

Order inflows remain strong, ramping up execution in H2FY26E.

CMP: INR 751

Rating: BUY

Target Price: INR 1,020

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)	29,771
52w H/L (INR)	843/565
Avg Yearly Volume (in 000')	190.8

Shareholding Pattern %

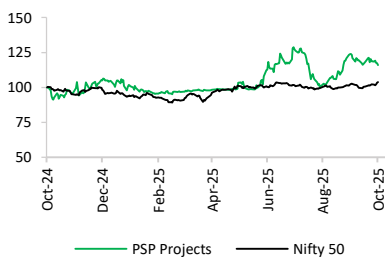
(As on Sep, 2025)

Promoters	68.82
DII	2.10
FII	2.58
Public & Others	26.50

Stock Performance (%) 3m 6m 12m

PSP Projects	-8.9	18.0	16.0
NIFTY	2.4	6.0	3.9

PSP Projects vs NIFTY



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PSP Projects Ltd reported numbers, Q2FY26 revenue stood at INR 7,029mn (+19.9% YoY/+35.8% QoQ); above our estimates of INR 6,712mn. Gross Profit stood at INR 951mn (+27.1% YoY/+26.8% QoQ); above our estimates of INR 837mn. Gross margins improved by 76bps YoY (down by 96bps QoQ) to 13.5% vs 12.8% in Q2FY25. EBITDA stood at INR 499mn (+32.8% YoY/+101.4% QoQ); above our estimates of INR 350mn. EBITDA margin improved by 69bps YoY (up by 232bps QoQ) to 7.1% vs 6.4% in Q2FY25. PAT stood at INR 162mn (+58.2% YoY); above our estimates of INR 102. PAT margin improved by 56bps YoY (up by 222bps QoQ) to 2.3% vs 1.7% in Q2FY25.

Key Highlights

Strong order book shows business visibility: The order book stood at INR 98.83bn (+51% YoY) in Q2FY26, showing business visibility over the next 2-3 years. The order book mix is Adani group -56% and the remaining from others. The order inflow stood at INR 40.1bn as of H1FY26. The bid book stood at INR 85bn, comprising INR 70bn from Adani Group and INR 13bn from two large non-Adani projects, one government and one private temple project. Overall, the order book is expected to reach INR 150bn by Mar-26. The strong order book and ramp-up of execution will lead to business visibility over the medium term.

Working capital is expected to reduce through mobilization advances: Adani Group projects have commenced mobilization, providing sustained momentum expected in the H2FY26. These projects range from INR 5-6bn to INR 15-18bn, with a completion period of 2-3 years. Adani offers favorable terms, including a 10% mobilization advance and approval of 75% of payments within seven days, which aids in reducing debt and working capital days.

Precast facility ramping-up due to rising demand: The company completed several projects utilizing pre-cast elements, including the EPC precast building for Mundra Petrochem Ltd and Astral House phase 3. The company is also supplying externally and made a revenue of INR 300mn in H1FY26. The company is deploying 3-4 Adani group projects. The facility will double the production going forward. The company also doing capex for specialized high value cranes. Further capacity expansion to meet rising demand, particularly from Adani Projects by next year.

Outlook & Valuation: PSP Projects order book stood at INR 98.83bn (~4x of FY25 revenue) shows business visibility over the medium term. The bid book stood at INR 85bn, comprising INR 70bn from Adani Group. The order book is expected to reach INR 150bn by Mar-26. The favorable payment terms from Adani, including a 10% mobilization advance and swift payment approvals, are expected improve working capital and reduce debt. The ramp-up execution will improve the margins to 8%-9% in H2FY26E. The company is actively leveraging pre-cast capabilities to enhance efficiency. The precast elements will be deployed on 3-4 upcoming Adani projects, commencing in the coming months. The company is expected to benefit from Adani's ambitious \$100+bn expansion plans due to a strategic partnership with Adani Infra. 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 751 per share, we are upgrading to a "BUY" (earlier "ACCUMULATE") rating at a TP of INR 1,020 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 4,081mn; an upside of 35.8%.

