

Revenue to Pickup, Maintain BUY

Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA Margin – MISS; PAT– MISS

Change in Estimates post Q3FY25 (Abs.)

FY25E/FY26E- Revenue: -4%/17%; **EBITDA:** -23%/6%; **PAT:** -39%/4%

Recommendation Rationale

- **Robust Order Book:** As of December 31, 2024, the company's order book stood at Rs 6,417 Cr, with an order inflow of Rs 1,983 Cr in 9MFY25. The current bid pipeline for Q4FY25 stands at Rs 1,800 Cr. A healthy order book provides strong revenue visibility for the next two years, with the company expected to achieve a 19% revenue CAGR over FY24-26E.
- **Margins and Profits to Grow with Execution Pickup:** In Q3FY25, project execution for delayed projects picked up and is expected to drive EBITDA and PAT growth. Accordingly, EBITDA and PAT are anticipated to grow at a CAGR of 16% and 24%, respectively, over FY24-26E.
- **Revenue Growth Supported by Partnership with Adani Infra:** The company has entered into an arrangement with Adani Infra, wherein Adani Infra will acquire up to a 30% stake from the founder promoter. Management has indicated an expected order inflow of Rs 2,000 Cr by Mar'25 through this partnership. This collaboration will enhance visibility in securing construction orders and strengthen capabilities, significantly contributing to revenue growth in the coming years.

Sector Outlook: Positive

Company Outlook & Guidance: The company has guided revenue to be around Rs 2600 Cr, EBITDA margin in the range of 9-10%, and an order inflow of Rs 3,500-4,000 Cr in FY25. For FY26, it has guided revenue of over Rs 4,000 Cr, EBITDA margins of 9-10%, and the order inflow of Rs 5,000 Cr.

Current Valuation: 14.5x FY26 EPS (Earlier Valuation: 14.5x FY26E EPS)

Current TP: Rs 695/share (Earlier TP: Rs 665/share)

Recommendation: We maintain our recommendation to **BUY** on the stock.

Financial Performance

PSP Projects Ltd. (PSPPL) reported a weak set of numbers owing to slower execution. In Q3FY25, the company reported revenue of Rs 630 Cr (down 11% YoY), EBITDA of Rs 36 Cr (down 5% YoY), and APAT of Rs 7 Cr (down 79% YoY). EBITDA margins were 5.6% in Q3FY25 (compared to the estimate of 10.2%), down from 9.9% in Q3FY24.

The order book break-up is as follows: 55% of the total order book is from the Government (Rs 3560 Cr), 9% from Industrial (Rs 562 Cr), 26% from Institutional (Rs 1659 Cr), 10% from Private Residential (Rs 636 Cr) and balance from Government Residential (Rs 164 Cr).

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	630	8%	-11%	719	-12%
EBITDA	36	-5%	-49%	73	-52%
EBITDA Margin	5.6%	-78bps	-424bps	10.2%	-456bps
Net Profit	7	-36%	-79%	35	-81%
EPS (Rs)	1.3	-51%	-85%	9	-86%

Source: Company, Axis Securities Research

(CMP as of 7th February 2025)

CMP (Rs)	629
Upside /Downside (%)	10%
High/Low (Rs)	750 / 565
Market cap (Cr)	2,494
Avg. daily vol. (6m) Shrs.	1,67,372
No. of shares (Cr)	39.6

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	60.1	60.1	60.1
FII's	7.0	8.6	7.6
MFs / UTI	10.1	11.0	7.8
Banks / FI's	0.0	0.0	0.0
Others	22.7	20.3	24.5

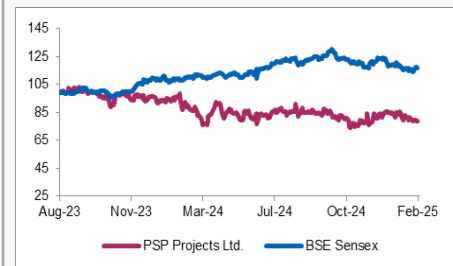
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,506	2,540	3,557
EBITDA	261	205	352
Net Profit	123	72	189
EPS (Rs)	34	18	48
PER (x)	21	34	13
P/BV (x)	11	13	7
EV/EBITDA (x)	2.9	2.5	2.1
ROE (%)	14%	8%	17%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-4%	17%
EBITDA	-23%	6%
PAT	-39%	4%

Relative Performance



Source: Ace Equity

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Outlook

The construction industry's outlook remains positive from a medium to long-term perspective. PSPPL has a robust order book comprising both public and private sector projects, providing revenue visibility for the next two years. The company is well-positioned to capitalise on growth opportunities in the sector, supported by (a) a strong bidding pipeline, (b) robust execution capabilities, and (c) the government's focus on urban infrastructure development. PSPPL is expected to report a Revenue/EBITDA/APAT CAGR of 19%/16%/24% over FY24-26E.

