

PSP Projects

BUY

Order inflow to beat guidance

Summary

We attended PSP Projects Investor day which include site visit of Surat Diamond Bourse, interacting with its execution and 2nd level management team. We understand its 2nd level management team is currently young and grooming under the leadership of its Chairman. Company has maintained the order inflow guidance at Rs25bn for FY23E. But given L1 orders and few orders in advance stage, we see that actual inflow could be Rs35bn. Revenue growth guidance maintained. Execution is picking up post subdued Q2FY23, implying 2HFY23 yoy revenue growth at 35%+. Maintain BUY rating with revised TP of Rs915 (earlier Rs715) as we roll forward valuation (of 12x PER) to FY25E. Catalyst for stock is clarity on slow moving orders (Bhiwandi & Pandharpur) and new order win.

Key Highlights and Investment Rationale

- **SDB uplifted PSP credentials:** Execution of Surat Diamond Bourse (SDB) has enabled PSP to participate in tender size of Rs20bn+ which earlier was 1/3rd of it. With built up area of 6.7mn sq feet, SDB boast as largest office building in the world. PSP executed the project as principle contractor at cost of Rs19bn (initial est. of Rs16bn) in 49 months (including Covid disruption).
- **Business Update:** Company is expecting orders of Rs25bn in FY23E and has already received orders of Rs19bn till Dec-22. Company mentioned that it has a bid pipeline of Rs40bn which includes L1 order of Rs3.5bn from Gujarat govt, Gem and Jewellery sector order of Rs12bn, Industrial project in Hazira of Rs2.5bn, Surat Municipal building order of Rs11bn, IT Park Chennai Rs4bn, Hospital in Chennai of Rs2bn. On slow moving order, court hearing concluded for Bhiwandi order (Rs6bn) and awaits judgment and there is a status quo on Pandharpur order of Rs1.3bn.

TP	Rs915
CMP	Rs677
Potential upside/downside	35%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	8.8	5.0	33.4
Rel to Sensex	7.5	1.9	26.4

V/s Consensus			
EPS (Rs)	FY23E	FY24E	FY25E
IDBI Capital	53	63	68
Consensus	46	58	--
% difference	16.4	8.3	--

Key Stock Data	
Bloomberg/Reuters	PSPL IN / PSPP.BO
Sector	Infrastructure
Shares o/s (mn)	36
Market cap. (Rs mn)	24,379
3-m daily avg Trd value (Rs mn)	12.5
52-week high / low	Rs724 / 447
Sensex / Nifty	61,799 / 18,415

Shareholding Pattern (%)	
Promoters	70.5
FII	2.0
DII	2.5
Public	25.0

Financial snapshot

Year	FY21	FY22	FY23E	FY24E	FY25E
Revenue	12,409	17,488	22,246	26,343	30,660
Change (yoy, %)	-17	41	27	18	16
EBITDA	1,348	2,565	2,852	3,400	4,032
Change (yoy, %)	-29	90	11	19	19
EBITDA Margin(%)	10.9	14.7	12.8	12.9	13.2
Adj.PAT	835	1,620	1,901	2,270	2,441
EPS (Rs)	23	45	53	63	68
Change (yoy, %)	(35)	94	17	19	8
PE(x)	29	15	13	11	10
Dividend Yield (%)	1	1	1	1	1
P/B (x)	4.5	3.6	2.8	2.3	1.8
RoE (%)	17	26	25	23	20
RoCE (%)	22	36	31	30	29

Source: IDBI Capital Research

Vishal Periwal

vishal.periwal@idbicapital.com
+91-22-2217 1814

Prachi Kadam

prachi.kadam@idbicapital.com
+91-22- 2217 1858

Exhibit 1: SDB : Top View of 9 towers (Model)



Source: Company

Exhibit 2: SDB : Side View (Model)



