

Hopes pinned on inflow from strategic alliance

16 February 2025

PSP Projects (PSPPL IN), with muted operational revenue in 9M due to elections, monsoons, delayed commencement of new projects and deferred receivables from the SDB project, may face a washout in FY25 in terms of revenue and profitability. Also, multiple cost overruns in Uttar Pradesh (UP) projects at ~INR 700-800mn may hurt prospects. Hopes of revival are pinned on FY26, with incremental growth expected from receipt of orders from the Adani Group led by strong order pipeline of INR 100bn. Although momentum could pick up, we remain cautiously positive. Hence, we revise PSPPL to Accumulate from Buy, with TP lowered to INR 705 from INR 792.

Overall muted Q3: PSPPL's Q3 revenues were down 11% YoY to INR 6.2bn, 13% lower than estimates on account of a delay in execution pick-up of new projects in Gujarat. EBITDA stood at INR 354mn, down 51% YoY, with margin at 5.7% YoY as against estimates of 9.5%. A steep drop in profitability was on account of cost overruns in UP projects (incremental cost of INR 180mn) due to extra renovations undertaken by PSPPL in existing premises outside the scope of work. Excluding one-time cost, adjusted margins stood at 8.6%. PAT was down by 81% YoY to INR 61mn. Owing to subdued execution in 9MFY25, PSPPL expects revenues for FY25 to be muted at 2-3% YoY to INR 25-26bn with lower margins at 9-10%, down 50-100bps YoY.

Inflow from Adani to aid full-year guidance: YTD FY25, PSPPL has achieved only 57% (INR 19.8bn) inflow against INR 35bn guided. The management is confident of achieving targeted inflows due to large order pipeline of INR 118bn (Adani Group – INR 100bn and other projects worth 18bn). The company is expecting to finalize projects worth INR 20bn from the Adani Group before end of FY25. The current orderbook of INR 64bn provides 2.6x visibility and may be enhanced led by healthy inflows.

Upbeat on Adani partnership, aggressive growth targets for FY26: Strategic partnership with Adani Infra is likely to unlock vast opportunities for PSPPL. The company, with majority of orders flowing in from the Adani Group (inflow guidance of INR 50bn for FY26), spiked its revenue guidance to INR 40bn for FY26 (from INR 25-26bn in FY25). However, margins may be lower at 9-10% from the earlier range of 10-11% due to a change in mix.

Revise to Accumulate; TP pared to INR 705: Despite healthy inflows in FY24 and YTD FY25, delayed commencement of new projects may subdue revenues and trim profitability due to cost overruns in FY25. The management is optimistic on outlook due to opportunities emanating post its strategic alliance with Adani Infra.

We remain cautious as regards timely order conversion. We remain conservative and cut estimates for FY26E/27E by 14%/11%. So, we revise PSPPL to **Accumulate** from Buy and cut our TP to INR 705 (from INR 792), valuing PSPPL at P/E of 15x on FY27E (unchanged). Expect FY24-27E revenue/EBITDA/PAT CAGRs at 19%/13%/15%.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	19,266	24,625	25,231	35,248	41,434
YoY (%)	10.2	27.8	2.5	39.7	17.6
EBITDA (INR mn)	2,250	2,616	2,083	3,296	3,784
EBITDA margin (%)	11.7	10.6	8.3	9.3	9.1
Adj PAT (INR mn)	1,330	1,239	821	1,617	1,862
YoY (%)	(18.1)	(6.9)	(33.8)	97.0	15.2
Fully DEPS (INR)	36.9	34.4	20.7	40.8	47.0
RoE (%)	17.9	14.5	8.7	15.4	15.5
RoCE (%)	24.5	19.1	11.7	19.4	19.0
P/E (x)	16.7	17.9	29.8	15.1	13.1
EV/EBITDA (x)	9.4	9.4	12.2	7.8	6.7

Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 705**

Upside: **14%**

CMP: **INR 618**

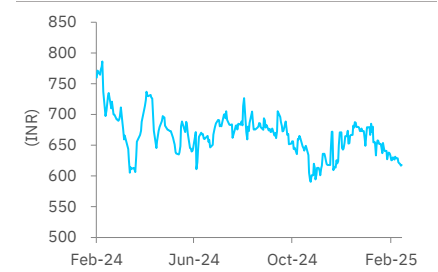
As on 14 February 2025

Key data

Bloomberg	PSPPL IN
Reuters Code	PSPPL.NS
Shares outstanding (mn)	40
Market cap (INR bn/USD mn)	25/282
Enterprise Value (INR bn/USD mn)	24/282
Avg daily volume 3M (INR mn/USD mn)	139/2
52 week high/low	750/565
Free float (%)	40

Note: as on 14 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	66.2	60.1	60.1	60.1
% Pledged	-	-	-	-
FII	2.3	7.0	8.6	7.6
DII	4.6	10.6	11.0	8.1
Others	26.9	22.3	20.3	24.2