Valuation & Recommendation

The stock is currently trading on 35x/13x FY25E/FY26E EPS. **We maintain our BUY rating on the stock with a TP of Rs 695/share, implying an upside potential of 10% from the CMP.**

Key Concall Highlights

- **Order Book:** As of 31st Dec'24, the company's order book stands at Rs 6417 Cr. Of these, 55% of projects are from the government and 45% are from private players. The company aims to achieve an order inflow of Rs 1983 Cr in FY25.
- **Bidding Pipeline:** The bid pipeline for Q4FY25 is around Rs 1,800 Cr, with most projects from Gujarat.
- **Sale of stake:** During the quarter, the company entered into an arrangement with Adani Infra wherein Adani Infra to acquire up to 30% stake from the founder promoter. The partnership will provide more extensive visibility regarding construction orders from Adani's portfolio of companies. The company's current business will continue under the current management regime.
- **SDB:** With regard to the Surat Diamond Bourse, the company received Rs 35 Cr in Feb'25, with a balance of Rs 90 Cr pending to be received in May'25 and Oct'25.
- **UP Projects:** During the quarter, the company had to spend Rs 18 Cr on additional expenses, and Rs 105 Cr has yet to be received for the 7 UP projects.
- **Litigation:** The company has received Rs 45 Cr as a Mobilisation Advance and Rs 8 Cr as Performance Bank Guarantees for the petition against Superintendent Engineer, Bareilly and Others concerning the Construction of a Residential Building project, wherein the respondent arbitrarily terminated the contract.
- **Capex:** In Q3FY25, the company made additions worth Rs 16 Cr to the gross block of assets and expects capex of around Rs 60 Cr in FY25.
- **As of 31st Dec'24:** Total outstanding debt was Rs 293 Cr, Fixed deposits (FD) stood at Rs 214 Cr, Unbilled Revenue stood at Rs 556 Cr, Retention Money stood at Rs 163 Cr, Mobilisation Advance stood at Rs 267 Cr, Inventory stood at Rs 312 Cr, Trade Receivable stood at Rs 565 Cr and Trade Payables stood at Rs 450 Cr.

Key Risks to Our Estimates and TP

- Lower execution than expected may derail the revenue growth guidance.
- Higher input costs may impact the company's EBITDA margins.

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	2,540	3,557	2650	3048	-4%	17%
EBITDA	205	352	267	332	-23%	6%
PAT	72	189	119	181	-39%	4%

Source: Company, Axis Securities Research

Result Review Q3FY25

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Change (QoQ)	% Change (YoY)
Sales	630	586	705	8%	-11%
Other Op. Inc	0	0	0		
Total Revenue	630	586	705	8%	-11%
Expenditure					
Cost of material consumed	208	197	251	6%	-17%
Changes in Inventories of Work-In-Progress	20	-18	-43	-208%	-145%
Construction expenses	325	333	385	-2%	-16%
Employee Cost	33	30	34	9%	-1%
Other Expenses	8	7	9	22%	-4%
Total Expenditure	595	548	635	8%	-6%
EBITDA	36	38	70	-5%	-49%
EBIDTA margin	5.6%	6.4%	9.9%	-78bps	-424bps
Oth. Inc.	4	5	6	-18%	-41%
Interest	10	11	15	-2%	-32%
Depreciation	19	18	19	5%	0%
Exceptional Items	0	0	0		
PBT	10	14	42	-25%	-76%
Tax	4	3	11	8%	-66%
PAT	7	10	31	-36%	-79%
EPS (Rs)	1.3	2.6	8.6	-51%	-85%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	1,938	2,506	2,540	3,557
Other operating income	0	0	0	0
Total income	1,938	2,506	2,540	3,557
Cost of materials consumed	603	959	789	1,138
Changes in Inventories of Work-In-Progress	-21	-169	22	0
Sub construction cost	0	0	0	0
Civil construction cost	1,009	1,288	1,357	1,839
Contribution (%)	17.9%	17.1%	14.6%	16.3%
Other Expenses	117	167	167	228
Operating Profit	230	261	205	352
Other income	25	24	18	28
PBIDT	255	285	223	381
Depreciation	40	65	76	83
Interest & Fin Chg.	32	51	47	43
Pre-tax profit	183	169	100	255
Tax provision	48	46	28	66
PAT	135	123	72	189

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Total assets	1,765	2,037	2,061	2,453
Net Block	240	322	306	323
CWIP	18	3	3	3
Investments	1	1	1	1
Wkg. cap. (excl cash)	219	240	242	342
Cash / Bank balance	242	227	145	168
Other assets	1046	1244	1364	1616
Capital employed	1,765	2,037	2,061	2,453
Equity capital	36	36	40	40
Reserves	765	879	951	1140
Minority Interests	0	0	0	0
Borrowings	145	455	355	357
Other Liabilities	819	667	715	916

