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Initiating Coverage
10th Jun 2025

PSP Projects Ltd

Strategic Partnership with Adani would unlock the potential.

CMP: INR 656

Rating: BUY

Target Price: INR 935

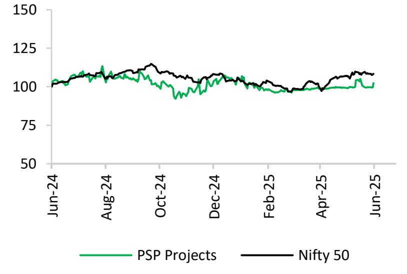
Stock Info	
BSE	540544
NSE	PSPPROJECT
Bloomberg	PSPPL:IN
Reuters	PSPP.BO
Sector	Infra & Construction
Face Value (INR)	10
Equity Capital (INR mn)	396
Mkt Cap (INR mn)	26,005
52w H/L (INR)	746/565
Avg Yearly Volume (in 000')	142.2

Shareholding Pattern %
(As on Mar, 2025)

Promoters	60.14
DII	7.99
FII	7.82
Public & Others	24.05

Stock Performance (%)	3m	6m	12m
PSP Projects	5.0	0.4	2.5
NIFTY	12.1	0.2	8.5

PSP Projects vs NIFTY



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PSP Projects Ltd is a well-established construction and infrastructure company with a strong presence in industrial, institutional, government, and private sector projects. The company has diversified presence in six states which are Gujarat, Rajasthan, Karnataka, UP, Maharashtra and New Delhi. The company has completed 233 projects and 58 project are on-going. The company also provide services across various project stages, including engineering & design, procurement, construction, MEP services, operations & maintenance, development & innovations.

Investment rationale

Strong order book shows business visibility: The order book stood at INR 72.66bn shows business visibility over the next 2-3 years. The order inflows are expected to be INR 40-50bn from Adani and existing projects. The company has a diversified client base, which includes government agencies, PSUs, and private players, reduces dependency on any single segment, and ensures a stable inflow of projects. The company has successfully transitioned from small-ticket projects to handling high-value contracts, such as the Surat Diamond Bourse (INR 19.6bn), the world's largest office building on a single basement. This shift enhances its ability to compete with larger peers and bid for even bigger infrastructure projects in the future.

Diversified project portfolio mitigates sector risk: The company has strategically diversified its business across multiple segments to reduce dependency on any single sector. Around 55% of its order book comprises government projects, including prestigious infrastructure and institutional developments such as the Kashi Vishwanath Dham Corridor and Sabarmati Riverfront Development, which ensure steady cash flows. The remaining 45% consists of high-margin private industrial and institutional projects from prominent clients like the Adani Group, Torrent Pharma, and Zydus Cadila, contributing significantly to profitability. Additionally, the company has demonstrated its expertise in premium real estate by executing landmark residential and commercial projects, such as Palladium Mall in Ahmedabad and Brigade International Financial Centre at GIFT City. This hybrid approach combining public and private projects making resilient to economy cycles.

Strategic Partnership with Adani Infra for Long-Term Growth: Adani Infra acquired a 30.07% stake in PSP Projects, demonstrating strong confidence in the company's execution capabilities and future growth potential. This strategic investment unlocks significant opportunities, including access to larger infrastructure projects aligned with Adani's ambitious $100+bn expansion plans across sectors such as energy, logistics, and urban development. The partnership enhances the company credibility when bidding for mega contracts, and globally recognized conglomerate like Adani strengthens its competitive positioning. Dharavi project's saleable gross development value (GDV) upon completion is expected to be around INR 500bn. The company is executing 5,200 homes (interim residences) and related infra for displaced families. The successful completion of the project will provide further opportunities in Dharavi.

Precast facility would improve efficiency and margins: The precast manufacturing facility in Gujarat, commissioned in Dec-21, enhances its capabilities by reducing labor-intensive methods and improving project turnaround times. The facility supports captive consumption and caters to external demand, including orders from L&T for the National High-Speed Rail project. This technology-driven approach not only ensures consistent quality but also boosts operating efficiency and margins.

Outlook & Valuation: **PSP projects order book stood at INR 72.66bn (~2.9x of FY25 revenue) and expected order inflows of INR 40-50bn in FY26E, showing business visibility. The margins are expected to be 8%-9% in FY26E due to ongoing contingent on project execution, however, the company follows an asset-light model and in-house execution capabilities led to EBITDA margins of 10% going forward. The company is expected to benefit from Adani's ambitious $100+bn expansion plans due to a strategic partnership with Adani Infra. The precast facility would reduce labor dependency, improve efficiency, and margins. Dharavi's saleable GDV is expected to be around INR 500bn. The company is initially executing 5,200 interim residential homes for displaced families, and the successful completion of the project would provide additional opportunities in the Dharavi project. The company has been a key beneficiary of India's infrastructure push, securing contracts in smart cities, industrial corridors, affordable housing, and urban development projects. At the CMP of INR 656 per share, we initiate a "BUY" rating at a TP of INR 935 per share; valued at an EV/EBITDA of 9x and its FY28E EBITDA of INR 4,373mn; an upside of 42.6%.**

Table of Contents

Investment Rationale

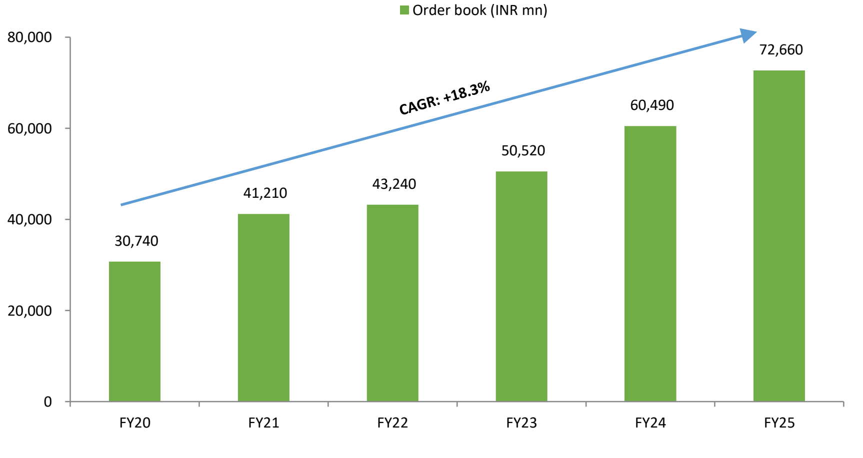
Strong order book shows business visibility: The order book stood at INR 72.66bn shows business visibility over the next 2-3 years. The current order book consists 25% of Adani orders. The order book composition shows healthy sectoral diversification across Government (43%), institutional buildings (43%), Industrials (6%) and residential (8%). Geographically, while Gujarat remains the core market contributing 90% of orders, the company has successfully expanded into Maharashtra, Uttar Pradesh, and other states, reducing regional concentration risk.

The order inflows are expected to be INR 40-50bn in FY26E. Around 70-90% orders are expected from Adani group in FY26E. The company has a diversified client base, which includes government agencies, PSUs, and private players, reduces dependency on any single segment, and ensures a stable inflow of projects. The company has successfully transitioned from small-ticket projects to handling high-value contracts, such as the Surat Diamond Bourse (INR 19.6bn), the world's largest office building on a single basement. This shift enhances its ability to compete with larger peers and bid for even bigger infrastructure projects in the future.

The company has demonstrated consistent order inflow momentum, averaging INR 15-20bn annually in recent years, with particular strength in high-value institutional and industrial projects. The order inflow pattern reflects strategic client diversification, with repeat business from marquee clients like Adani Group, Torrent Pharma, and various government entities contributing significantly to the pipeline. The recent strategic partnership with Adani Infra has further enhanced the company ability to secure larger infrastructure projects, with several bids currently in advanced stages of negotiation.

The business visibility is strengthened by the nature of project portfolio, which includes multi-year contracts with defined milestone payments. Around 70% of the current order book comprises projects with secured financing and clear execution timelines, minimizing cancellation risks. The company's strong track record in timely project delivery (average 95% on-time completion rate) enhances its position for both order renewals and new contract awards.

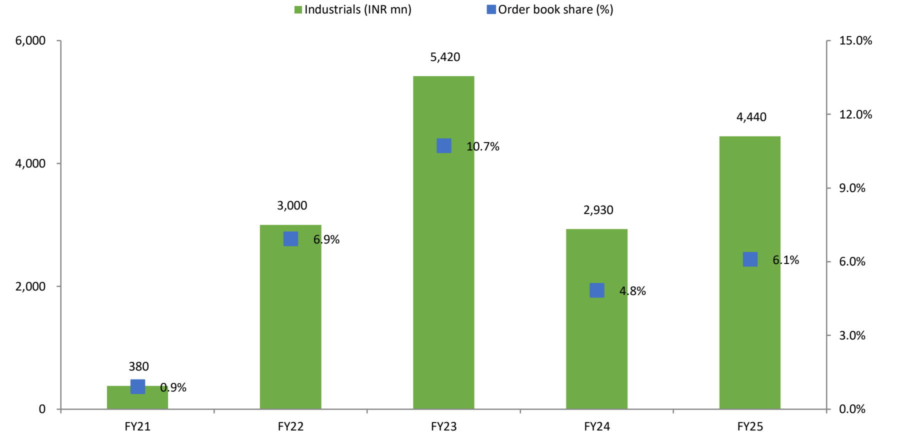
Exhibit 1: PSP Projects order book has grew at a CAGR of 18.3% over the period of FY20-25.



Source: Company reports, Arihant Capital Research

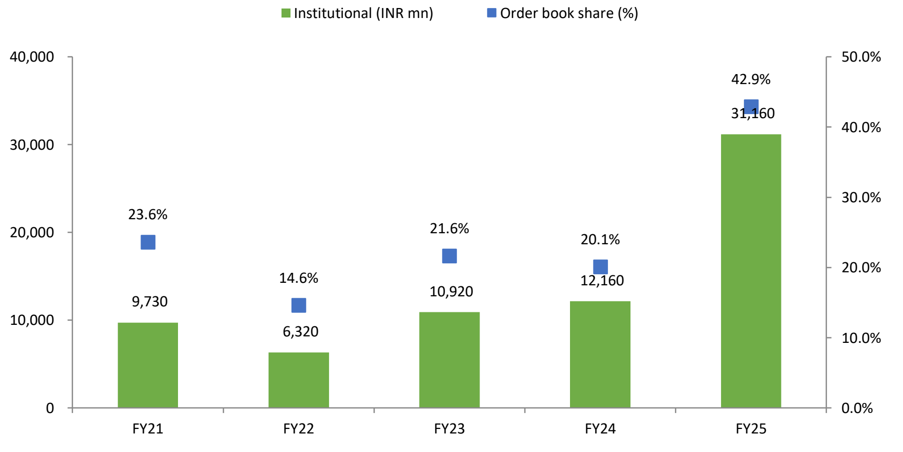
Investment Rationale

Exhibit 2: Industrial order book maintained 10% or less of overall order book.



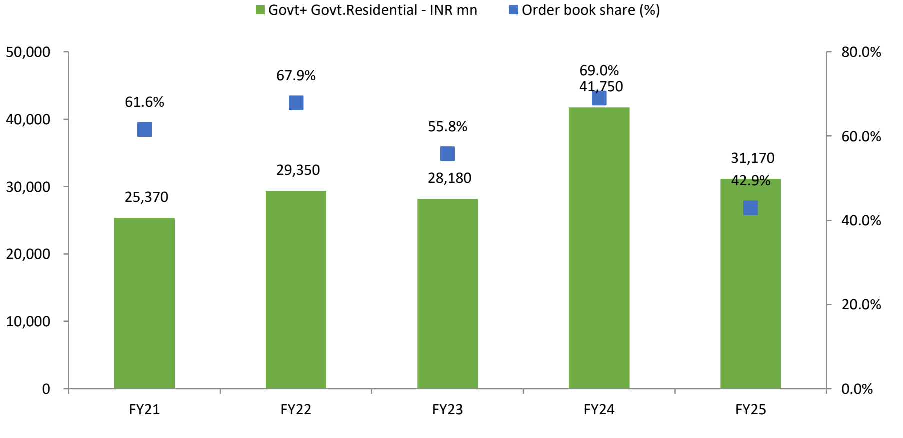
Source: Company reports, Arihant Capital Research

Exhibit 3: Institutional order book substantially increased to above 40% in FY25.



Source: Company reports, Arihant Capital Research

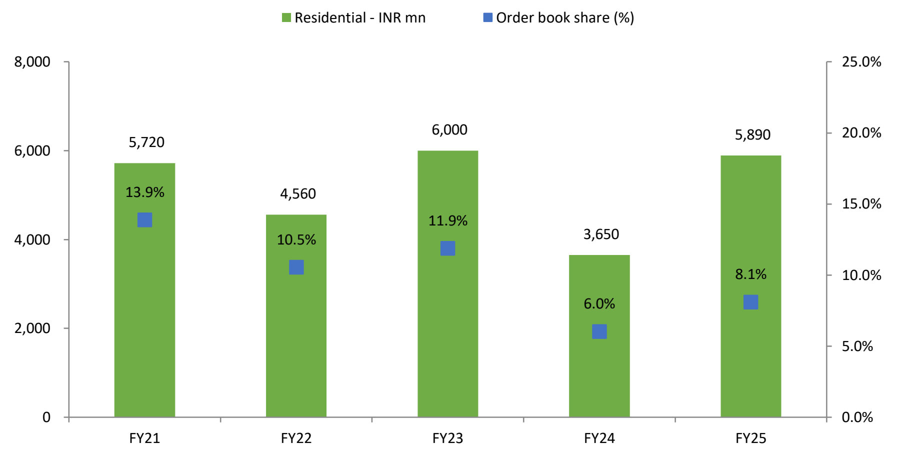
Exhibit 4: Government order book share above 40% in FY25. There is no govt residential orders in FY25.



