ArihantCapital
Generating Wealth

Q1FY26 Result update
30th Jul 2025

PSP Projects Ltd

Strategic Partnership with Adani would unlock the potential.

CMP: INR 780

Rating: ACCUMULATE

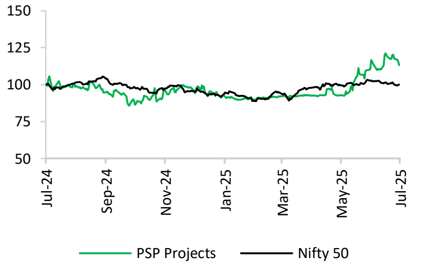
Target Price: INR 929

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)	30,683
52w H/L (INR)	843/565
Avg Yearly Volume (in 000')	162.2

Shareholding Pattern % *(As on Jun, 2025)*	
Promoters	60.14
DII	2.34
FII	3.11
Public & Others	34.42

Stock Performance (%)	3m	6m	12m
PSP Projects	22.4	22.5	13.2
NIFTY	2.1	6.9	0.0

PSP Projects vs NIFTY



Abhishek Jain
abhishek.jain@arihantcapital.com
022-67114871

Balasubramanian A
bala@arihantcapital.com
022-67114870

PSP Projects Ltd reported numbers, Q1FY26 revenue stood at INR 5,178mn (-16.9% YoY/-23.1% QoQ); below our estimates of INR 7,471mn, due to labor shortages and delays in project execution. Gross Profit stood at INR 750mn (-35.6% YoY/+4.8% QoQ); below our estimates of INR 1,172mn. Gross margins contracted by 47bps YoY (up by 369bps QoQ) to 14.5% vs 18.7% in Q1FY25. The higher RM costs and construction expenses impacted gross margins. EBITDA stood at INR 248mn (-66.5% YoY/-23.4% QoQ); below our estimates of INR 681mn. EBITDA margin contracted by 708bps YoY (down by 2bps QoQ) to 4.8% vs 11.9% in Q1FY25. The new hires on the account of Adani orders resulted in higher employee costs of 6.8% in Q1FY26, compared to usual levels of 4%-5%. PAT stood at INR 4mn (-98.8% YoY/-93.4% QoQ); below our estimates of INR 338.9. PAT margin contracted by 548bps YoY (down by 88bps QoQ) to 0.1% vs 5.6% in Q1FY25.

Key Highlights

Strong order book shows business visibility: The order book stood at INR 65.14bn (+10.6% YoY) in Q1FY26, showing business visibility over the next 2-3 years. The order inflows are expected to be INR 75-80bn in FY26E, with a significant portion anticipated from the Adani Group. Adani projects typically involve item-rate contracts rather than fixed-price agreements, providing some protection against material cost fluctuations. The company is actively engaged in discussions for several high-value projects. The key projects under negotiation include a residential colony in Mundra (INR 12.5bn), a township in Mundra (INR 23bn), infrastructure works such as a museum in Andhra Pradesh (INR 1bn), and commercial tower developments in Shanti Gram (INR 1bn), etc.

Dharavi remains a key opportunity: The company is participating in the Dharavi rehabilitation program, focusing on the construction of 5,200 interim residential units for displaced families. The project is still in its early stages, with site preparation and basement work ongoing. The completion of the project is expected in 36 months, subject to progress in foundational work. The company is expected to get more development orders in Dharavi, post completion of 5,200 interim residential units.

Precast facility would reduce manual labor and improve efficiency: The precast division is a strategic focus area, aimed at reducing labor dependency and improving efficiency. The precast facility serves internal projects and external clients. The utilization rate is around 50% and full utilization is expected by next year. The revenue potential for the precast division is expected to be INR 4-5bn, once fully utilized. Precast technology is being increasingly adopted for high-rise buildings and warehousing projects, with recent applications in four buildings under construction.

