

# Initiating Coverage

29th April 2025



## PSP Projects



SNM VALUE EDUCATOR RESEARCH  
SERVICES LLP:  
Emerging Titans

RA No: INH000019789



# PSP PROJECTS LTD | BUY

Building tomorrow's infrastructure with precision and innovation

We initiate coverage on PSP Projects, with a BUY rating. With multiple triggers, PSP Projects is well-poised to deliver significant growth due to factors such as: 1) Expected Synergies from the Adani Group 2) Strong order book position 3) Set up of new manufacturing plant for precast materials.



## Expected Synergies from the Adani Group

On November 19, 2024, PSP announced signing of a definitive share purchase agreement with Adani Group to sell 30.07% shareholding for an aggregate equity value of ₹685 crore. Adani also made an additional open offer to acquire an additional 26% stake in PSP Projects at ₹642.06 per share. The transaction is likely to provide PSP Projects access to wider EPC opportunities with the Adani group of companies.

## Strong Order Book Position

The company had outstanding order book of ₹6,546 crore as on September 30, 2024. The order book is fairly diversified in terms of contribution regarding the government and private orders with Government Orders constituting 56% of the order book and the rest is from private players. In terms of geography, PSP has its orderbook spread across Gujarat, Uttar Pradesh, Karnataka and Rajasthan with majority orders concentrated in Gujarat.

Even though currently the orderbook is concentrated in Gujarat (87%), PSP has executed multiple marquee and complex projects across the country.

## Set up of new manufacturing plant for precast materials

PSP Projects has set up a manufacturing plant for Precast Concrete and allied elements near Sanad, Gujarat with a production capacity of one million square feet. Precast plant act as a backward integration for PSP and ensure faster execution of projects.

Recommendation	BUY
Allocation	3%
CMP (at initiation)	₹637
Market Cap (₹ Cr)	2524
52 Week High/Low	745/566.5
BSE code	540544

## Shareholding pattern

Promoter	60.14%
FII+DII	15.81%
Others	24.05%

## Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	1,749	1,927	2,462
EBITDA (%)	15%	12%	11%
PAT	162	133	124
ROCE (%)	35%	25%	19%



## COMPANY OVERVIEW

PSP Projects Ltd (PSPPL) is an integrated Engineering Procurement Construction (EPC) company providing services across the construction value chain. The list of construction services provided by the company includes designing, construction, mechanical, plumbing, electrical works and maintenance services.

The company carries out construction across industrial, institutional (commercial), government, government residential and residential segments.

## CLIENTELE



## ADANI INFRASTRUCTURE TIE UP

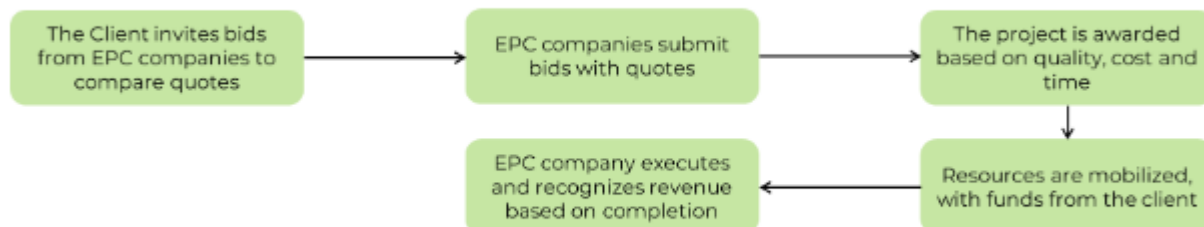
Adani Infrastructure acquired 30.07% stake in PSP Projects for ₹685 cr.

The rationale behind the stake sale is leveraging the Adani Group's expertise and unlocking opportunities in various projects such as Airports, Dharavi Redevelopment, Data Centers etc. (Additionally, the Adani Group is aiming to build its EPC companies for its projects). Both the company will maintain equal equity of the company.

Adani Infrastructure announced an open offer to acquire an additional 26% stake in PSP Projects. The open offer price has been set at ₹642.06 per share, aiming to acquire 1 crore shares.



## BUSINESS MODEL



### 1) Bid Invitation

The Client invites bids from various EPC companies with an objective to see the interested contractors and compare quotes from various contractors and compare quotes from various contractors

### 2) Bidding Submission

Interested EPC companies submit their bids with the best possible quotation, which is a win-win for both parties.