Source: Company reports, Arihant Capital Research

Investment Rationale

Exhibit 5: Residential order book maintained less than 15% of the overall order book.



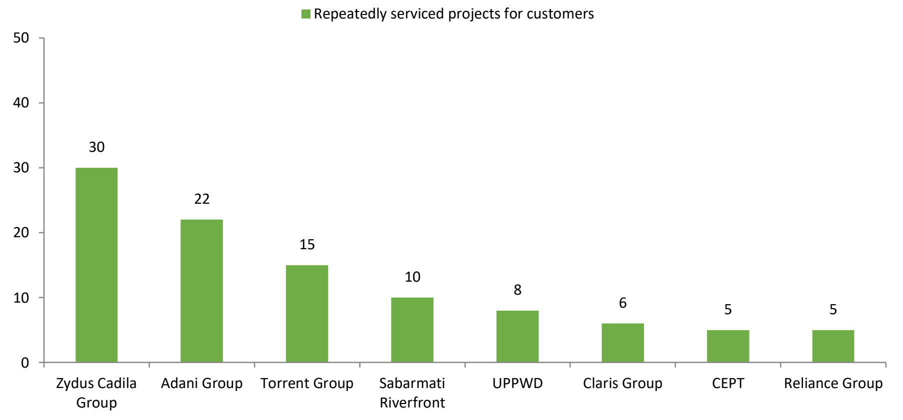
Source: Company reports, Arihant Capital Research

Diversified project portfolio mitigates sector risk: The company has strategically diversified its business across multiple segments to reduce dependency on any single sector. Around 43% of its order book comprises government projects, provides stability through long-term contracts with predictable cash flows, typically involving infrastructure development, public utilities, and urban rejuvenation schemes. These include prestigious projects like the Kashi Vishwanath Dham Corridor and Sabarmati Riverfront Development, which are less susceptible to economic downturns due to their essential nature and government backing.

The remaining 57% private sector portfolio delivers higher-margin opportunities through industrial facilities, pharmaceutical plants, and premium commercial developments for corporate clients like Adani Group and Torrent Pharma. This segment benefits from India's growing private investment in infrastructure and manufacturing, particularly in sectors benefiting from production-linked incentive (PLI) schemes. The company's recent expansion into data center construction further diversifies its exposure to high-growth digital infrastructure demand. The company has demonstrated its expertise in premium real estate by executing landmark residential and commercial projects, such as Palladium Mall in Ahmedabad and Brigade International Financial Centre at GIFT City. This hybrid approach combining public and private projects making resilient to economy cycles.

Investment Rationale

Exhibit 6: The company has various customers in diversified sectors.



Source: Company reports, Arihant Capital Research

Geographically, maintaining strong roots in Gujarat (~90% of business), The company has systematically expanded into new markets including Uttar Pradesh, Maharashtra, and Karnataka. This regional spread protects against localized economic shocks or policy changes in any single state. The company's project portfolio spans multiple sub-segments within construction from transportation infrastructure and water management systems to healthcare facilities and institutional campuses ensuring that slowdowns in any particular vertical don't disproportionately impact overall performance.

The portfolio's inherent balance also strengthens the company bidding strategy, allowing selective participation in projects that offer optimal risk-reward profiles across different segments. As India's infrastructure development accelerates across multiple fronts, this diversified positioning enables the company to capitalize on emerging opportunities while maintaining a resilient business foundation.

Exhibit 7: Major Projects are in Gujarat and One major project in Karnataka. The company is focused to divesifing going forward.

Project	Location	Client	Contract Value (INR mn)	Outstanding Value (INR mn)
SMC Highrise building	Gujarat	Municipal Corporation	13,530	9,600
Gati Shakti Vishwavidyalaya	Gujarat	Rail Vikas Nigam Ltd	6,310	4,680
Medicity & Research Centre	Gujarat	Private Company	4,120	4,120
Development of Dharoi Dam Region	Gujarat	Government	6,780	4,060
Commercial Building & Hotel at Bengaluru	Karnataka	Private Company	3,880	3,790
Sabarmati River Front Development Phase II	Gujarat	Government	3,990	3,170
Fintech Building at GIFT City	Gujarat	Government	3,360	2,920
Residential Project in GIFT City	Gujarat	Private Company	2,700	2,640
Construction of Project "Himalaya" at Sanand	Gujarat	MNC	4,930	2,630
Human and Biological Science Gallery at Science	Gujarat	Government	2,680	2,410
Palladium Mall Surat	Gujarat	Private Company	2,300	2,010
Residential Building at Vaishnodevi Circle, Ahmedabad	Gujarat	Private Company	1,650	1,550
Guest House at Shantigram	Gujarat	Private Company	1,470	1,470
Residential Project at Shantigram	Gujarat	Private Company	1,400	1,400
National High-Speed Project (Precast)	Gujarat	L&T	2,740	1,370
Street Development works at Gandhinagar	Gujarat	Government	1,560	1,290

Source: Company reports, Arihant Capital Research

Investment Rationale

Strategic Partnership with Adani Infra for Long-Term Growth: Adani Infra acquired a 30.07% stake in PSP Projects, demonstrating strong confidence in the company’s execution capabilities and future growth potential. The partnership enhances the company credibility when bidding for mega contracts, and globally recognized conglomerate like Adani strengthens its competitive positioning.

The partnership allows to access to Adani's infrastructure pipeline, which spans ports, airports, renewable energy, data centers, and urban development under its $100+bn expansion vision. The company’s role as a preferred EPC partner allows it to participate in large-scale, complex projects that were previously beyond its standalone bidding capacity. The association instantly elevates the company credibility in the infrastructure segment, enabling it to compete for mega-projects that require strong technical and financial backing.

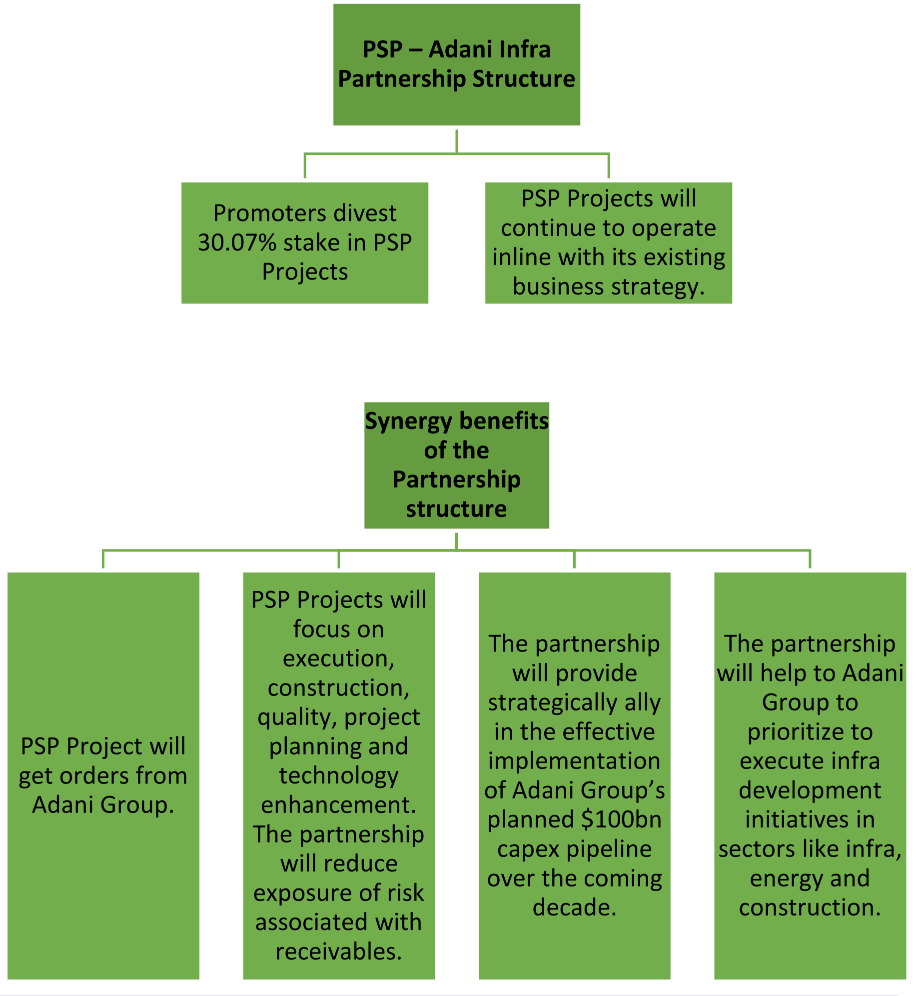
The partnership unlocks significant operational advantages through technology sharing, best practices in project management, and supply chain synergies. Adani's expertise in executing gigaprojects complements the company strengths in precision execution and cost efficiency, creating a formidable combination for high-value contracts. Additionally, The company benefits from Adani's established relationships with global technology providers and financiers, which can lead to better procurement terms and innovative construction methodologies.

The partnership provides enhanced stability through assured order flow from Adani's capital expenditure plans, reducing the volatility often associated with independent bidding. The long-term nature of infrastructure projects ensures sustained revenue visibility, while the scale of operations allows the company to optimize its fixed costs and improve margins over time. Importantly, the partnership structure maintains the company operational independence, allowing its management to retain control over project execution while leveraging Adani's strategic guidance for complex assignments.

The Adani's projects spanning multiple geographies, the company can systematically reduce its historical reliance on Gujarat while building execution experience across diverse terrains and project types. This geographic and sectoral diversification further de-risks the company business model while creating new avenues for scaling up.

Investment Rationale

Exhibit 8: PSP Projects and Adani Infra Strategic partnership synergies



Source: Company reports, Arihant Capital Research

Precast facility would improve efficiency and margins: The precast manufacturing facility (30 lakh sq.ft capacity) in Gujarat, commissioned in Dec-21, enhances its capabilities by reducing labor-intensive methods and improving project turnaround times. The facility supports captive consumption and caters to external demand, including orders from L&T for the National High-Speed Rail project. This technology-driven approach not only ensures consistent quality but also boosts operating efficiency and margins.

The precast facility is producing standardized structural components including walls, columns, beams, slabs, and staircases in a controlled factory environment. These elements are then transported to construction sites for assembly, transforming the building process into a more streamlined operation. The factory incorporates automated batching plants, computer-controlled reinforcement cutting and bending machines, and precisely calibrated curing chambers that ensure consistent product quality unaffected by weather conditions or on-site variables.

Investment Rationale

Exhibit 9: Precast facility helps for 30%-50% faster completion and 3-4x labour productivity compared to traditional methods.

Source: Company reports, Arihant Capital Research

The facility's production process begins with meticulous design optimization using Building Information Modeling (BIM) software, which allows for precise component engineering before manufacturing begins. The factory's production lines can create complex architectural elements with tolerances as tight as 2-3 mm, far exceeding conventional concrete work. The specialized vibration tables and high-quality formwork systems ensure optimal concrete compaction and surface finishes, while steam curing chambers accelerate strength development, allowing reuse of molds within 24 hours.

Precast construction typically achieves 30-50% faster completion compared to traditional methods, as site preparation and component manufacturing occur simultaneously. This time compression directly translates into earlier revenue recognition and reduced financing costs for projects.

Economically, the precast operation delivers substantial cost efficiencies through multiple channels. Labor productivity increases by 3-4 times compared to conventional construction, with skilled workers concentrated in the factory environment rather than dispersed across multiple sites. Material waste is reduced to less than 2% through precise batching and reuse of excess concrete, compared to 5-7% typical in cast-in-site projects. The facility's design allows for just-in-time production, minimizing inventory costs while ensuring continuous workflow optimization.

The precast capability serves as a powerful differentiator when bidding for large-scale institutional, industrial, and infrastructure projects. It enables the company to offer clients compressed schedules without compromising quality for a critical advantage in time-sensitive projects like hospitals, pharmaceutical plants, and transportation hubs. The technology is particularly valuable for repetitive structures such as mass housing, warehouses, and industrial parks, where the same components can be efficiently replicated.

Investment Rationale

Precast manufacturing reduces on-site noise, dust, and water pollution by shifting most activities to the controlled factory environment. The precision engineering results in structures with better thermal performance and longer service life, while the reduced construction timeline decreases the overall carbon footprint of projects.

The company is progressively integrating digital technologies like RFID tagging for component tracking and automated inventory management to further enhance efficiency. This strategic investment not only strengthens company current project execution capabilities, but positions the company at the forefront of India's transition to industrialized construction methods, creating a sustainable competitive advantage in an evolving market.

Asset light model leading to higher operational efficiency: The company has strategically adopted an asset-light business model complemented by disciplined capital management, creating a financially resilient framework that distinguishes it from traditional capital-intensive construction firms. This approach centers on maximizing operational efficiency and return on capital while minimizing fixed asset ownership and debt exposure, resulting in strong cash flow generation and sustainable growth.

The asset-light model leads to selective ownership of only mission-critical assets while leveraging strategic partnerships for non-core requirements. Rather than maintaining a large fleet of heavy construction equipment, the company employs a just-in-time rental model for machinery and tools, converting substantial capital expenditures into flexible operating expenses. This approach preserves liquidity while maintaining the agility to scale operations up or down based on project requirements. The company's major capital investment in its precast concrete facility represents a strategic and vertically integrated capability that drives competitive advantage while demonstrating high asset turnover.