Outlook & Valuation: **PSP projects order book stood at INR 65.14bn (~2.6x of FY25 revenue) and expected order inflows of INR 75-80bn in FY26E, showing business visibility. The labor shortage issues are expected to normalize by Q2FY26E, and construction activities are expected to pick up by Q2FY26E/Q3FY26E onwards. The margins are expected to recover to 8%-9% from Q3FY26E onwards. The company is 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 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 increase margins. 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 780 per share, we are reducing to "ACCUMULATE" (earlier "BUY") rating at a TP of INR 929 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 3,817mn; an upside of 19.1%.**

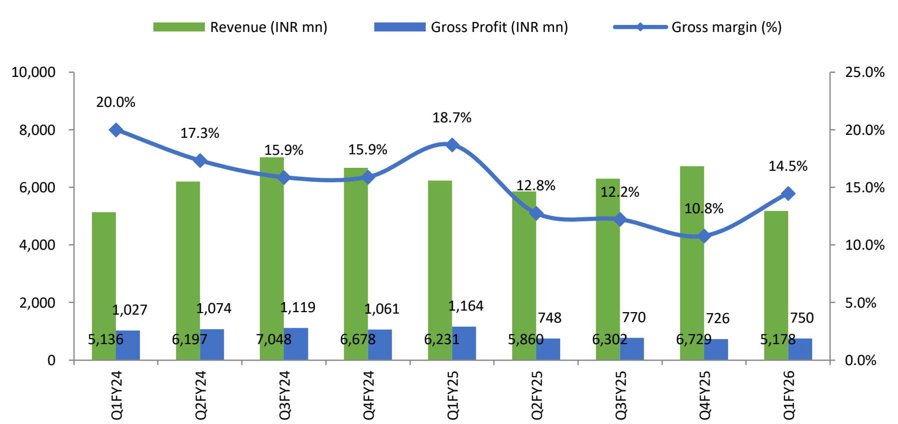
Q1FY26 Results

Income statement summary

Particular (INR mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	6,231	6,729	5,178	-16.9%	-23.1%
Net Raw Materials	1,941	2,173	1,906	-1.8%	-12.3%
Construction expenses	3,125	3,829	2,521	-19.3%	-34.2%
Gross profit	**1,164**	**726**	**750**	**-35.6%**	**3.23%**
Gross margin (%)	**18.7%**	**10.8%**	**14.5%**	**-420 bps**	**+369 bps**
Power & Fuel	-	-	-		
Employee Cost	326	231	350	7.4%	51.9%
Other Expenses	98	172	152	54.0%	-12.0%
EBITDA	**740**	**323**	**248**	**-66.5%**	**-23.4%**
EBITDA Margin (%)	**11.9%**	**4.8%**	**4.8%**	**-708 bps**	**-2 bps**
Depreciation	167	192	169		
Interest expense	132	102	112		
Other income	37.9	51.8	40.0		
Share of profits associate & JV	(0)	(0)	(0)		
Profit before tax	**478**	**80**	**7**	**-98.5%**	**-91.0%**
Taxes	132	16	3		
Minorities and other	-	-	-		
PAT	**347**	**65**	**4**	**-98.8%**	**-93.4%**
PAT Margin (%)	**5.6%**	**1.0%**	**0.1%**	**-548 bps**	**-88 bps**
Other Comprehensive income	(0.2)	(0.2)	(0.6)		
Net profit	**347**	**64**	**4**		
Net profit Margin (%)	**5.6%**	**1.0%**	**0.1%**		
EPS (INR)	**8.7**	**1.6**	**0.1**		

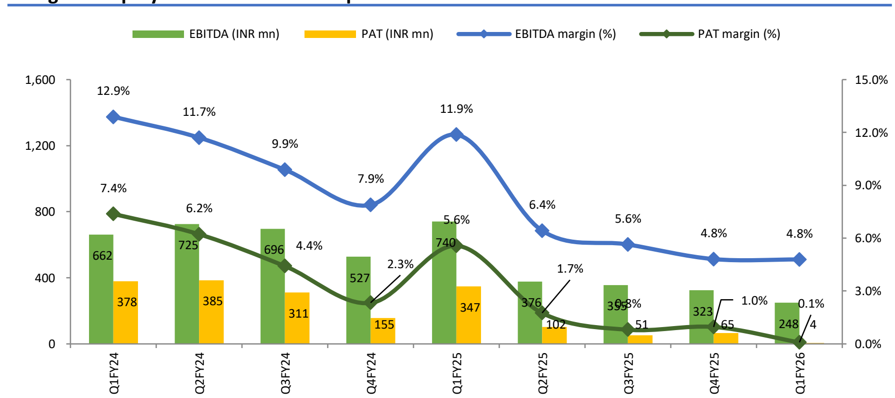
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins contracted by 420 bps YoY (up by 369 bps QoQ) to 14.5% in Q1FY26 due to higher RM and construction costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 708 bps YoY (down by 2 bps QoQ) to 4.8% in Q1FY26 due to higher employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q1FY26 Concall Highlights