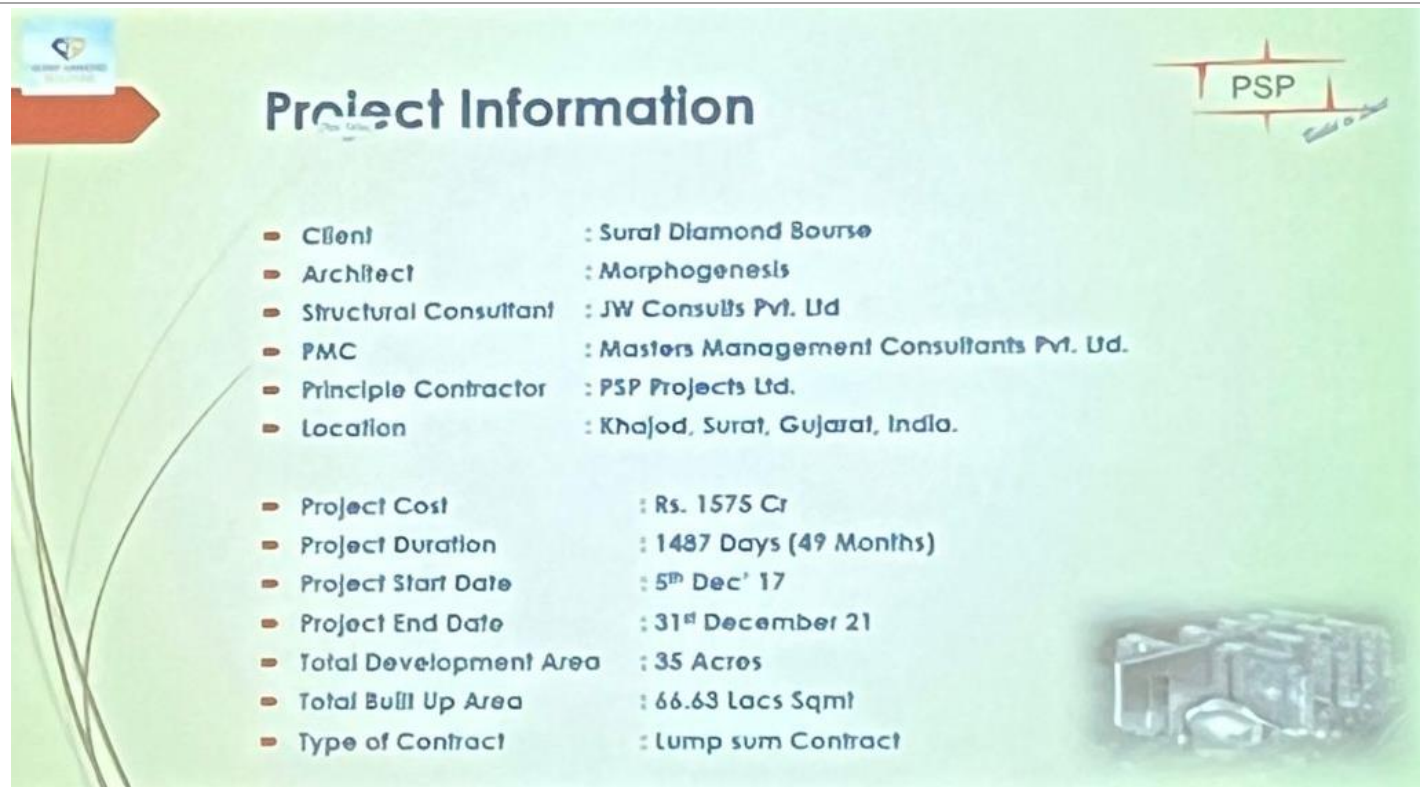
Source : Company

Exhibit 3: SDB side view (actual)



Source Company

Exhibit 4: About SDB



The slide is titled "Project Information" and features a green background with a stylized plant on the left and a building illustration on the right. It lists project details in two columns, each preceded by a red square bullet point. The PSP logo is in the top right corner.