The company maintains tight control over the cash conversion cycle by negotiating favorable payment terms with clients, particularly in government contracts where milestone-based payments are structured to align with project progress. The company's strong bargaining power with suppliers, developed through consistent project volumes, enables extended credit periods for raw material procurement. This disciplined approach to receivables and payables has resulted in negative working capital cycles in several projects, where the company effectively uses client advances and supplier credit to fund operations rather than relying on external financing.

The company maintains a debt-to-equity ratio consistently below 0.5x, significantly lower than the 1.5-2x typical for mid-sized construction firms. The limited debt exposure is led to strong operating cash flows, which have consistently covered capital expenditures and dividend payouts, reducing dependence on external financing.

The company prioritizes contracts with clear payment mechanisms, avoiding overly leveraged projects or those with extended concession periods. This focus on cash flow leads to maintain days sales outstanding (DSO) below 75 days. The company is targeting ROCE above 18-20% going forward.

Investment Rationale

Potential opportunity in Dharavi Project: The Dharavi Redevelopment Project is a transformative urban renewal initiative aimed at redeveloping Asia's largest slum, located in central Mumbai, into a modern, integrated township. Its spanning over 240 hectares, Dharavi is home to nearly 58,000 families and over 12,000 informal commercial establishments. In 2022, the Maharashtra government revived the initiative with revised terms to attract private investment and accelerate execution.

Adani Realty, a subsidiary of the Adani Group, secured the redevelopment rights through a competitive bidding process, committing INR 50.69bn, the highest bid in the global tender. The total project is covering construction, rehabilitation, infrastructure development, and ancillary work. Adani's responsibilities include clearing encroachments, resettling eligible slum dwellers into formal housing, and developing commercial spaces alongside public infrastructure such as roads, sewage systems, parks, schools, and healthcare facilities.

The redevelopment plan involves constructing over 24mn sq.ft of space, with 10mn sq.ft allocated for rehabilitating current residents and the remaining 14mn sq.ft designated as saleable residential and commercial units. This strategy allows Adani to recover costs and generate profits while providing free housing to displaced families. The project's saleable gross development value (GDV) upon completion is expected to be around INR 500bn.

Exhibit 10: Dharavi Project details

Dharavi Project Area	108.99 hectares
Build-up Area (sq.ft in mn)	24
Allocation to rehabilitation (Sq.ft %)	41.7%
Allocation to rehabilitation (Sq.ft in mn)	10
Saleable to market (sq.ft %)	58.3%
Saleable to market (sq.ft in mn)	14
Realization (INR/sq.ft)	35,000
GDV (INR bn)	840
Allocation to rehabilation GDV (INR bn)	350
Saleable to market GDV (INR bn)	490

Source: Arihant Capital Research

Exhibit 11: Dharavi's total estimated GDV (INR bn)

		Realization (INR/Sq.ft)										
	840	**15,000**	**20,000**	**25,000**	**30,000**	**35,000**	**40,000**	**45,000**	**50,000**	**55,000**	**60,000**	**65,000**
Construction Area (Sq.ft in mn)	**20**	300	400	500	600	700	800	900	1,000	1,100	1,200	1,300
	21	315	420	525	630	735	840	945	1,050	1,155	1,260	1,365
	22	330	440	550	660	770	880	990	1,100	1,210	1,320	1,430
	23	345	460	575	690	805	920	1,035	1,150	1,265	1,380	1,495
	24	360	480	600	720	840	960	1,080	1,200	1,320	1,440	1,560
	25	375	500	625	750	875	1,000	1,125	1,250	1,375	1,500	1,625
	26	390	520	650	780	910	1,040	1,170	1,300	1,430	1,560	1,690
	27	405	540	675	810	945	1,080	1,215	1,350	1,485	1,620	1,755
	28	420	560	700	840	980	1,120	1,260	1,400	1,540	1,680	1,820
	29	435	580	725	870	1,015	1,160	1,305	1,450	1,595	1,740	1,885
	30	450	600	750	900	1,050	1,200	1,350	1,500	1,650	1,800	1,950

Source: Arihant Capital Research

The project execution is expected to span 7-10 years, with phased relocation, demolition, and construction. Rehabilitation is set to begin by 2025, and the first phase could be operational by 2027.

Investment Rationale

Exhibit 12: Estimated rehabilitation GDV (INR bn)

		Realization (INR/sq.ft)										
	350	**15,000**	**20,000**	**25,000**	**30,000**	**35,000**	**40,000**	**45,000**	**50,000**	**55,000**	**60,000**	**65,000**
Allocation to rehabilitation (Sq.ft in mn)	**7.5**	113	150	188	225	263	300	338	375	413	450	488
	8.0	120	160	200	240	280	320	360	400	440	480	520
	8.5	128	170	213	255	298	340	383	425	468	510	553
	9.0	135	180	225	270	315	360	405	450	495	540	585
	9.5	143	190	238	285	333	380	428	475	523	570	618
	10.0	150	200	250	300	350	400	450	500	550	600	650
	10.5	158	210	263	315	368	420	473	525	578	630	683
	11.0	165	220	275	330	385	440	495	550	605	660	715
	11.5	173	230	288	345	403	460	518	575	633	690	748
	12.0	180	240	300	360	420	480	540	600	660	720	780
	12.5	188	250	313	375	438	500	563	625	688	750	813

Source: Arihant Capital Research

Exhibit 13: Estimated market sale GDV (INR bn)

		Realization (INR/sq.ft)										
	490	**15,000**	**20,000**	**25,000**	**30,000**	**35,000**	**40,000**	**45,000**	**50,000**	**55,000**	**60,000**	**65,000**
Allocation to market sale (Sq.ft in mn)	**12.0**	180	240	300	360	420	480	540	600	660	720	780
	12.5	188	250	313	375	438	500	563	625	688	750	813
	13.0	195	260	325	390	455	520	585	650	715	780	845
	13.5	203	270	338	405	473	540	608	675	743	810	878
	14.0	210	280	350	420	490	560	630	700	770	840	910
	14.5	218	290	363	435	508	580	653	725	798	870	943
	15.0	225	300	375	450	525	600	675	750	825	900	975
	15.5	233	310	388	465	543	620	698	775	853	930	1,008
	16.0	240	320	400	480	560	640	720	800	880	960	1,040
	16.5	248	330	413	495	578	660	743	825	908	990	1,073
	17.0	255	340	425	510	595	680	765	850	935	1,020	1,105

Source: Arihant Capital Research

PSP Projects is currently engaged in constructing transit accommodations on the outskirts of Dharavi, specifically in Mahim, where residents will be temporarily relocated before the main redevelopment begins. The company has started mobilization for two key projects; the construction of 5,200 housing units and related infrastructure. These units will serve as interim residences for displaced families while their permanent homes are built in the revamped Dharavi. The work involves civil construction, utilities, and finishing, with a focus on speed and quality to meet the project’s tight timelines.

The redevelopment follows a phased approach. In the first phase, the company is handling the off-site housing component, which is critical to freeing up land for the main redevelopment. The Adani Group is responsible for master planning, financing, and coordination with government agencies, while the company leverages its construction expertise to execute the building contracts. The company’s scope resembles an EPC model, with Adani providing design inputs and the company is managing on-ground execution.

The land acquisition, regulatory clearances, and community engagement have caused delays in past attempts to redevelop Dharavi. However, the company’s current work is progressing, with initial mobilization underway. The timeline for completing the transit housing is 18-24 months, after which the core redevelopment will accelerate.

The successful completion of Dharavi project would lead to more contracts under Adani’s township and infrastructure pipeline, including projects in Navi Mumbai and other metros. The Dharavi project is the stepping stone to diversify beyond Gujarat and strengthen its presence in Maharashtra’s construction market.

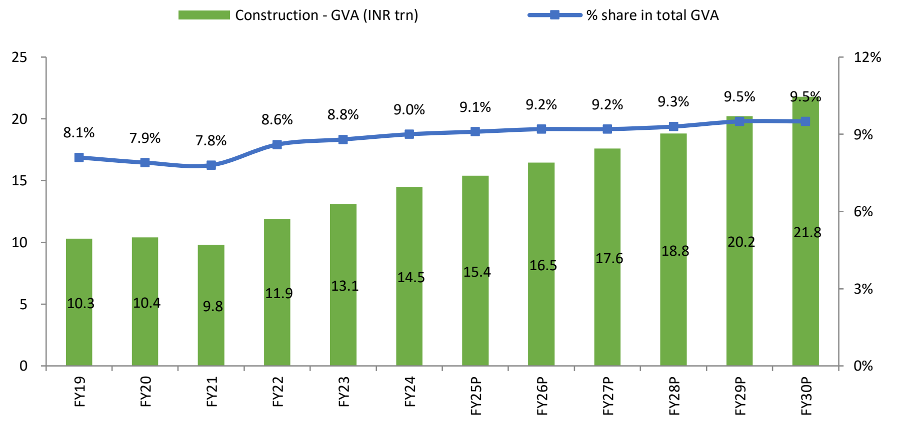
Industry

Indian Construction sector: The construction sector is a key component of the Indian economy, with linkages across more than 250 sub-sectors. The construction sector is the 2nd largest economic activity in India after agriculture, it contributes ~9.1% to the national GDP. India is poised to become the third-largest construction market in the next 2-3 years, driven by stable economic growth and the real estate sector's emergence as a critical engine of the country's growth. The construction sector, combined with real estate services and dwelling ownership, contributes ~14.3% to the economy's total output at constant prices in FY23.

India's economic expansion has increased disposable income, driving demand for new homes, office spaces, and retail outlets, thereby fueling construction activity. A robust economy attracts domestic and foreign investments in infrastructure projects like power plants, transportation networks, and industrial parks, leading to significant construction contracts. Growth in IT, e-commerce, and manufacturing further stimulates demand for specialized commercial spaces, warehouses, and production facilities.

India's construction market is projected to become the second-largest globally, with sectoral GVA expected to grow at a CAGR of 7.2% to INR 21.8 trn over the period of FY24-30P.

Exhibit 14: Construction sector is expected to grow at a CAGR of 7.2% over the period of FY24-30P.



Source: Arihant Capital Research

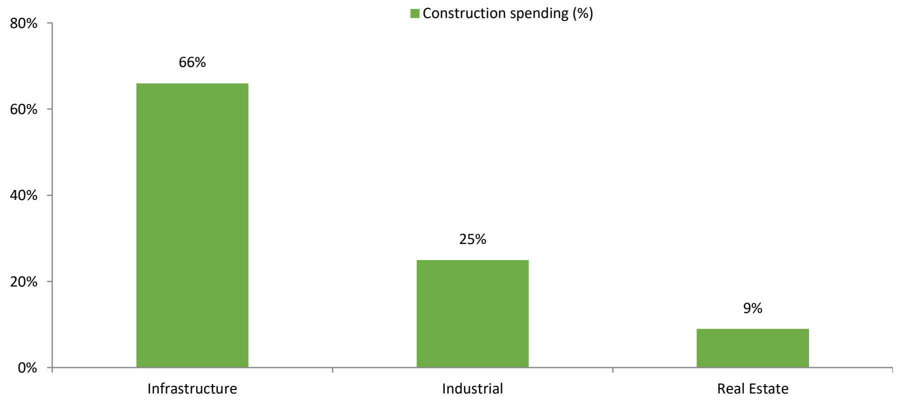
India's population is expected to reach 1.64 bn by 2047, with 51% living in urban centers. This urbanization, coupled with a young population migrating to cities, will drive demand for housing, student accommodation, rental properties, and infrastructure like schools, hospitals, and public transportation systems. Recognizing infrastructure's critical role in economic growth, the government has prioritized initiatives such as smart cities, sustainable living spaces, and efficient waste management systems. Increased budgetary allocations for infrastructure and flagship projects like the National Infrastructure Pipeline (NIP), PM Gati Shakti, Smart Cities Mission, Swachh Bharat Mission, and metro rail expansions are expected to drive robust construction sectoral growth.

Industry

Government schemes like Pradhan Mantri Awas Yojana (PMAY) incentivize affordable housing for low-income families, creating new demand. The streamlined regulations, simplified environmental clearances, and easier land acquisition processes aim to reduce delays and foster a business-friendly environment.

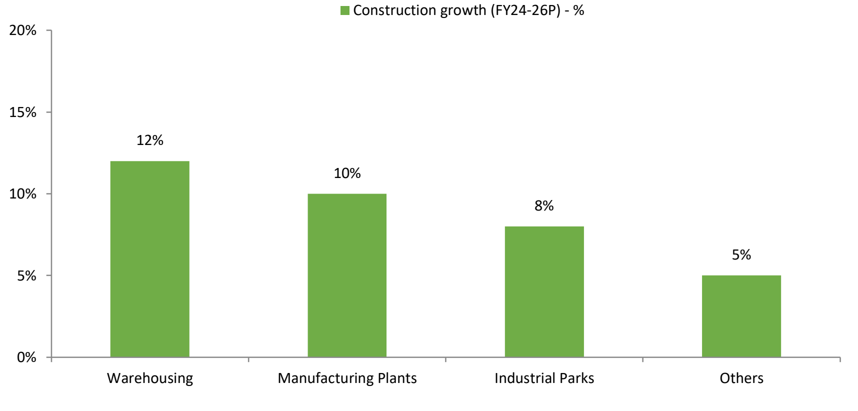
The EPC model is revolutionizing the industry by consolidating design, procurement, and construction under single contracts, enhancing efficiency, cost control, and timely project completion. This model has accelerated infrastructure development in highways and power plants and attracted foreign investment. The adoption of advanced technologies like BIM, IoT, and AI, alongside government initiatives, further supports growth. However, regulatory hurdles and skilled labor shortages remain challenges that require ongoing adjustments. Overall, the EPC model is set to significantly impact India's construction sector, driving efficiency, innovation, and progress toward the country's infrastructure goals.

