

## Execution is key to Drive Revenue Growth

**Est. Vs. Actual for Q1FY26:** Revenue – **MISS**; EBITDA Margin – **MISS**; PAT– **MISS**  
**Change in Estimates post Q1FY26 (Abs.)**

**FY26E/FY27E- Revenue:** -13%/12%; **EBITDA:** -11%/15%; **PAT:** -28%/10%

### Recommendation Rationale

- **Robust Order Book:** As of 30<sup>th</sup> June'25, the company's order book stood at Rs 6,514 Cr, supported by an order inflow of Rs 107 Cr in Q1FY26. For FY26, the management expects an order inflow of Rs 7,000–7,500 Cr with Adani Group and Rs 2,000 Cr individually. The strong order backlog ensures revenue visibility over the next 2 years, with the company projected to deliver a revenue CAGR of 33% over FY25–27E.
- **Revenue to Grow as Execution Picks Up:** Project execution in Q1FY26 was slower than anticipated, primarily due to labour shortages and early monsoons. However, with execution expected to pick up meaningfully, revenue growth should see a notable improvement from H2FY26.
- **EBITDA Margins Under Pressure:** EBITDA margins were impacted by delayed execution, increased employee costs, ECL provisions, and expenses incurred for UP projects. The management has guided margins to be in the range of 8–9% in FY26.

### Sector Outlook: Positive

**Company Outlook & Guidance:** The company has guided EBITDA margin in the range of 8-9%, and an order inflow of Rs 7,000-7,500 Cr in FY26.

**Current Valuation:** 15x FY27E EPS (Earlier Valuation: 10x FY27E EPS)

**Current TP:** Rs 765/share (Earlier TP: Rs 605/share)

**Recommendation:** We maintain **HOLD** on the stock.

### Financial Performance

PSP Projects Ltd. (PSPPL) reported a weak set of numbers in Q1FY26 due to slower-than-expected execution caused by a 19% labour shortage. The company posted revenue of Rs 518 Cr (down 17% YoY), EBITDA of Rs 25 Cr (down 66% YoY), and APAT of Rs 1 Cr (down 98% YoY). EBITDA margins stood at 4.8% in Q1FY26 (vs. the estimate of 8.8%), compared to 11.9% in Q1FY25. The increase in employee cost was driven by new order wins from Adani, necessitating hiring at various levels.

**The order book break-up is as follows:** 45% of the total order book is from the Government (Rs 2936 Cr), 4% from Industrial (Rs 247 Cr), 43% from Institutional (Rs 2810 Cr), and 8% from Residential (Rs 520 Cr).

### 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 strong bidding pipeline and the government's focus on urban infrastructure development. However, execution remains crucial for revenue and margin growth. PSPPL is expected to report a Revenue/EBITDA/APAT CAGR of 33%/46%/87% over FY25-27E.

### Valuation & Recommendation

The stock is currently trading on 29x/15x FY26E/FY27E EPS. We **maintain our rating to HOLD on the stock** with a TP of Rs 765/share, implying downside potential of 1% from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	518	-23%	-17%	779	-34%
EBITDA	25	-23%	-66%	68	-64%
EBITDA Margin	4.8%	-2bps	-706bps	8.8%	-396bps
Net Profit	1	-91%	-98%	32	-98%
EPS (Rs)	0.1	-91%	-98%	8	-98%

Source: Company, Axis Securities Research

(CMP as of 30<sup>th</sup> July 2025)

CMP (Rs)	774
Upside /Downside (%)	-1%
High/Low (Rs)	843 / 565
Market cap (Cr)	3088
Avg. daily vol. (6m) Shrs.	170219
No. of shares (Cr)	3.96

### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	60.1	60.1	60.1
FIIIs	7.6	7.8	3.1
MFs / UTI	7.8	6.4	2.1
Banks / FIIs	0.0	0.0	0.0
Others	24.5	25.6	34.7

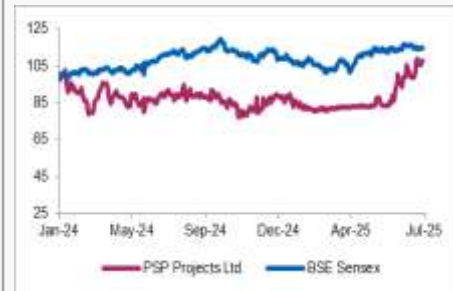
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,512	3,062	4,440
EBITDA	180	237	382
Net Profit	58	107	203
EPS (Rs)	15	27	51
PER (x)	44	0	0
P/BV (x)	15	0	0
EV/EBITDA (x)	2.1	2.3	2.0
ROE (%)	5%	8%	14%

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-13%	12%
EBITDA	-11%	15%
PAT	-28%	10%

### Relative Performance



Source: Ace Equity

### Uttam Kumar Simal

*Sr Research Analyst*

Email: [uttamkumar.simal@axissecurities.in](mailto:uttamkumar.simal@axissecurities.in)

### Shikha Doshi

*Research Associate*

Email: [shikha.doshi@axissecurities.in](mailto:shikha.doshi@axissecurities.in)