Revenue

- Q1FY26 Revenue impacted due to labor shortages and delays in project execution, particularly during the monsoon season in Gujarat, which began earlier than usual.

- Revenue is expected to reach INR 40bn by FY27E.

Margins

- EBITDA margins are expected to recover to 8%-9% by Q3FY26E.

Order book

- The order book stood at INR 65.14bn (+10.6% YoY) in Q1FY26.

- The order inflows are expected to be INR 75-80bn in FY26E, with a significant portion anticipated from the Adani Group.

- The company is actively engaged in discussions for several high-value projects. The key projects under negotiation include a residential colony in Mundra (INR 12.5bn), a township in Mundra (INR 23bn), infrastructure works such as a museum in Andhra Pradesh (INR 1bn), and commercial tower developments in Shanti Gram (INR 1bn), etc.

- Adani projects typically involve item-rate contracts rather than fixed-price agreements, providing some protection against material cost fluctuations.

Dharavi

- The company is participating in the Dharavi rehabilitation program, focusing on the construction of 5,200 interim residential units for displaced families.

- The project is still in its early stages, with site preparation and basement work ongoing. The completion of the project is expected in 36 months, subject to progress in foundational work.

Labor shortages

- Labor shortages emerged as a major challenge, particularly during the foundation stage of construction, where demand for labor was high but availability was low. This labor issue was due to seasonal factors such as marriages and early monsoons. Labor issues are expected to clear by Q2FY26E.

- The company is investing in technology, including modular construction techniques and precast solutions, to reduce reliance on manual labor.

Working capital

- Working capital is expected to improve by the end of Q2FY26E/Q3FY26E.

- The company is expected to get INR 7.5bn (10% advance mobilization of INR 75bn expected order inflows) would improve working capital.

Capex

- The capex stood at INR 320mn in Q1FY26, primarily for plant and machinery, including formwork and cranes for new sites.

Q1FY26 Concall Highlights

Precast

- The precast division is a strategic focus area, aimed at reducing labor dependency and improving efficiency. The precast facility serves internal projects and external clients.
- The utilization rate is around 50% and full utilization is expected by next year.
- The revenue potential for the precast division is expected to be INR 4-5bn, once fully utilized.
- Precast technology is being increasingly adopted for high-rise buildings and warehousing projects, with recent applications in four buildings under construction.

Other highlights

- The company has incurred additional expenses of INR 45mn related to UP projects and made an ECL provision of INR 868mn in Q1FY26.
- The unbilled revenue stood at INR 5.56bn, retention – INR 1.37bn, mobilization advance – INR 3.26bn, and Inventories – INR 3.44bn.
- The company has utilized INR 8.64bn; out of sanctioned credit facilities of INR 14.97bn.

Outlook & Valuation: **PSP projects order book stood at INR 65.14bn (~2.6x of FY25 revenue) and expected order inflows of INR 75-80bn in FY26E, showing business visibility. The labor shortage issues are expected to normalize by Q2FY26E, and construction activities are expected to pick up by Q2FY26E/Q3FY26E onwards. The margins are expected to recover to 8%-9% from Q3FY26E onwards. The company is 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 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 increase margins. 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 780 per share, we are reducing to "ACCUMULATE" (earlier "BUY") rating at a TP of INR 929 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 3,817mn; an upside of 19.1%.**

