

October 20, 2025

Strong performance!

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.

Q2FY26 Performance: The standalone revenue of ₹ 694 crore, was up 20% YoY, attributable to improved project execution which driven by better workflow, and improved labour activity post monsoon season. EBITDA at ₹48.1 crore, up 23.8% YoY with margins at 6.9%, up 21 bps YoY. PAT at ₹14.9 crore, was up 33.5% YoY.

Investment Rationale

- Adani group of projects to boost overall opportunity:** PSP's order book is at ₹9,883 crore 4x book to bill, with Adani-linked projects now forming for 56% of the same. Order inflow for H1FY26 was ₹ 4010 crore was heavily dominated by order inflows by Adani group. Given the Adani Group's aggressive ₹2 lakh crore capex plan over the next 1.5-2 years, PSP's addressable opportunity remains substantial. Management also stated that Adani contracts offer highly favourable financial terms, including a 10% interest-free mobilization advance and rapid payment cycles with 75% of invoices cleared within 7 days and the remainder within 30 days. This structure supports strong liquidity, lower leverage, and reduced working capital stress, positioning the company for balance-sheet strengthening through FY26.
- Strong Growth Guidance:** Management has guided for FY26 revenue of around ₹3,200 crore, with a strong ramp-up expected from Adani Group projects, and targets ₹4,000 crore-plus in FY27. We conservatively bake in revenue CAGR of 24.3% over FY25-27E to ₹ 3813 crore.
- Margins to improve ahead:** The company has a target to stabilize its EBITDA margin in the range of 8% - 9% as revenue begins to increase. We expect margins to inch up to 8%/9% in FY26/FY27, respectively. Strong topline growth with stable margins and lower interest expense is likely to drive ~80% 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 ₹ 920, i.e. 20x 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	3,051.7	3,812.9	24.3
EBITDA	256.5	225.0	261.6	178.1	(1.4)	245.5	345.0	39.2
EBITDA Margin (%)	14.7	11.7	10.6	7.2		8.0	9.0	
Net Profit	162.4	133.0	123.9	56.5	(15.3)	102.9	182.5	79.8
EPS (₹)	45.1	36.9	34.4	14.2		26.0	46.0	
P/E (x)	17.6	21.5	23.1	55.8		30.6	17.3	
EV/EBITDA (x)	11.9	13.6	12.9	18.1		12.8	9.6	
RoCE (%)	35.5	24.8	19.4	8.7		12.6	18.0	
RoE (%)	26.6	17.9	14.5	5.3		8.2	13.4	

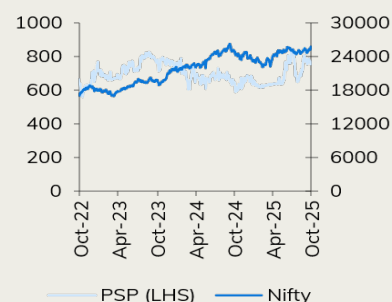
Source: Company, ICICI Direct Research

**Particulars**

Particular	Amount
Market Cap (₹ crore)	3,152
Debt (FY25) (₹ crore)	272
Cash (FY25) (₹ crore)	208
EV (₹ crore)	3,216
52 week H/L (₹)	843 / 565
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	60.1	60.1	60.1	68.8
DII	8.1	8.0	2.3	2.1
FII	7.6	7.8	3.1	2.6
Other	24.1	24.1	34.4	26.5

Price Chart**Key risks**

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

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Vishwaroop Galgali
vishwaroop.galgali@icicisecurities.com

