PSP Projects (PSPPRO)

CMP: ₹ 729 | Target: ₹ 780 (7%) | Target Period: 12 months | **HOLD**

February 2, 2026

Margins remain weaker than expected!

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.

- Adani Group holds 34.4% and is part of promoter group.

Q3FY26 Performance: PSP projects reported standalone revenue of ₹771 crore, up 23.8% YoY led by strong execution. EBITDA at ₹51.9 crore, was up 46.8% YoY with margins at 6.7%, up 106bps YoY, despite affected by ~100bps due to one off due to labour code provision. PAT was reported ₹16.1 crore, up 164.6% YoY.

Investment Rationale

- **Strong orderbook provides revenue visibility:** PSP's order book as of Q2FY26 stood at ₹9178 crore, up 43% YoY with Adani projects comprising 59% of the same. The TTM book to bill ratio stands at 3.5x. The management reaffirmed topline guidance in the range of ₹3100 crore - ₹3200 crore for FY26 Going forward, the company has guided for order inflows of ₹2000 crore - ₹3000 crore in Q4 scaling up order book to ₹11,000 crore - ₹12,000 crore by end of FY26 (revised from ₹16,000 crore guided during Q2). **We bake in revenue CAGR of 20.9% over FY25-28E to ₹ 4363 crore.**
- **Management guides for margin improvement; yet likely to remain below historical levels:** The company has reiterated its EBITDA margin guidance to stabilize in the range of 8% - 9% level supported by strong execution ahead. Nonetheless, the margin ramp up has been slower. Most importantly, the margins, in our view, will remain structurally lower than historical levels. **We expect margins to inch up to 7.3%/8.1%/8.5% in FY26/FY27/FY28, respectively.** Strong topline growth with stable margins and lower interest expense is likely to drive 47.7% 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. Nonetheless, the margin upside is likely to be capped in our view. This would also limit ROEs/RoCEs expansion potential of the business.
- **We downgrade our rating for PSP Projects from BUY to HOLD and reduce target price to ₹780 i.e. valuing it at 17x on FY28 P/E (₹920 earlier, at 20x FY27)**

PSP Projects Ltd.

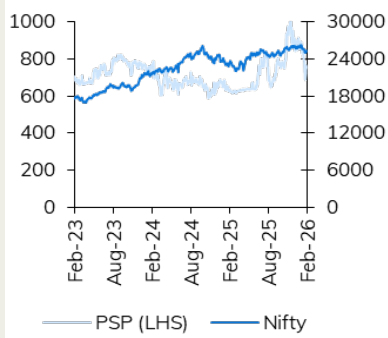
Particulars

Particular	Amount
Market Cap (₹ crore)	2,890
Debt (FY25) (₹ crore)	272
Cash (FY25) (₹ crore)	208
EV (₹ crore)	2,954
52 week H/L (₹)	1030 / 607
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	60.1	60.1	68.8	68.8
FIIs	7.8	3.1	2.6	2.5
DII	8.0	2.3	2.1	2.2
Other	24.1	34.4	26.5	26.5

Price Chart



Key risks

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

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	1,748.8	1,926.6	2,462.5	2,468.3	10.5	3,015.4	3,825.2	4,363.3	20.9
EBITDA	256.5	225.0	261.6	178.1	(1.4)	220.0	310.7	372.3	27.9
EBITDA Margin (%)	14.7	11.7	10.6	7.2		7.3	8.1	8.5	
Net Profit	162.4	133.0	123.9	56.5	(15.3)	77.8	143.3	182.0	47.7
EPS (₹)	45.1	36.9	34.4	14.2		19.6	36.2	45.9	
P/E (x)	16.2	19.7	21.2	51.2		37.2	20.2	15.9	
EV/EBITDA (x)	10.9	12.4	11.9	16.6		13.2	9.7	8.3	
RoCE (%)	35.5	24.8	19.4	8.7		10.5	15.9	17.6	
RoE (%)	26.6	17.9	14.5	5.3		6.3	10.9	12.5	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- Guidance: Management has reaffirmed its topline guidance for FY26 ₹3,100 crore - ₹3,200 crore. while for FY27 it indicated a preliminary revenue range of ₹4,000 crore -4,500 crore implying growth of over 20%.

- Margin performance and guidance: The company reported an EBITDA margin of ~6.7%, which management attributed entirely to a one-time cost of ~₹8 crore linked to the implementation of the new labour code covering gratuity and leave encashment, clarified as fully expensed in the quarter and non-recurring, implying a normalized EBITDA margin of ~7.7% in the absence of this impact, with no execution overruns or project-specific cost pressures reported and sequential gross margin softness explained by a higher mix of newly commenced projects that typically carry lower margins in early execution phases, while management reiterated its medium-term EBITDA margin guidance of 8%-9%.