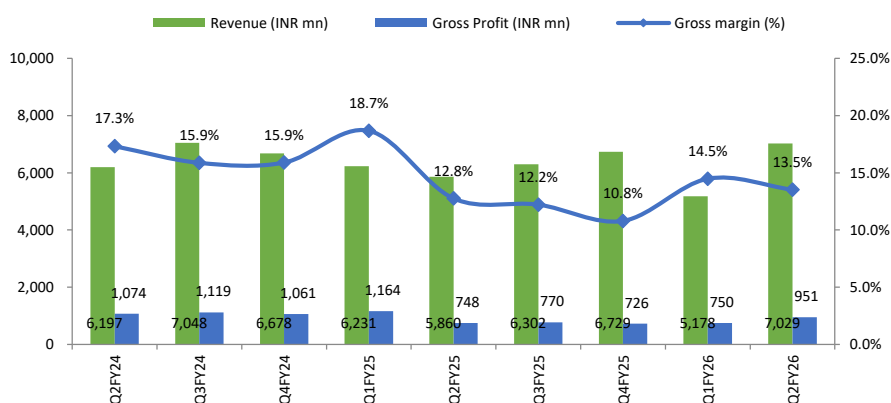
Q2FY26 Results

Income statement summary

Particular (INR mn)	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Revenue	5,860	5,178	7,029	19.9%	35.8%
Net Raw Materials	1,786	1,906	3,233	81.1%	69.6%
Construction expenses	3,326	2,521	2,845	-14.5%	12.8%
Gross profit	748	750	951	27.1%	26.8%
Gross margin (%)	12.8%	14.5%	13.5%	+76 bps	-96 bps
Employee Cost	305	350	333	9.0%	-5.1%
Other Expenses	67	152	119	77.3%	-21.5%
EBITDA	376	248	499	32.8%	101.4%
EBITDA Margin (%)	6.4%	4.8%	7.1%	+69 bps	+232 bps
Depreciation	179	169	197		
Interest expense	106	112	120		
Other income	45.7	40.0	41.1		
Share of profits associate & JV	(0)	(0)	-		
Profit before tax	137	7	224	63.9%	3000.9%
Taxes	34	3	62		
PAT	102	4	162	58.2%	3717.6%
PAT Margin (%)	1.7%	0.1%	2.3%	+56 bps	+222 bps
Other Comprehensive income	(0.2)	(0.6)	(0.6)		
Net profit	102	4	161		
Net profit Margin (%)	1.7%	0.1%	2.3%		
EPS (INR)	2.6	0.1	4.1		

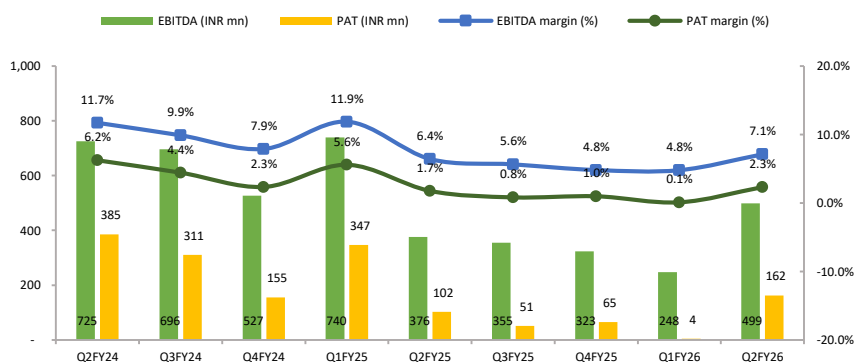
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins improved by 76 bps YoY (down by 96 bps QoQ) to 13.5% in Q2FY26 due to lower RM and construction costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin improved by 69 bps YoY (up by 232 bps QoQ) to 7.1% in Q2FY26 due to lower employee costs and other expenses in-terms of sales.



