

## Margins continue to remain underwhelming...

**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.

**Q4FY26 Performance:** PSP Projects reported revenue of ₹1,012 crore, up 54.4% YoY, owing to healthy execution. Operating EBITDA was ₹64 crore with an EBITDA margin of 5.4%, up 79 bps YoY; albeit affected by an Expected Credit Loss (ECL) of ₹29 crore (~2%). PAT was reported at ₹21.2 crore, up 327.2% YoY on a benign base. For FY25, standalone revenue stood at ₹2,989.5 crore, up 21.1% YoY. EBITDA was ~₹180 crore with margins at 6%, up 80 bps YoY. PAT for the year stood at ₹52.3 crore, down 7.4% YoY.

### Investment Rationale

- Robust orderbook provides revenue visibility:** As of Q4FY26, the company reported an outstanding order book of ₹13,477 crore (4.5x book to bill), representing robust 85% YoY growth. For FY27, the management has guided for topline of ₹4,500 crore. With identified the bid pipeline of ₹6,600+ crore, it expects order inflow of ~₹6000-₹10,000 crore in FY27. **We bake in revenue CAGR of 27.6% over FY26-28E to ₹4768 crore.**
- Heavy reliance on group project poses risk to margin expansion:** We note that group projects now make up 67% of the order book, wherein management has signalled that these carry lower margins than external work. Consequently, the company has guided for a 7-8% EBITDA margin by FY27. **The We expect margins to inch up to 7.1%/7.8% in FY27/FY28, respectively. Strong topline growth with stable margins and lower interest expense is likely to drive 45.2% earnings CAGR over FY27-28E. Nonetheless, we highlight that current order book composition will limit margins mix for the company.**

### 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 value PSP Projects at ₹ 790, i.e. 17x on FY28 P/E and maintain HOLD rating.**

### Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	2,462.5	2,468.3	2,989.5	19.2	4,020.0	4,767.8	27.6
EBITDA	261.6	178.1	179.5	5.9	286.6	374.0	26.9
EBITDA Margin (%)	10.6	7.2	6.0		7.1	7.8	
Net Profit	123.9	56.5	52.3	(8.9)	119.1	185.3	45.2
EPS (₹)	34.4	14.2	13.2		30.0	46.7	
P/E (x)	23.7	57.2	61.8		27.1	17.4	
EV/EBITDA (x)	13.2	18.5	17.5		11.0	9.0	
RoCE (%)	19.4	8.7	7.6		14.0	18.5	
RoE (%)	14.5	5.3	4.2		9.2	13.1	

Source: Company, ICICI Direct Research



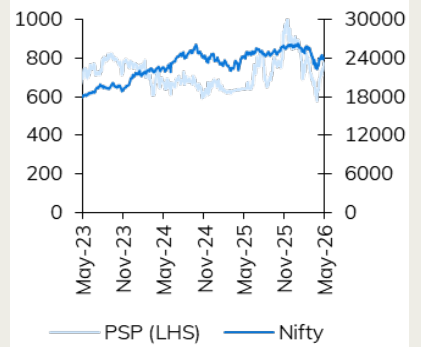
### Particulars

Particular	Amount
Market Cap (₹ crore)	3,232
Debt (FY26) (₹ crore)	330
Cash (FY26) (₹ crore)	416
EV (₹ crore)	3,146
52 week H/L (₹)	1031 / 569
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	60.1	68.8	68.8	68.8
FII's	3.1	2.6	2.5	1.9
DII	2.3	2.1	2.2	2.2
Other	34.4	26.5	26.5	27.1

### Price Chart



### Key risks

- Lower than expected margins
- Superior execution than expected

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## Performance highlights and outlook