## Key Concall Highlights

- **Order Book:** As of 30th Jun'25, the company's order book stands at Rs 6514 Cr. Of these, 45% of projects are from the government and 55% are from private players. The company achieved an order inflow of Rs 107 Cr in Q1FY26.
- **Bidding Pipeline:** The bid pipeline for projects with Adani Group in FY26 is around Rs 7800 Cr, with most projects from Gujarat.
- **Capex:** In Q1FY26, the company incurred capex of Rs 32 Cr. For FY26, the capex guidance will be 4-5%.
- As of 30th June'25, Short Term Debt was Rs 338 Cr, Fixed Deposits stood at Rs 268 Cr, Unbilled Revenue stood at Rs 566 Cr, Retention Money stood at Rs 137 Cr, Mobilisation Advance stood at Rs 326 Cr, and Inventory stood at Rs 344 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	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	3,062	4,440	3517	3974	-13%	12%
EBITDA	263	415	295	362	-11%	15%
PAT	107	203	148	185	-28%	10%

Source: Company, Axis Securities Research

**Result Review Q1FY26**

(Rs Cr)	Quarterly Performance				
	Q1FY25	Q4FY25	Q1FY25	% Change (QoQ)	% Change (YoY)
<b>Sales</b>	<b>518</b>	<b>673</b>	<b>623</b>	-23%	-17%
Other Op. Inc	0	0	0		
<b>Total Revenue</b>	<b>518</b>	<b>673</b>	<b>623</b>	-23%	-17%
<b>Expenditure</b>					
Cost of material consumed	201	207	174	-3%	15%
Changes in Inventories of Work-In-Progress	-10	11	20	-195%	-149%
Construction expenses	252	383	313	-34%	-19%
Employee Cost	35	23	33	52%	7%
Other Expenses	15	17	10	-12%	53%
<b>Total Expenditure</b>	<b>493</b>	<b>640</b>	<b>549</b>	-23%	-10%
<b>EBITDA</b>	<b>25</b>	<b>33</b>	<b>74</b>	-23%	-66%
EBITDA margin	<b>4.8%</b>	<b>4.8%</b>	<b>11.9%</b>	-2bps	-706bps
Oth. Inc.	4	5	4	-24%	3%
Interest	11	10	13	9%	-16%
Depreciation	17	19	17	-13%	0%
Exceptional Items	0	0	0		
<b>PBT</b>	<b>1</b>	<b>8</b>	<b>48</b>	-89%	-98%
Tax	0	2	13	-81%	-98%
<b>PAT</b>	<b>1</b>	<b>7</b>	<b>35</b>	-91%	-98%
EPS (Rs)	0.1	1.6	8.7	-91%	-98%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>2,506</b>	<b>2,512</b>	<b>3,062</b>	<b>4,440</b>
Other operating income	0	0	0	0
<b>Total income</b>	<b>2,506</b>	<b>2,512</b>	<b>3,062</b>	<b>4,440</b>
Cost of materials consumed	959	786	1,031	1,443
Changes in Inventories of Work-In-Progress	-169	32	-10	0
Sub construction cost	0	0	0	0
Civil construction cost	1,288	1,353	1,591	2,309
Contribution (%)	17.1%	13.6%	14.7%	15.5%
Other Expenses	167	161	212	306
<b>Operating Profit</b>	<b>261</b>	<b>180</b>	<b>237</b>	<b>382</b>
Other income	24	17	26	33
<b>PBIDT</b>	<b>285</b>	<b>197</b>	<b>263</b>	<b>415</b>
Depreciation	65	73	79	99
Interest & Fin Chg.	51	44	37	39
<b>Pre-tax profit</b>	<b>169</b>	<b>80</b>	<b>147</b>	<b>278</b>
Tax provision	46	22	40	75
<b>PAT</b>	<b>123</b>	<b>58</b>	<b>107</b>	<b>203</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
<b>Total assets</b>	<b>2,037</b>	<b>2,352</b>	<b>2,634</b>	<b>3,142</b>
Net Block	322	307	329	370
CWIP	3	3	3	3
Investments	1	1	1	1
Wkg. cap. (excl cash)	240	436	292	425
Cash / Bank balance	227	208	412	415
Other assets	1244	1398	1598	1929
<b>Capital employed</b>	<b>2,037</b>	<b>2,352</b>	<b>2,634</b>	<b>3,142</b>
Equity capital	36	40	40	40
Reserves	879	1169	1276	1479
Minority Interests	0	0	0	0
Borrowings	455	272	274	276
Other Liabilities	667	872	1045	1348

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26E	FY27E
PBT	169	78	147	278
Depreciation	65	73	79	99
Interest Expense	32	34	37	39
Changes in Working Capital	-427	-79	139	-136
Others	-16	0	-26	-33
Tax Paid	-47	-53	-40	-75
<b>Net Cash from Operations</b>	<b>(224)</b>	<b>53</b>	<b>336</b>	<b>171</b>
Capex	-142	-68	-100	-140
Investment	116	-38	3	9
Others	(26)	(106)	(97)	(131)
<b>Net Cash from Investing</b>	<b>310</b>	<b>-184</b>	<b>2</b>	<b>2</b>
Borrowings	-32	-35	-37	-39
Interest Expense	-9	238	0	0
Others	269	20	(35)	(37)
<b>Net Cash from Financing</b>	<b>19</b>	<b>(33)</b>	<b>204</b>	<b>3</b>
<b>Net Change in Cash</b>	<b>94</b>	<b>113</b>	<b>80</b>	<b>284</b>
Opening cash	113	80	284	287
<b>Closing cash</b>	<b>169</b>	<b>78</b>	<b>147</b>	<b>278</b>