Exhibit 15: Major spending goes for Infrastructure, followed by Industrials.



Source: Arihant Capital Research

Exhibit 16: Warehousing and Manufacturing plants are expected to grow double digit rate over the period of FY24-26P



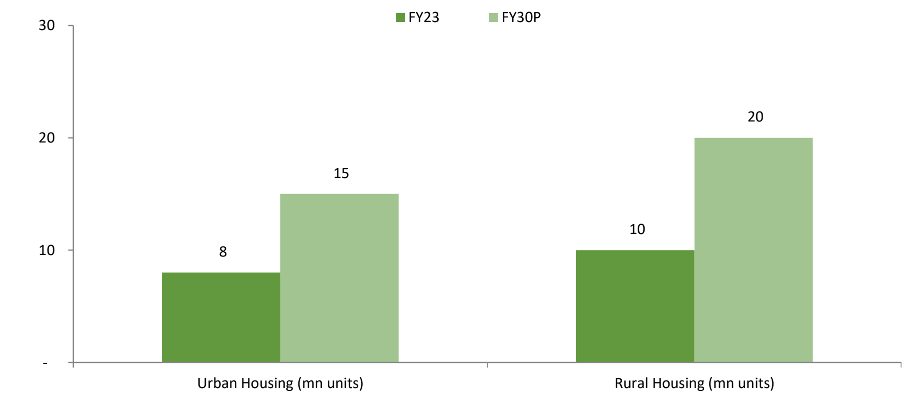
Source: Arihant Capital Research

Industry

Housing and Real Estate demand in India: The housing and real estate sector in India is undergoing a significant transformation, driven by urbanization, rising disposable incomes, and government policies aimed at bridging the housing gap.

India's urban housing demand is fueled by rapid migration to cities, with an estimated 40% of the population expected to live in urban areas by 2030. The PMAY scheme targets 20mn urban and 30mn rural homes by 2030. The scheme has led to increased construction activity in affordable (INR 5-15 lakh) and mid-income (INR 15-45 lakh) segments.

Exhibit 17: PMAY scheme targets 20mn urban and 30mn rural homes by 2030.

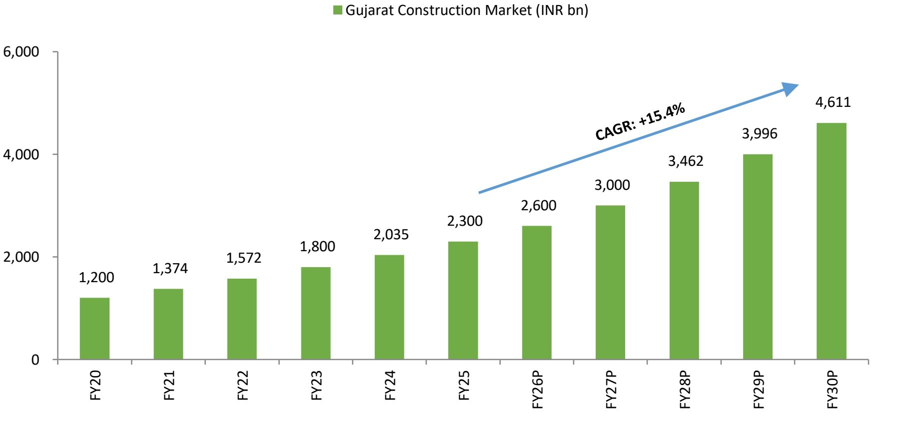


Source: Arihant Capital Research

Gujarat Construction market: Gujarat is one of India's most dynamic construction markets, driven by rapid urbanization, industrial growth, and strong government infrastructure spending. The state accounts for ~8-10% of India's total construction output, with key hubs like Ahmedabad, Surat, Vadodara, and Rajkot leading demand.

The Gujarat construction sector was valued at INR 2,300bn in FY25 and is projected to grow at 15.4% CAGR over the period of FY25-30P. The growth is expected to driven by Gujarat houses, 40+ SEZs and mega projects like Dholera SIR and GIFT City. Around INR 250bn was allocated towards for roads, metros, and urban development.

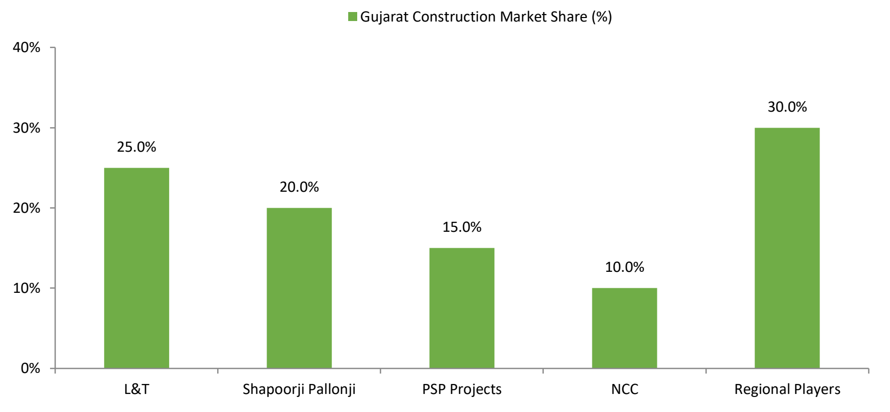
Exhibit 18: Gujarat Construction market is expected to grow 15% CAGR over the period of FY25-30P.



Source: Arihant Capital Research

Industry

Exhibit 19: PSP Projects holds ~15% market share in the Gujarat Construction market.



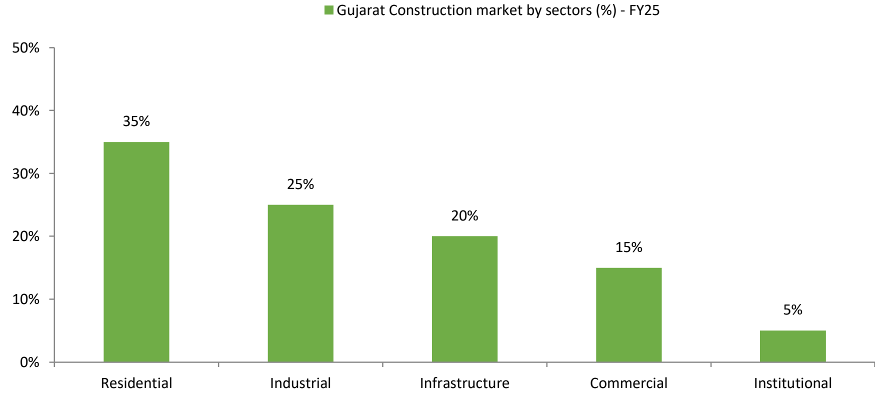
Source: Arihant Capital Research

Exhibit 20: Gujarat major players with focus areas.

Company	Key Focus Areas
L&T	Industrial, Metro
Shapoorji Pallonji	Residential, Commercial
PSP Projects	Institutional, Housing, Government Projects
NCC	Roads, Infrastructure
Regional Players	Small Contracts

Source: Arihant Capital Research

Exhibit 21: Residential and Industrial occupied 60% of the Gujarat construction market.



Source: Arihant Capital Research

Exhibit 22: Gujarat key projects based on sectors

Sectors	Key Projects
Residential	PMAY, Private Townships
Industrial	Dholera SIR, GIFT City
Infrastructure	Metro, Highways
Commercial	Offices, Malls
Institutional	Hospitals, Schools

Source: Arihant Capital Research

Business Overview

Incorporated in 2008, PSP Projects Ltd is a well-established construction and infrastructure company with a strong presence in industrial, institutional, government, and private sector projects. The company is covering the entire construction value chain, including design, construction, mechanical, electrical, plumbing (MEP), interior work, and operations & maintenance (O&M) services. The company commissioned a precast facility in Gujarat to provide sustainable building solutions and drive technological upgradation. The company has completed 233 projects and 58 project are on-going. The company has diversified presence in six states which are Gujarat, Rajasthan, Karnataka, UP, Maharashtra and New Delhi. The company raised INR 2.44bn through a QIP, which was largely utilized for the repayment of debt. The company is entered into an agreement with Adani Infra (India) in Nov-24 to acquire up to 30.07% stake from the existing promoters.

PSP Projects Journey

2008

Incorporation

- PSP was incorporated in Ahmedabad, Gujarat.

2009, 2011, 2014

Acquisitions, Turnkey and EPC

- 2009 (Acquisition) - PSP acquired BPC Projects - a construction company.
- 2011 (Turnkey Projects) - To provide all construction solutions at single place, PSP started Turnkey Projects.
- 2014 (EPC) - PSP started EPC project for Affordable Housing in Ahmedabad.

2015, 2016, 2017

Orders, Expansion and Listing

- 2015 (1st order) - PSP received first project in GIFT city.
- 2016 (Expansion) - PSP started its operations in states like Karnataka and Rajasthan.
- 2017 (Listing) - PSP got listed on NSE and BSE and received project of Surat Diamond Bourse.

2020, 2021

Precast and UP Projects

- 2020 (Precast and UP Projects) - PSP started construction of Precast Manufacturing Unit and started operations in UP with marquee projects.
- 2021 (Prfecast) - PSP commissioned precast manufacturing unit.

2022, 2024

Airport, QIP and Adani deal

- 2022 (Airport) - PSP entered into the airport segment.
- Raised INR 2.44bn through QIP and received largest industrial project from IRPL and 30.07% promoter stake sold to Adani Infra.

Projects Portfolio

Exhibit 23: The project portfolio includes Industrial, Institutional, Government & Government residential and Residential projects.

In Industrial projects, the company building facilities for sectors like pharma plants, food processing units, engineering facilities, manufacturing and processing plants.

In Institutional projects, the construction of buildings like hospitals, healthcare facilities, educational institutes, shopping malls, hospitality services and corporate offices.

The government projects portfolio includes a selection of challenging and prestigious projects that are notable, large-scale and time sensitive.

The company undertook prestigious affordable design and built residential projects for the government. The company has completed 3 projects and there is no project in the order book.

The residential projects involves constructing group housing and township structures and building custom homes for exclusive private clients.

Source: Company reports, Arihant Capital Research

Key Projects

Exhibit 24: Surat Diamond Bourse – largest office building on a single basement. It's a INR 19.6bn project with 68 lakh sq.ft. Post completion of this project, the company has entered the league of handling prestigious projects up to INR 25.5bn.

Source: Company reports, Arihant Capital Research

Exhibit 25: Kashi Vashwanath Dham is one of the landmark project.

Source: Company reports, Arihant Capital Research

Key Projects

Exhibit 26: Medical College and Hospital project at 7 locations in UP.

Source: Company reports, Arihant Capital Research

Exhibit 27: Prominent project completed.

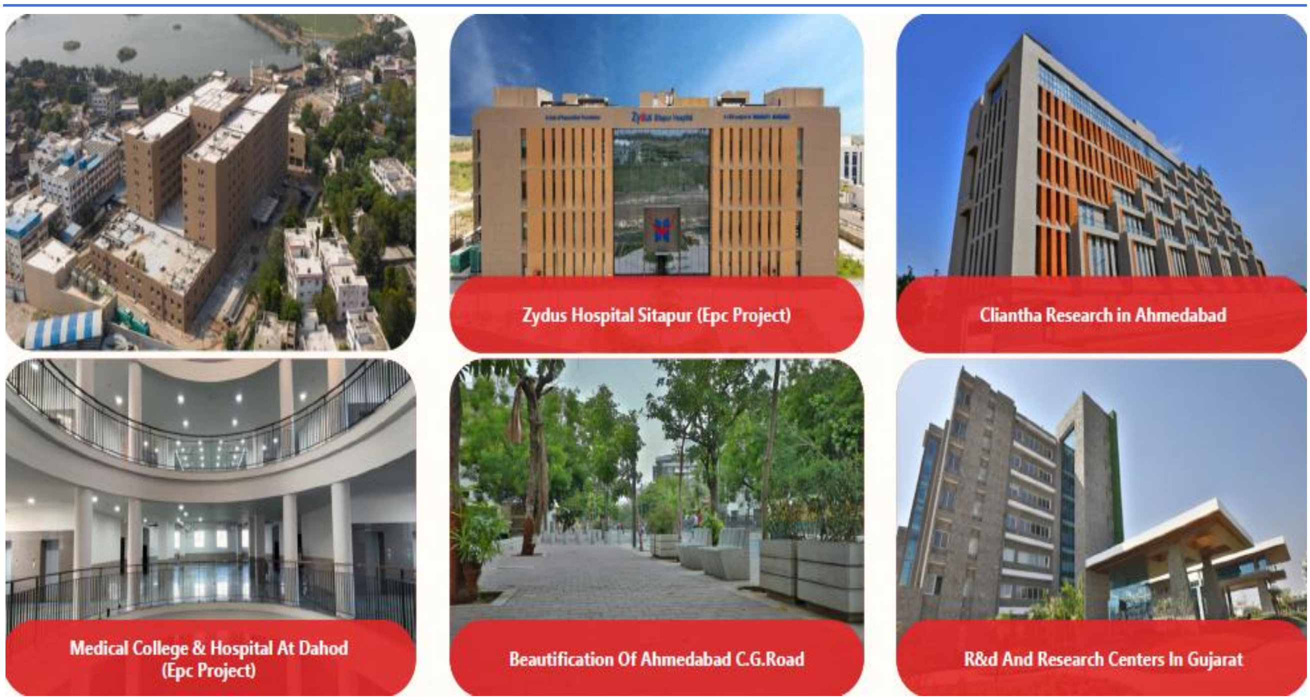
Source: Company reports, Arihant Capital Research