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
PBT	180	169	100	255
Depreciation	40	65	76	83
Interest Expense	16	32	47	43
Changes in Working Capital	-112	-427	-58	-134
Others	-22	-16	-18	-28
Tax Paid	-57	-47	-28	-66
Net Cash from Operations	45	(224)	120	152
Capex	-80	-142	-60	-100
Investment	0	0	0	0
Others	29	116	2	11
Net Cash from Investing	(51)	(26)	(58)	(89)
Borrowings	45	310	-100	2
Interest Expense	-16	-32	-47	-43
Others	-18	-9	0	0
Net Cash from Financing	12	269	(147)	(41)
Net Change in Cash	6	19	(86)	22
Opening cash	88	94	113	31
Closing cash	94	113	28	54

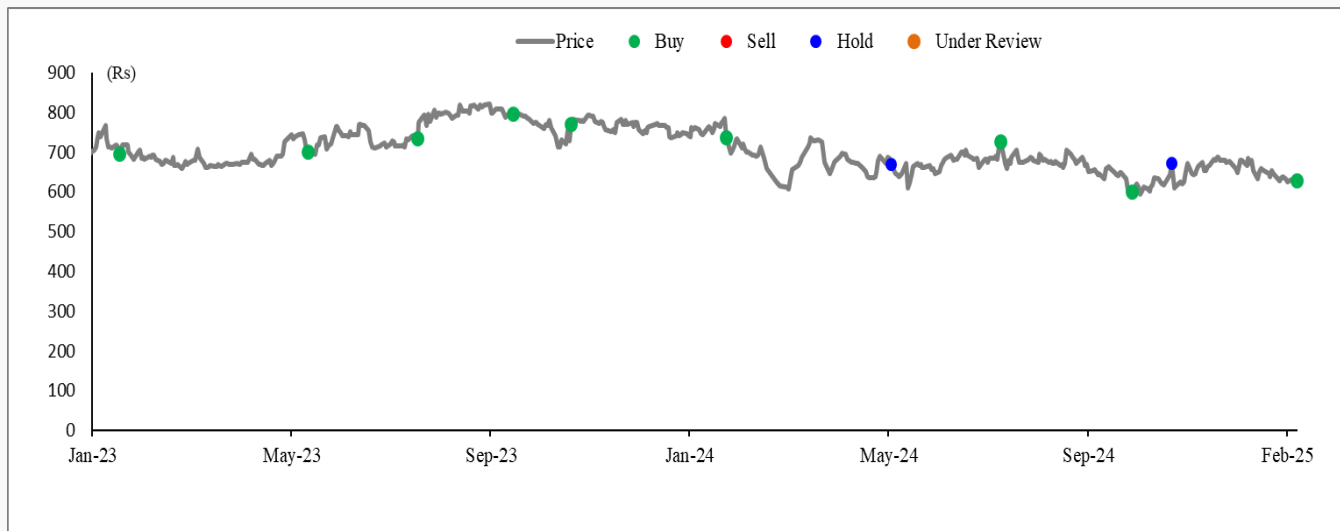
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25E	FY26E
Growth Indicator				
Sales Growth	11%	29%	1%	40%
Ebitda Growth	-11%	13%	-21%	71%
PAT Growth	-19%	-8%	-41%	161%
Profitability Ratio				
EBITDA Margin	11.9%	10.4%	8.1%	9.9%
Adjusted net margin	6.9%	4.9%	2.8%	5.3%
Efficiency Ratio				
Capital Turnover	2.4	2.7	2.6	3.0
Total Asset Turnover	2.3	2.6	2.5	2.9
Fixed Asset Turnover	7.5	7.7	8.2	10.9
Debtor days	82	50	50	50
Inventory days	33	52	52	52
Payable days	79	68	68	68
Cash Conversion Cycle (days)	36	33	33	33
Leverage Ratios				
Debt to equity	0.57	0.39	0.36	0.30
Net debt to equity	-0.1	0.2	0.2	0.2
Interest coverage	7	5	4	8
Per Share Data				
Diluted EPS (Rs)	37	34	18	48
Book value per share (Rs)	222	254	250	298
DPS (Rs)	-5.0	0.0	0.0	0.0
Return Ratios				
Return on equity	18%	14%	8%	17%
Return on capital employed	28%	24%	15%	26%
Valuation Ratio				
P/E	20	21	34	13
P/BV	3.3	2.9	2.5	2.1
DPS (Rs)	12	10.2	12	7

Source: Company, Axis Securities Research

PSP Projects Price Chart and Recommendation History



Date	Reco	TP	Research
19-Jan-23	BUY	800	Result Update
19-May-23	BUY	785	Result Update
28-Jul-23	BUY	825	Result Update
27-Sep-23	BUY	885	AAA
03-Nov-23	BUY	850	Result Update
12-Feb-24	BUY	815	Result Update
27-May-24	HOLD	505	Result Update
03-Aug-24	BUY	810	Result Update
28-Oct-24	BUY	655	Result Update
21-Nov-24	HOLD	685	Company Update
10-Feb-25	BUY	695	Result Update

Source: Axis Securities Research

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