Client	: Surat Diamond Bourse
Architect	: Morphogenesis
Structural Consultant	: JW Consults Pvt. Ltd
PMC	: Masters Management Consultants Pvt. Ltd.
Principal Contractor	: PSP Projects Ltd.
Location	: Khajod, Surat, Gujarat, India.
Project Cost	: Rs. 1575 Cr
Project Duration	: 1487 Days (49 Months)
Project Start Date	: 5 th Dec' 17
Project End Date	: 31 st December 21
Total Development Area	: 35 Acres
Total Built Up Area	: 66.63 Lacs Sqm
Type of Contract	: Lump sum Contract

Source: Company

Exhibit 5: SDB : Organization structure

Project's Implementation Strategy

On Site - Organization Structure:

Sr. No.	Department	Nos
1	Management	5
2	Administrative & EHS	75
3	Execution Team	200
4	Quality	20
5	Plant & Maintenance	100
	Total	400

Source : Company

Exhibit 6: SDB manpower in peak

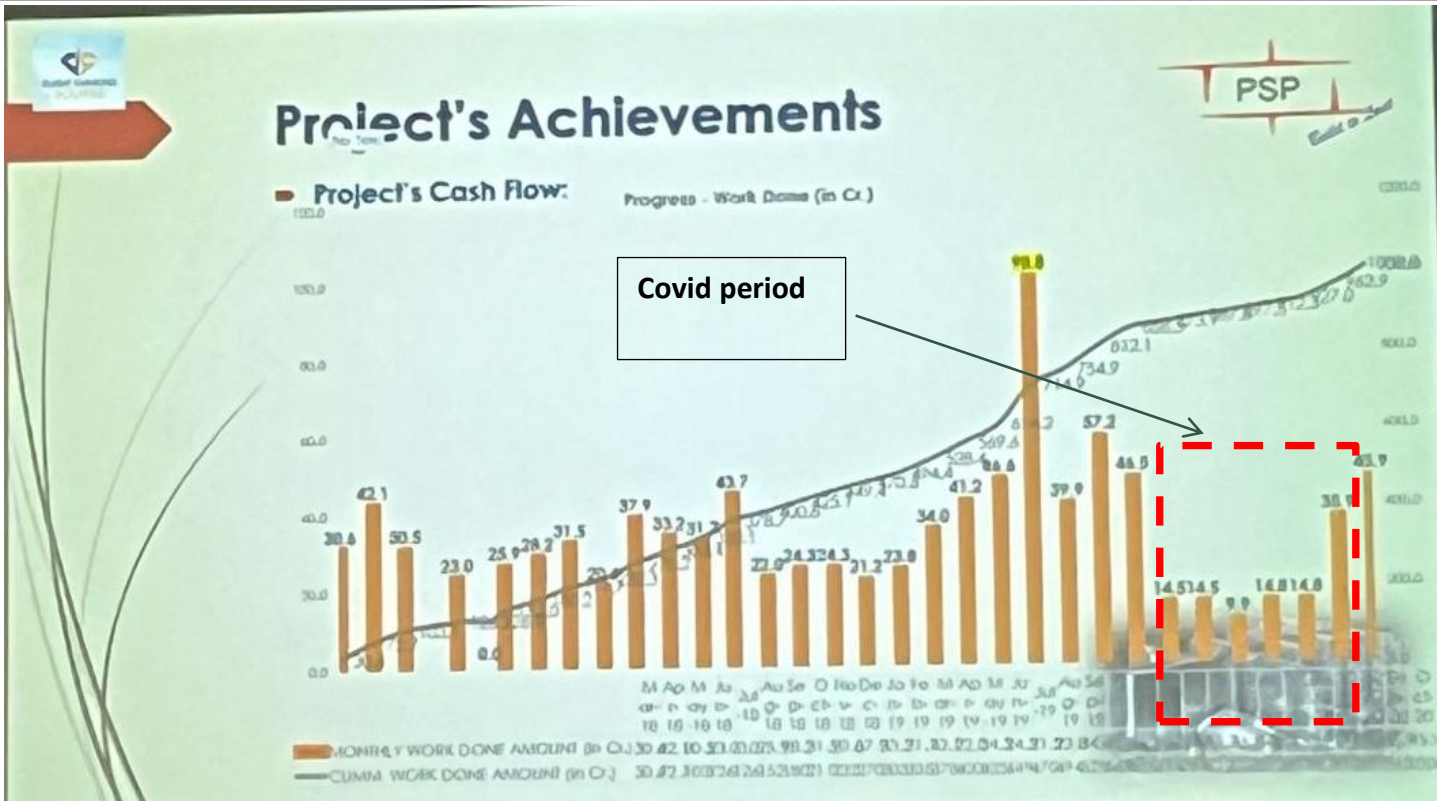
Project's Achievements

Resources:

- Avg. Manpower: At Initial Stage:
 - Shuttering : 100
 - Steel : 650
 - Others : 40
- Manpower: At Peak:
 - Shuttering : 2250
 - Steel : 1950
 - Finishing : 1000
 - M&P : 1000
 - Façade : 700
 - Other : 1200
 - Total : 8100

Source Company

Exhibit 7: SDB: Cash Flow schedule on monthly basis



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net sales	14,993	12,409	17,488	22,246	26,343	30,660
<i>Change (yoy, %)</i>	44	(17)	41	27	18	16
Operating expenses	(13,083)	(11,060)	(14,923)	(19,395)	(22,944)	(26,628)
EBITDA	1,910	1,348	2,565	2,852	3,400	4,032
<i>Change (yoy, %)</i>	28	-29	90	11	19	19
<i>Margin (%)</i>	12.7	10.9	14.7	12.8	12.9	13.2
Depreciation	(267)	(256)	(321)	(378)	(469)	(525)
