

CMP: INR 750

Rating: BUY

Target Price: INR 998

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)	29,731
52w H/L (INR)	1,031/607
Avg Yearly Volume (in 000')	213.9

Shareholding Pattern %

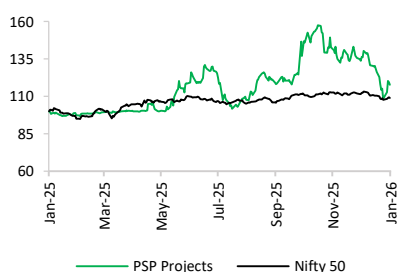
(As on Dec, 2025)

Promoters	68.82
DII	2.18
FII	2.49
Public & Others	26.51

Stock Performance (%) 3m 6m 12m

PSP Projects	-19.7	-3.8	17.8
NIFTY	-2.2	1.9	8.9

PSP Projects vs NIFTY



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PSP Projects Ltd Q3FY26 revenue stood at INR 8,128mn (+29% YoY/+15.6% QoQ); below our estimates of INR 8,805mn, supported by ramping-up execution of projects. Gross Profit stood at INR 1,041mn (+35.1% YoY/+9.4% QoQ); below our estimates of INR 1.208mn. Gross margins improved by 58bps YoY (down by 72bps QoQ) to 12.8% in Q3FY26, supported by lower construction expenses. EBITDA stood at INR 545mn (+53.5% YoY/+9.2% QoQ); below our estimates of INR 690mn. EBITDA margin improved by 107bps YoY (down by 39bps QoQ) to 6.7% in Q3FY26, while operational EBITDA margin 7.7% in Q3FY26 and 1% impact due to one-time provision of INR 80mn related to labor codes. PAT stood at INR 178mn (+252.9% YoY/+10% QoQ); below our estimates of INR 330. PAT margin improved by 139bps YoY (down by 11bps QoQ) to 2.2% in Q3FY26.

Key Highlights

Strong order book and ramp-up execution leading to business visibility: The order book stood at INR 91.78bn (~3.7x of FY25 revenue) shows business visibility. The company is ramping up execution across projects and targeting INR 31-32bn revenue in Q4FY26E. The bid pipeline is around INR 65bn, out of which INR 39bn are Adani projects. The order inflows are expected to be INR 70-80bn from Adani Group in FY27E, primarily from institutional, industrial, and infrastructure-related projects such as residential colonies for plants and airport work, which have higher margins than traditional real estate.

Margin expansion supported by operational excellence: EBITDA margin stood at 6.7% in Q3FY26, and operational EBITDA margin stood at 7.7% (excluding one-time impact of labor code implementation). The company is targeting margins to 8%-9%, supported by operational efficiencies, including a fully utilized in-house precast facility that drives cost control and quality control, and a favorable shift in project mix towards high-margin industrial and group projects.

Cash flows are expected to improve, supported by control of cost overruns and arbitration awards: The company is actively mitigating commodity volatility through pass-through clauses; legacy project overruns have been streamlined; and a favorable arbitration award of INR 800mn is expected to improve cash flow and profitability.

Outlook & Valuation: PSP Projects' order book stood at INR 91.78bn (~3.7x of FY25 revenue) shows business visibility over the medium term. The bid book stood at INR 65bn, comprising INR 39bn from Adani Group. The order book is expected to be INR 70-80bn from the Adani group in FY27E. The company is well positioned to participate in upcoming large-scale infrastructure opportunities, including potential stadium and venue tenders linked to mega-events. The EBITDA margins are expected to improve to 8%-9% and PAT margins to 3.5%-4% in the coming years, supported by shifting towards higher margin industrial and institutional projects from Adani's portfolio, greater efficiency from vertical integration, and the benefits of scale. We anticipate that Revenue/EBITDA/PAT is expected to grow 24.2%/28.4%/43.7% CAGR over the period of FY25-28E, respectively. RoE/ROCE is expected to improve from 5.3%/6.1% (FY25) to 11.4%/10.8% by FY28E, respectively. At the CMP of INR 750 per share, we are maintaining a "BUY" rating at a TP of INR 998 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 3,797mn; an upside of 33%.

