

PSP Projects Ltd : Average Issue

IPO Note : Growing company but Low Net Profit Margin, Issue price expensive compare to Peers. High Risk : Ranking**



Issue details

Price band (Rs)	Rs.205-210
IPO Opening Date	17/05/17
IPO Closing Date	19/05/17
Issue Size	Rs. 211.68 Cr.

Recommendation

Total revenue grew at a **CAGR of 26.83%** from Rs.180.75 Cr for the FY 2012 to Rs.467.71 Cr for FY 2016 and **Net Profit grew at a CAGR of 31.45%** in the same period. For the first nine months ended on 31.12.16 it has posted net profit of Rs. 21.48 crore on a turnover of Rs.249.41 crore. For first nine months of the current fiscal, it has reported net profit of Rs. 21.48 crore on a turnover of Rs. 249.42 cr. If we annualize latest earnings and attribute on fully diluted equity post issue then asking price is at a P/E of around 26 plus. The stock of the peer companies like Ahluwalia Contracts and Dilip Buildcon are traded at a PE of 20 and 29 respectively. The issue appears to be fully priced one. Being an issue below Rs. 250 crore, its listing will be in "T" group that will eliminate the speculative aspect for initial period. Risk savvy cash surplus investors may consider investment in this issue.

Highlights

- PSP Projects Ltd (PSPPL) 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
- As on 31.03.17 on consolidated basis the company has Rs. 927 crore worth orders on hand.
- Its topline and bottmeline grew ata CAGR of 27% and 31% respectively
- Its listing will be in the 'T' Group

Company Introduction

PSP Projects Ltd (PSPPL) 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. It provides services across the construction value chain, ranging from planning and design to construction and post-construction activities to private and public sector enterprises. Historically, PSPPL has focused on projects in the Gujarat region. Now it has geographically diversified its portfolio of services and is undertaking or have bid for projects pan India. PSPPL has successfully executed a number of prestigious projects across Gujarat. One of the first major projects that it completed was the construction of the GCS Medical College, Hospital and Research Centre (managed by the Gujarat Cancer Society) in June 2012. Subsequently, it has successfully executed a number of prestigious projects, including, inter alia, the construction and interior works of Swarnim Sankul 01 and 02 at Gandhinagar, the construction of the Zydus Hospital at Ahmedabad, and various works in relation to the Sabarmati Riverfront Development project at Ahmedabad. Further, the company has completed or is currently undertaking projects for a number of reputed customers, including, inter alia, Cadila Healthcare Limited, Care Institute of Medical Sciences Limited (CIMS), Claris Injectables Limited, Emcure Pharmaceuticals



www.pspprojects.com

Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2016	FY2016	FY2015	FY2014
Total Income	249.41	467.71	286.96	214.79
Net Profit	21.48	24.93	14.05	10.07
EPS (Rs)	5.96*	6.92	3.88	2.79

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Limited, Gelco Electronics Private Limited, GCS Medical College, Hospital and Research Centre (managed by the Gujarat Cancer Society), the Government of Gujarat (through the Executive Engineer, Capital Project Division), Inductotherm (India) Private Limited, Intas Pharmaceutical Limited, Kaira District Co-operative Milk Producers' Union Limited (Amul Dairy), KHS Machinery Private Limited, Nirma Limited, Sabarmati River Front Development Corporation Limited, Torrent Pharmaceuticals Limited and WTC Noida Development Company Private Limited.

Company Promoters:

- Prahaladbhai Shivrambhai Patel
- Shilpaben Patel.

The object of the issue

- Funding working capital requirements of the Company;
- Funding capital expenditure requirements of the Company
- General corporate purposes.

IPO Issue Proceed

To part finance its working capital and capital expenditure requirements along with raising general corpus funds, the company is coming out with a maiden IPO of 100.80 lakh equity share of Rs. 10 each with a price band of Rs. 205-210 via book building route to mobilize Rs. 206.64-211.68 crore (based on lower and the higher price bands). Minimum application is to be made for 70 shares and in multiples thereof, thereafter. The issue consists of fresh equity issue of 72.00 lakh equity shares and the rest by way of offer for sale. Issue opens for subscription on 17.05.17 and will close on 19.05.17. Post allotment, shares will be listed on BSE and NSE. Issue is jointly lead managed by Karvy Investor Services Ltd and Motilal Oswal Investment Advisors Ltd. Karvy Computershare Pvt Ltd is the registrar to the issue. Post issue, its current paid up equity capital of Rs. 28.80 crore will stand enhanced to Rs. 36.00 crore.

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