

August 4, 2025

## Weak Quarter; Growth to pick up in H2...

**About the stock:** Incorporated in 2008 by Prahladbhai Patel, PSP Projects is one of the prominent contractors offering a diversified range of construction and allied services. Its focus remains on industrial, institutional, government, government residential and residential projects.

- Prudent management, strong execution track record, healthy order book, strong balance sheet and robust return ratios are the key strengths of PSP.

**Q1FY26 Performance:** PSP projects reported standalone revenue of ₹513 crore in Q1FY26, down 16.2% YoY which was largely attributable to labour shortage faced by the company. EBITDA was reported at ₹24.5 crore, down 66.6% YoY with margins at 4.8%, down 720 bps YoY. The margins were impacted owing to expenses incurred on UP projects (₹4.5 crore) along with further impact of increased employee costs (6.8%), higher deployment of labour and some impact of monsoon. Hence, PAT was reported at a mere ₹19 lakhs, down 99.4% YoY.

## Investment Rationale

- Adani group of projects to boost overall opportunity:** Given the post deal stake of 35.73% of Adani Infra (equal to current promoters), PSP is likely to be a key beneficiary of Adani Group orders. It expects **over ₹10,000 crore orders to from Adani Group over the next two years, including its intention to participate in Dharavi redevelopment EPC and Navi Mumbai Township. For FY26, PSP expects order inflows of ₹ 7500-8000 crore (Adani share estimated at 80-90%), driven by healthy bid pipeline.** Note, as of FY26, the order book stood at ₹ 6514 crore, implying ~2.7x book to bill, with Adani projects comprising ~27% of the outstanding order back-log. **While the company refrained from providing a guidance for FY26, it expects the revenues to hit ₹4500 crore in FY27 driven by robust order backlog and likely inflows. Given the robust pipeline and inflow potential, we conservatively bake in revenue CAGR of ~20.6% over FY25-27E to ₹ 3589 crore.**
- Margins to improve in FY26; to remain in a moderate range:** While Q1 was impacted amid weak revenues, management retained the guided range of 8%-9% in FY26. **We expect margins to inch up to 8.3%/9.3% in FY26/FY27, respectively. Strong topline growth with stable margins and lower interest expense is likely to drive 76.6% earnings CAGR over FY25-27E.**

## Rating and Target Price

- With Adani Group being a key part of PSP, we expect PSP to emerge as EPC vehicle for buildings segment, with strong growth visibility. Given the robust bid pipeline and executable order book, we expect strong growth path ahead.
- We value PSP Projects at ₹ 800 i.e. 18x on FY27 P/E and maintain BUY rating**

## Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	1,748.8	1,926.6	2,462.5	2,468.3	10.5	2,761.1	3,589.1	20.6
EBITDA	256.5	225.0	261.6	178.1	(1.4)	227.9	334.3	37.0
EBITDA Margin (%)	14.7	11.7	10.6	7.2		8.3	9.3	
Net Profit	162.4	133.0	123.9	56.5	(15.3)	100.9	176.1	76.6
EPS (₹)	45.1	36.9	34.4	14.2		25.5	44.4	
P/E (x)	15.0	18.3	19.7	47.6		26.6	15.3	
EV/EBITDA (x)	10.1	11.5	11.2	15.5		10.9	7.9	
RoCE (%)	35.5	24.8	19.4	8.7		11.5	17.5	
RoE (%)	26.6	17.9	14.5	5.3		8.1	13.0	

Source: Company, ICICI Direct Research



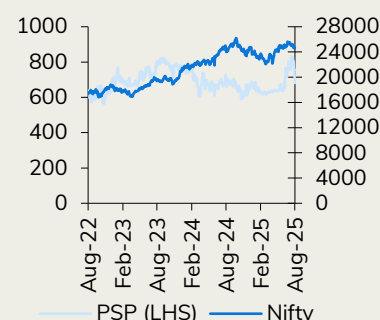
## Particulars

Particular	Amount
Market Cap (₹ crore)	2,688
Debt (FY25) (₹ crore)	272
Cash (FY25) (₹ crore)	208
EV (₹ crore)	2,752
52 week H/L (₹)	843 / 565
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

## Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	60.1	60.1	60.1	60.1
DII	10.9	8.1	8.0	2.3
FII	8.6	7.6	7.8	3.1
Other	20.3	24.1	24.1	34.4

## Price Chart



## Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

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## Performance highlights and outlook

- **Revenue guidance** – The company refrained from providing a guidance for FY26, on account of challenges such as labour shortage (37% in Q1, has normalized 19% in July), early onset of monsoon and slower execution in new projects, which it faced in Q1 (and is likely to spill into Q2). It, however, expects the labour woes to normalise by H2 and the Adani projects to pick up pace, post which it indicated it would be in a better position to provide revenue guidance. Note, company had indicated to close FY26 with revenues projected in excess of ₹3000 crore, earlier. It, however, stated that it expects its revenues to hit ₹4500 crore in FY27 driven by robust order backlog and likely inflows.
- **Margin performance and guidance** - On margins front, the company only managed to achieve margins of 4.6% in Q1 FY26, owing to the decline in revenues, additional expenses on UP projects and monsoon impact. Q1 had additional expenses associated with the UP project (₹4.5 Cr) and higher ECL provisions (₹8.6 Cr vs ₹4 Cr last year). It however expects margins to bounce back in upcoming quarters and retained the guided range of 8%-9% going forward.
- **Orderbook** –The orderbook of ₹6514 crore, as of Q1, implies 2.7x book to bill. Government clients accounted for ~45% of the order backlog, while private clients account for the balance ~55%. The company has 51 on-going projects with 93% of them based in Gujarat, 7% in Karnataka. On order inflows front, for FY26, the company expects inflows in the range of ₹7500- 8000 crore, with 80-90% of the same expected from the Adani group of companies.
- **Bid pipeline** – The management has indicated a total bid pipeline in excess of ~₹7800 crore which include – residential colony at Mundra worth ₹1250 crore, Temple redevelopment worth ₹800 crore, township at Mundra worth ₹2300 crore, residential project work at Shantigram of ₹550 crore, hotel at Shantigram worth ₹580 crore, development work at Ahmedabad Airport worth ₹610 crore, an institution building at Ahmedabad worth ₹750 crore, Residential colony at Dharavi worth ₹840 crore, commercial tower at Shantigram worth ₹100 crore, a museum at Ahmedabad worth ₹100 crore.
- **Project-level updates** –
  - **Fintech Building at GIFT City:** The management indicated that Client-side delays have been resolved. The shortfall in revenue during the quarter was owing to unavailability of labour.
  - **GBRC:** The client approval has been received. The project work is progressing well.
  - **Science City:** The project is progressing well. Due to the technology change of shifting from conventional format to modular format system made during the quarter, the management expects to close the project as per plan.
  - **GMC Project:** The project continues to face hindrances. The work is on hold until land acquisition issues get resolved.
  - **SMC Project:** Significant delay has been observed due to late receipt of drawings clearances from client; hence the finishing work could not start in Q1. However, Land acquisition delays have been dealt with.

