India.

The company is led by Prahaldbhai Patel, who has over 30 years experience in the construction industry. Since inception, PSP's execution capabilities have grown significantly with time, both in terms of the size of projects that they bid for and execute, and the number of projects that they execute simultaneously. Its consistent record of timely execution over the years has earned it a strong reputation in an industry infamous for execution delays.

Key projects completed

Sabarmati River Front



Zydus Hospital

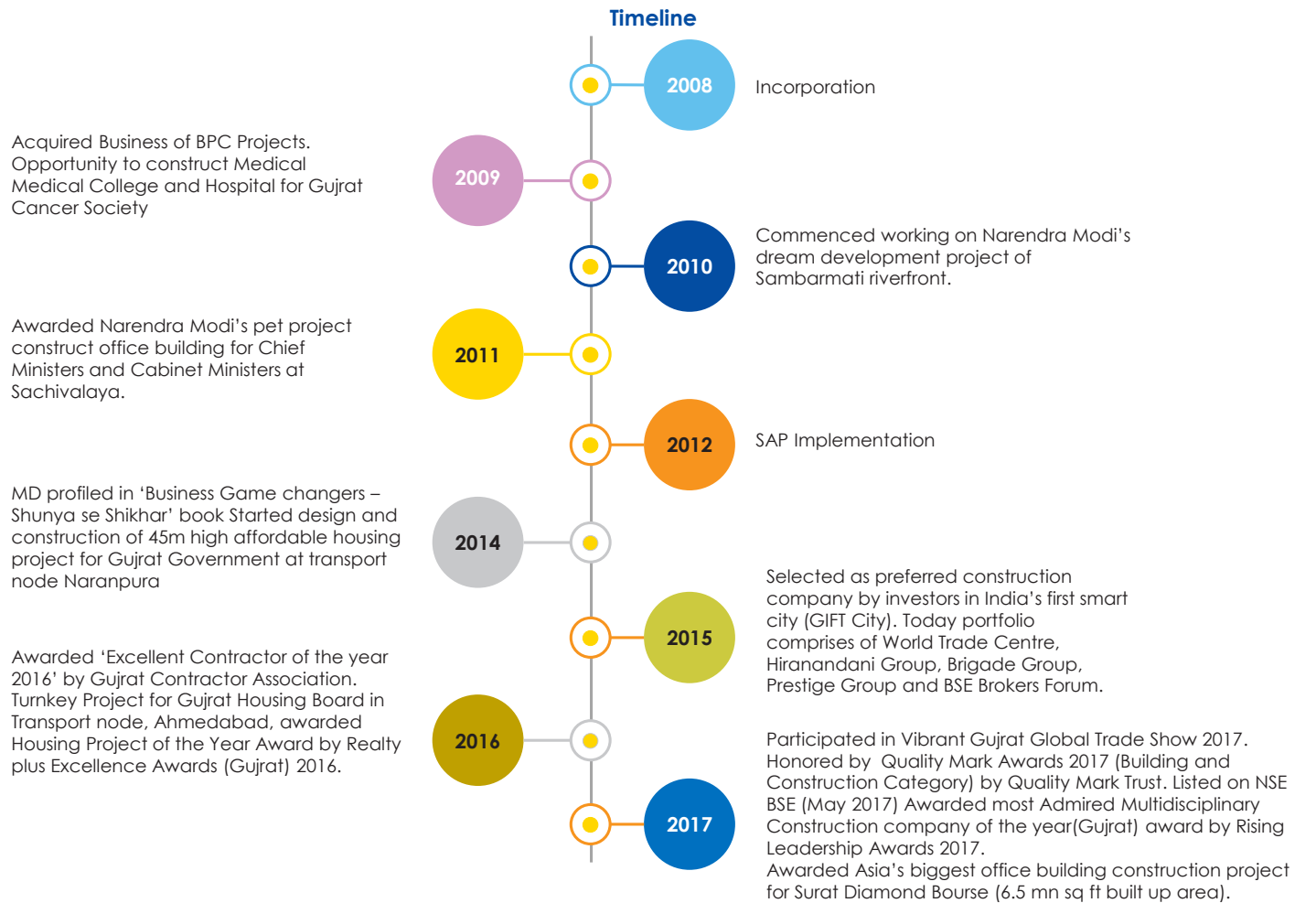


Amul Dairy



Gujarat Housing Board (one of the largest)





