PSP Projects Ltd. (PSPPRO)

ICICI Direct

CMP: ₹970	Target ₹ 800 (-18%)	Target Period: 12 months	SELL

July 31, 2026

Margin outlook remains capped; Dropping coverage!

About the stock: PSP Projects is an India based construction company offering diversified range of construction and allied services across industrial, institutional, government, government residential and residential projects. It has construction presence in states of Gujarat, Rajasthan, Karnataka, Uttar Pradesh, Maharashtra and New Delhi

- Adani Group holds 34.4% and is part of promoter group.

Q1FY27 performance: PSP Projects reported its consolidated financial results with revenues at ₹853.5 crore, up 65% YoY, EBITDA grew 121% YoY to ₹54.8 crore with margins expanding 163 bps to 6.42%. PAT stood at 18.2 crore with a margin of 2.12%. On standalone basis, revenue was reported at ₹785.3 crore, up 53.2% YoY, owing to healthy execution. Operating EBITDA was ₹54.6 crore with an EBITDA margin of 6.96%, up 141 bps YoY. PAT was reported at ₹15.2 crore, up 79x YoY on a dismal base.

Investment Rationale:

- **Order book growth stayed flattish, but guidance reaffirmed:** The orderbook stood at ₹13,245 crore, down 1.5% from FY26, 3.8x book to bill on TTM basis. The Management has maintained its revenue guidance of ~₹4500 crore for FY27 and has also reaffirmed its new order inflow target of ~₹6000 crore for FY27 with Adani Group's likely share in the order book at 70-75%. In the new orders worth ₹630 crore received in Q1FY27, 93% were from the Adani group which are low margins orders for the company.
- **Margin guidance stays disappointing with over concentration of a single customer in the orderbook:** We expect the **EBITDA margins of the company to be capped at 7-7.5%,** as ~70% of the order book constitutes of the Adani group projects where management has confirmed the margins at 6-7%. For the rest of projects, the guidance is not much good either, the management expects to make around 8-9% for non-Adani group projects. Hence, we expect EBITDA margins at 7% for FY27 and 7.4% for FY28.

Rating and Target Price: Despite healthy execution led by strong orderbook, PSP Projects has **struggled to recover to its previous margins**. Given the orderbook concentration towards one single group, we feel that the **margins of the company will be capped at 7-7.5%** on a consolidated basis further **restricting the RoCE and RoE**. Given the lack of meaningful near-term margin improvements, **we give a SELL rating on PSP Projects and recommend a target price of ₹800 at 18x FY28E EPS. We are DROPPING COVERAGE on PSP Projects to optimise our resources**.

PSP Build to Last

PSP Projects Limited

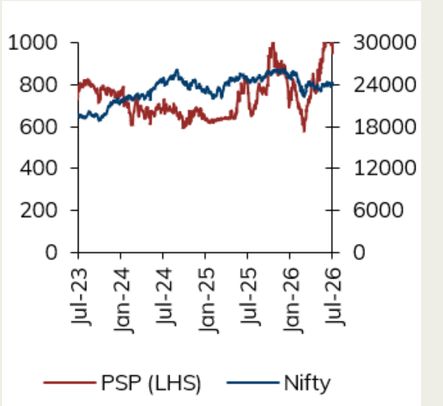
Particulars

Particular	Amount
Market Cap (₹ crore)	3,881
Debt (FY26) (₹ crore)	317
Cash (FY26) (₹ crore)	413
EV (₹ crore)	3,785
52-week H/L (₹)	1143 / 569
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	68.8	68.8	68.8	68.8
FIIs	2.6	2.5	1.9	2.1
DII	2.1	2.2	2.2	2.9
Other	26.5	26.5	27.1	26.2

Price Chart



Key risks

(i) Lower than expected margins

(ii) Over dependence on a single group for orders

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	2,462.5	2,468.3	2,989.5	19.2	4,221.0	4,857.3	30.8
EBITDA	261.6	178.1	179.5	5.9	293.9	358.6	28.5
EBITDA Margin (%)	10.6	7.2	6.0		7.0	7.4	
Net Profit	123.9	56.5	52.3	(8.9)	127.2	175.7	50.1
EPS (₹)	34.4	14.2	13.2		32.1	44.3	
P/E (x)	28.2	68.2	73.6		30.3	21.9	
EV/EBITDA (x)	15.6	22.0	20.9		13.0	11.2	
RoCE (%)	19.4	8.7	7.6		14.5	17.7	
RoE (%)	14.5	5.3	4.2		9.8	12.4	