Key Projects

Exhibit 28: Prominent projects

Source: Company reports, Arihant Capital Research

Exhibit 29: Prominent projects



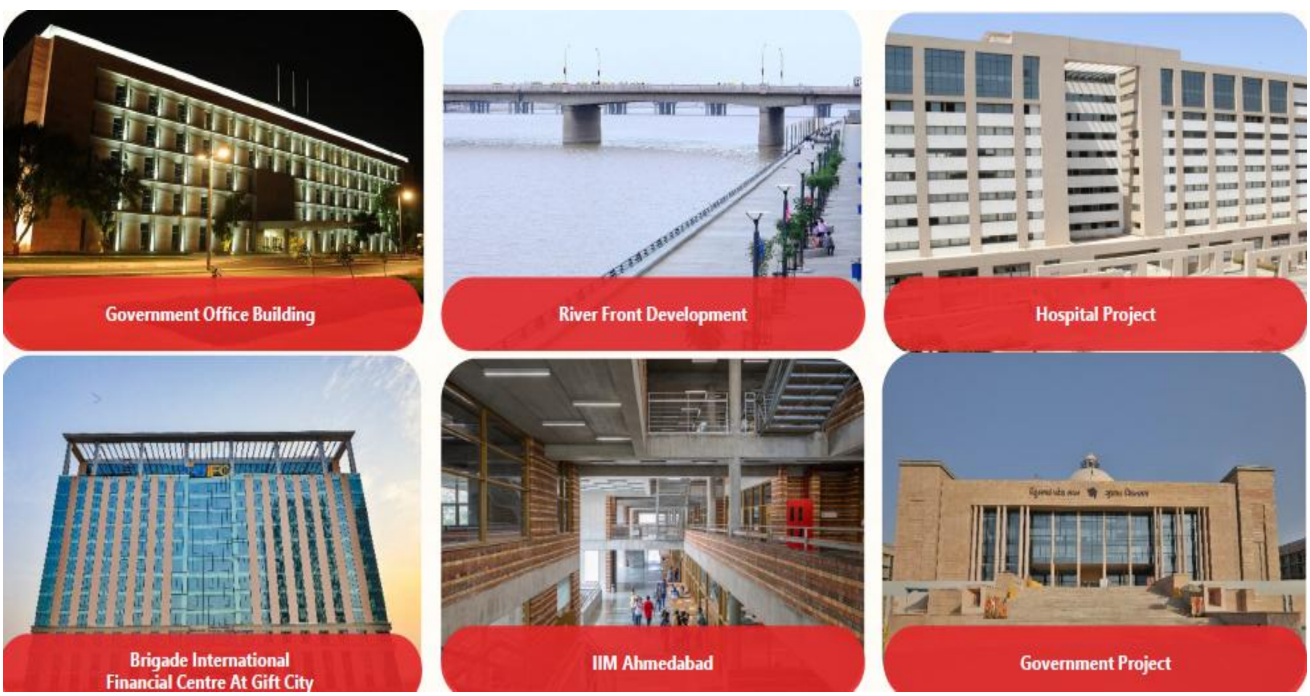
Source: Company reports, Arihant Capital Research

Key Projects

Exhibit 30: Prominent projects

Source: Company reports, Arihant Capital Research

Exhibit 31: Prominent projects



Source: Company reports, Arihant Capital Research

Key Management

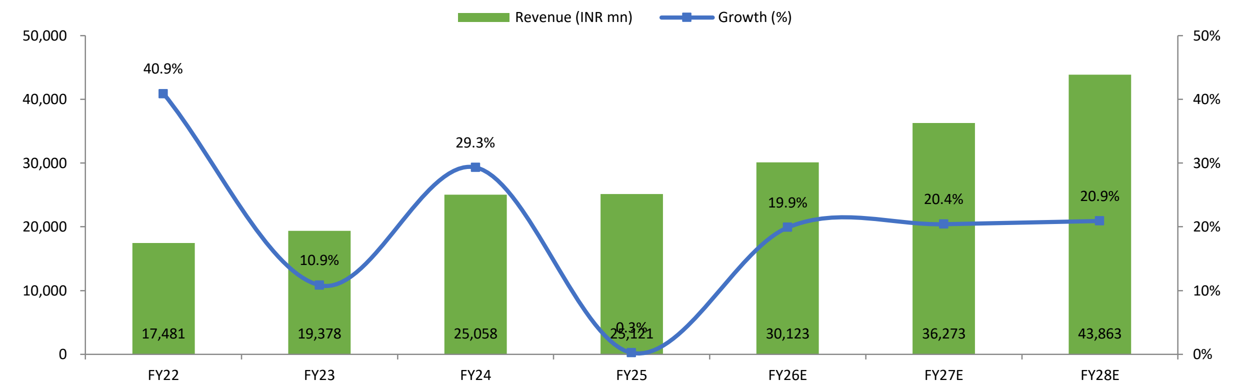
Personnel	Designation	Description
Prahaladbhai Shivrambhai Patel	Chairman, Managing Director and CEO	Mr. Prahaladbhai Patel has over 37 years of experience in construction business. Before starting the company, he ran a civil construction business as a proprietor. He holds a bachelor degree in Civil Engineering from Saurashtra University. He has been a key figure in the company's growth and recognition, including features in the book Business Game Changers: Shoonya se Shikhar and awards from the Gujarat Innovation Society and Hurun Report for his innovation and leadership in construction.
Pooja Patel	Whole time Director	Ms. Pooja Patel holds a degree in Civil Engineering from Gujarat Technological University and a postgraduate diploma in financial management from Ahmedabad Management Association. With over 9 years of experience in civil construction, she has been involved in project planning, material procurement, and execution at PSP Projects Ltd since 2015.
Hetal Patel	Chief Financial Officer	Mrs. Hetal Patel is a Chief Financial Officer and holds a undergraduate degree from Gujarat University. She is also a member of ICAI in India.
Sagar Patel	Executive Director	Mr. Sagar Patel holds a degree in Cvil Engineering from Gujarat Technological University. He has over 6 years of experience in the industry and looks after project planning, project tendering and execution of projects. He also leads the Precast Business in the company with a focus on adopting new technologies.
Vasishtha Patel	Independent Director	Mr. Vasishtha Patel holds a degree in business administration from Sardar Patel University and an MBA from South Gujarat University. With over 27 years of experience in management and exports, he has held various managerial roles focusing on business operations and opportunities. He currently serves as a director at Multico Exports Private Ltd, which exports pharmaceuticals and raw materials.
Swati Mehta	Independent Director	Ms. Swati Mehta holds a Ph.D. in Management, along with an MBA and BBA in Finance Management from S.P. University, Gujarat. She is the Promoter Director of Chinmay Raj Biotech Private Ltd where she manages operations, finance, marketing, exports, and overall business strategy. She is also a Designated Partner at Ceramig Minerals LLP. With over 29 years of experience in management and operations, she also serves as a visiting faculty at leading postgraduate management institutes like Nirma, B.K. School, and G.H. Patel Institute.
Achala Patel	Independent Director	Ms. Achala Patel is a postgraduate and M.Phil from the School of Languages, Gujarat University and a graduate from St. Xavier’s Arts College, Ahmedabad. She is the founder and Designated Partner of MAP Power LLP and Chopper Worx Construction LLP. With over 18 years of experience, she is actively involved in the high-voltage power transmission business, representing several European companies in India and neighboring countries.

Source: Company, Arihant Capital Research

Financial Analysis

Revenue is expected to grow at a CAGR of 20.4% over the period of FY25-28E: The revenue growth is centered around its robust order book, strategic focus on execution and partnership with key clients like Adani Group. The order book stood at INR 72.66bn shows business visibility. Around 25% of order book from Adani projects and remaining 25% from non-Adani projects. The order inflows are expected INR 40-50bn in FY26E and around 90% of the order inflows are expected from Adani projects. Adani projects are expected to streamline execution and reduce delays. The company has secured new projects like the Medicity & Research Center in Ahmedabad, the Leadership Guest House at Shantigram, and the Coca-Cola project in Sanand, which are expected to contribute to revenue as they progress. The delays in projects like Dharoi Dam, Fintech building at GIFT City, and others are expected to ramp-up in FY26E. The resolution of one-time expenses related to UP projects, which impacted FY25 profitability, is expected to stabilize margins and support revenue growth.

Exhibit 32: Revenue is expected to grow at a CAGR of 20.4% over the period of FY25-28E.



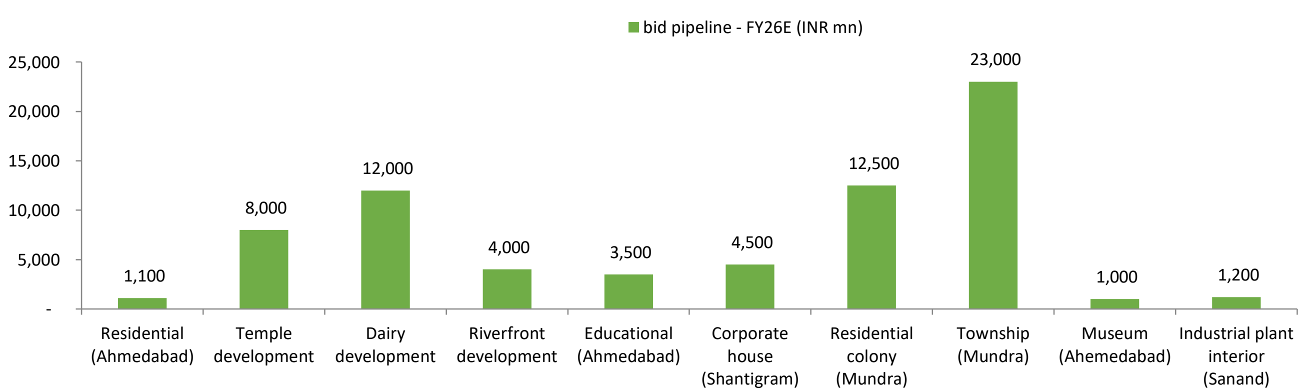
Source: Company reports, Arihant Capital Research

Exhibit 33: Newly awarded projects and significant progress on projects will lead to revenue growth going forward.

Major Projects Awarded	1) Airport & city-side development with hotels. 2) Coca-Cola plant (Sanand), 3) Medicity & Research Center (Ahmedabad). 4) Commercial/hotel projects in Bangalore 5) "Siban" residential at GIFT City 6) Repeat order for Palladium Mall (Surat) 7) Leadership guesthouse at Shantigram 8) Residentials at Vaishnodevi and Shantigram	**Project Level Progress**	**Coca-Cola Project (Sanand)** Structure was completed, infra and finishing works ongoing. The project is progressing faster than planned. **Surat Municipal Corporation Highrise** The project Reached 14th storey, facade contractor onboard and finishing works parallel to structure. **Sports Complex** The main work complete of the project and opening soon. The additional work of warm-up pool is ongoing with investments of INR 200mn. **Gati Shakti Vishwavidyalaya** The superstructure work ongoing after basement completion. The project delayed by 2 months due to seasonal labor issues.

Source: Company reports, Arihant Capital Research

Exhibit 34: The bid pipeline is more than INR 70,000mn in FY26E and 70% of the pipeline from Adani shows business visibility over the medium term.



Source: Company Reports, Arihant Capital Research

Financial Analysis

Total expenditure in terms of sales is expected to reduce going forward: The company's projects require a range of raw materials, including cement, steel, aggregates, and precast components. The prices are subject to market fluctuations. These materials form a substantial part of the project costs, and any volatility in the prices can affect profitability. The construction costs encompass labor, equipment, subcontracting, and site-related expenses. Labor availability and wage inflation, particularly in regions like Uttar Pradesh, have been challenges, as seen in the delays and additional costs incurred in the UP medical college projects. The company spent an extra INR 620mn in FY25 to complete these projects, impacted EBITDA margins. Equipment costs are another significant component, with the company invested INR 610 in capex during FY25 to support project execution.

The operational inefficiencies, such as delays in client clearances, land acquisition, or design approvals, can escalate costs. The delayed projects like the Dharoi Dam and Fintech building at GIFT City led to a revenue shortfall of over INR 3bn in FY25. The company is addressing these challenges by focusing on better project planning and leveraging its partnership with the Adani Group, which provides more streamlined execution processes.

Exhibit 35: Raw material costs are reduced from 40.9% (FY20) to 35.1% in FY25; while construction costs, employee costs elevated over the period of FY20-25.