- **Guidance:** For FY27, the management has **guided for topline of ₹4,500 crore.**
- **Margin performance and guidance:** The management has **guided for EBITDA margin of 7-8% for FY27.** It is worth noting that Q4FY26 margins were suppressed by one-off ECL (expected credit loss) provision of ₹29 crore related to Kashi project, adjusting for these margins would have been closer to ~8%, suggesting the underlying business is already operating near the guided range.
- **Orderbook:** As of Q4FY26, the company reported an outstanding order book of ₹13,477 crore (4.5x book to bill), representing robust 85% YoY growth. Out of current outstanding orderbook 67% comprises of internal group projects. The company witnessed record order inflows of ~₹10,925 crore (85% order from Adani) in FY26. **It has identified the bid pipeline of +₹6,600 crore, which comprises ~60% from group companies and balance from external projects. For FY27, it expects order inflow of ~₹6000-10,000 crore.**
- **Project-level updates:**
  - SMC High-rise Building: RCC work completed. Finishing activities currently underway across all buildings.
  - RVNL Township Project: Core and shell completed. Finishing and MEP work in progress across phases.
  - Ahmedabad Airport Project: Foundation work has been completed.
  - Ahmedabad City side development Projects: Work is underway on four buildings: two at ground level, one at the first-floor stage, and one in the basement phase.
- **Working Capital Position:** Trade receivables jumped to ₹928 crore in FY26 from ₹525 crore in FY25, pushing receivable days to an elevated 90-100 days; however, management attributes this primarily to the timing of revenue recognition, as a significant portion of Q4 revenue was billed in the month of February and March and remains uncollected. **Consequently, management expects receivable days to normalize to 60-70 days moving forward, supported by the Adani Group's favourable payment terms. It noted that unbilled revenue stood at ~₹440 crore, retention money at ₹240 crore, and mobilization advances at ₹814 crore (interest-free).**
- **Capex:** In FY26, the company incurred ₹192 crore in capex, with ₹40 crore concentrated in Q4, and has reiterated its FY27 guidance of ~₹180 crore, representing 3-4% of the yearly topline. Having completed significant heavy infrastructure investments, particularly for its 3 million square ft per year precast manufacturing facility, the company notes that its existing shade infrastructure is adequate. Consequently, any future capacity expansion will shift away from greenfield projects toward incremental equipment additions requiring only ₹15-20 crore.
- **Debt position:** As of FY26, the company carries **long-term borrowings of ₹43 crore (including short-term maturities of ₹20 crore) and short-term borrowings of ₹274 crore, taking gross debt to ~₹317 crore.** The management noted that it has a total sanctioned credit facility of ₹1,497 crore, of which fund-based utilization stands at ₹774 crore and non-fund-based at ₹134 crore, leaving ₹589 crore of unutilized limits as a liquidity buffer. It anticipates recovery of receivables from the UP Medical College and Kashi projects to make the company virtually debt-free by FY27, effectively eliminating a ₹45 crore annual interest burden and significantly boosting PAT margins at its current revenue scale.

**Exhibit 1: Quarter Performance**

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Total Operating Income	1011.8	655.1	54.4	771.2	31.2	
Consumption of raw materials	874.3	584.4	49.6	669.9	30.5	
Employee benefit expenses	36.4	23.1	58.0	41.0	-11.2	
Other Expenses	46.0	17.2	167.9	8.4	447.9	
EBITDA	55.0	30.4	80.8	51.9	6.0	
EBITDA Margin(%)	5.4	4.6	79 bps	6.7	-19.2	
Other Income	9.0	5.1	77.0	4.0	125.3	
Depreciation	26.4	19.2	37.0	23.7	11.5	
Interest	11.2	10.2	9.5	10.9	3.2	
PBT	26.5	6.1	336.9	21.4	23.7	
Taxes	5.3	1.1	379.7	5.4	-0.3	
PAT	21.2	5.0	327.2	16.1	31.8	

Source: Company, ICICI Direct Research

**Exhibit 2: Changes in Estimates**

(₹ Crore)	FY27E			FY28E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,825.2	4,020.0	5.1	4,363.3	4,767.8	9.3	Realign estimates
EBITDA	310.7	286.6	-7.8	372.3	374.0	0.5	
EBITDA Margin (%)	8.1	7.1	-99 bps	8.5	7.8	-69 bps	
PAT	143.3	119.1	-16.9	182.0	185.3	1.8	
Diluted EPS (₹)	36.2	30.0	-16.9	45.9	46.7	1.8	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Net Sales</b>	<b>2,468.3</b>	<b>2,989.5</b>	<b>4,020.0</b>	<b>4,767.8</b>
Growth (%)	0.2	21.1	34.5	18.6
Raw Material Cost	806.1	1,081.7	1,286.2	1,518.0
Employee Cost	119.5	145.8	173.6	184.0
Other Expenditure	1,364.6	1,582.5	2,273.6	2,691.8
Total Operating Expenditu	2,290.2	2,810.0	3,733.4	4,393.8
<b>EBITDA</b>	<b>178.1</b>	<b>179.5</b>	<b>286.6</b>	<b>374.0</b>
Growth (%)	(31.9)	0.8	59.7	30.5
Other income	17.2	21.2	24.0	28.0
Depreciation	72.7	86.5	94.4	97.8
EBIT	122.6	114.1	216.2	304.2
Interest	44.2	45.2	50.8	46.8
PBT	78.4	68.9	165.4	257.4
Tax	22.0	16.6	46.3	72.1
<b>Rep. PAT</b>	<b>56.5</b>	<b>52.3</b>	<b>119.1</b>	<b>185.3</b>
Exceptional items	-	-	-	-
<b>Adj. Net Profit</b>	<b>56.5</b>	<b>52.3</b>	<b>119.1</b>	<b>185.3</b>
Growth (%)	(54.4)	(7.4)	127.7	55.6
<b>EPS (₹)</b>	<b>14.2</b>	<b>13.2</b>	<b>30.0</b>	<b>46.7</b>