- Orderbook: As of Q3FY26, the company reported an outstanding order book of ₹9,178 crore, 59% of which comprises internal group projects. With order inflows of ₹957 crore and a bid pipeline of ₹6,600 crore including L1 status for the Ambaji Corridor project valued at ₹965 crore management is guiding for the order book to scale up to ₹11,000crore – ₹12,000 crore by the end of FY26, revised from ₹16,000 crore.

- Bid pipeline: The current bid book stands at ₹6,600 crore, of which 60% i.e. ₹3,900 crore linked to group-related opportunities primarily from the Adani Group and the remaining ~40% or ₹2,600 crore comprising external market tenders, while key projects in the active pipeline include L1 status for the Ambaji Corridor development worth ₹965 crore, the Matunga Block Dharavi project under discussion with the Adani Group estimated at ~₹2,000 crore, a Thane commercial project of ~₹850 crore, the Umiya Temple private project of ~₹500 crore.

- Project-level updates:
  - SMC High-rise Building: Major core and shell works have been completed, with execution now focused on MEP and finishing activities, while facade work is expected to commence shortly.
  - RVNL Building: This project involves three buildings. The core and shell for two buildings are finished, while work on the third building is proceeding as scheduled. Finishing and MEP activities are currently underway.
  - Dharoi Dam Region Development: Phase 1 is currently in the handover phase. For Phase 2, all major construction activities are progressing according to the planned schedule.
  - Dharavi Redevelopment: Sheet piling and the final layer of excavation are ongoing. Foundation work is expected to begin by March 2026.
  - Ahmedabad Airport: Comprising two packages within and outside the airport premises, are progressing steadily with ~60%-75% of basement work completed and multiple structures already reaching ground floor level.

- Receivables Position: The company reported trade receivables of ₹635 crore, retention money of ₹163 crore, net unbilled revenue of ₹648 crore, and mobilisation advances of ~₹524 crore, while project-wise Surat Diamond Bourse receivables remained unchanged at ₹ 90 crore with payment now committed along with interest, the Bhiwandi BNCMC arbitration resulted in a favourable award dated January 11, 2026 for a principal of ₹61.4 crore with total expected inflows of ~₹ 79-80 crore including interest if paid by March 2026 and an interest escalation to 11% beyond the 60-day settlement window, management flagged no receivable or cash flow issues in ongoing Dharavi and other Adani Group projects.

- Capex: In Q3FY26, the company incurred capex of ₹80 crore, taking cumulative additions to ₹ 153 crore over M9FY26, with management reiterating full-year capex guidance of ~₹ 200 crore, translating to ~3-4% of FY26 revenue.

- Debt position: The company reported total debt of ~₹ 389 crore comprising short-term borrowings of ₹ 364 crore and long-term borrowings of ₹ 25 crore including ₹ 16 crore of short-term maturities, while liquidity remains comfortable with sanctioned credit facilities of ₹1,497 crore, of which ₹703 crore are utilised under non-fund-based limits, ₹294 crore under fund-based limits, and ~₹500 crore available as unutilised headroom.

Exhibit 1: Quarter Performance

Particulars	Q3FY26	Q3FY25	QoQ (%)	Q2FY26	YoY (%)	Comments
Total Operating Income	771.2	623.2	23.8	693.7	11.2	
Consumption of raw materials	669.9	544.8	23.0	600.6	11.5	
Employee benefit expenses	41.0	33.3	23.1	33.3	23.4	
Other Expenses	8.4	9.7	-13.4	11.8	-28.8	
EBITDA	51.9	35.4	46.8	48.1	7.9	
EBITDA Margin(%)	6.7	5.7	106 bps	6.9	-20 bps	
Other Income	4.0	3.8	6.2	4.1	-2.5	
Depreciation	23.7	18.7	26.2	19.6	20.4	
Interest	10.9	10.2	6.0	12.0	-9.5	
PBT	21.4	10.2	110.7	20.6	4.1	
Taxes	5.4	4.1	31.0	5.7	-5.7	
PAT	16.1	6.1	164.2	14.9	7.9	