To gauge the seriousness of the bidder, the client generally asks for an “Earnest Money” deposit

### 3) Project Award

After thorough evaluation of all the bids by the client, the project is awarded to an EPC company which can best execute the project in terms of A) Quality, B) Cost and C) Time

### 4) Mobilization

Necessary resources are mobilized at the construction site so that the construction/execution can be started

Funds required for mobilization are either sourced from the client (interest bearing) or internally by the contractor

### 5) Project Execution & Payment

Once resource are mobilized, the EPC company starts executing the project and recognizing revenue as per the “% Completion Method” Payment however will be made by the client based on the terms decided in the contract which can deviate from revenue recognition





## PRE CAST FACILITY

In December 2021, commissioned PreCast facility in Gujarat with the objective to provide sustainable building solutions and technological



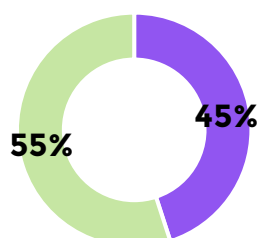
PSP has set-up a manufacturing plant for Precast concrete and allied elements near Sanad, Gujarat with a production capacity of 1 million square feet. The plant has been set up at a total cost of ₹109 crore, funded through term loan and equipment loan of ₹33 crore and balance through internal accruals incurred in FY21 and FY22. There has been a significant ramp-up in operations as marked by orders of ₹181 crore. Precast plant act as a backward integration for PSP and ensure faster execution of projects.

The company believes that using pre-cast concrete products will help them to increase their operating efficiency, eliminate the dependence on labourers, reduce safety concerns and allow faster delivery and better quality of work.

## ORDER BOOK

As of December 2024, order book stood at ₹ 6147 crore.

### Order Book FY24



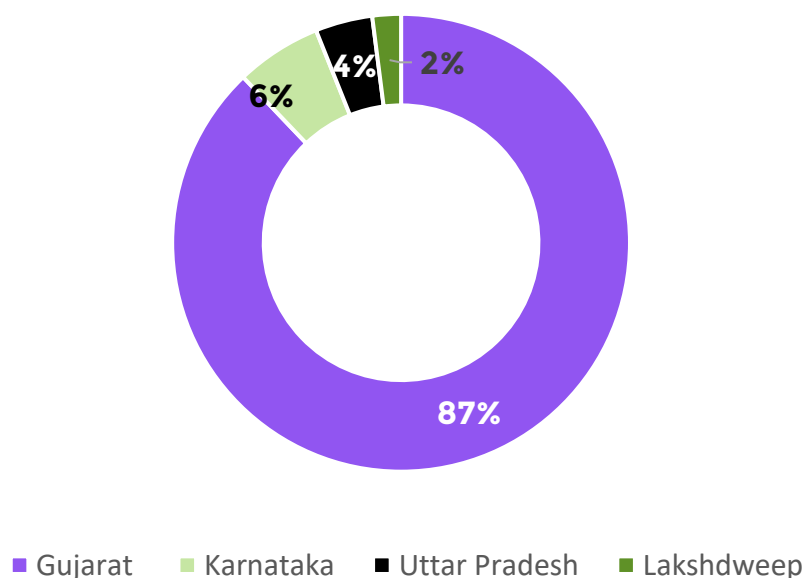
■ Private Projects ■ Government projects



Out of total order book private project comprised 45%, while Government Project comprised of 55%.

As on 31<sup>st</sup> Dec 2024 233 projects are completed and 58 are on going projects.

### Geography wise distribution



The company had outstanding order book of ₹6,417 crore as on 9MFY25 providing revenue visibility in the medium-to-long term.

### FUTURE OUTLOOK

1) Revenue Guidance for FY25 is ₹3,000 crore and for FY26 is ₹4,000 crore. EBITDA Margin for FY26 is 9-10%

2) The company's order book target for FY25 is set at ₹4000 crore. As of now, they have already surpassed Rs. 1900 crore in orders. Currently, discussions are underway with the Adani Group, and an announcement of orders worth Rs. 2000 crore is planned.

For FY26, the company is in discussions with the Adani Group regarding an orderbook in the range of ₹5,000 crore.