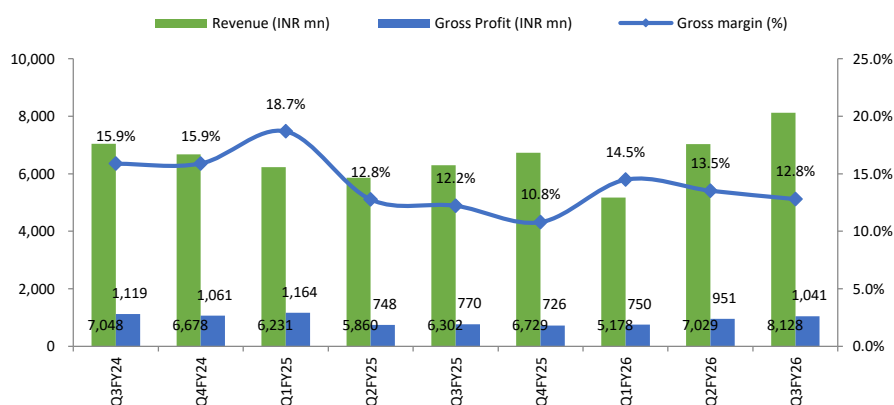
Q3FY26 Results

Income statement summary

Particular (INR mn)	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	6,302	7,029	8,128	29.0%	15.6%
Net Raw Materials	2,282	3,233	3,035	33.0%	-6.1%
Construction expenses	3,250	2,845	4,052	24.7%	42.4%
Gross profit	770	951	1,041	35.1%	9.4%
Gross margin (%)	12.2%	13.5%	12.8%	+58 bps	-72 bps
Employee Cost	333	333	410	23.1%	23.4%
Other Expenses	82	119	85	3.9%	-28.6%
EBITDA	355	499	545	53.5%	9.2%
EBITDA Margin (%)	5.6%	7.1%	6.7%	+107 bps	-39 bps
Depreciation	187	197	237		
Interest expense	102	120	109		
Other income	37.8	41.1	38.8		
Exceptional Items	-	-	(0)		
Share of profits associate & JV	(15)	-	-		
Profit before tax	88	224	239	171.7%	6.7%
Taxes	37	62	61		
PAT	51	162	178	252.9%	10.3%
PAT Margin (%)	0.8%	2.3%	2.2%	+139 bps	-11 bps
EPS (INR)	1.3	4.1	4.5		

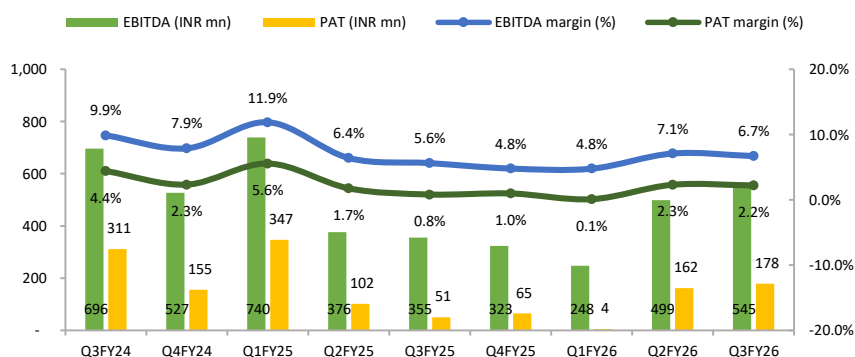
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 58 bps YoY (down by 72 bps QoQ) to 12.8% in Q3FY26 due to lower construction costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 107 bps YoY (down by 39 bps QoQ) to 6.7% in Q3FY26 due to lower employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q3FY26 Concall Highlights

Revenue

- Revenue growth is driven by strong project execution, improved workability, and enhanced labor deployment across sites.
- Revenue is expected to be INR 31-32bn in FY26E, and the company is targeting INR 40-45bn by FY27E, supported by order book and execution.

Margins

- EBITDA margin stood at 6.7% in Q3FY26, impacted by one-time provision of INR 80mn related to the new labor code. EBITDA margin stood at 7.7% in Q3FY26, excluding the one-time impact of the labor code.
- EBITDA margins are expected to reach 8%-9% going forward.
- PAT margins are expected to increase from 1.5%-2% to 3.5%-4% by FY27E.