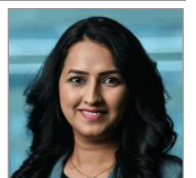
Source: Bloomberg

Price performance (%)	3M	6M	12M
Nifty	(2.6)	(5.0)	5.0
PSP Projects	0.1	(8.5)	(13.7)
NSE Mid-cap	(8.1)	(12.2)	2.7
NSE Small-cap	(12.5)	(14.8)	(3.1)

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	19,266	24,625	25,231	35,248	41,434
EBITDA	2,250	2,616	2,083	3,296	3,784
Add:- Non operating Income	271	243	161	170	178
OPBITDA	2,521	2,859	2,244	3,465	3,962
Less :- Depreciation & Amortization	400	649	719	854	982
EBIT	2,121	2,210	1,525	2,611	2,980
Less:- Interest Expenses	320	508	420	435	473
PBT	1,801	1,702	1,105	2,176	2,507
Less :- Taxes	471	463	284	559	644
Reported PAT	1,330	1,239	821	1,617	1,862
Adjusted PAT	1,330	1,239	821	1,617	1,862
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	360	360	396	396	396
Reserves	7,638	8,786	9,401	10,819	12,484
Net worth	7,998	9,146	9,797	11,216	12,880
Borrowings	1,450	4,551	2,499	3,297	3,983
Deferred Tax (Net)	(122)	(183)	(183)	(183)	(183)
Other liabilities	21	27	27	27	27
Total Liabilities	9,348	13,541	12,140	14,356	16,706
Net Block	2,396	3,218	3,191	3,850	4,457
Add:- Capital work in progress	177	29	29	29	29
Investments	7	7	7	7	7
Cash & bank balances	2,421	2,251	1,559	1,902	3,038
Net Working Capital	2,223	6,412	5,701	6,626	7,135
Other Assets	2,123	1,623	1,652	1,943	2,040
Total Assets	9,348	13,541	12,140	14,356	16,706
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	1,751	2,092	1,799	2,736	3,140
Add/Less:- Working Capital changes	(407)	(3,650)	682	(955)	(542)
Operating Cash Flow	1,344	(1,558)	2,481	1,781	2,598
Less:- Capex	900	1,323	692	1,514	1,589
Free Cash Flow	444	(2,881)	1,789	267	1,009
Financing Cash Flow	(45)	2,502	(2,642)	165	14
Investing Cash Flow	70	209	161	(90)	113
Net change in Cash	469	(170)	(692)	342	1,136
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	10.2	27.8	2.5	39.7	17.6
EBITDA Growth	(12.3)	16.3	(20.4)	58.2	14.8
PAT Growth	(18.1)	(6.9)	(33.8)	97.0	15.2
EBITDA Margin	11.7	10.6	8.3	9.3	9.1
Net Margin	6.9	5.0	3.3	4.6	4.5
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	(0.1)	0.3	0.1	0.1	0.1
ROE (%)	17.9	14.5	8.7	15.4	15.5
ROCE (%)	24.5	19.1	11.7	19.4	19.0
Per Share data & Valuation Ratios					
Reported EPS (INR/Share)	36.9	34.4	20.7	40.8	47.0
Adjusted EPS (INR/Share)	36.9	34.4	20.7	40.8	47.0
EPS Growth (%)	(18.1)	(6.9)	(39.8)	97.0	15.2
DPS (INR/Share)	5.0	2.5	5.0	5.0	5.0
P/E Ratio (x)	16.7	17.9	29.8	15.1	13.1
EV/EBITDA (x)	9.4	9.4	12.2	7.8	6.7
EV/Sales (x)	1.1	1.0	1.0	0.7	0.6
Core Price/Book (x)	2.8	2.4	2.5	2.2	1.9
Dividend Yield (%)	0.8	0.4	0.8	0.8	0.8

Expect revenue/EBITDA and PAT CAGRs of 19%/13% and 15% respectively.