## **RISKS**

### **1) Limited Segmental Diversification**

PSP operates on a smaller scale compared to some big companies in the construction industry. It only focuses on building construction and has a limited presence in different areas. However, with the government's strong focus on improving urban infrastructure and many opportunities ahead, PSP is expected to see growth in its operations in the near future.

### **2) Competitive Landscape**

The civil construction industry is very competitive, with many mid and large-sized companies. Gujarat has a stable environment for construction, but there is also a lot of competition because many companies want to take on projects there. However, PSP stands out because of its proven experience in completing projects in Gujarat and Maharashtra, and its in-house resources allow it to bid competitively and finish projects on time.

### **3) Dependence on Government**

PSP Projects reliance on government funding, accounting for 55% of its revenue, creates a significant exposure to potential risks. This heavy dependence results in large receivables, with a substantial portion of the funds still pending. Any delays in government disbursements or changes in funding policy could negatively impact cash flow and operational stability.



## FINANCIALS (All figures in crore, unless mentioned otherwise)

### Profit & Loss Statement

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	280	455	401	730	1,044	1,499	1,241	1,749	1,927	2,462
Sales Growth %		62.12%	-11.86%	82.11%	43.05%	43.61%	-17.24%	40.93 %	10.17%	27.81%
Expenses	258	415	335	628	895	1,308	1,106	1,492	1,699	2,200
Operating Profit	22	39	66	102	149	191	135	257	228	262
OPM %	8%	9%	16%	14%	14%	13%	11%	15%	12%	11%
Other Income	7	10	13	18	23	25	14	21	24	24
Interest	2	3	8	9	9	15	15	26	32	51
Depreciation	5	7	8	11	24	27	26	32	40	65
Profit before tax	21	39	64	100	139	174	109	219	180	170
Tax %	34%	36%	35%	36%	35%	26%	26%	26%	26%	27%
Net Profit +	14	25	42	64	90	129	81	162	133	124
EPS in Rs	175.62	78.53	14.45	17.88	25.07	35.91	22.44	45.11	36.95	34.42

### Balance Sheet

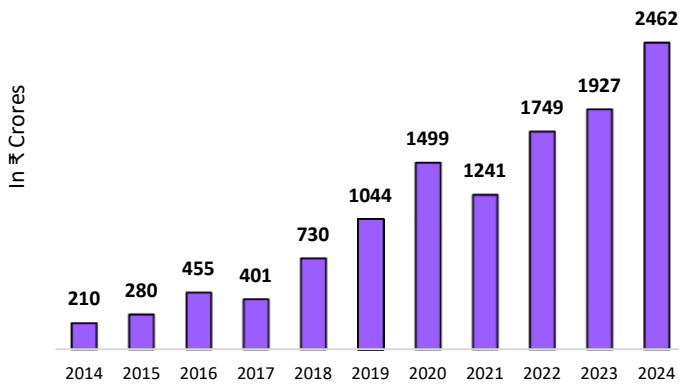
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	0.80	3	29	36	36	36	36	36	36	36
Reserves	46	63	78	267	335	421	502	649	764	879
Borrowings	33	45	68	22	26	75	81	100	145	455
Other Liabilities	106	117	140	260	333	427	371	482	811	653
Total Liabilities	186	229	315	584	731	959	990	1,267	1,756	2,022
Fixed Assets	33	52	51	77	103	108	116	207	240	322
CWIP	0	0	0	2	0	0	42	0	18	3
Investments	13	18	22	20	4	4	1	1	1	1
Other Assets	140	158	242	486	623	847	832	1,059	1,498	1,697
Total Assets	186	229	315	584	731	959	990	1,267	1,756	2,022