Order book

- The order book stood at INR 91.78bn as of Q3FY26. The order book mix stood at Adani (59%) and Non-Adani (41%).
- The order book breakup is based on client-wise; Government projects (27%) and Private clients (73%). The geography mix stood at Gujarat (82%), Maharashtra (14%), and 4% from Karnataka, Uttar Pradesh, and Delhi.
- Major projects are SMC high-rise (INR 8.35bn), Gati Shakti Vishwavidyalaya (INR 3.25bn), Dharoi Dam region development (INR 2.8bn), Fintech building at GIFT City (INR 2.64bn), Sabarmati Riverfront Development Phase 2 (INR 2.45bn).

Order inflow and bid pipeline

- The bid pipeline is around INR 65bn, of which INR 39bn is from Adani Group projects. These projects are residential colonies for plants, airport-related work, etc.
- The company is the lowest bidder for the Ambaji corridor development valued at INR 9.65bn.
- The order inflows are expected to be INR 70-80bn from the Adani group in FY27E.

Projects

- The company has completed five projects, including terminal area developments at Ahmedabad airport and an industrial processing facility for Waaree.
- In the Dharavi project, the company is focused on excavation and sheet piling and expects to complete within a month.
- The company is also in discussions for a new project in Matunga (INR 20bn), which is expected to be finalized before Mar-26.

Q3FY26 Concall Highlights

Arbitration

- The company has received a favorable arbitral award on 11th Jan 2026, in the dispute with Bhiwandi. The tribunal directed the client to pay a principal amount of INR 614.4mn, plus 9% interest up to the award date.
- If payment is not made within 60 days, the interest rate increases to 11%. The total recovery is estimated at INR 800mn.

Labor code impact

- The implementation of the labor code resulted in a one-time provision of INR 80mn due to revised gratuity and leave encashment norms.
- General labor availability remains a minor challenge, with occasional shortfalls of 8%-10% depending on project location and front availability.

Capex

- The capex stood at INR 1.53bn in 9MFY26, and INR 800mn was spent in Q3FY26. Overall, capex is expected to be INR 2bn in FY26, primarily for specialized sheltering materials and equipment like cranes for new group projects.

Precast

- Precast facility is currently operating at ~100% capacity utilization, with 80%-90% of output consumed for captive projects and a small portion serving external government and private orders.

Gross block, Debt, and working capital

- The gross block and net block stood at INR 7.62bn and INR 4.44bn, respectively, as of Q3FY26.
- Short-term debt stood at INR 3.64bn, due to funding needs for high-value capex and advances to supplies for specialized materials.
- Trade receivables stood at INR 6.35bn, retention money – INR 1.63bn, and mobilization advances – INR 5.24bn.
- The company has sanctioned credit facilities of INR 14.97bn, with INR 5bn unutilized.

Other highlights

- Government contracts have price variation clauses, while group projects allow a 100% pass-through of material costs, such as aluminum and copper, etc.
- The company is awaiting the announcement of stadium tenders (INR 70-80bn) for the Commonwealth Games and Olympic aspirations in Ahmedabad.

Outlook & Valuation: PSP Projects' order book stood at INR 91.78bn (~3.7x of FY25 revenue) shows business visibility over the medium term. The bid book stood at INR 65bn, comprising INR 39bn from Adani Group. The order book is expected to be INR 70-80bn from the Adani group in FY27E. The company is well positioned to participate in upcoming large-scale infrastructure opportunities, including potential stadium and venue tenders linked to mega-events. The EBITDA margins are expected to improve to 8%-9% and PAT margins to 3.5%-4% in the coming years, supported by shifting towards higher margin industrial and institutional projects from Adani's portfolio, greater efficiency from vertical integration, and the benefits of scale. We anticipate that Revenue/EBITDA/PAT is expected to grow 24.2%/28.4%/43.7% CAGR over the period of FY25-28E, respectively. RoE/ROCE is expected to improve from 5.3%/6.1% (FY25) to 11.4%/10.8% by FY28E, respectively. At the CMP of INR 750 per share, we are maintaining a "BUY" rating at a TP of INR 998 per share, valued at an EV/EBITDA of 10x and its FY28E EBITDA of INR 3,797mn; an upside of 33%.