Source: Company Reports, Aриhant Capital Research

Q2FY26 Concall Highlights**Revenue**

- Revenue is expected to be INR 32,000mn+ in FY26E. H2FY26E is expected to be strong with revenue of INR 20,000mn+.
- Revenue is expected to be INR 40,000mn+ in FY27E.

Margins

- Margins are expected to stabilize at 8%-9% in H2FY26E.

Order book

- The order book stood at INR 98.83bn (+51% YoY) as of Q2FY26. The order book mix is Adani group -56% and the remaining from others.
- The order inflow stood at INR 40.1bn as of H1FY26.
- The bid book stood at INR 85bn, comprising INR 70bn from Adani Group and INR 13bn from two large non-Adani projects, one government and one private temple project.
- Overall, the order book is expected to reach INR 150bn by Mar-26.

Adani Group

- Adani Group projects have commenced mobilization, providing sustained momentum expected in the H2FY26. These projects range from INR 5-6bn to INR 15-18bn, with a completion period of 2-3 years.
- Adani offers favorable terms, including a 10% mobilization advance and approval of 75% of payments within seven days, which aids in reducing debt and working capital days.
- The Adani Group has a planned capex of 2 lakh cr over the next 1.5-2 years.

Working capital

- The working capital days increased from 65 days (FY25) to 102 days in H1FY26, due to a jump in receivables days. Most of the sales were booked in Sep-25.
- Working capital is expected to stabilize in Q3FY26E, with advances from the Adani Group.

Precast

- The company completed several precast projects in Q2FY26. The company is starting precast work for 3-4 Adani Group projects.
- The company is also supplying externally to L&T and others. The revenue stood at INR 300mn in H1FY26.

Capex

- The capex stood at INR 800mn in H1FY26. The capex is expected 3%-4% of sales in FY26E. The capex is majorly for high value cranes.

Q2FY26 Concall Highlights**Projects**

- Post monsoon, the project execution improved at Ahmedabad airport cluster, GIFT City, FMC, RVNL, and G City.
- The GMC project (INR 1.4bn) is on hold due to land acquisition issues.

Labor issues

- The labor shortfall was around 10%-12% due to old device issues.

Other highlights

- The mobilization advance stood at INR 4.86bn in Q2FY26. Its non-interest-bearing advances are mainly from the Adani Group.
- The unbilled revenue stood at INR 6.03bn and retention – INR 1.56bn, and Inventories – INR 3.23bn.
- The sanctioned credit facilities are INR 14.97bn. The utilized limit is INR 7.57bn, and the un-utilized INR 7.4bn.
- Vishnu Umam temple foundation project generated INR 370mn in Q2FY26, after setting a world record for concrete pouring.
- Receivables from Sabarmati Riverfront Development are stretched. Around INR 900mn pending, and recovery timing remains uncertain.
- Around INR 1bn revenue impact due to monsoon conditions.
- The accumulated ECL provisions are around INR 300mn.

Outlook & Valuation: PSP Projects order book stood at INR 98.83bn (~4x of FY25 revenue) shows business visibility over the medium term. The bid book stood at INR 85bn, comprising INR 70bn from Adani Group. The order book is expected to reach INR 150bn by Mar-26. The favorable payment terms from Adani, including a 10% mobilization advance and swift payment approvals, are expected improve working capital and reduce debt. The ramp-up execution will improve the margins to 8%-9% in H2FY26E. The company is actively leveraging pre-cast capabilities to enhance efficiency. The precast elements will be deployed on 3-4 upcoming Adani projects, commencing in the coming months. The company is expected to benefit from Adani's ambitious \$100+bn expansion plans due to a strategic partnership with Adani Infra. 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 751 per share, we are upgrading to a "BUY" (earlier "ACCUMULATE") rating at a TP of INR 1,020 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 4,081mn; an upside of 35.8%.