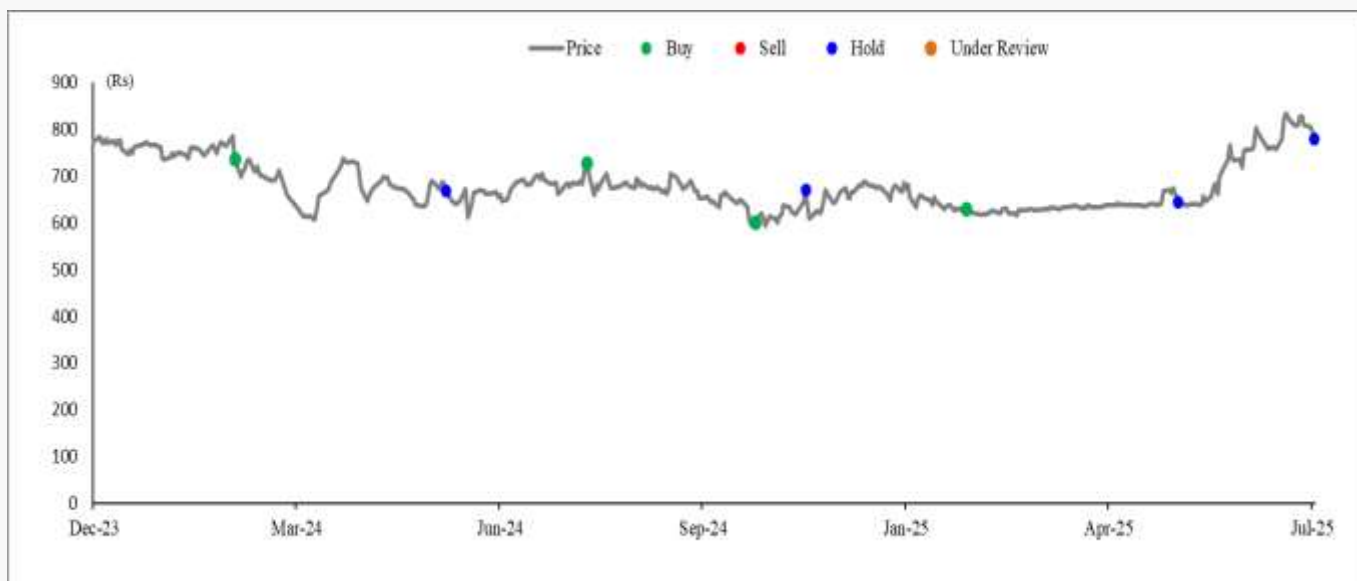
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY24	FY25	FY26E	FY27E
<b>Growth Indicator</b>				
Sales Growth	29%	0%	22%	45%
EBITDA Growth	13%	-31%	32%	61%
PAT Growth	-8%	-53%	84%	90%
<b>Profitability Ratio</b>				
EBITDA Margin	10.4%	7.1%	7.7%	8.6%
Adjusted net margin	4.9%	2.3%	3.5%	4.6%
<b>Efficiency Ratio</b>				
Capital Turnover	2.7	2.1	2.3	2.9
Total Asset Turnover	2.6	2.0	2.3	2.9
Fixed Asset Turnover	7.7	8.1	9.2	11.9
Debtor days	50	50	50	50
Inventory days	52	51	51	51
Payable days	68	68	68	68
Cash Conversion Cycle (days)	33	32	32	32
<b>Leverage Ratios</b>				
Debt to equity	0.30	0.22	0.21	0.18
Net debt to equity	0.2	0.1	-0.1	-0.1
Interest coverage	5	4	6	10
<b>Per Share Data</b>				
Diluted EPS (Rs)	34	15	27	51
Book value per share (Rs)	254	305	332	383
DPS (Rs)	2.5	0.0	0.0	0.0
<b>Return Ratios</b>				
Return on equity	14%	5%	8%	14%
Return on capital employed	24%	11%	14%	22%
<b>Valuation Ratio</b>				
P/E	18	44	29	15
P/BV	2.5	2.1	2.3	2.0
DPS (Rs)	8.8	14	13	8

Source: Company, Axis Securities Research

## PSP Projects Price Chart and Recommendation History



Source: Axis Securities Research

Date	Reco	TP	Research
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
09-Feb-25	BUY	695	Result Update
26-May-25	HOLD	605	Result Update
31-Jul-25	HOLD	765	Result Update

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Paré, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us [helpdesk@axisdirect.in](mailto:helpdesk@axisdirect.in).

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the

report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

#### RATING SCALE: Definitions of ratings

<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.