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	56.5	52.3	119.1	185.3
Depreciation	72.7	86.5	94.4	97.8
Interest	44.2	45.2	50.8	46.8
Others	(25.2)	(40.0)	(24.0)	(28.0)
Cash Flow before wc changes	148.1	144.0	240.3	301.9
Net Increase in CA	(266.3)	(315.5)	(417.2)	(756.1)
Net Increase in CL	203.6	537.9	269.8	396.0
<b>Net CF from op. activities</b>	<b>85.4</b>	<b>366.4</b>	<b>92.9</b>	<b>(58.1)</b>
Net purchase of Fixed Assets	(57.8)	(190.8)	(47.5)	(120.2)
Others	(54.7)	29.9	40.0	28.3
<b>Net CF from Inv. Activities</b>	<b>(112.6)</b>	<b>(160.9)</b>	<b>(7.5)</b>	<b>(91.8)</b>
Proceeds from share capital	237.7	19.3	(19.3)	39.6
Proceeds/Repayment from Loan	(183.6)	45.7	(29.2)	(20.0)
Interest paid	(44.2)	(45.2)	(50.8)	(46.8)
Others	-	(19.8)	(39.6)	(39.6)
<b>Net CF rom Fin. Activities</b>	<b>9.9</b>	<b>(0.0)</b>	<b>(139.0)</b>	<b>(66.8)</b>
<b>Net Cash flow</b>	<b>(17.3)</b>	<b>205.5</b>	<b>(53.6)</b>	<b>(216.8)</b>
Opening Cash & Cash Equiv.	225.1	207.8	413.3	359.7
<b>Closing Cash &amp; cash equiv.</b>	<b>207.8</b>	<b>413.3</b>	<b>359.7</b>	<b>142.9</b>

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Liabilities</b>				
Equity capital	39.6	39.6	39.6	39.6
Reserves & Surplus	1,169.1	1,220.9	1,281.0	1,466.3
Networth	1,208.7	1,260.5	1,320.6	1,505.9
Loan Funds	271.5	317.2	288.0	268.0
Deferred Tax liability	(26.3)	(45.2)	(45.2)	(45.2)
Other financial liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>1,453.9</b>	<b>1,532.5</b>	<b>1,563.4</b>	<b>1,728.7</b>
<b>Assets</b>				
Net Block	307.1	413.2	366.4	388.7
Capital WIP	2.8	0.9	0.9	0.9
Non-current Investments	225.9	210.0	206.5	206.6
Othe non-current assets	10.3	17.5	4.9	4.5
Loans	-	-	-	-
Inventories	322.6	343.7	462.3	548.2
Trade Receivables	528.0	840.3	826.0	979.7
Cash & Bank Balances	207.8	413.3	359.7	142.9
Loans & Advances	0.7	0.4	8.0	10.2
Other current assets	705.1	687.3	992.7	1,507.0
Total current assets	1,764.1	2,285.1	2,648.7	3,188.1
Total Current liabilities	856.3	1,394.2	1,664.0	2,060.0
Net Current Assets	907.8	891.0	984.7	1,128.1
<b>Total Assets</b>	<b>1,453.9</b>	<b>1,532.6</b>	<b>1,563.4</b>	<b>1,728.7</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Per share data (₹)</b>				
Reported EPS	14.2	13.2	30.0	46.7
Cash EPS	32.6	35.0	53.9	71.4
BV per share	304.9	318.0	333.1	379.9
Revenue per share	622.6	754.1	1,014.1	1,202.7
Cash Per Share	52.4	104.3	90.7	36.1
<b>Operating Ratios (%)</b>				
EBITDA Margin	7.2	6.0	7.1	7.8
EBIT/ Net Sales	4.3	3.1	4.8	5.8
PAT Margin	2.3	1.7	3.0	3.9
Inventory days	47.7	42.0	42.0	42.0
Debtor days	78.1	102.6	75.0	75.0
Creditor days	60.8	48.9	48.9	48.9
<b>Return Ratios (%)</b>				
RoE	5.3	4.2	9.2	13.1
RoCE	8.7	7.6	14.0	18.5
RoIC	8.5	8.9	16.0	17.4
<b>Valuation Ratios (x)</b>				
P/E	57.2	61.8	27.1	17.4
EV / EBITDA	18.5	17.5	11.0	9.0
EV / Net Sales	1.3	1.0	0.8	0.7
Price to Book Value	2.7	2.6	2.4	2.1
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	1.5	1.8	1.0	0.7
Net Debt / Equity	0.1	(0.1)	(0.1)	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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