Valuation based on EV/EBITDA - FY28E

EBITDA (INR mn)	4,081
EV/EBITDA (x)	10
EV (INR mn)	40,813
Debt (INR mn)	3,139
Cash (INR mn)	3,515
Market Cap (INR mn)	40,438
Shares (mn)	40
Target Price (INR)	1,020
CMP (INR)	751
Upside/Downside (%)	35.8%

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	30,871	38,555	47,965
Net Raw Materials	13,906	15,908	20,776	21,712	26,602	32,992	40,901
Employee Cost	723	935	1,251	1,195	1,413	1,726	2,123
Other Expenses	267	235	422	419	600	710	860
EBITDA	2,584	2,301	2,609	1,794	2,256	3,126	4,081
EBITDA Margin (%)	14.8%	11.9%	10.4%	7.1%	7.3%	8.1%	8.5%
Depreciation	(321)	(400)	(649)	(727)	(801)	(902)	(1,061)
Interest expense	(265)	(320)	(508)	(442)	(406)	(412)	(392)
Other income	217	250	242	173	204	233	290
Profit before tax	2,220	1,804	1,690	783	1,253	2,045	2,919
Taxes	(553)	(485)	(460)	(219)	(323)	(515)	(736)
PAT	1,667	1,319	1,230	564	930	1,530	2,183
PAT Margin (%)	9.5%	6.8%	4.9%	2.2%	3.0%	4.0%	4.6%
Other Comprehensive income	(12)	1	(1)	(2)	-	-	-
Total comprehensive income	1,655	1,320	1,229	562	930	1,530	2,183
EPS (INR)	46.0	36.7	34.1	14.2	23.5	38.6	55.1

Source: Company Reports, Aриhant 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	12,623	14,153	16,336
Net worth	6,870	8,010	9,149	12,089	13,020	14,549	16,733
Minority Interest	-	-	-	-	-	-	-
Provisions	17	34	58	71	25	32	39
Debt	1,357	2,047	4,795	3,029	3,209	3,389	3,139
Total Liabilities	8,243	10,091	14,002	15,190	16,255	17,971	19,912
Fixed assets	2,060	2,384	3,208	3,060	3,086	3,418	3,799
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	1,852	2,121	2,638
Other non current assets	134	202	262	378	309	386	480
Net working capital	453	(131)	1,576	1,657	2,706	2,820	3,423
Inventories	818	1,531	3,178	3,239	2,988	3,435	4,034
Sundry debtors	3,110	4,339	3,421	5,298	5,244	6,338	7,885
Loans & Advances	59	34	35	7	31	39	48
Other current assets	926	1,529	1,308	1,453	1,776	2,113	2,628
Sundry creditors	(2,582)	(3,683)	(4,200)	(4,179)	(5,017)	(6,212)	(7,574)
Other current liabilities & Prov	(1,878)	(3,880)	(2,166)	(4,161)	(2,315)	(2,892)	(3,597)
Cash	1,963	2,424	2,271	2,078	2,696	2,231	877
Other Financial Assets	1,334	2,966	5,083	5,717	5,557	6,940	8,634
Total Assets	8,243	10,091	14,002	15,190	16,255	17,971	19,912

Source: Company Reports, Aриhant 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	0.7
Interest burden (x)	1.0	0.9	0.9	0.7	0.9	0.9	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	2.3	2.5
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%	7.4%	11.1%	14.0%

Source: Company Reports, Aриhant 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	1,253	2,045	2,919
Depreciation	321	400	649	727	801	902	1,061
Tax paid	(553)	(485)	(460)	(219)	(323)	(515)	(736)
Working capital Δ	(122)	584	(1,707)	(81)	(1,049)	(114)	(603)
Operating cashflow	1,866	2,304	171	1,210	683	2,318	2,641
Capital expenditure	(815)	(901)	(1,324)	(577)	(835)	(1,241)	(1,448)
Free cash flow	1,051	1,402	(1,152)	632	(152)	1,077	1,193
Equity raised	(12)	1	(1)	2,377	-	(0)	-
Investments	(1,286)	228	496	(697)	406	(268)	(518)
Others	(237)	(1,698)	(2,177)	(753)	230	(1,460)	(1,788)
Debt financing/disposal	303	690	2,748	(1,765)	180	180	(250)
Dividends paid	(144)	(180)	(90)	-	-	-	-
Other items	(1)	17	24	13	(46)	6	8
Net Δ in cash	(327)	460	(153)	(193)	618	(465)	(1,355)
Opening Cash Flow	2,290	1,963	2,424	2,271	2,078	2,696	2,231
Closing Cash Flow	1,963	2,424	2,271	2,078	2,696	2,231	877