Source: Company data, Edelweiss Investment Research

Key Management Profile

Board of Directors and Key Management Personnel

Mr. Prahaladbhai Patel	<i>Chairman – MD and CEO</i>	<p>Mr Prahaladbhai Patel has a Bachelor's degree in civil engineering. Prior to incorporation of the 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 the business. He has also been featured in the book titled "Business Game Changer: Shoonya se Shikhar" authored by Prakash Biyani and Kamlesh Maheshwari for completing government's infrastructure project before the scheduled time for which he also received appreciation of Prime Minister, Mr.Narendra Modi (then C.M. Gujarat).</p>
Mrs. Shilpa Patel	<i>Whole time Director</i>	
Ms. Pooja Patel	<i>Executive Director</i>	
Mr. Chirag Shah	<i>Independent Director</i>	
Mr. Sandeep Shah	<i>Independent Director</i>	
Mr. Vasishta Patel	<i>Independent Director</i>	
Mrs. Hetal Patel	<i>CFO</i>	
Mr. Mahesh Patel	<i>VP – Operations</i>	
Mr. Maulik Patel	<i>Director – Procurement</i>	
Mr. R B Parmar	<i>GM – Tender</i>	
Mr. Pratik Thakkar	<i>Sr Manager – Business Development</i>	

Financials

Income Statement (Consolidated) (INR cr)					
Year to March	FY16	FY17	FY18E	FY19E	FY20E
Income from operations	476	457	667	1,144	1,516
Direct Expenses	206	168	260	446	576
Employee Cost	14	21	30	51	76
Other Expenses	221	201	283	492	652
Total operating expenses	441	390	573	990	1,303
EBITDA	35	67	93	154	212
Depreciation and amortisation	7	8	11	17	22
EBIT	28	59	83	137	190
Interest expenses	3	8	9	9	9
Other income	10	13	14	40	52
Profit before tax	35	64	88	168	234
Provision for tax	13	23	31	59	82
Core profit	22	41	57	109	152
Extraordinary items	0	0	0	0	0
Profit after tax	22	41	57	109	152
Minority Interest	-1	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	21	41	57	109	152
Equity shares outstanding (Cr)	3.2	28.8	28.8	28.8	28.8
EPS (INR) basic	6.6	1.4	2.0	3.8	5.3
Diluted shares (Cr)	3.6	3.6	3.6	3.6	3.6
EPS (INR) fully diluted	5.9	11.5	16.0	30.4	42.2
Dividend per share	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0

Common size metrics- as % of net revenues

Year to March	FY16	FY17	FY18E	FY19E	FY20E
Operating expenses	92.7	85.4	86.0	86.5	86.0
Depreciation	1.5	1.7	1.6	1.5	1.5
Interest expenditure	0.7	1.8	1.3	0.8	0.6
EBITDA margins	7.3	14.6	14.0	13.5	14.0
Net profit margins	4.5	9.1	8.6	9.6	10.0

Growth metrics (%)

Year to March	FY16	FY17	FY18E	FY19E	FY20E
Revenues	69.7	(4.0)	45.9	71.7	32.4
EBITDA	55.2	91.5	39.8	65.5	37.3
PBT	62.9	84.4	38.0	90.6	38.8
Net profit after minority interest	52.3	95.3	38.6	90.6	38.8
EPS	52.3	95.3	38.6	90.6	38.8

Profit & Efficiency Ratios

Year to March	FY16	FY17	FY18E	FY19E	FY20E
ROAE (%)	35%	39%	22%	30%	29%
ROACE (%)	25%	32%	24%	31%	32%
Debtors (days)	16	47	56	52	50
Current ratio	1.3	1.7	2.1	2.1	2.3
Gross Debt/Equity	0.7	0.7	0.3	0.2	0.1
Inventory (days)	8	5	9	9	9
Payable (days)	63	61	59	57	53
Cash conversion cycle (days)	-40	-9	7	5	6
Gross Debt/EBITDA	1.3	1.2	0.8	0.5	0.4
Net debt/Equity	(1.0)	(0.6)	(0.6)	(0.6)	(0.7)