EBIT	1,643	1,092	2,245	2,474	2,931	3,508
Interest paid	(146)	(147)	(264)	(319)	(185)	(145)
Other income	247	169	212	276	287	-
Pre-tax profit	1,744	1,087	2,193	2,431	3,034	3,363
Tax	(452)	(279)	(573)	(531)	(764)	(922)
<i>Effective tax rate (%)</i>	25.9	25.7	26.1	21.8	25.2	27.4
Minority Interest	-	-	-	-	-	-
Net profit	1,292	808	1,620	1,901	2,270	2,441
Exceptional items	-	(27)	-	-	-	-
Adjusted net profit	1,292	835	1,620	1,901	2,270	2,441
<i>Change (yoy, %)</i>	43	(35)	94	17	19	8
EPS	36	23	45	53	63	68
Dividend per sh	10	4	5	4	4	4
<i>Dividend Payout %</i>	28	17	11	8	6	6

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Shareholders' funds	4,571	5,380	6,847	8,604	10,730	13,326
Share capital	360	360	360	360	360	360
Reserves & surplus	4,211	5,020	6,487	8,244	10,370	12,966
Total Debt	40	28	172	172	172	172
Other liabilities	4	8	15	15	15	15
Curr Liab & prov	4,977	4,488	5,632	6,432	7,336	8,279
Current liabilities	4,970	4,478	5,630	6,430	7,334	8,277
Provisions	7	10	2	2	2	2
Total liabilities	5,022	4,524	5,819	6,619	7,523	8,466
Total equity & liabilities	9,593	9,904	12,666	15,223	18,253	21,792
Net fixed assets	1,079	1,578	2,074	2,196	2,227	2,203
Investments	-	-	-	-	-	-
Other non-curr assets	1,594	1,414	2,399	3,081	3,623	4,186
Current assets	6,920	6,911	8,194	9,946	12,402	15,404
Inventories	968	892	806	1,202	1,424	1,657
Sundry Debtors	2,240	2,220	3,118	3,966	4,697	5,466
Cash and Bank	1,967	2,288	1,952	2,042	3,215	4,870
Loans and advances	119	85	59	77	91	106
Total assets	9,593	9,904	12,666	15,223	18,253	21,792