Valuation based on EV/EBITDA - FY28E	
EBITDA (INR mn)	3,817
EV/EBITDA (x)	10
EV (INR mn)	38,171
Debt (INR mn)	2,769
Cash (INR mn)	4,126
Market Cap (INR mn)	36,815
Shares (mn)	40
Target Price (INR)	**929**
CMP (INR)	**780**
Upside/Downside (%)	**19.1%**

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	29,375	35,372	42,948
Net Raw Materials	13,906	15,908	20,776	21,712	25,375	30,343	36,410
Employee Cost	723	935	1,251	1,195	1,432	1,689	2,012
Other Expenses	267	235	422	419	532	606	708
EBITDA	**2,584**	**2,301**	**2,609**	**1,794**	**2,035**	**2,734**	**3,817**
EBITDA Margin (%)	**14.8%**	**11.9%**	**10.4%**	**7.1%**	**6.9%**	**7.7%**	**8.9%**
Depreciation	(321)	(400)	(649)	(727)	(801)	(861)	(964)
Interest expense	(265)	(320)	(508)	(442)	(341)	(331)	(323)
Other income	217	250	242	173	247	292	354
Profit before tax	**2,220**	**1,804**	**1,690**	**783**	**1,139**	**1,834**	**2,885**
Taxes	(553)	(485)	(460)	(219)	(288)	(462)	(646)
PAT	**1,667**	**1,319**	**1,230**	**564**	**851**	**1,372**	**2,239**
PAT Margin (%)	**9.5%**	**6.8%**	**4.9%**	**2.2%**	**2.9%**	**3.9%**	**5.2%**
Other Comprehensive income	(12)	1	(1)	(2)	-	-	-
Total comprehensive income	**1,655**	**1,320**	**1,229**	**562**	**851**	**1,372**	**2,239**
EPS (INR)	46.0	36.7	34.1	14.2	21.5	34.6	56.5

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	12,544	13,916	16,155
Net worth	**6,870**	**8,010**	**9,149**	**12,089**	**12,941**	**14,312**	**16,551**
Minority Interest	-	-	-	-	-	-	-
Provisions	17	34	58	71	24	29	35
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**	**15,874**	**17,181**	**19,356**
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	1,763	1,945	2,362
Other non current assets	134	202	262	378	294	354	429
Net working capital	**453**	**(131)**	**1,576**	**1,657**	**2,563**	**2,571**	**3,072**
Inventories	818	1,531	3,178	3,239	2,850	3,159	3,591
Sundry debtors	3,110	4,339	3,421	5,298	4,990	5,815	7,060
Loans & Advances	59	34	35	7	29	35	43
Other current assets	926	1,529	1,308	1,453	1,690	1,938	2,353
Sundry creditors	(2,582)	(3,683)	(4,200)	(4,179)	(4,794)	(5,723)	(6,754)
Other current liabilities & Prov	(1,878)	(3,880)	(2,166)	(4,161)	(2,203)	(2,653)	(3,221)
Cash	1,963	2,424	2,271	2,078	2,833	2,429	1,764
Other Financial Assets	1,334	2,966	5,083	5,717	5,288	6,367	7,731
Total Assets	**8,243**	**10,091**	**14,002**	**15,190**	**15,874**	**17,181**	**19,356**

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	0.9	1.0	1.0
EBIT margin (x)	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Asset turnover (x)	2.1	1.8	1.9	1.7	1.9	2.1	2.4
Financial leverage (x)	1.4	1.5	1.5	1.4	1.3	1.2	1.2
RoE (%)	**27.3%**	**17.7%**	**14.3%**	**5.3%**	**6.8%**	**10.1%**	**14.5%**

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	1,139	1,834	2,885
Depreciation	321	400	649	727	801	861	964
Tax paid	(553)	(485)	(460)	(219)	(288)	(462)	(646)
Working capital Δ	(122)	584	(1,707)	(81)	(905)	(9)	(501)
Operating cashflow	**1,866**	**2,304**	**171**	**1,210**	**747**	**2,224**	**2,703**
Capital expenditure	(815)	(901)	(1,324)	(577)	(835)	(1,241)	(1,448)
Free cash flow	**1,051**	**1,402**	**(1,152)**	**632**	**(88)**	**983**	**1,254**
Equity raised	(12)	1	(1)	2,377	-	-	0
Investments	(1,286)	228	496	(697)	496	(183)	(417)
Others	(237)	(1,698)	(2,177)	(753)	514	(1,139)	(1,439)
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)**	**755**	**(404)**	**(665)**
Opening Cash Flow	**2,290**	**1,963**	**2,424**	**2,271**	**2,078**	**2,833**	**2,429**
Closing Cash Flow	**1,963**	**2,424**	**2,271**	**2,078**	**2,833**	**2,429**	**1,764**