Valuation Parameters

Year to March	FY16	FY17	FY18E	FY19E	FY20E
Diluted EPS (INR)	6.3	11.4	16.0	30.4	42.2
Y-o-Y growth (%)	65.8	80.5	39.3	90.6	38.8
CEPS (INR)	8.1	13.7	18.9	35.3	48.4
Diluted P/E (x)	36.3	20.1	36.4	19.1	13.7
Price/BV (x)	12.8	7.8	8.0	5.7	4.0
EV/Sales (x)	1.6	1.7	2.9	1.6	1.2
EV/EBITDA (x)	21.9	11.5	20.6	12.0	8.2
Diluted shares O/S	3.6	3.6	3.6	3.6	3.6
Basic EPS	6.3	11.4	16.0	30.4	42.2
Basic PE (x)	36.3	20.1	36.4	19.1	13.7
Dividend yield (%)	0%	0%	0%	0%	0%

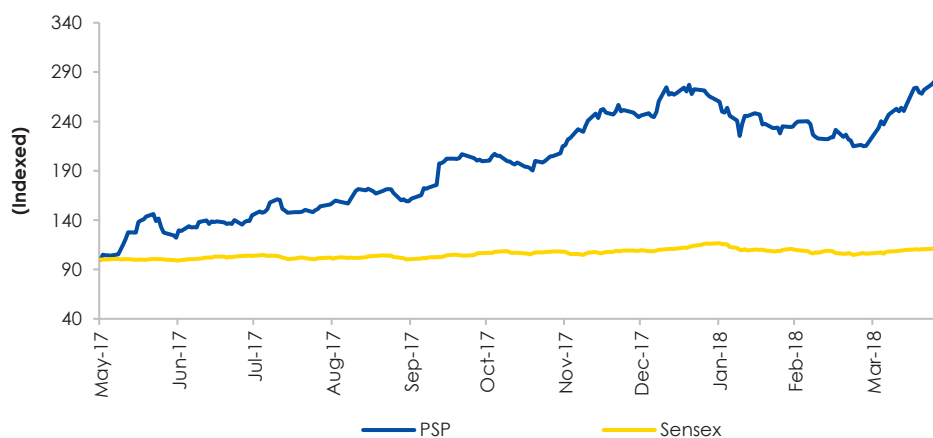
Balance Sheet (Consolidated) (INR cr)					
As on 31st March	FY16	FY17	FY18E	FY19E	FY20E
Equity share capital	3	29	36	36	36
Warrants	0	0	0	0	0
Reserves & surplus	61	76	230	339	491
Shareholders funds	64	105	266	375	527
Borrowings	47	78	78	78	78
Minority interest	0	0	0	0	0
Sources of funds	111	183	344	453	605
Gross block	77	85	134	184	234
Depreciation	24	31	42	59	82
Net block	54	53	92	125	152
Capital work in progress	0	7	0	0	0
Total fixed assets	54	60	92	125	152
Goodwill	0	0	0	0	0
Non Current Assets	17	24	29	34	39
Inventories	10	7	17	30	38
Sundry debtors	20	59	103	163	209
Cash and equivalents	112	137	244	314	422
Loans and advances	22	26	42	52	62
Other current assets	18	20	0	0	0
Total current assets	182	249	406	559	731
Sundry creditors and others	82	77	190	270	324
Other Current Liabilities	55	61	0	0	0
Provisions	3	12	0	0	0
Total CL & provisions	141	150	190	270	324
Net current assets	41	100	217	288	408
Net Deferred tax	0	0	0	0	0
Misc expenditure	0	0	0	0	0
Uses of funds	112	184	338	448	599
Book value per share (INR)	35	6	12	16	21

Cash flow statement

(INR cr)					
Year to March	FY16	FY17	FY18E	FY19E	FY20E
Net profit	23	41	57	109	152
Add: Depreciation	7	8	11	17	22
Add: Interest net of tax	2	5	6	6	6
Add: Deferred tax	0	0	0	0	0
Add: Others	0	0	0	0	0
Gross cash flow	32	54	74	133	180
Less: Changes in W. C.	-8	33	10	3	11
Operating cash flow	40	21	64	130	169
Less: Capex	27	7	50	50	50
Less: Investment in subsidiaries	-8	8	5	5	5
Free cash flow	22	7	9	75	114

Vinay Khattar
Head Research
vinay.khattar@edelweissfin.com

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



Disclaimer

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Brijmohan Bohra, Email ID: complianceofficer.ebl@edelweissfin.com Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-42722200/022-40094279

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No. INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No
EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.
Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No
Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.
A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under

Disclaimer

applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172.