Margins likely to be range-bound within 9-9.5%

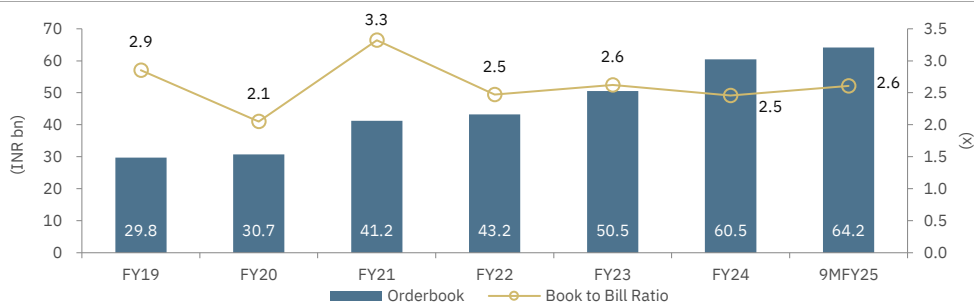
Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	6,232	6,966	(10.5)	5,781	7.8	7,213	(13.6)
EBITDA	354	714	(50.5)	388	(9.0)	682	(48.1)
EBITDA margins (%)	5.7	10.3		6.7		9.5	
Other income	38	65	(42.3)	46	(17.4)	53	(28.6)
Interest	102	153	(32.9)	106	(3.2)	107	(4.2)
Depreciation	187	187	0.1	179	4.5	173	8.1
PBT	102	440	(76.9)	149	(31.8)	454	(77.6)
Tax	41	115	(64.4)	38	8.8	114	(64.3)
Effective tax rate (%)	40.2	26.1		25.2		25.2	
PAT	61	325	(81.3)	111	(45.5)	340	(82.1)
NPM (%)	1.0	4.7		1.9		4.7	
EPS (INR)	1.5	9.0	(83.0)	2.8	(45.5)	8.6	(82.1)

Source: Company, Elara Securities Estimate

Exhibit 1: Healthy orderbook with 2.6x b-t-b ratio, awaiting execution pick-up



Source: Company, Elara Securities Research

Exhibit 2: Valuation summary

(INR mn)	FY27E
EPC	
PAT	1,862
Target P/E multiple (x)	15
Value of construction business	27,936
No. of shares (mn)	40
Target price (INR)	705

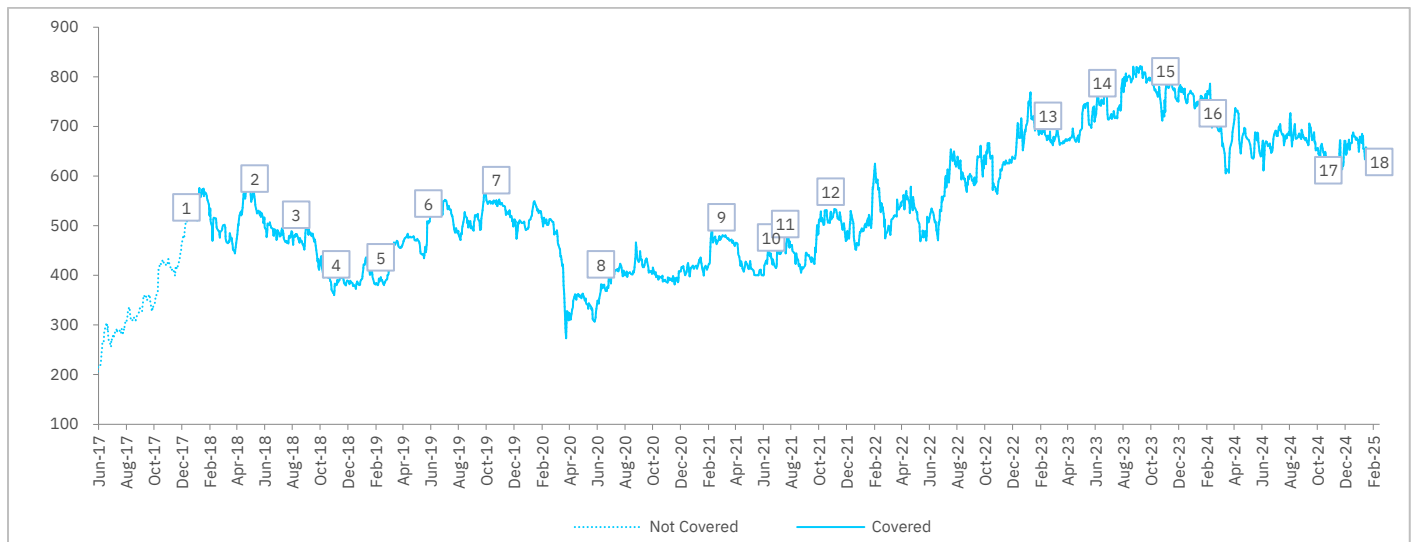
Source: Elara Securities Estimate

Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net sales	26,891	32,343	37,154	25,231	35,248	41,434	(6.2)	9.0	11.5
EBITDA	2,727	3,487	3,940	2,083	3,296	3,784	(23.6)	(5.5)	(3.9)
PAT	1,340	1,886	2,093	821	1,617	1,862	(38.8)	(14.3)	(11.0)
Construction multiple (x)			15			15			0.0
TP (INR)			792			705			(11)
Rating			Buy			Accumulate			

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
13	17-Feb-2023	Accumulate	INR 795	INR 682
14	16-Jun-2023	Accumulate	INR 820	INR 747
15	3-Nov-2023	Accumulate	INR 920	INR 783
16	14-Feb-2024	Buy	INR 920	INR 716
17	25-Oct-2024	Buy	INR 792	INR 596
18	14-Feb-2025	Accumulate	INR 705	INR 618

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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