Particular (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25
Raw Material Cost	5,351	3,958	4,990	5,815	7,896	8,182
Construction expenses	7,004	6,444	8,916	10,093	12,880	13,530
Employee Cost	595	509	723	935	1,251	1,195
Political contribution	-	-	-	40	108	-
Allowances for expected credit loss	3	3	32	26	79	-
Travelling and conveyance	7	4	9	23	24	-
CSR	22	28	30	34	36	-
Insurance	5	6	27	29	28	-
Repairs and Maintenance	16	14	18	25	35	-
Legal and Professional	17	16	15	12	40	-
Auditors remuneration	2	2	2	2	3	-
Printing and stationary expenses	9	6	8	13	16	-
Advertisement expenses	6	2	2	8	7	-
Miscellaneous Expenses	5	3	3	3	7	-
Other Expenses	42	66	120	19	39	419
Total Expenditure	**13,084**	**11,059**	**14,896**	**17,077**	**22,449**	**23,327**

Expenses as a % of sales	FY20	FY21	FY22	FY23	FY24	FY25
Raw Material Cost	40.9%	35.8%	33.5%	34.1%	35.2%	35.1%
Construction expenses	53.5%	58.3%	59.9%	59.1%	57.4%	58.0%
Employee Cost	4.5%	4.6%	4.9%	5.5%	5.6%	5.1%
Political contribution	0.0%	0.0%	0.0%	0.2%	0.5%	0.0%
Allowances for expected credit loss	0.0%	0.0%	0.2%	0.2%	0.4%	0.0%
Travelling and conveyance	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
CSR	0.2%	0.3%	0.2%	0.2%	0.2%	0.0%
Insurance	0.0%	0.1%	0.2%	0.2%	0.1%	0.0%
Repairs and Maintenance	0.1%	0.1%	0.1%	0.1%	0.2%	0.0%
Legal and Professional	0.1%	0.1%	0.1%	0.1%	0.2%	0.0%
Auditors remuneration	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Printing and stationary expenses	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
Advertisement expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Expenses	0.3%	0.6%	0.8%	0.1%	0.2%	1.8%
Total Expenditure	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

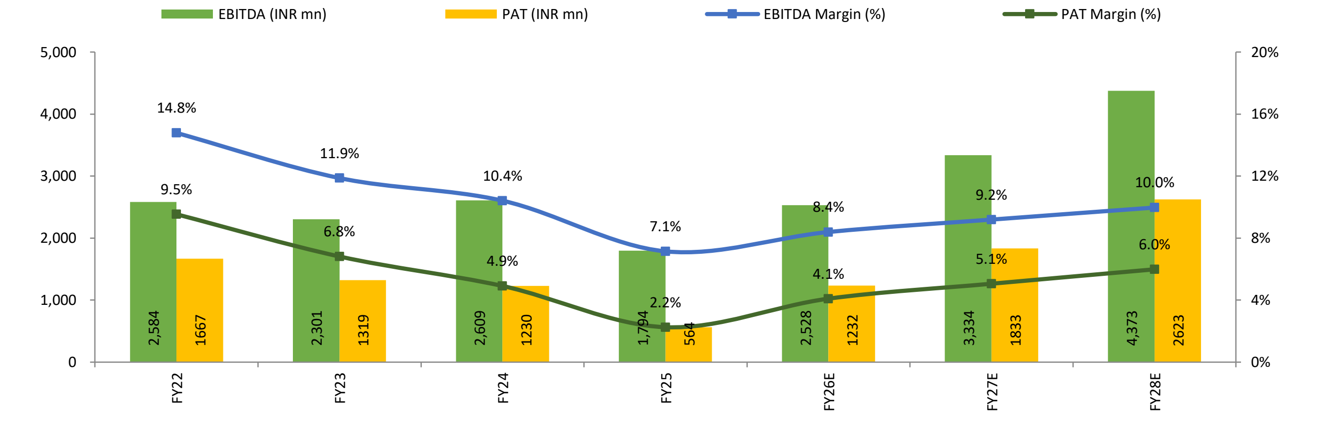
Source: Company Reports, Arihant Capital Research; the detailed expenses details not updated in FY25.

Financial Analysis

Improvement expected in margin levels: The margins have faced pressure in recent periods due to a combination of operational challenges and one-time expenses, though the underlying business demonstrates resilience when adjusted for these factors. In FY25, margin contraction was primarily driven by additional costs of INR 620mn related to the completion of seven UP medical college projects, which were in their final stages of handover. The margins are expected to be stabilize to 8%-9% in FY26E due to ongoing industry challenges such as labor shortages and inflationary pressures. The shift in project mix toward Adani Group contracts, which are largely construction focus rather than full-scale EPC, these projects benefit from streamlined execution and reduced client-side delays. The resolution of legacy issues in UP and the absence of similar one-time costs are expected to support margin recovery.

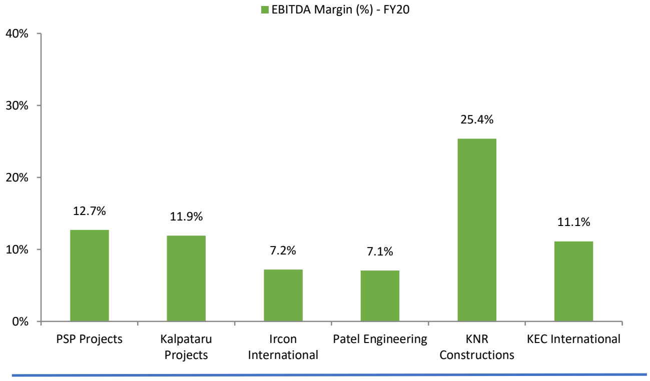
The company's margins will depend on efficient execution, cost control, and timely resolution of receivables, particularly from government projects where delays in payments have historically strained working capital. The company's focus on high-margin precast technology and repeat orders from trusted clients, such as the Palladium Mall in Surat, could further improve profitability.

Exhibit 36: EBITDA and PAT margins are expected to 8%-9% in FY26E and further improvement expected gradually.



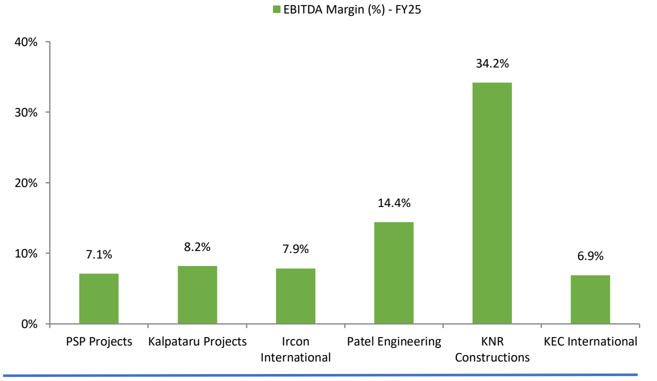
Source: Company reports, Arihant Capital Research

Exhibit 37: PSP projects maintained healthy margins in FY20.



Source: Company reports, Arihant Capital Research

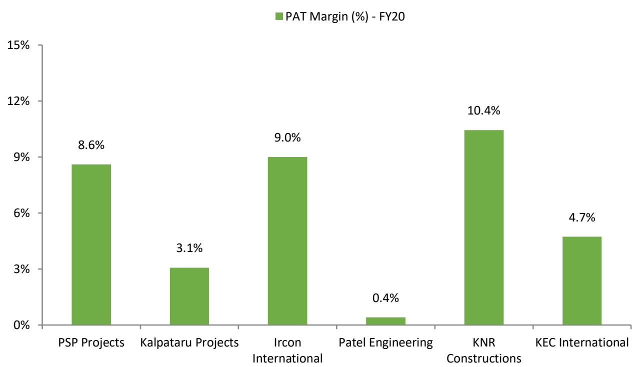
Exhibit 38: PSP Projects margins impacted due to delay in projects, cost overruns, Industry challenges like labour shortages and inflationary pressures.



Source: Company reports, Arihant Capital Research

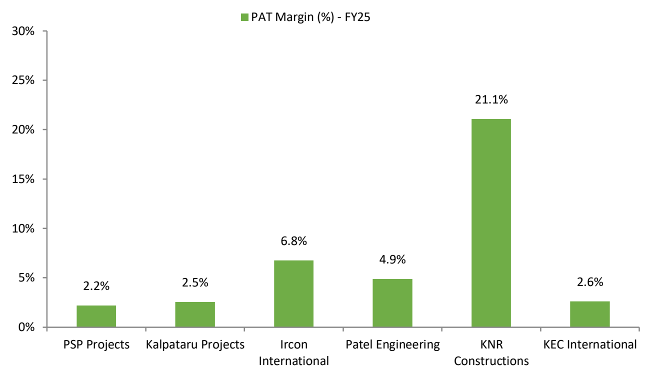
Financial Analysis

Exhibit 39: PSP Projects was maintained healthy margins in FY20.



Source: Company reports, Arihant Capital Research

Exhibit 40: PSP Projects PAT margins impacted due to increase in cost overheads and almost flat growth in FY25.

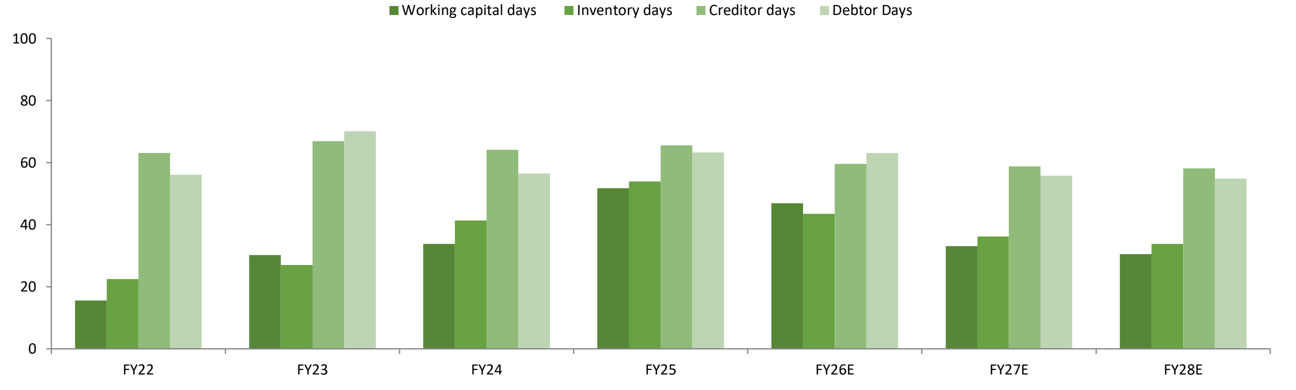


Source: Company reports, Arihant Capital Research

Working Capital Cycle to Improve: The company's working capital days increased significantly to 65 days in FY25 from the historical range of 30-35 days, indicating tighter liquidity conditions. This deterioration was primarily driven by a rise in receivables due to INR 5.2bn of unbilled revenue and INR 1.75bn in retention money, with notable delays in collections from government projects like the UP medical colleges and Ahmedabad Municipal Corporation's Naranpura Sports Complex. Inventories remain stable, the company received mobilization advances of INR 3.35bn from clients to fund initial project costs.

The increase in working capital days due to challenges of delayed government payments and the lingering impact of problematic projects like Badayu, where invoked bank guarantees and provisions weighed on liquidity. The company is focused on balancing its working capital needs against debt servicing, especially as it ramps up execution of Adani projects.

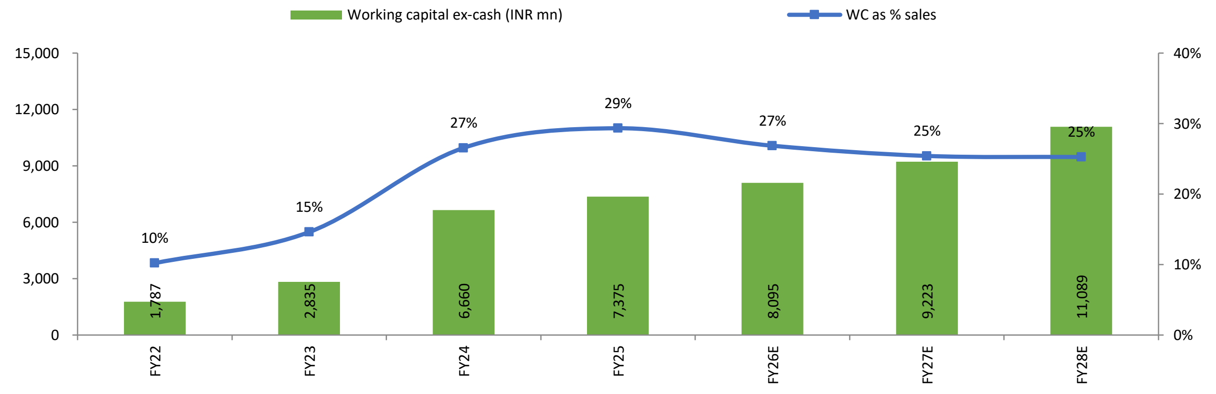
Exhibit 41: Working Capital cycle to be improve going forward.



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit 42: Working capital in-terms of sales are expected to be around ~25% going forward.

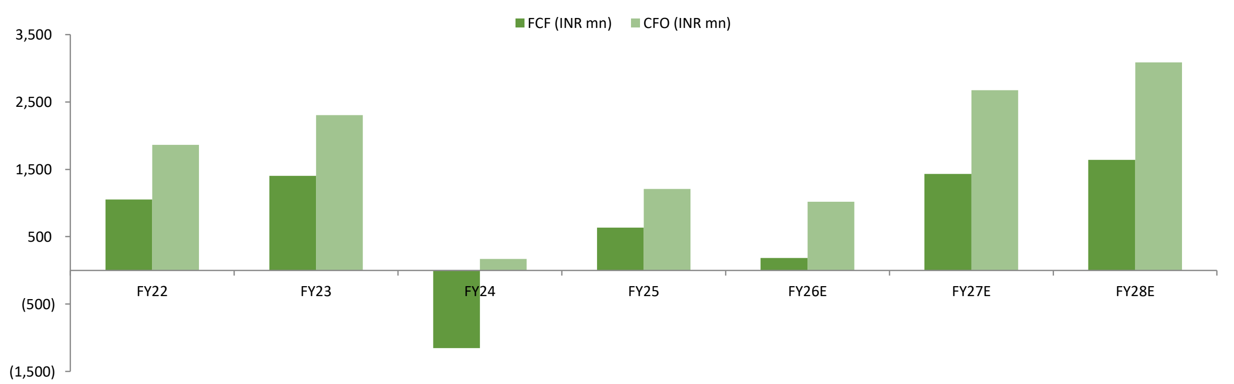


Source: Company reports, Arihant Capital Research

Improvement of Cash flow generation: The company's cyclical inflows from project milestones and outflows for raw materials, labor, and equipment leads to challenges. The company's operating cash flows are heavily influenced by its working capital cycle, which saw strain in FY25 due to delayed receivables from government projects and one-time expenses. Unbilled revenue of INR 5.22bn and retention money of INR 1.75bn tied up cash, while slow-moving receivables like the INR 900mn SDB payment (expected by October 2025) further delayed liquidity realization. These delays were partially offset by mobilization advances of INR 3.35bn from clients, which helped fund initial project costs, but increased contractual liabilities.