Valuation based on EV/EBITDA - FY28E

EBITDA (INR mn)	3,797
EV/EBITDA (x)	10
EV (INR mn)	37,967
Debt (INR mn)	4,889
(Cash + Investments) (INR mn)	3,307
Market Cap (INR mn)	39,549
Shares (mn)	40
Target Price (INR)	998
CMP (INR)	750
Upside/Downside (%)	33.0%
Rating	BUY

Source: Arianth 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	30,996	38,711	48,159
Net Raw Materials	13,906	15,908	20,776	21,712	26,837	33,285	41,264
Employee Cost	723	935	1,251	1,195	1,480	1,810	2,227
Other Expenses	267	235	422	419	607	719	871
EBITDA	2,584	2,301	2,609	1,794	2,072	2,897	3,797
EBITDA Margin (%)	14.8%	11.9%	10.4%	7.1%	6.7%	7.5%	7.9%
Depreciation	(321)	(400)	(649)	(727)	(898)	(1,082)	(1,248)
Interest expense	(265)	(320)	(508)	(442)	(445)	(506)	(551)
Other income	217	250	242	173	167	192	238
Profit before tax	2,220	1,804	1,690	783	896	1,500	2,236
Taxes	(553)	(485)	(460)	(219)	(233)	(378)	(563)
PAT	1,667	1,319	1,230	564	663	1,122	1,672
PAT Margin (%)	9.5%	6.8%	4.9%	2.2%	2.1%	2.9%	3.5%
Other Comprehensive income	(12)	1	(1)	(2)	-	-	-
Total comprehensive income	1,655	1,320	1,229	562	663	1,122	1,672
EPS (INR)	46.0	36.7	34.1	14.2	16.7	28.3	42.2

Source: Company Reports, Arianth 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	12,356	13,478	15,151
Net worth	6,870	8,010	9,149	12,089	12,752	13,875	15,547
Minority Interest	-	-	-	-	-	-	-
Provisions	17	34	58	71	25	32	40
Debt	1,357	2,047	4,795	3,029	3,809	4,289	4,889
Total Liabilities	8,243	10,091	14,002	15,190	16,587	18,196	20,476
Fixed assets	2,060	2,384	3,208	3,060	4,189	4,348	4,546
Capital Work In Progress	-	177	29	28	41	47	54
Other Intangible assets	14	12	11	14	14	14	14
Investments	2,285	2,057	1,562	2,258	1,860	2,129	2,649
Other non current assets	134	202	262	378	310	387	482
Net working capital	453	(131)	1,576	1,657	2,698	2,806	3,404
Inventories	818	1,531	3,178	3,239	3,015	3,465	4,070
Sundry debtors	3,110	4,339	3,421	5,298	5,265	6,363	7,917
Loans & Advances	59	34	35	7	31	39	48
Other current assets	926	1,529	1,308	1,453	1,783	2,121	2,639
Sundry creditors	(2,582)	(3,683)	(4,200)	(4,179)	(5,072)	(6,280)	(7,657)
Other current liabilities & Prov	(1,878)	(3,880)	(2,166)	(4,161)	(2,325)	(2,903)	(3,612)
Cash	1,963	2,424	2,271	2,078	1,897	1,498	658
Other Financial Assets	1,334	2,966	5,083	5,717	5,579	6,968	8,669
Total Assets	8,243	10,091	14,002	15,190	16,587	18,196	20,476

Source: Company Reports, Arianth 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	0.8	0.8	0.9
EBIT margin (x)	0.1	0.1	0.1	0.0	0.0	0.0	0.1
Asset turnover (x)	2.1	1.8	1.9	1.7	1.9	2.2	2.5
Financial leverage (x)	1.4	1.5	1.5	1.4	1.3	1.3	1.3
RoE (%)	27.3%	17.7%	14.3%	5.3%	5.3%	8.4%	11.4%