Source: Company, ICICI Direct Research

Exhibit 2: Changes in Estimates

	FY26E			FY27E			FY28E	Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	New	
Revenue	3,051.7	3,015.4	-1.2	3,812.9	3,825.2	0.3	4,363.3	Realign estimates
EBITDA	245.5	220.0	-10.4	345.0	310.7	-9.9	372.3	
EBITDA Margin (%)	8.0	7.3	-75 bps	9.0	8.1	-93 bps	8.5	
PAT	102.9	77.8	-24.4	182.5	143.3	-21.5	182.0	
Diluted EPS (₹)	26.0	19.6	-24.4	46.0	36.2	-21.5	45.9	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	**2,468.3**	**3,015.4**	**3,825.2**	**4,363.3**
Growth (%)	0.2	22.2	26.9	14.1
Raw Material Cost	806.1	985.8	1,225.8	1,392.6
Employee Cost	119.5	143.4	152.0	161.1
Other Expenditure	1,364.6	1,666.2	2,136.7	2,437.2
Total Operating Expenditu	2,290.2	2,795.4	3,514.5	3,990.9
EBITDA	**178.1**	**220.0**	**310.7**	**372.3**
Growth (%)	(31.9)	23.5	41.3	19.8
Other income	17.2	16.0	18.0	20.0
Depreciation	72.7	84.2	91.8	104.7
EBIT	122.6	151.8	236.9	287.6
Interest	44.2	43.8	37.8	34.8
PBT	78.4	108.0	199.1	252.8
Tax	22.0	30.2	55.7	70.8
Rep. PAT	**56.5**	**77.8**	**143.3**	**182.0**
Exceptional items	-	-	-	-
Adj. Net Profit	**56.5**	**77.8**	**143.3**	**182.0**
Growth (%)	(54.4)	37.7	84.3	27.0
EPS (₹)	**14.2**	**19.6**	**36.2**	**45.9**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26E	FY27E	FY28E
Profit after Tax	56.5	77.8	143.3	182.0
Depreciation	72.7	84.2	91.8	104.7
Interest	44.2	43.8	37.8	34.8
Others	(25.2)	(16.0)	(18.0)	(20.0)
Cash Flow before wc changes	148.1	189.7	255.0	301.5
Net Increase in CA	(266.3)	(193.9)	(502.0)	(608.4)
Net Increase in CL	203.6	294.1	305.6	305.9
Net CF from op. activities	**85.4**	**289.9**	**58.6**	**(1.1)**
Net purchase of Fixed Assets	(57.8)	(120.1)	(120.2)	(120.2)
Others	(54.8)	(52.5)	16.9	70.3
Net CF from Inv.Activities	**(112.6)**	**(172.6)**	**(103.2)**	**(49.8)**
Proceeds from share capital	237.7	(0.0)	-	39.6
Proceeds/Repayment from Loan	(183.6)	(73.5)	-	-
Interest paid	(44.2)	(43.8)	(37.8)	(34.8)
Others	-	(19.8)	(39.6)	(39.6)
Net CF rom Fin. Activities	**9.9**	**(137.2)**	**(77.4)**	**(34.8)**
Net Cash flow	**(17.4)**	**(19.9)**	**(122.1)**	**(85.7)**
Opening Cash & Cash Equiv.	225.1	207.8	187.9	65.8
Closing Cash & cash equiv.	**207.8**	**187.9**	**65.8**	**(19.9)**

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity capital	39.6	39.6	39.6	39.6
Reserves & Surplus	1,169.1	1,227.0	1,330.7	1,512.8
Networth	1,208.7	1,266.7	1,370.4	1,552.4
Loan Funds	271.5	198.0	198.0	198.0
Deferred Tax liability	(26.3)	(26.3)	(26.3)	(26.3)
Other financial liabilities	-	-	-	-
Total Liabilities	**1,453.9**	**1,438.3**	**1,542.0**	**1,724.1**
Assets				
Net Block	307.1	343.1	371.4	386.9
Capital WIP	2.8	2.8	2.8	2.8
Non-current Investments	225.9	299.3	300.9	251.0
Othe non-current assets	10.3	5.4	4.9	4.5
Loans	-	-	-	-
Inventories	322.6	394.1	499.9	570.2
Trade Receivables	528.0	660.9	786.0	896.6
Cash & Bank Balances	207.8	187.9	65.8	(19.9)
Loans & Advances	0.7	6.3	8.0	10.2
Other current assets	705.1	688.9	958.4	1,383.8
Total current assets	1,764.1	1,938.1	2,318.1	2,840.9
Total Current liabilities	856.3	1,150.4	1,456.1	1,761.9
Net Current Assets	907.8	787.7	862.0	1,078.9
Total Assets	**1,453.9**	**1,438.3**	**1,542.0**	**1,724.1**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Reported EPS	14.2	19.6	36.2	45.9
Cash EPS	32.6	40.8	59.3	72.3
BV per share	304.9	319.5	345.7	391.6
Revenue per share	622.6	760.7	964.9	1,100.7
Cash Per Share	52.4	47.4	16.6	(5.0)
Operating Ratios (%)				
EBITDA Margin	7.2	7.3	8.1	8.5
EBIT/ Net Sales	4.3	4.5	5.7	6.1
PAT Margin	2.3	2.6	3.7	4.2
Inventory days	47.7	47.7	47.7	47.7
Debtor days	78.1	80.0	75.0	75.0
Creditor days	60.8	60.8	60.8	60.8
Return Ratios (%)				
RoE	5.3	6.3	10.9	12.5
RoCE	8.7	10.5	15.9	17.6
RoIC	8.5	10.9	14.9	15.4
Valuation Ratios (x)				
P/E	51.2	37.2	20.2	15.9
EV / EBITDA	16.6	13.2	9.7	8.3
EV / Net Sales	1.2	1.0	0.8	0.7
Price to Book Value	2.4	2.3	2.1	1.9
Solvency Ratios (x)				
Debt / EBITDA	1.5	0.9	0.6	0.5
Net Debt / Equity	0.1	0.0	0.1	0.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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