The capex stood at INR 610mn in FY25 to support project execution and maintain equipment. The company is focused to accelerate collections from government agencies and Adani group with disciplined capex (3%-5% of revenue) would improve the cash flows. The resolution of legacy issues like UP project overruns and the shift toward faster-moving private projects could stabilize cash generation going forward.

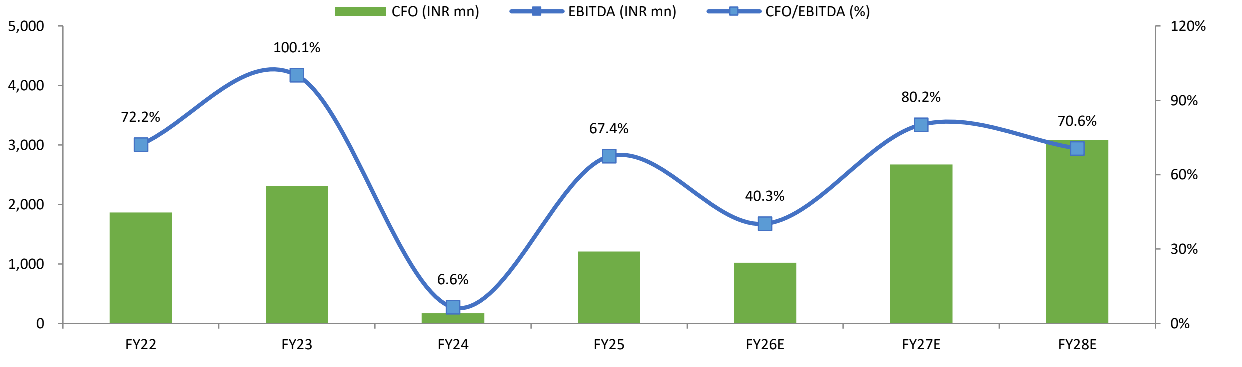
Exhibit 43: Free cash flows were positive in FY25 and is expected to be positive in the coming years.



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit 44: The resolution of legacy issues like UP project overruns and the shift toward faster-moving private projects could stabilize cash generation going forward.

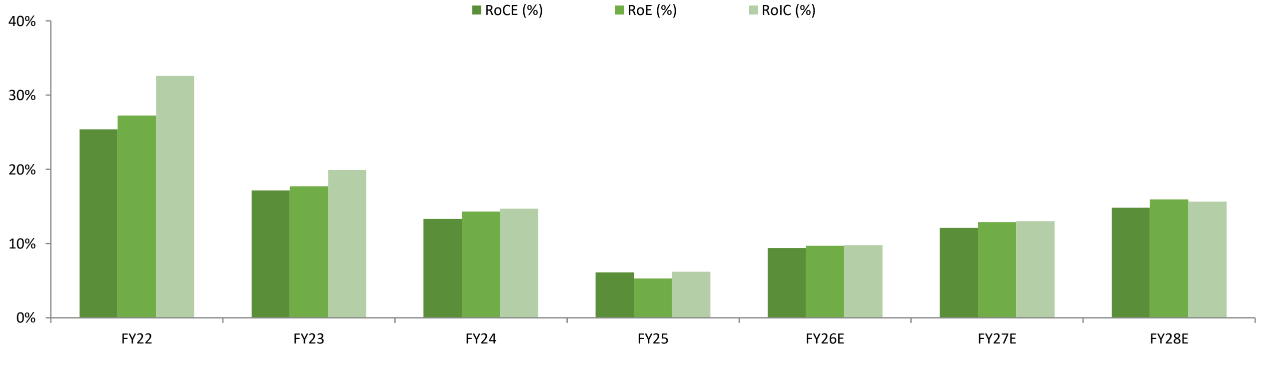


Source: Company reports, Arihant Capital Research

Return ratios to Improve: In comparison to revenue growth of 20.4%, and EBIT growth of 47.2%, capital employed is expected to grow by 10.7% over the period of FY25-FY28E.

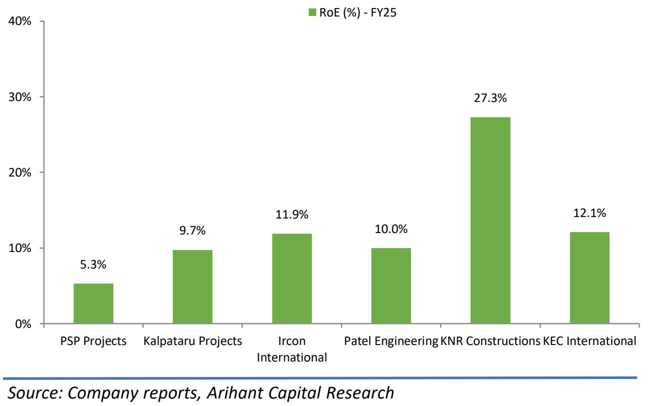
Due to the healthy EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly going forward. We estimate RoCE to expand from 6.1% in FY25 to 14.8% in FY28E. RoIC to improve from 6.2% in FY25 to 15.7% in FY28E and RoE to improve from 5.3% in FY25 to 15.9% in FY28E.

Exhibit 45: Working capital improvement, execution efficiency and recovery in margins would improve the return ratios going forward.



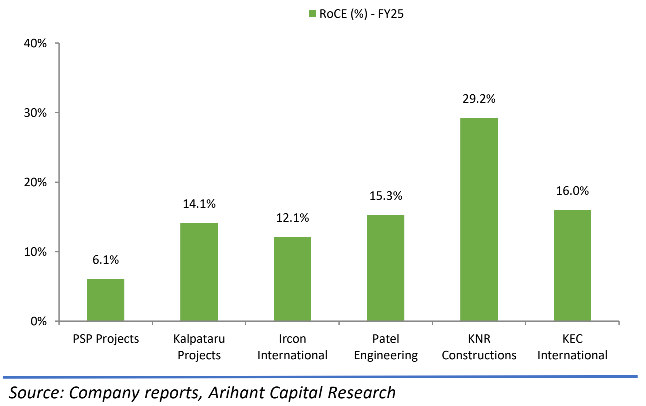
Source: Company reports, Arihant Capital Research

Exhibit 46: PSP Projects RoE was lower in FY25, however execution efficiency will improve profitability and RoE.



Source: Company reports, Arihant Capital Research

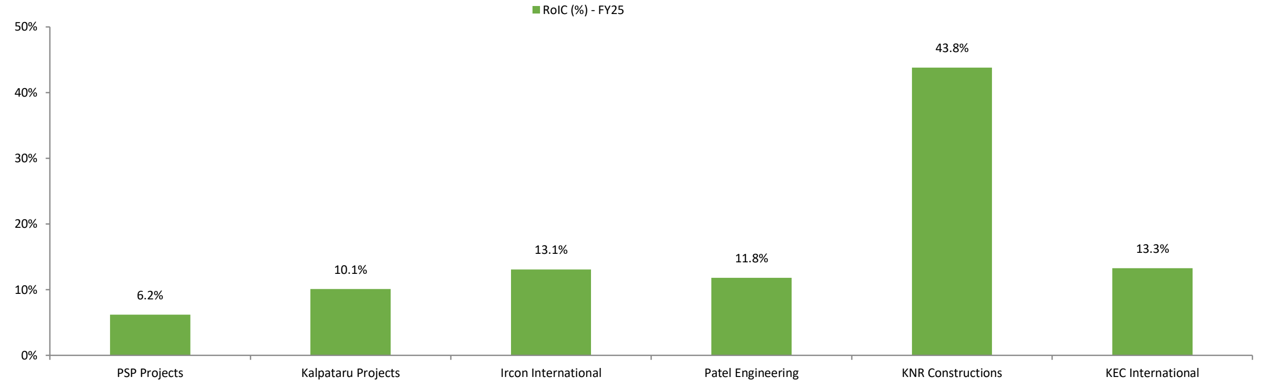
Exhibit 47: The delay in collections and cost overruns impacted working capital & profitability and expected to recover gradually.



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit 48: The Adani partnership would improve ROIC from FY26E onwards by streamlining project execution and reducing idle capital

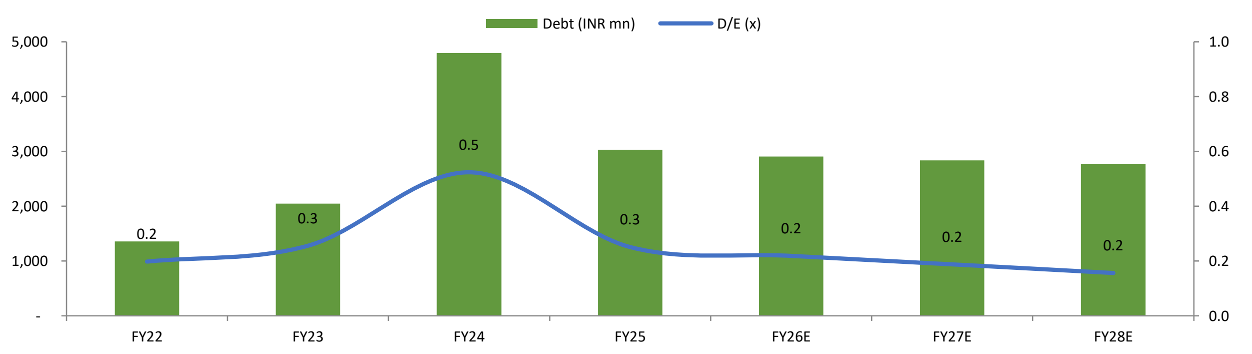


Source: Company reports, Arihant Capital Research

Reducing debt levels through cash flows: The borrowing levels elevated to support working capital needs and project execution in FY25. The short term borrowings are higher and a reliance on shorter-tenure financing, likely to bridge cash flow gaps from delayed receivables, particularly in government projects where collections slowed. The repayment capacity remains tied to working capital recovery, with INR 4.96bn of unused credit facilities (out of INR 14.9bn sanctioned) providing near-term liquidity relief. A critical near-term catalyst is the expected INR 900mn SDB receivable by Oct-25, which could reduce repayment pressure.

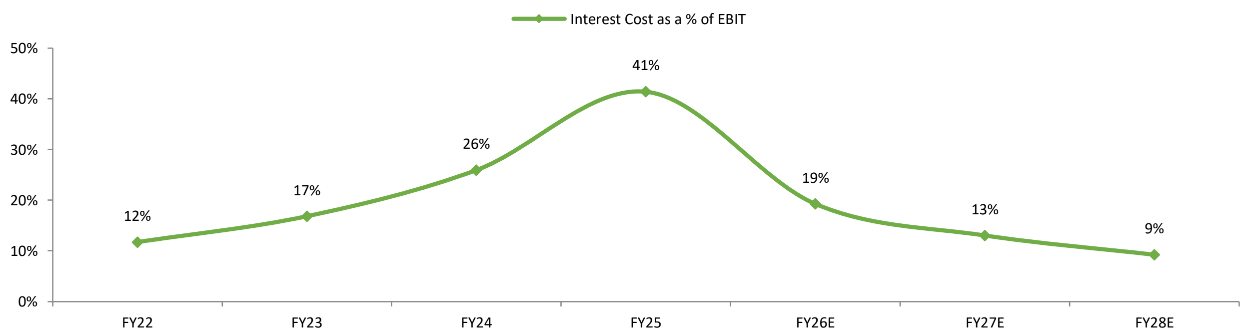
The Adani Group's increasing share in the order book (25% currently) may ease future debt reliance by improving payment cycles, as private clients typically offer better working capital terms than government entities. The company's ability to reduce interest costs and extend debt tenures will depend on stabilizing execution margins and converting its INR 71bn bid pipeline into billed revenue efficiently. The resolution of legacy issues like UP project overruns and Badayu write-offs will be freeing up cash flows for deleveraging in the medium term.

Exhibit 49: PSP Projects Debt to Equity is expected to maintain going forward.



Source: Company reports, Arihant Capital Research

Exhibit 50: Interest cost as a % of EBIT is expected to reduce going forward.



Source: Company reports, Arihant Capital Research

Key Risks

Sr. No	Risk	Impact	Mitigations
1	Economic Risk	Economic slowdown may affect operations adversely.	The company keeps a close watch on the economy and construction industry to spot early signs of a slowdown. This helps it take action in advance. By offering a range of services and working in different parts of the world, could reduce the impact of slowdowns.
2	Currency Risk	Foreign exchange rates fluctuation may affect earnings.	The company faces minimal currency risk as it operates in the domestic market reducing exposure to foreign exchange fluctuations.
3	Competition Risk	Rising competition may lower the number of projects awarded to the Company.	The company could continue to secure new contracts due to its enhanced expertise, well established clients, strong brand recognition and good relationships with government and other clients.
4	Financing Risk	Challenges in debt servicing and higher financing costs may affect the operations.	The company manages its debt by using a balanced working capital strategy, efficient debtor management, stable profitability, and consistent cash flow.
5	Competence Risk	Unable to deliver high quality construction on time could tarnish the reputation.	With extensive experience in the construction industry and insights from recent projects, the company is well-prepared to spot issues early and take corrective actions to keep projects on schedule.
6	Human Resource Risk	Company's success may be affected by difficulties in attracting and retaining skilled employees.	The human resource policy focuses on attracting and retaining top talent by offering continuous learning, a supportive work environment, and opportunities for personal development. It also focuses recruiting the best talent and supporting staff through comprehensive development initiatives.
7	Technology Risk	Outdated technologies can have negative impact on the growth.	The company adopts advanced construction technologies that improve safety, efficiency, and productivity in large projects. These technologies help deliver high-quality work more cost-effectively and quickly.