Source: Company Reports, Arianth 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	896	1,500	2,236
Depreciation	321	400	649	727	898	1,082	1,248
Tax paid	(553)	(485)	(460)	(219)	(233)	(378)	(563)
Working capital Δ	(122)	584	(1,707)	(81)	(1,040)	(108)	(599)
Operating cashflow	1,866	2,304	171	1,210	521	2,096	2,322
Capital expenditure	(815)	(901)	(1,324)	(577)	(2,041)	(1,247)	(1,454)
Free cash flow	1,051	1,402	(1,152)	632	(1,520)	849	868
Equity raised	(12)	1	(1)	2,377	-	-	-
Investments	(1,286)	228	496	(697)	399	(269)	(520)
Others	(237)	(1,698)	(2,177)	(753)	206	(1,466)	(1,795)
Debt financing/disposal	303	690	2,748	(1,765)	780	480	600
Dividends paid	(144)	(180)	(90)	-	-	-	-
Other items	(1)	17	24	13	(46)	6	8
Net Δ in cash	(327)	460	(153)	(193)	(181)	(399)	(839)
Opening Cash Flow	2,290	1,963	2,424	2,271	2,078	1,897	1,498
Closing Cash Flow	1,963	2,424	2,271	2,078	1,897	1,498	658

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%	23.4%	24.9%	24.4%
Op profit growth	91.5%	-11.0%	13.4%	-31.2%	15.5%	39.8%	31.1%
Profitability ratios (%)							
OPM	14.8%	11.9%	10.4%	7.1%	6.7%	7.5%	7.9%
Net profit margin	9.5%	6.8%	4.9%	2.2%	2.1%	2.9%	3.5%
RoCE	25.4%	17.2%	13.3%	6.1%	6.2%	8.6%	10.8%
RoNW	27.3%	17.7%	14.3%	5.3%	5.3%	8.4%	11.4%
RoA	20.2%	13.1%	8.8%	3.7%	4.0%	6.2%	8.2%
Per share ratios (INR)							
EPS	46.0	36.7	34.1	14.2	16.7	28.3	42.2
Dividend per share	4.0	5.0	2.5	-	-	-	-
Cash EPS	55.2	47.8	52.2	32.6	39.4	55.6	73.7
Book value per share	190.8	222.5	254.1	305.0	321.7	350.0	392.2
Valuation ratios (x)							
P/E	16.3	20.4	22.0	52.9	44.9	26.5	17.8
P/CEPS	13.6	15.7	14.4	23.0	19.0	13.5	10.2
P/B	3.9	3.4	3.0	2.5	2.3	2.1	1.9
EV/EBITDA	9.3	10.7	10.7	15.8	14.4	10.5	8.2
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%	26.0%	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	58	58	57
WC Days	15	30	34	52	46	33	30
Leverage ratios (x)							
Interest coverage	8.5	5.9	3.9	2.4	2.6	3.6	4.6
Net debt / equity	-0.1	-0.0	0.3	0.1	0.1	0.2	0.3
Net debt / op. profit	-0.2	-0.2	1.0	0.5	0.9	1.0	1.1

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 24.2% over the period of FY25-28E.

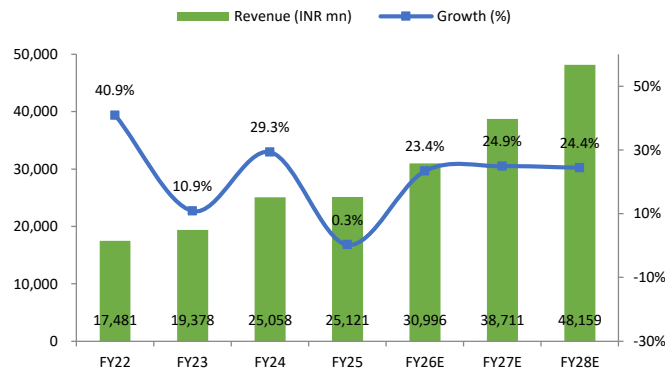


Exhibit 4: Gross margins are expected to improve going forward.