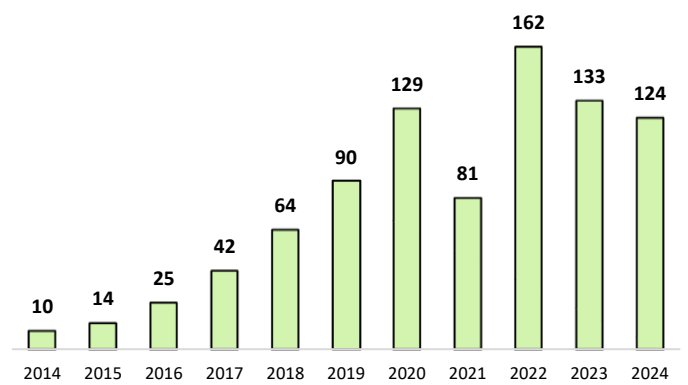


## Financials

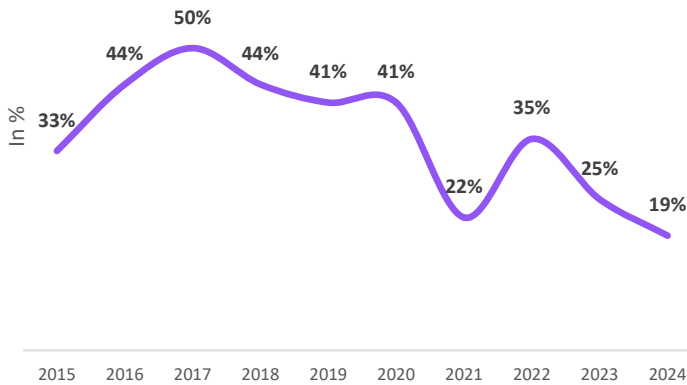
### Revenues



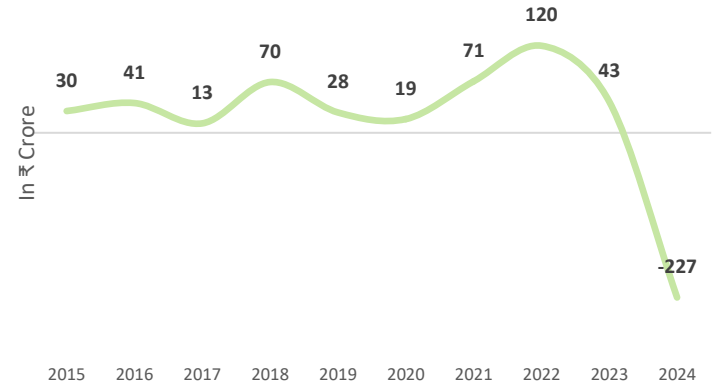
### Net Income



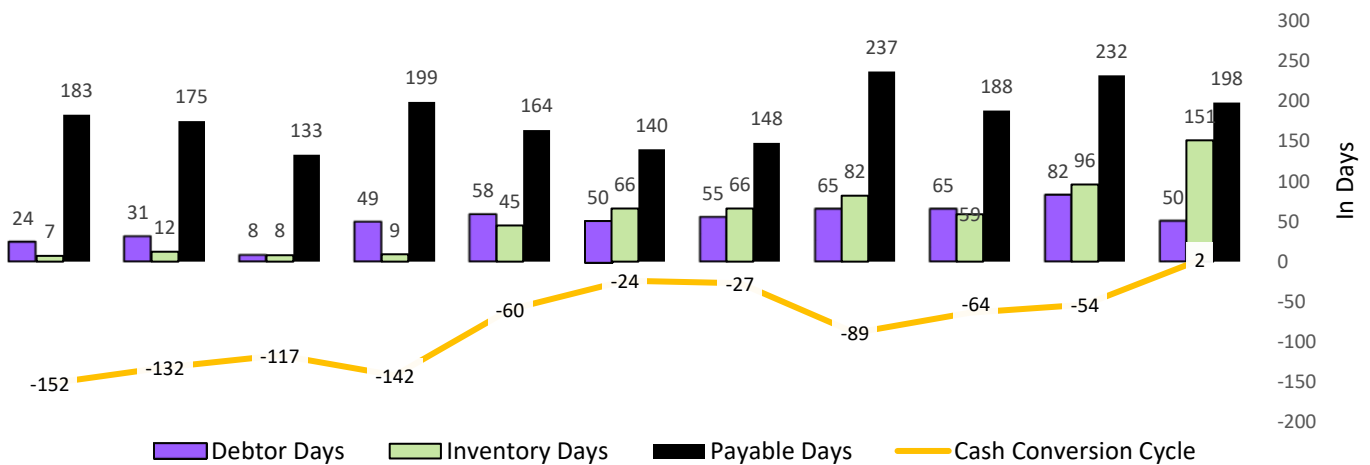
### ROCE



### CFO



### Cash Conversion Cycle





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