Source: Company reports, Arihant Capital Research

Outlook & Valuation: **The company has a robust order book of INR 72.66bn as of FY25, with 25% share from Adani Group projects. The order book is well-diversified across government (43%), institutional buildings (43%), industrials (6%), and residential (8%) sectors. The order inflows are expected to grow to INR 40-50 bn in FY26E, driven largely by Adani contracts.**

The company has expanded beyond its core market of Gujarat (90% of orders) into Maharashtra, Uttar Pradesh, and other states, reducing regional risks. Its partnership with Adani Infra, which holds a 30.07% stake, enhances its ability to secure large infrastructure projects and access Adani's $100+bn expansion pipeline. Dharavi project's saleable gross development value (GDV) upon completion is expected to be around INR 500bn. The company is executing 5,200 homes (interim residences) and related infra for displaced families. The successful completion of the project will provide further opportunities in Dharavi.

A key competitive advantage is its precast manufacturing facility in Gujarat, which improves efficiency, reduces construction time by 30-50%, and lowers costs. This facility supports high-margin projects.

The company focused to maintain strong margins with an asset-light model, low debt (D/E below 0.5x), and a high ROCE of 18-20%. It is currently executing the Dharavi redevelopment project, building 5,200 transit housing units, which could lead to further opportunities in Maharashtra and beyond. This project underscores its capability in large-scale urban infrastructure and strengthens its diversification strategy.

PSP projects order book stood at INR 72.66bn (~2.9x of FY25 revenue) and expected order inflows of INR 40-50bn in FY26E, showing business visibility. The margins are expected to be 8%-9% in FY26E due to ongoing contingent on project execution, however, the company follows an asset-light model and in-house execution capabilities led to EBITDA margins of 10% going forward. The company is expected to benefit from Adani's ambitious $100+bn expansion plans due to a strategic partnership with Adani Infra. The precast facility would reduce labor dependency, improve efficiency, and margins. Dharavi's saleable GDV is expected to be around INR 500bn. The company is initially executing 5,200 interim residential homes for displaced families, and the successful completion of the project would provide additional opportunities in the Dharavi project. The company has been a key beneficiary of India's infrastructure push, securing contracts in smart cities, industrial corridors, affordable housing, and urban development projects. At the CMP of INR 656 per share, we initiate a "BUY" rating at a TP of INR 935 per share; valued at an EV/EBITDA of 9x and its FY28E EBITDA of INR 4,373mn; an upside of 42.6%.

Valuation based on EV/EBITDA - FY28E	
EBITDA (INR mn)	4,373
EV/EBITDA (x)	9
EV (INR mn)	39,360
Debt (INR mn)	2,769
Cash (INR mn)	5,058
Market Cap (INR mn)	37,071
Shares (mn)	40
Target Price (INR)	**935**
CMP (INR)	**656**
Upside/Downside (%)	**42.6%**

Source: Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	17,481	19,378	25,058	25,121	30,123	36,273	43,863
Net Raw Materials	13,906	15,908	20,776	21,712	25,734	30,771	36,922
Employee Cost	723	935	1,251	1,195	1,403	1,653	1,969
Other Expenses	267	235	422	419	458	515	598
EBITDA	**2,584**	**2,301**	**2,609**	**1,794**	**2,528**	**3,334**	**4,373**
EBITDA Margin (%)	**14.8%**	**11.9%**	**10.4%**	**7.1%**	**8.4%**	**9.2%**	**10.0%**
Depreciation	(321)	(400)	(649)	(727)	(801)	(861)	(964)
Interest expense	(265)	(320)	(508)	(442)	(333)	(322)	(314)
Other income	217	250	242	173	253	299	362
Profit before tax	**2,220**	**1,804**	**1,690**	**783**	**1,647**	**2,450**	**3,457**
Taxes	(553)	(485)	(460)	(219)	(415)	(618)	(833)
PAT	**1,667**	**1,319**	**1,230**	**564**	**1,232**	**1,833**	**2,623**
PAT Margin (%)	**9.5%**	**6.8%**	**4.9%**	**2.2%**	**4.1%**	**5.1%**	**6.0%**
Other Comprehensive income	(12)	1	(1)	(2)	-	-	-
Total comprehensive income	**1,655**	**1,320**	**1,229**	**562**	**1,232**	**1,833**	**2,623**
EPS (INR)	46.0	36.7	34.1	14.2	31.1	46.2	66.2

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	360	360	360	396	396	396	396
Reserves	6,510	7,650	8,789	11,693	12,925	14,758	17,382
Net worth	**6,870**	**8,010**	**9,149**	**12,089**	**13,322**	**15,154**	**17,778**
Minority Interest	-	-	-	-	-	-	-
Provisions	17	34	58	71	25	30	36
Debt	1,357	2,047	4,795	3,029	2,909	2,839	2,769
Total Liabilities	**8,243**	**10,091**	**14,002**	**15,190**	**16,256**	**18,024**	**20,583**
Fixed assets	2,060	2,384	3,208	3,060	3,086	3,460	3,936
Capital Work In Progress	-	177	29	28	35	41	48
Other Intangible assets	14	12	11	14	14	14	14
Investments	2,285	2,057	1,562	2,258	1,807	1,995	2,412
Other non current assets	134	202	262	378	301	363	439
Net working capital	**453**	**(131)**	**1,576**	**1,657**	**2,673**	**2,694**	**3,194**
Inventories	818	1,531	3,178	3,239	2,891	3,204	3,642
Sundry debtors	3,110	4,339	3,421	5,298	5,117	5,963	7,210
Loans & Advances	59	34	35	7	30	36	44
Other current assets	926	1,529	1,308	1,453	1,733	1,988	2,403
Sundry creditors	(2,582)	(3,683)	(4,200)	(4,179)	(4,839)	(5,776)	(6,816)
Other current liabilities & Prov	(1,878)	(3,880)	(2,166)	(4,161)	(2,259)	(2,720)	(3,290)
Cash	1,963	2,424	2,271	2,078	2,918	2,929	2,646
Other Financial Assets	1,334	2,966	5,083	5,717	5,422	6,529	7,895
Total Assets	**8,243**	**10,091**	**14,002**	**15,190**	**16,256**	**18,024**	**20,583**

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.8	0.7	0.7	0.7	0.7	0.7	0.8
Interest burden (x)	1.0	0.9	0.9	0.7	1.0	1.0	1.0
EBIT margin (x)	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Asset turnover (x)	2.1	1.8	1.9	1.7	1.9	2.1	2.3
Financial leverage (x)	1.4	1.5	1.5	1.4	1.2	1.2	1.2
RoE (%)	**27.3%**	**17.7%**	**14.3%**	**5.3%**	**9.7%**	**12.9%**	**15.9%**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	2,220	1,804	1,690	783	1,647	2,450	3,457
Depreciation	321	400	649	727	801	861	964
Tax paid	(553)	(485)	(460)	(219)	(415)	(618)	(833)
Working capital Δ	(122)	584	(1,707)	(81)	(1,016)	(21)	(500)
Operating cashflow	**1,866**	**2,304**	**171**	**1,210**	**1,018**	**2,673**	**3,088**
Capital expenditure	(815)	(901)	(1,324)	(577)	(835)	(1,241)	(1,448)
Free cash flow	**1,051**	**1,402**	**(1,152)**	**632**	**183**	**1,432**	**1,640**
Equity raised	(12)	1	(1)	2,377	-	-	-
Investments	(1,286)	228	496	(697)	451	(188)	(417)
Others	(237)	(1,698)	(2,177)	(753)	372	(1,169)	(1,442)
Debt financing/disposal	303	690	2,748	(1,765)	(120)	(70)	(70)
Dividends paid	(144)	(180)	(90)	-	-	-	-
Other items	(1)	17	24	13	(47)	5	6
Net Δ in cash	**(327)**	**460**	**(153)**	**(193)**	**839**	**11**	**(283)**
Opening Cash Flow	**2,290**	**1,963**	**2,424**	**2,271**	**2,078**	**2,918**	**2,929**
Closing Cash Flow	**1,963**	**2,424**	**2,271**	**2,078**	**2,918**	**2,929**	**2,646**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)							
Revenue growth	40.9%	10.9%	29.3%	0.3%	19.9%	20.4%	20.9%
Op profit growth	91.5%	-11.0%	13.4%	-31.2%	40.9%	31.9%	31.2%
Profitability ratios (%)							
OPM	14.8%	11.9%	10.4%	7.1%	8.4%	9.2%	10.0%
Net profit margin	9.5%	6.8%	4.9%	2.2%	4.1%	5.1%	6.0%
RoCE	25.4%	17.2%	13.3%	6.1%	9.4%	12.1%	14.8%
RoNW	27.3%	17.7%	14.3%	5.3%	9.7%	12.9%	15.9%
RoA	20.2%	13.1%	8.8%	3.7%	7.6%	10.2%	12.7%
Per share ratios (INR)							
EPS	46.0	36.7	34.1	14.2	31.1	46.2	66.2
Dividend per share	4.0	5.0	2.5	-	-	-	-
Cash EPS	55.2	47.8	52.2	32.6	51.3	68.0	90.5
Book value per share	190.8	222.5	254.1	305.0	336.0	382.3	448.5
Valuation ratios (x)							
P/E	14.3	17.9	19.2	46.3	21.1	14.2	9.9
P/CEPS	11.9	13.7	12.6	20.1	12.8	9.7	7.2
P/B	3.4	2.9	2.6	2.2	2.0	1.7	1.5
EV/EBITDA	8.0	9.2	9.4	13.8	9.6	7.2	5.4
Payout (%)							
Dividend payout	8.6%	13.6%	7.3%	0.0%	0.0%	0.0%	0.0%
Tax payout	24.9%	26.9%	27.2%	28.0%	25.2%	25.2%	24.1%
Liquidity ratios							
Debtor days	56	70	57	63	63	56	55
Inventory days	22	27	41	54	43	36	34
Creditor days	63	67	64	66	60	59	58
WC Days	15	30	34	52	47	33	30
Leverage ratios (x)							
Interest coverage	8.5	5.9	3.9	2.4	5.2	7.7	10.9
Net debt / equity	-0.1	-0.0	0.3	0.1	-0.0	-0.0	0.0
Net debt / op. profit	-0.2	-0.2	1.0	0.5	-0.0	-0.0	0.0

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	(145)	502	408	611	205	671	909
Depreciation	36	73	119	212	283	314	384
Tax paid	(1)	(62)	(88)	(158)	(54)	(176)	(238)
Working capital Δ	(544)	(96)	(1,014)	(48)	9	(159)	(399)
Operating cashflow	**(655)**	**417**	**(575)**	**616**	**443**	**650**	**656**
Capital expenditure	(45)	(86)	(212)	(285)	(330)	(335)	(401)
Free cash flow	**(699)**	**331**	**(787)**	**331**	**113**	**315**	**255**
Equity raised	744	595	1,294	2,906	(0)	-	-
Investments	(139)	(162)	60	161	0	(20)	(27)
Others	(350)	(267)	(1,702)	13	240	(262)	(391)
Debt financing/disposal	560	(341)	838	(736)	(45)	(25)	(20)
Other items	26	53	12	(2)	(71)	5	6
Net Δ in cash	**141**	**209**	**(286)**	**2,673**	**236**	**13**	**(176)**
Opening Cash Flow	**-**	**141**	**351**	**65**	**2,738**	**2,974**	**2,987**
Closing Cash Flow	**141**	**351**	**65**	**2,738**	**2,974**	**2,987**	**2,810**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)							
Revenue growth		359.2%	16.7%	68.8%	-13.8%	24.5%	26.7%
Op profit growth		-772.8%	-35.6%	17.8%	-53.0%	167.0%	32.5%
Profitability ratios (%)							
OPM	-31.3%	45.9%	25.3%	17.7%	9.6%	20.7%	21.6%
Net profit margin	-42.1%	27.6%	17.2%	14.4%	5.6%	14.7%	15.7%
RoCE	-10.9%	38.2%	11.3%	8.4%	2.3%	6.9%	8.7%
RoNW	-24.5%	39.5%	13.1%	9.2%	2.3%	7.1%	8.8%
RoA	-12.4%	22.8%	7.3%	6.5%	2.1%	6.6%	8.2%
Per share ratios (INR)							
EPS	-	-	15.0	10.5	3.5	11.5	15.6
Dividend per share	-	-	-	-	-	-	-
Cash EPS	-	-	20.5	15.5	10.1	18.9	24.6
Book value per share	-	-	152.2	154.0	157.6	169.1	184.7
Valuation ratios (x)							
P/E	-	0.1	41.8	59.8	178.0	54.3	40.1
P/CEPS	-	-	30.5	40.5	61.9	33.2	25.5
P/B	-	-	4.1	4.1	4.0	3.7	3.4
EV/EBITDA	(3.1)	(0.5)	30.0	44.0	92.5	34.5	26.2
Payout (%)							
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax payout	-0.8%	12.3%	21.6%	25.9%	26.2%	26.2%	26.2%
Liquidity ratios							
Debtor days	250	50	77	59	60	54	52
Inventory days	467	320	476	236	231	229	204
Creditor days	38	26	28	21	23	22	23
WC Days	679	345	525	274	268	261	233
Leverage ratios (x)							
Interest coverage	-8.6	3.7	7.3	9.4	-1.4	26.4	40.7
Net debt / equity	0.7	-0.1	0.3	-0.4	-0.4	-0.4	-0.3
Net debt / op. profit	-3.9	-0.2	2.1	-4.4	-10.3	-3.9	-2.8

Source: Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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