



About the Company

PSP Projects (PSPPL) – incorporated in 2008 and led by Mr. P.S. Patel (CMD & CEO), has been working in the Buildings & Factories construction business across institutional, Industrial, Government, and Residential construction segments for more than 30 years. PSPPL has gradually expanded its construction reach starting from Gujarat to other geographies over the years. It has built several important structures since its inception including Surat Diamond Bourse, Sabarmati Riverfront, Gujarat Vidhansabha, and Kashi Vishwanath Corridor, among others

Investment Rationale

A. Robust & Diversified order book: As of Dec'21-end, PSPPL's order book stands robust at Rs 4008 Cr (3.2x of FY21 revenue) comprising both public and private sector projects and reflects healthy revenue growth visibility for the next 2-3 years. The company has built a diversified order book including Institutional, Industrial, Government Infra and residential projects, and Private residential projects located in six different geographies. Recently, the company has also commissioned a pre-cast facility to support and enhance its existing business. We expect the company to deliver healthy revenue of 26% CAGR over FY21-FY24E.

B. Successful and timely project execution: PSP Projects is one of fastest growing construction Company in Small Category in India. Since its inception in 2008, the company has delivered over 179 projects comprising both public and private and 45 projects are ongoing. It has established strong relationship with reputed clientele, and has demonstrated a track record of timely completion of projects. This has helped it to secure repeat orders from the existing customers consisting of large pharmaceutical, dairy, and public sector entities. We expect the company to maintain stable EBITDA margin between 13-14% moving ahead.

C. Healthy financials to support future growth: The company's revenue has grown at a CAGR of 29% over FY17-FY21 from Rs 445 Cr in FY17 to Rs 1,240 Cr in FY21. As of 31st Dec'21, the company's cash and cash equivalent along with FDs stood at Rs 215 Cr, indicating a strong liquidity profile. With majority of capex over, we expect the company to generate healthy cash flow moving ahead.

Outlook & Valuation: The company reported strong Q3FY22 result with Revenue/EBITDA/APAT growth of 24%/69%/76% YoY. Considering strong order book position, healthy bidding pipeline, new order inflows, emerging opportunities in the construction space, and the company's efficient and timely execution, we expect PSPPL to report Revenue/EBITDA/APAT CAGR of 26%/36%/37% respectively over FY21-FY24E. Stock is currently trading at 12x and 9x FY23E/FY24E EPS which is attractive.

Recommendation: We recommend a Buy the stock for a target price of Rs 620/ implying an upside of 11% from CMP

Financial Summary (Consol)

Y/E	Net Sales	EBITDA	Net Profit	EPS	PER	EV/EBIDTA	P/BV	RoE
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(x)	(x)	(x)	(%)
FY21	1241	135	83	23	21	12	3.3	17
FY22E	1752	247	158	44	13	8	3.0	26
FY23E	2067	283	172	48	12	6	2.4	23
FY24E	2481	338	213	59	9	5	2.0	23

Source: Axis Securities; CMP as on 8th Apr, 2022

CMP (Rs)	Target (Rs)	Potential Upside (%)
558	620	11%

MARKET DATA

No. of Shares	3.6 Cr
Market Cap	2011Cr
52-week High / Low	639/394
BSE Code	540544
NSE Code	PSPPROJECT

Why PSP Projects Ltd

- ✓ **Attractive Valuations**
- ✓ **Macro-economic Tailwinds**
- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers**
- ✓ **Sector-specific Attributes**

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