Performance highlights and outlook

- Revenue guidance: Management has guided for FY26 revenue of around ₹3,200 crore, with a strong ramp-up expected from Adani Group projects, and targets >₹4,000 crore in FY27
- Margin performance and guidance: In Q2FY26, PSP Projects recorded an ECL (Expected Credit Loss) provision of ₹3.64 crore, booked under other expenses, compared with ₹0.75 crore in the same quarter last year. Management clarified that the increase stems from a standardized ageing-based provisioning model rather than any single project turning non-performing, though the company has fully provided for a ₹17-18 crore receivable from a Pandharpur project, bringing the total accumulated ECL provision to over ₹30 crore. Despite this elevated provisioning, management expects EBITDA margins to stabilize at 8-9%, with the CFO indicating that ~8% is achievable in H2FY26, supported by improved execution and a higher contribution from recently mobilized large-scale projects.
- Orderbook: As of Q2FY26, the company reported an outstanding order book of ₹9,883 crore, reflecting a robust 51% YoY growth, with Adani Group projects accounting for 56% of the total. During H1FY26, the company achieved new order inflows of ₹4,010 crore (ex-GST), driven largely by major Adani contracts.
- Bid pipeline: The company is actively bidding for projects worth ~₹8,300 crore, of which ₹7,000 crore are from the Adani Group and ₹1,300 crore from other clients. Backed by strong execution momentum and a healthy bidding pipeline, management expects the order book to expand to around ₹16,000 crore by March 2026, ensuring multi-year revenue visibility.
- Project-level updates:
 - Ahmedabad Airport Cluster: Execution remains strong, with reasonable work finishing at an accelerated pace.
 - DBIC Project: Progressing steadily as per planned timelines.
 - SMC and RVNL Projects: Both advancing smoothly without significant hurdles. The management anticipates strong execution and revenue inflow in H2FY26, driven by finishing mechanical, electrical, and plumbing (MEP) works, facades, and interiors.
 - GIFT City Project: Execution has improved post-monsoon and labour shortages. Now its aligned with revised schedules.
 - Railway Dam Project: Overall progress is positive. Two pending land acquisition components are targeted for finalization by November 2025.
 - DMC Project: Temporarily paused during the monsoon season but has now resumed. Leveraging available workflow for catch-up progress. Work remains on hold due to persistent land acquisition challenges.
- Receivables: As of the first half of FY26, the company reported a significant increase in debtor days, rising from 65 days in FY25 to 102 days, primarily driven by the concentration of sales bookings in late September, attributed to monsoon-related disruptions and labour shortages during July and August. Consequently, a substantial portion of these payments remained outstanding at the quarter's end. Delayed payments from government clients, including Sabarmati Riverfront, Nantura Sports Complex, and Gadita Corporation, further contributed to the rise in receivables days. Additionally, a notable receivable of ₹90 crore from the Surat Diamond Bourse (SDB) remains pending. The client is facing challenges in office sales but has committed to paying interest on the outstanding amount. However, the timeline for recovery remains uncertain. The company has prudently maintained an accumulated Expected Credit Loss (ECL) provision exceeding ₹30 crore to cover overdue receivables. This includes

a specific provision of ₹17-18 crore for the Pandharpur project, which has been fully accounted for in the ECL reserve.

- **Capex:** In Q2 FY26, PSP Projects incurred a capex of ₹41 crore, bringing the H1 FY26 total to ₹80 crore. For the full year, management has guided capex at 3-4% of revenue, with a potential increase to ~4.5% due to the procurement of high-value machinery for precast operations. The company clarified that future precast-related capex will largely focus on equipment, as the necessary infrastructure is already established, indicating a more asset-light expansion phase going forward.
- **Debt position:** The company's gross debt stood at ₹350 crore as of Q2FY26 vs. ₹382 crore in Q1FY26, with increase mainly due to Capex outflows.

Exhibit 1: Quarter Performance

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)
Total Operating Income	693.7	512.8	35.3	578.1	20.0
Consumption of raw materials	600.6	438.2	37.1	502.1	19.6
Employee benefit expenses	33.3	35.0	-5.1	30.5	9.0
Other Expenses	11.8	15.1	-21.7	6.7	76.1
EBITDA	48.1	24.5	96.6	38.8	23.8
EBITDA Margin(%)	6.9	4.8	216 bps	6.7	21 bps
Other Income	4.1	4.0	2.8	4.6	-10.1
Depreciation	19.6	16.9	16.4	17.9	9.6
Interest	12.0	11.2	7.4	10.6	13.4
PBT	20.6	0.4	4898.3	14.9	38.0
Taxes	5.7	0.2	2455.8	3.8	51.2
PAT	14.9	0.2	7763.9	11.1	33.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	2,462.5	2,468.3	3,051.7	3,812.9
Growth (%)	27.8	0.2	23.6	24.9
Raw Material Cost	766.4	806.1	984.1	1,217.0
Employee Cost	125.1	119.5	135.9	144.0
Other Expenditure	1,309.4	1,364.6	1,686.3	2,106.9
Total Operating Expenditu	2,200.9	2,290.2	2,806.2	3,467.9
EBITDA	261.6	178.1	245.5	345.0
Growth (%)	16.3	(31.9)	37.8	40.5
Other income	24.3	17.2	18.0	21.2
Depreciation	64.9	72.7	79.7	90.1
EBIT	221.0	122.6	183.7	276.1
Interest	50.8	44.2	40.8	29.8
PBT	170.2	78.4	142.9	246.3
Tax	46.3	22.0	40.0	63.8
Rep. PAT	123.9	56.5	102.9	182.5
Exceptional items	-	-	-	-
Adj. Net Profit	123.9	56.5	102.9	182.5
Growth (%)	(6.9)	(54.4)	82.3	77.3
EPS (₹)	34.4	14.2	26.0	46.0