- Coca-Cola Project: The project had commenced in August last year. Till date, the major structural work is done. As of date, the project has entered the finishing and final development phase.
- Dharavi Redevelopment: The project has been initiated. Currently, sheet piling work for basement is in progress. With an overall project timeline of 36 months, the project is expected show clearer progress in the period of October-November.
- UP Projects: The maintenance expenses of ~₹4.5 crore are booked in Q1 FY26. The management does not expect to incur any additional expenses in subsequent quarters.
- Gati Shakti Vishwavidyalaya Project, Baroda: The project had commenced last year. Monsoon related delays in previous year and labour shortage in Q1 FY26 are primary reasons for the project's delay. The buildings have passed the foundation stage, with construction reaching the 2<sup>nd</sup> floor. This has allowed for ramp up in finishing and MEP installation activities.
- Palladium Mall Project: The project got delayed owing to monsoon; along with some client related issues. With clearances now in place, activities are progressing and on track.
- Measures to mitigate labour shortage risk: The Company has indicated that, to address the such labour-related challenges, it is focusing on use of technology, automation, form works and pre-cast elements. Furthermore, the company will also train readily available unskilled labour from Orissa and West Bengal to replace skilled labour.
- Update on Adani Infra agreement: Adani Infra acquired 4,486,193 equity shares of PSP Projects through an open offer, representing 11.32% of the total paid-up capital, with settlement completed on June 11, 2026. Furthermore, under the agreement that PSP Projects entered into with Adani Infra in November 2024 for the acquisition of up to a 30.07% stake from its existing promoters, Adani Infra will purchase an additional 9,676,257 equity shares, representing 24.41% of the company's paid-up share capital, from the promoters. Upon completion of these transactions, the existing promoters and Adani Infra will hold an equal stake in PSP Projects at 35.73%, each.
- Receivables – The company's total receivables as on Q1 end were ₹525 crore. Unbilled revenue stood at ₹556 crore and retention money of ₹137 crore. The increase is attributable to slow project execution due to labour shortages. The company expects collections to improve with normalized execution from Q2, aided by mobilization advances from new Adani orders (5-10%), potentially easing working capital by Q3.
- Capex – During Q1FY26, the company incurred capex of ₹32 crore. It indicated that capex is expected to be around 3-4% of revenues. For large projects from Adani group, it may increase to 5% of expected revenue.
- Debt position – The company's gross debt stood at ₹382 crore as of Q1FY26 vs. ₹270 crore in Q4FY25, with increase mainly due to Capex outflows.

## Financial Summary

### Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>2,462.5</b>	<b>2,468.3</b>	<b>2,761.1</b>	<b>3,589.1</b>
Growth (%)	27.8	0.2	11.9	30.0
Raw Material Cost	766.4	806.1	887.9	1,148.2
Employee Cost	125.1	119.5	133.3	141.3
Total Expenditure	1,309.4	1,364.6	1,511.9	1,965.3
Total Operating Expenditu	2,200.9	2,290.2	2,533.2	3,254.8
<b>EBITDA</b>	<b>261.6</b>	<b>178.1</b>	<b>227.9</b>	<b>334.3</b>
Growth (%)	16.3	(31.9)	28.0	46.7
Other income	24.3	17.2	19.8	23.4
Depreciation	64.9	72.7	79.7	90.1
EBIT	221.0	122.6	168.0	267.5
Interest	50.8	44.2	31.8	29.8
PBT	170.2	78.4	136.2	237.7
Tax	46.3	22.0	35.3	61.6
<b>Rep. PAT</b>	<b>123.9</b>	<b>56.5</b>	<b>100.9</b>	<b>176.1</b>
Exceptional items	-	-	-	-
<b>Adj. Net Profit</b>	<b>123.9</b>	<b>56.5</b>	<b>100.9</b>	<b>176.1</b>
Growth (%)	(6.9)	(54.4)	78.7	74.5
<b>EPS (₹)</b>	<b>34.4</b>	<b>14.2</b>	<b>25.5</b>	<b>44.4</b>