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	1,744	1,087	2,193	2,431	3,034	3,363
Depreciation	267	256	321	378	469	525
Tax paid	(556)	(243)	(636)	(531)	(764)	(922)
Chg in working capital	(1,116)	(362)	(620)	(1,394)	(772)	(816)
Other operating activities	(149)	(30)	(52)	42	(103)	(154)
Cash flow from operations (a)	190	708	1,205	927	1,864	1,996
Capital expenditure	(331)	(792)	(766)	(500)	(500)	(500)
Chg in investments	(2)	678	(814)	-	-	-
Other investing activities	220	168	175	276	287	299
Cash flow from investing (b)	(112)	54	(1,405)	(224)	(213)	(201)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	418	(21)	67	(469)	(335)	(295)
Dividend (incl. tax)	(434)	-	(144)	(144)	(144)	(144)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(16)	(21)	(77)	(613)	(479)	(439)
Net chg in cash (a+b+c)	61	741	(277)	90	1,173	1,356

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Book Value (Rs)	127	149	190	239	298	370
Adj EPS (Rs)	35.9	23.2	45.0	52.8	63.1	67.8
Adj EPS growth (%)	43	-35	94	17	19	8
EBITDA margin (%)	12.7	10.9	14.7	12.8	12.9	13.2
Pre-tax margin (%)	12	9	13	11	12	11
Net Debt/Equity (x)	-0.4	-0.4	-0.3	-0.2	-0.3	-0.4
ROCE (%)	39	22	36	31	30	29
ROE (%)	31	17	26	25	23	20

DuPont Analysis

Asset turnover (x)	1.8	1.3	1.5	1.6	1.6	1.5
Leverage factor (x)	2.0	2.0	1.8	1.8	1.7	1.7
Net margin (%)	8.6	6.7	9.3	8.5	8.6	8.0

Working Capital & Liquidity ratio

Inventory days	24	26	17	20	20	20
Receivable days	55	65	65	65	65	65
Payable days	60	85	63	63	63	63

Valuations

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
PER (x)	19	29	15	13	11	10
Price/Book value (x)	5.3	4.5	3.6	2.8	2.3	1.8
EV/Net sales (x)	1	2	1	1	1	1
EV/EBITDA (x)	12	16	9	8	6	5
Dividend Yield (%)	1	1	1	1	1	1

Source: Company; IDBI Capital Research



Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
---------	-------------------	-------------------------

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

IDBI Capital Markets & Securities Ltd.**Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

Compliance Officer: Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907

Disclaimer

This report has been published by IDBI Capital Markets & Securities Ltd.(hereinafter referred to as “IDBI Capital”) for private circulation. This report should not be reproduced or copied or made available to others. No person associated with IDBI Capital is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this report. The information contained herein is strictly confidential and meant for solely for the selected recipient and may not be altered in any way, transmitted to copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without the prior written consent of IDBI Capital.

Recipients may not receive this report at the same time as other recipients. IDBI Capital will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is from the public domain or sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Opinions expressed are current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis, the information discussed in this material, IDBI Capital, its directors, employees are under no obligation to update or keep the information current. Further there may be regulatory, compliance, or other reasons that prevent us from doing so.

Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

IDBI Capital, its directors and employees and any person connected with it, will not in any way be responsible for the contents of this report or for any losses, costs, expenses, charges, including notional losses/lost opportunities incurred by a recipient as a result of acting or non-acting on any information/material contained in the report.

This is not an offer to sell or a solicitation to buy any securities or an attempt to influence the opinion or behavior of investors or recipients or provide any investment/tax advice.

This report is for information only and has not been prepared based on specific investment objectives. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis.

Trading in stocks, stock derivatives, and other securities is inherently risky and the recipient agrees to assume complete and full responsibility for the outcomes of all trading decisions that the recipient makes, including but not limited to loss of capital.

Opinions, projections and estimates in this report solely constitute the current judgment of the author of this report as of the date of this report and do not in any way reflect the views of IDBI Capital, its directors, officers, or employees.

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 IDBI Capital and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come are required to inform themselves of and to observe such restriction.