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%	16.9%	20.4%	21.4%
Op profit growth	91.5%	-11.0%	13.4%	-31.2%	13.4%	34.3%	39.6%
Profitability ratios (%)							
OPM	14.8%	11.9%	10.4%	7.1%	6.9%	7.7%	8.9%
Net profit margin	9.5%	6.8%	4.9%	2.2%	2.9%	3.9%	5.2%
RoCE	25.4%	17.2%	13.3%	6.1%	7.1%	9.8%	13.6%
RoNW	27.3%	17.7%	14.3%	5.3%	6.8%	10.1%	14.5%
RoA	20.2%	13.1%	8.8%	3.7%	5.4%	8.0%	11.6%
Per share ratios (INR)							
EPS	46.0	36.7	34.1	14.2	21.5	34.6	56.5
Dividend per share	4.0	5.0	2.5	-	-	-	-
Cash EPS	55.2	47.8	52.2	32.6	41.7	56.3	80.8
Book value per share	190.8	222.5	254.1	305.0	326.4	361.0	417.5
Valuation ratios (x)							
P/E	17.0	21.3	22.9	55.0	36.3	22.5	13.8
P/CEPS	14.1	16.3	14.9	24.0	18.7	13.8	9.7
P/B	4.1	3.5	3.1	2.6	2.4	2.2	1.9
EV/EBITDA	9.7	11.1	11.1	16.5	14.4	10.7	7.7
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%	25.3%	25.2%	22.4%
Liquidity ratios							
Debtor days	56	70	57	63	64	56	55
Inventory days	22	27	41	54	44	36	34
Creditor days	63	67	64	66	60	59	58
WC Days	15	30	34	52	48	33	30
Leverage ratios (x)							
Interest coverage	8.5	5.9	3.9	2.4	3.6	5.7	8.8
Net debt / equity	-0.1	-0.0	0.3	0.1	0.0	0.0	0.1
Net debt / op. profit	-0.2	-0.2	1.0	0.5	0.0	0.2	0.3

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 19.6% over the period of FY25-28E.

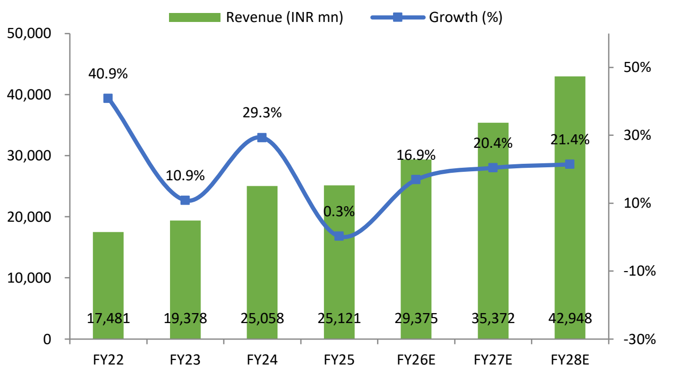


Exhibit 4: Gross margins are expected to improve going forward.