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	123.9	56.5	100.9	176.1
Depreciation	64.9	72.7	79.7	90.1
Interest	50.8	44.2	31.8	29.8
Others	(30.4)	(25.2)	(19.8)	(23.4)
Cash Flow before wc changes	209.2	148.1	192.6	272.7
Net Increase in CA	(258.4)	(266.3)	50.6	(506.5)
Net Increase in CL	(158.7)	203.6	251.8	308.7
<b>Net CF from op. activities</b>	<b>(207.9)</b>	<b>85.4</b>	<b>495.0</b>	<b>74.8</b>
Net purchase of Fixed Assets	(132.3)	(57.8)	(120.1)	(120.2)
Others	73.0	(54.8)	(48.7)	(55.7)
<b>Net CF from Inv.Activities</b>	<b>(59.2)</b>	<b>(112.6)</b>	<b>(168.8)</b>	<b>(175.8)</b>
Proceeds from share capital	(9.1)	237.7	(0.0)	(0.0)
Proceeds/Repayment from Loan	310.1	(183.6)	(73.5)	-
Interest paid	(50.8)	(44.2)	(31.8)	(29.8)
Others	-	-	(19.8)	(39.6)
<b>Net CF rom Fin. Activities</b>	<b>250.2</b>	<b>9.9</b>	<b>(125.2)</b>	<b>(69.4)</b>
<b>Net Cash flow</b>	<b>(17.0)</b>	<b>(17.4)</b>	<b>201.0</b>	<b>(170.5)</b>
Opening Cash & Cash Equiv.	242.1	225.1	207.8	408.8
<b>Closing Cash &amp; cash equiv.</b>	<b>225.1</b>	<b>207.8</b>	<b>408.8</b>	<b>238.3</b>

Source: Company, ICICI Direct Research

### Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Liabilities</b>				
Equity capital	36.0	39.6	39.6	39.6
Reserves & Surplus	878.6	1,169.1	1,250.2	1,386.7
Networth	914.6	1,208.7	1,289.8	1,426.3
Loan Funds	455.1	271.5	198.0	198.0
Deferred Tax liability	(18.3)	(26.3)	(26.3)	(26.3)
Other financial liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>1,351.4</b>	<b>1,453.9</b>	<b>1,461.5</b>	<b>1,598.0</b>
<b>Assets</b>				
Net Block	321.8	307.1	347.5	377.6
Capital WIP	2.9	2.8	2.8	2.8
Non-current Investments	156.2	225.9	299.3	378.9
Othe non-current assets	8.1	10.3	5.4	4.9
Loans	-	-	-	-
Inventories	316.0	322.6	360.8	469.0
Trade Receivables	335.1	528.0	491.7	639.2
Cash & Bank Balances	225.1	207.8	408.8	238.3
Loans & Advances	3.5	0.7	6.3	8.0
Other current assets	635.4	705.1	646.9	896.1
Total current assets	1,515.1	1,764.1	1,914.5	2,250.6
Total Current liabilities	652.7	856.3	1,108.1	1,416.7
Net Current Assets	862.4	907.8	806.4	833.8
<b>Total Assets</b>	<b>1,351.4</b>	<b>1,453.9</b>	<b>1,461.5</b>	<b>1,598.0</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
Reported EPS	34.4	14.2	25.5	44.4
Cash EPS	52.4	32.6	45.6	67.2
BV per share	254.1	304.9	325.4	359.8
Revenue per share	684.0	622.6	696.5	905.4
Cash Per Share	62.5	52.4	103.1	60.1
<b>Operating Ratios (%)</b>				
EBITDA Margin	10.6	7.2	8.3	9.3
EBIT/ Net Sales	8.0	4.3	5.4	6.8
PAT Margin	5.0	2.3	3.7	4.9
Inventory days	46.8	47.7	47.7	47.7
Debtor days	49.7	78.1	65.0	65.0
Creditor days	61.6	60.8	60.8	60.8
<b>Return Ratios (%)</b>				
RoE	14.5	5.3	8.1	13.0
RoCE	19.4	8.7	11.5	17.5
RoIC	17.5	8.5	14.1	18.0
<b>Valuation Ratios (x)</b>				
P/E	19.7	47.6	26.6	15.3
EV / EBITDA	11.2	15.5	10.9	7.9
EV / Net Sales	1.2	1.1	0.9	0.7
Price to Book Value	2.7	2.2	2.1	1.9
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	1.7	1.5	0.9	0.6
Net Debt / Equity	0.3	0.1	(0.2)	(0.0)

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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