E-mail is not a secure method of communication. IDBI Capital cannot accept responsibility for the accuracy or completeness of any e-mail message or any attachment(s).

This transmission could contain viruses, be corrupted, destroyed, incomplete, intercepted, lost or arrived late. IDBI Capital, its directors or employees or associates accept no liability for any damage caused, directly or indirectly, by this email.

Analyst Disclosures

We, Vishal Periwal and Prachi Kadam, hereby certify that the views expressed in this report accurately reflect our personal views about the subject companies and / or securities. We also certify that no part of our compensation were, are or would be directly or indirectly related to the specific recommendations or views expressed in this report. Principally, I will be responsible for the preparation of this research report and have taken reasonable care to achieve and maintain independence and objectivity in making any recommendations herein.

Other Disclosure

IDBI Capital Markets & Securities Ltd.(herein after referred to as “IDBI Capital”) was incorporated in the year 1993 under Companies Act, 1956 and is a wholly owned subsidiary of IDBI Bank Limited. IDBI Capital is one of India’s leading securities firm which offers a full suite of products and services to individual, institutional and corporate clients namely Stock broking (Institutional and Retail) , Distribution of financial products, Merchant Banking, Corporate Advisory Services, Debt Arranging & Underwriting, Portfolio Manager Services and providing Depository Services. IDBI Capital is a registered trading and clearing member of BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE). IDBI Capital is also a SEBI registered Merchant Banker, Portfolio Manager and Research Analyst. IDBI Capital is also a SEBI registered depository participant with National Securities Depository Limited (NSDL) and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI).

IDBI Capital and its associates IDBI Bank Ltd. (Holding Company), IDBI Intech Ltd. (Fellow Subsidiary), IDBI Asset Management Ltd. (Fellow Subsidiary) and IDBI Trusteeship Services Ltd. (Fellow Subsidiary).

IDBI Group is a full-serviced banking, integrated investment banking, investment management, brokerage and financing group. Details in respect of which are available on www.idbicapital.com IDBI Capital along with its associates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our associates have investment banking and other business relationships with a significant percentage of the companies covered by our Research Department. Investors should assume that IDBI Capital and/or its associates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. IDBI Capital generally prohibits its analysts, persons reporting to analysts, and their dependent family members having a financial conflict of interest in the securities or derivatives of any companies that the analysts cover. Additionally, IDBI Capital generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Directors of IDBI Capital or its associates may have interest in the Companies under recommendation in this report either as Director or shareholder. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of IDBI Capital. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. We and our associates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether IDBI Capital and its associates holds beneficially owns or controls, including the right to vote for directors, 1% of more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by IDBI Asset Management Company/ IDBI Mutual Fund.

IDBI Capital hereby declares that our activities were neither suspended nor we have materially defaulted with any Stock Exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on IDBI Capital for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time. IDBI Capital, its directors or employees or associates, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital or its associates, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document or their connected persons or 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 company(ies) discussed herein or their affiliate companies or act as advisor or lender / borrower to such company(ies)/associates companies or have other potential conflict of interest. This report may provide hyperlinks to other websites. Except to the extent to which the report refers to the website of IDBI Capital, IDBI Capital states that it has not reviewed the linked site and takes no responsibility for the content contained in such other websites. Accessing such websites shall be at recipient's own risk. IDBI Capital encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. Accordingly, neither IDBI Capital nor Research Analysts have any material conflict of interest at the time of publication of this report. We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. The Research Analyst has not served as an officer, director or employee of Subject Company. We or our associates may have received compensation from the subject company in the past 12 months. We or our associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. We or our 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. We or our associates may have 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's may have financial interest in the subject company. IDBI Capital or its associates may have financial interest in the subject company. Research Analyst or his/her relatives does not 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. IDBI Capital or its 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. The Subject Company may have been a client during twelve months preceding the date of distribution of the research report. Price history of the daily closing price of the securities covered in this note is available at www.bseindia.com; www.nseindia.com and www.economictimes.indiatimes.com/markets/stocks/stock-quotes.