Source: Company Reports, Arianth 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%	22.9%	24.9%	24.4%
Op profit growth	91.5%	-11.0%	13.4%	-31.2%	25.8%	38.6%	30.5%
Profitability ratios (%)							
OPM	14.8%	11.9%	10.4%	7.1%	7.3%	8.1%	8.5%
Net profit margin	9.5%	6.8%	4.9%	2.2%	3.0%	4.0%	4.6%
RoCE	25.4%	17.2%	13.3%	6.1%	7.8%	10.7%	13.1%
RoNW	27.3%	17.7%	14.3%	5.3%	7.4%	11.1%	14.0%
RoA	20.2%	13.1%	8.8%	3.7%	5.7%	8.5%	11.0%
Per share ratios (INR)							
EPS	46.0	36.7	34.1	14.2	23.5	38.6	55.1
Dividend per share	4.0	5.0	2.5	-	-	-	-
Cash EPS	55.2	47.8	52.2	32.6	43.7	61.3	81.8
Book value per share	190.8	222.5	254.1	305.0	328.4	367.0	422.1
Valuation ratios (x)							
P/E	16.3	20.5	22.0	53.0	32.0	19.5	13.6
P/CEPS	13.6	15.7	14.4	23.1	17.2	12.2	9.2
P/B	3.9	3.4	3.0	2.5	2.3	2.0	1.8
EV/EBITDA	9.3	10.7	10.7	15.9	12.6	9.2	7.2
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%	25.8%	25.2%	25.2%
Liquidity ratios							
Debtor days	56	70	57	63	62	55	54
Inventory days	22	27	41	54	43	36	33
Creditor days	63	67	64	66	59	58	57
WC Days	15	30	34	52	46	33	30
Leverage ratios (x)							
Interest coverage	8.5	5.9	3.9	2.4	3.6	5.4	7.7
Net debt / equity	-0.1	-0.0	0.3	0.1	0.0	0.1	0.1
Net debt / op. profit	-0.2	-0.2	1.0	0.5	0.2	0.4	0.6

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 24.1% over the period of FY25-28E.

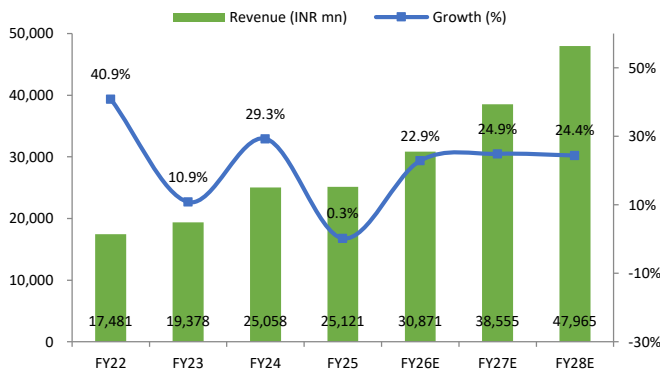


Exhibit 4: Gross margins are expected to improve going forward.

