

3<sup>rd</sup> November, 2023

# PSP Projects Ltd.

BSE: 540544 | NSE: PSPPROJECT



Recommendation  
**BUY**



Time Period  
**12 months**



Current Price  
**783.0/-**



Target Price  
**901.0/-**



Potential Upside  
**15.1%**

**PSP Projects Ltd** is an integrated EPC company with presence across the entire value chain from Design, Construction, Mechanical, Electrical, Plumbing (MEP), Interior and O&M Services. As of Sep'23, it has executed 212 projects since inception. It has 54 projects currently under execution. It primarily undertakes construction of buildings especially hospitals, government offices, sports complexes, corporate offices and residential apartments.

Five reasons to buy:

- ★ **Riding on the infrastructure boom:** PSP Projects has been one of the key beneficiaries of the pickup in infrastructure spending in India. The government has increased the capital allocation on infrastructure by 33% to Rs 10 tn in the FY24 Budget. Additionally, all the major States have also increased their capex spending on infrastructure in the last few years.
- ★ **Strong Order Book:** PSP Projects has a healthy order book of Rs 4,898 cr as of 1HFY24 with government projects comprising 52% of the order book while 48% comes from the private sector (industrial, institutional and residential). It is currently executing certain key projects such as construction of government medical colleges and hospital at 7 locations across UP, municipal corporation buildings, sports complexes in Gujarat, corporate headquarters, government residential colonies and buildings in the GIFT City. It is also diversifying geographically and has bagged orders outside of Gujarat and UP. It is executing projects in Haryana, Rajasthan and Karnataka.
- ★ **Excellent execution track record:** The company has executed and completed several prestigious projects in the past such as the Surat Diamond Bourse, Kashi Viswanath Dham project, multiple buildings in the GIFT City, hospitals and other industrial facilities. Its revenue in 1HFY24 is up 60% YoY on back of pickup in order execution.
- ★ **Good Order Pipeline:** The company has a very healthy bid pipeline of about Rs 9,500 cr (2x of current order book). The awarding of projects particularly from the government is expected to pick up pace in 2HFY24 ahead of the Lok Sabha elections scheduled in Apr-May 2024.
- ★ **Attractive valuation:** At CMP of Rs. 783.0, the stock trades at P/E of 14.5x/11.8x to its FY24E/25E earnings estimates. Steady expansion in order book coupled with healthy execution is likely to aid revenue growth and profitability over the next few years.

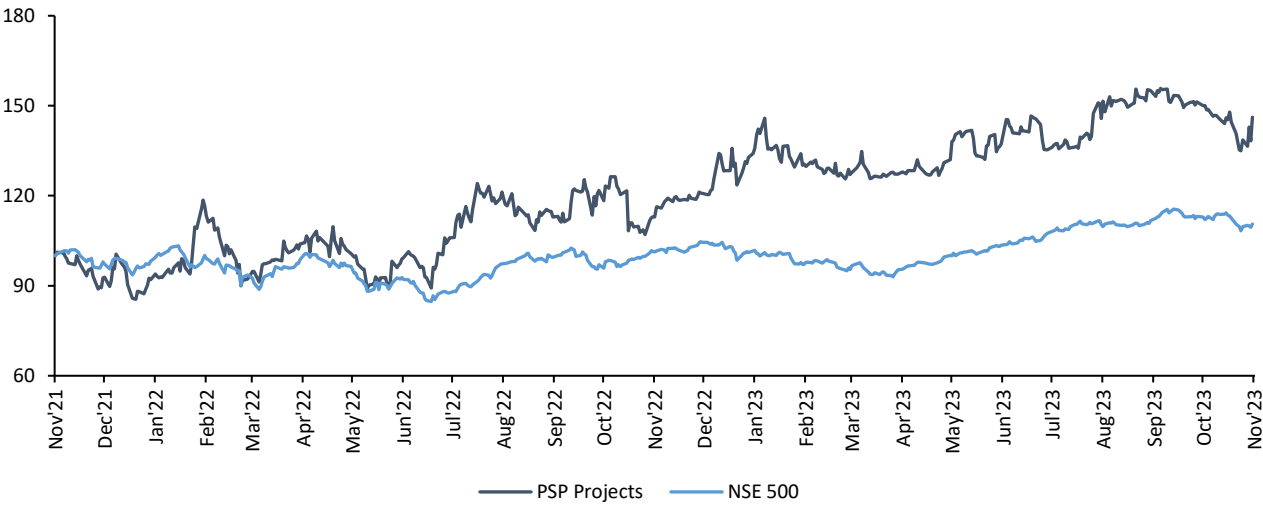
**Key Risks:** Delay in tendering and awarding of contracts; delay in receiving payments; Execution challenges

Financial Summary

Particulars (Rs cr) - Standalone	FY23A	FY24E	FY25E	FY26E
Net Sales	1,927	2,600	2,990	3,440
EBITDA	228	338	389	440
Adj. Net Profit	133	195	239	292
EBITDA Margin (%)	11.8	13.0	13.0	12.8
RoE (%)	17.9	21.2	21.5	20.2
P/E (x)	21.1	14.5	11.8	9.6
P/BV (x)	3.5	3.2	2.9	2.7

Source: Bloomberg, SSL Research

Stock Performance (2-Years)



Source: Capitaline, SSL Research

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
NA	NA	NA	NA	NA

**SBICAP Securities Limited**

(CIN): U65999MH2005PLC155485

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