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	123.9	56.5	102.9	182.5
Depreciation	64.9	72.7	79.7	90.1
Interest	50.8	44.2	40.8	29.8
Others	(30.4)	(25.2)	(18.0)	(21.2)
Cash Flow before wc changes	209.2	148.1	205.5	281.2
Net Increase in CA	(258.4)	(266.3)	(212.7)	(479.6)
Net Increase in CL	(158.7)	203.6	300.2	297.5
Net CF from op. activities	(207.9)	85.4	293.0	99.1
Net purchase of Fixed Assets	(132.3)	(57.8)	(120.1)	(120.2)
Others	73.0	(54.8)	(50.5)	(57.8)
Net CF from Inv.Activities	(59.2)	(112.6)	(170.6)	(178.0)
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)	(40.8)	(29.8)
Others	-	-	(19.8)	(39.6)
Net CF rom Fin. Activities	250.2	9.9	(134.2)	(69.4)
Net Cash flow	(17.0)	(17.4)	(11.8)	(148.3)
Opening Cash & Cash Equiv.	242.1	225.1	207.8	195.9
Closing Cash & cash equiv.	225.1	207.8	195.9	47.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity capital	36.0	39.6	39.6	39.6
Reserves & Surplus	878.6	1,169.1	1,252.2	1,395.0
Networth	914.6	1,208.7	1,291.8	1,434.7
Loan Funds	455.1	271.5	198.0	198.0
Deferred Tax liability	(18.3)	(26.3)	(26.3)	(26.3)
Other financial liabilities	-	-	-	-
Total Liabilities	1,351.4	1,453.9	1,463.5	1,606.3
Assets				
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	398.8	498.3
Trade Receivables	335.1	528.0	668.9	783.5
Cash & Bank Balances	225.1	207.8	195.9	47.6
Loans & Advances	3.5	0.7	6.3	8.0
Other current assets	635.4	705.1	695.0	958.8
Total current assets	1,515.1	1,764.1	1,964.9	2,296.2
Total Current liabilities	652.7	856.3	1,156.5	1,454.0
Net Current Assets	862.4	907.8	808.4	842.2
Total Assets	1,351.4	1,453.9	1,463.5	1,606.3

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	34.4	14.2	26.0	46.0
Cash EPS	52.4	32.6	46.1	68.8
BV per share	254.1	304.9	325.9	361.9
Revenue per share	684.0	622.6	769.8	961.8
Cash Per Share	62.5	52.4	49.4	12.0
Operating Ratios (%)				
EBITDA Margin	10.6	7.2	8.0	9.0
EBIT/ Net Sales	8.0	4.3	5.4	6.7
PAT Margin	5.0	2.3	3.4	4.8
Inventory days	46.8	47.7	47.7	47.7
Debtor days	49.7	78.1	80.0	75.0
Creditor days	61.6	60.8	60.8	60.8
Return Ratios (%)				
RoE	14.5	5.3	8.2	13.4
RoCE	19.4	8.7	12.6	18.0
RoIC	17.5	8.5	13.1	16.4
Valuation Ratios (x)				
P/E	23.1	55.8	30.6	17.3
EV / EBITDA	12.9	18.1	12.8	9.6
EV / Net Sales	1.4	1.3	1.0	0.9
Price to Book Value	3.1	2.6	2.4	2.2
Solvency Ratios (x)				
Debt / EBITDA	1.7	1.5	0.8	0.6
Net Debt / Equity	0.3	0.1	0.0	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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