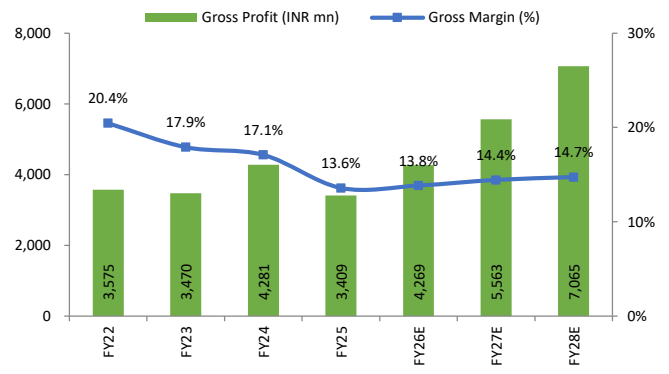


Exhibit 5: Growth in EBITDA & PAT levels

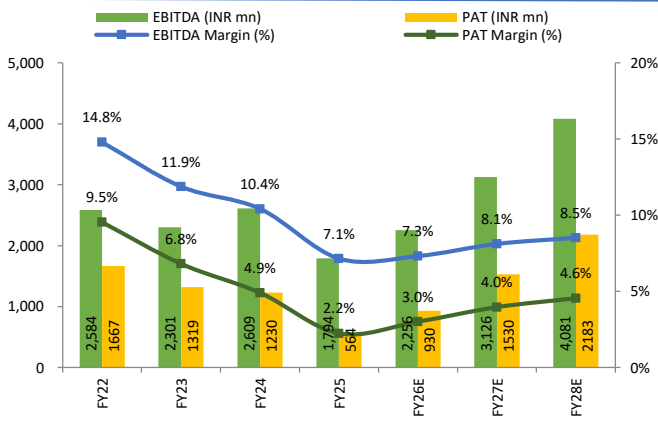


Exhibit 6: Return ratios to be improve

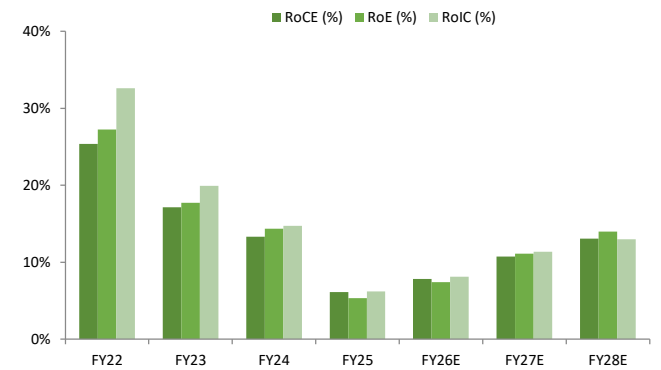


Exhibit 7: Working capital days to be improve.

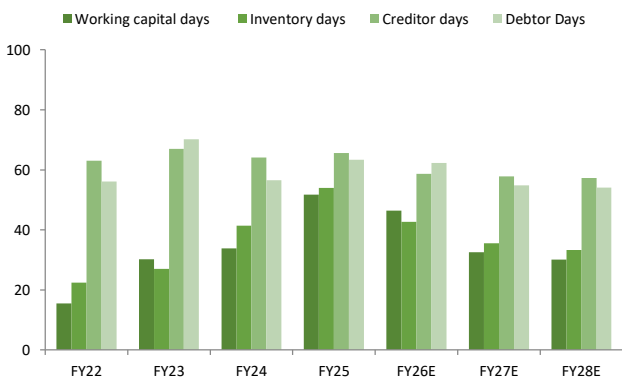
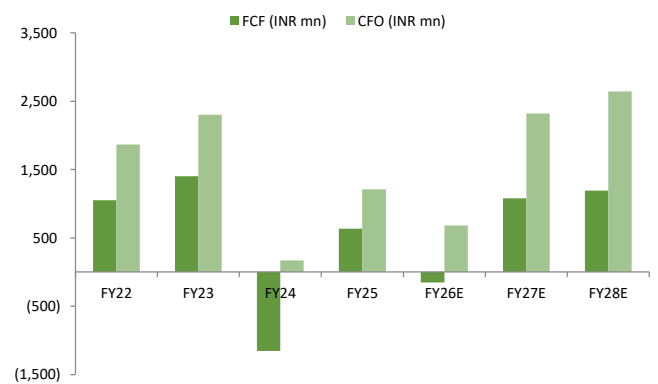


Exhibit 8: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

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BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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