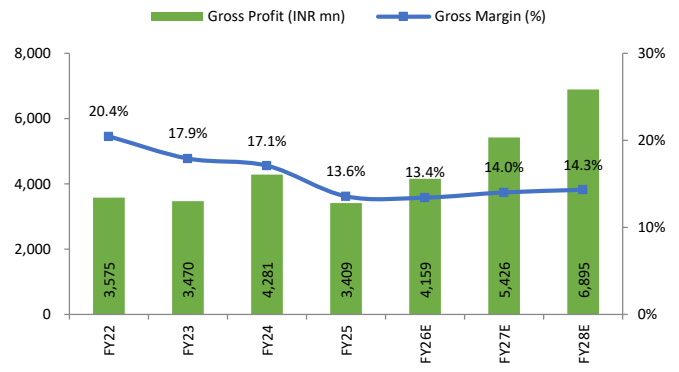


Exhibit 5: Growth in EBITDA & PAT levels

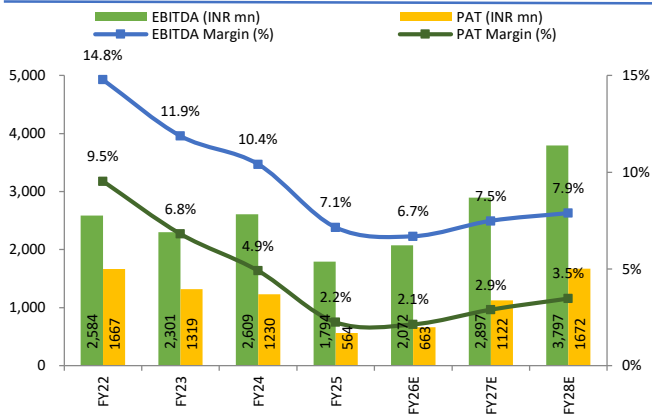


Exhibit 6: Return ratios to be improve

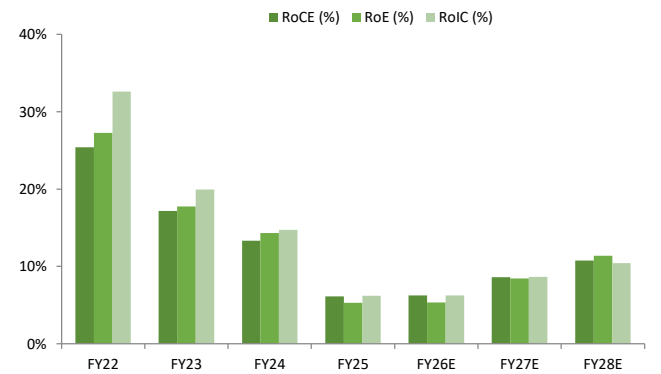


Exhibit 7: Working capital days to be improve.

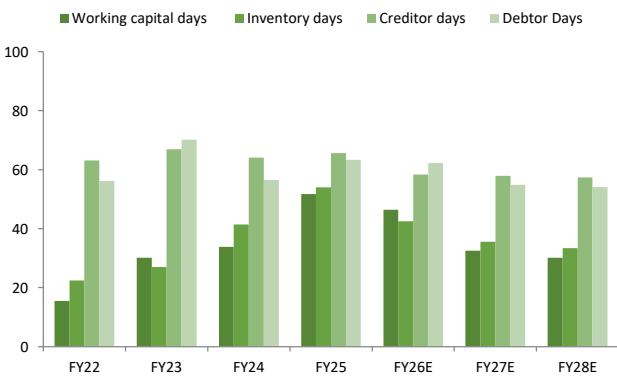
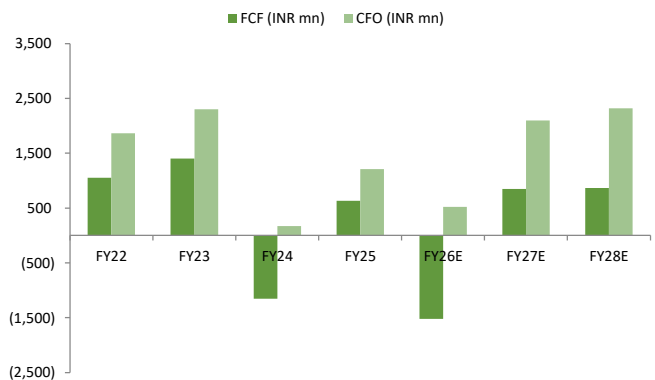


Exhibit 8: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale

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

Absolute Return**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

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