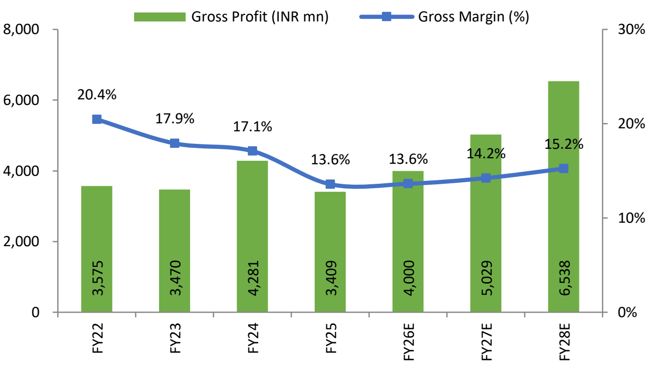


Exhibit 5: Growth in EBITDA & PAT levels

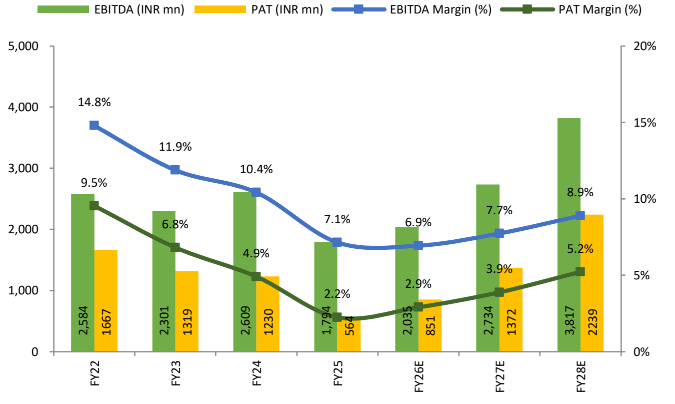


Exhibit 6: Return ratios to be improve

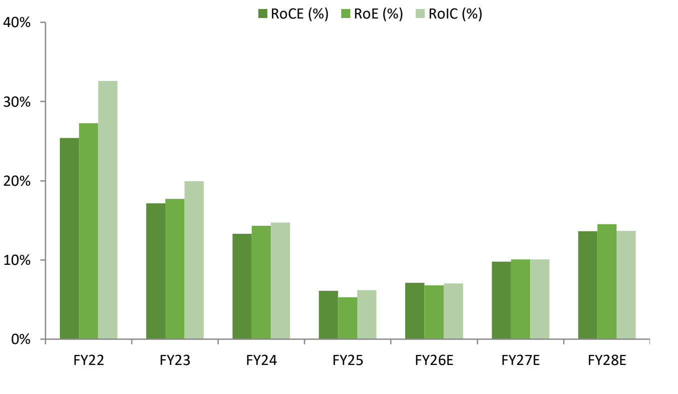


Exhibit 7: Working capital days to be improve.

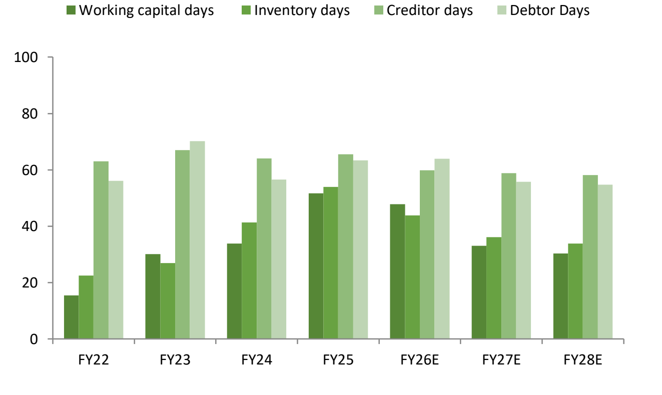
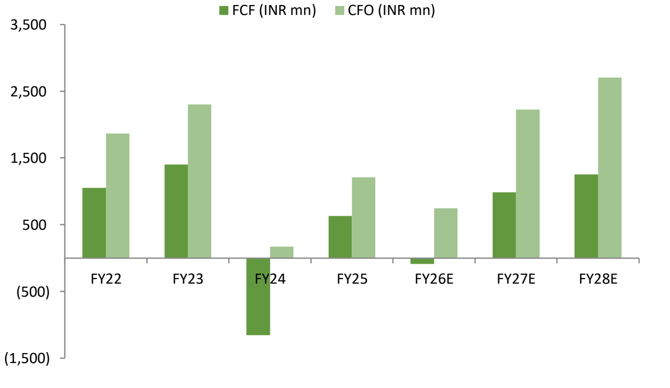


Exhibit 8: Cash flows to be improve.



Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800