Source: Company, ICICI Direct Research

Exhibit 1: Quarter Performance

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	785.3	512.8	53.2	1011.8	-22.4
Consumption of raw materials	666.5	438.2	52.1	874.3	-23.8
Employee benefit expenses	45.9	35.0	31.1	36.4	26.1
Other Expenses	22.3	15.1	48.0	46.0	-51.5
EBITDA	50.5	24.5	106.5	55.0	-8.2
EBITDA Margin (%)	6.4	4.8	166 bps	5.4	99 bps
Other Income	4.1	4.0	2.7	9.0	-54.6
Depreciation	23.1	16.9	36.8	26.4	-12.5
Interest	7.5	11.2	-32.5	11.2	-32.8
PBT	24.0	0.4	5733.6	26.5	-9.4
Taxes	8.8	0.2	3880.5	5.3	65.7
PAT	15.2	0.2	7907.8	21.2	-28.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	**2,468.3**	**2,989.5**	**4,221.0**	**4,857.3**
Growth (%)	0.2	21.1	41.2	15.1
Raw Material Cost	806.1	1,081.7	1,348.5	1,545.8
Employee Cost	119.5	145.8	189.5	208.6
Other Expenditure	1,364.6	1,582.5	2,389.1	2,744.4
Total Operating Expenditure	2,290.2	2,810.0	3,927.1	4,498.7
EBITDA	**178.1**	**179.5**	**293.9**	**358.6**
Growth (%)	(31.9)	0.8	63.7	22.0
Other income	17.2	21.2	24.0	28.0
Depreciation	72.7	86.5	94.4	97.8
EBIT	122.6	114.1	223.5	288.8
Interest	44.2	45.2	46.8	44.8
PBT	78.4	68.9	176.7	244.0
Tax	22.0	16.6	49.5	68.3
Rep. PAT	**56.5**	**52.3**	**127.2**	**175.7**
Exceptional items	-	-	-	-
Adj. Net Profit	**56.5**	**52.3**	**127.2**	**175.7**
Growth (%)	(54.4)	(7.4)	143.3	38.1
EPS (₹)	**14.2**	**13.2**	**32.1**	**44.3**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	56.5	52.3	127.2	175.7
Depreciation	72.7	86.5	94.4	97.8
Interest	44.2	45.2	46.8	44.8
Others	(25.2)	(40.0)	(24.0)	(28.0)
Cash Flow before wc changes	148.1	144.0	244.4	290.3
Net Increase in CA	(266.3)	(315.5)	(496.3)	(732.0)
Net Increase in CL	203.6	537.9	309.0	382.9
Net CF from op. activities	**85.4**	**366.4**	**57.1**	**(58.8)**
Net purchase of Fixed Assets	(57.8)	(190.8)	(47.5)	(120.2)
Others	(54.7)	29.9	40.0	28.3
Net CF from Inv.Activities	**(112.6)**	**(160.9)**	**(7.5)**	**(91.8)**
Proceeds from share capital	237.7	19.3	(19.3)	39.6
Proceeds/Repayment from Loan	(183.6)	45.7	(49.2)	(20.0)
Interest paid	(44.2)	(45.2)	(46.8)	(44.8)
Others	-	(19.8)	(39.6)	(39.6)
Net CF rom Fin. Activities	**9.9**	**(0.0)**	**(155.0)**	**(64.8)**
Net Cash flow	**(17.3)**	**205.5**	**(105.4)**	**(215.4)**
Opening Cash & Cash Equiv.	225.1	207.8	413.3	307.9
Closing Cash & cash equiv.	**207.8**	**413.3**	**307.9**	**92.6**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity capital	39.6	39.6	39.6	39.6
Reserves & Surplus	1,169.1	1,220.9	1,289.1	1,464.8
Net worth	1,208.7	1,260.5	1,328.8	1,504.4
Loan Funds	271.5	317.2	268.0	248.0
Deferred Tax liability	(26.3)	(45.2)	(45.2)	(45.2)
Other financial liabilities	-	-	-	-
Total Liabilities	**1,453.9**	**1,532.5**	**1,551.6**	**1,707.2**
Assets				
Net Block	307.1	413.2	366.4	388.7
Capital WIP	2.8	0.9	0.9	0.9
Non-current Investments	225.9	210.0	206.5	206.6
Othe non-current assets	10.3	17.5	4.9	4.5
Loans	-	-	-	-
Inventories	322.6	343.7	462.6	532.3
Trade Receivables	528.0	840.3	867.3	998.1
Cash & Bank Balances	207.8	413.3	307.9	92.6
Loans & Advances	0.7	0.4	8.0	10.2
Other current assets	705.1	687.3	1,030.2	1,559.6
Total current assets	1,764.1	2,285.1	2,676.1	3,192.7
Total Current liabilities	856.3	1,394.2	1,703.2	2,086.1
Net Current Assets	907.8	891.0	972.9	1,106.6
Total Assets	**1,453.9**	**1,532.6**	**1,551.6**	**1,707.2**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	14.2	13.2	32.1	44.3
Cash EPS	32.6	35.0	55.9	69.0
BV per share	304.9	318.0	335.2	379.5
Revenue per share	622.6	754.1	1,064.8	1,225.3
Cash Per Share	52.4	104.3	77.7	23.3
Operating Ratios (%)				
EBITDA Margin	7.2	6.0	7.0	7.4
EBIT/ Net Sales	4.3	3.1	4.7	5.4
PAT Margin	2.3	1.7	3.0	3.6
Inventory days	47.7	42.0	40.0	40.0
Debtor days	78.1	102.6	75.0	75.0
Creditor days	60.8	48.9	50.0	50.0
Return Ratios (%)				
RoE	5.3	4.2	9.8	12.4
RoCE	8.7	7.6	14.5	17.7
RoIC	8.5	8.9	16.1	16.2
Valuation Ratios (x)				
P/E	68.2	73.6	30.3	21.9
EV / EBITDA	22.0	20.9	13.0	11.2
EV / Net Sales	1.6	1.3	0.9	0.8
Price to Book Value	3.2	3.1	2.9	2.6
Solvency Ratios (x)				
Debt / EBITDA	1.5	1.8	0.9	0.7
Net Debt / Equity	0.1	(0.1)	(0.0)	0.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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