

## Strategic alliance with Adani long-term positive

21 November 2024

PSP Projects (PSPPL IN) recently signed a definitive agreement with Adani Infra (100% owned by the Adani Group) to sell ~30.07% stake (~50% of total promoter stake of ~60.14%) for INR ~6.9bn, valuing the company at INR 22.8bn. The strategic partnership augers well for both parties: it will not only help Adani Infra to strengthen its building segment along with current project management consultancy (PMC) exposure to large infrastructure areas, such as ports, roads, airports, water, data centers, power projects, cement, and T&D but also help PSPPL increase scope of new work orders within its core building sector by getting projects from the Group. With existing promoters and management team continuing with an equal stake in the partnership, this strategic alliance is likely to strengthen growth prospects and value creation in the long term. We retain our positive stance on PSPPL. We reiterate **Buy** with a TP of INR 792. The deal is subject to regulatory approval, including completion of the open offer (despite the open offer, 50:50 partnership would be maintained). **Key Risks:** Any adverse news against the Adani Group will have a negative impact on the stock.

**Partnership to unlock large opportunities:** Currently, PSPPL's forte is timely execution of complex and unique building structures on an Engineering Procurement and Construction (EPC) basis along with precast capacity of 1.0mn sqft at Ahmedabad. Out of current orderbook of INR 65bn, ~INR 5bn (8% of total) is from the Adani Group. However, with the Group's larger presence across the infrastructure sector, it could unlock more opportunities while still focusing on the core buildings segment. While order inflow target retained at INR 35bn for FY25 (YTD received INR 17bn), management aims to focus on large airport projects at Ahmedabad, Mumbai, and Trivandrum worth INR 30bn, the Dharavi redevelopment and the Mundra precast work in the medium-to-long term. Besides the Adani Group, the company will continue to bid for profitable third-party contracts. EBITDA margin is likely to sustain above 10%. Any additional capital requirement to be funded through debt and equity infusion will adhere to agreed shareholding proportion.

**Reiterate Buy with a TP of INR 792:** PSPPL was incorporated in CY08 and went public in CY17 at a price of INR 210 per share. In the past 16 years, the company has focused on its core competency, profitable growth, and value creation. We believe this strategic partnership with the Adani Group could be a win-win proposition. We remain positive and expect a revenue CAGR of 15%, an EBITDA CAGR of 15% and a PAT CAGR of 19% during FY24-27E. We factor in INR 35-40bn worth of order inflows each year for the next three years. There could be upside potential to our inflow estimates post the deal finalization. Hence, we reiterate **Buy** with a TP of INR 792 on 15x FY27 P/E.

### Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	19,266	24,625	26,891	32,343	37,154
YoY (%)	10.2	27.8	9.2	20.3	14.9
EBITDA (INR mn)	2,250	2,616	2,727	3,487	3,940
EBITDA margin (%)	11.7	10.6	10.1	10.8	10.6
Adj PAT (INR mn)	1,330	1,239	1,340	1,886	2,093
YoY (%)	(18.1)	(6.9)	8.2	40.7	11.0
Fully DEPS (INR)	36.9	34.4	33.8	47.6	52.8
RoE (%)	17.9	14.5	13.8	16.9	16.2
RoCE (%)	24.5	19.1	16.7	20.4	19.7
P/E (x)	16.5	17.7	18.0	12.8	11.6
EV/EBITDA (x)	9.3	9.3	9.4	7.2	6.1

Note: Pricing as on 21 November 2024; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 792**

Upside: **30%**

CMP: **INR 610**

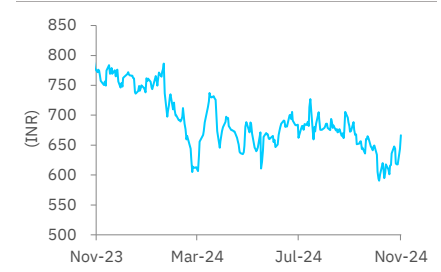
As on 21 November 2024

### Key data

Bloomberg	PSPPL IN
Reuters Code	PSPPL.NS
Shares outstanding (mn)	40
Market cap (INR bn/USD mn)	24/286
Enterprise Value (INR bn/USD mn)	24/285
Avg daily volume 3M (INR mn/USD mn)	96/1
52 week high/low	810/565
Free float (%)	40

Note: as on 21 November 2024; Source: Bloomberg

### Price chart



Source: Bloomberg

Shareholding (%)	Q3	Q4	Q1	Q2
	FY24	FY24	FY25	FY25
Promoter	66.2	66.2	60.1	60.1
% Pledged	0.0	0.0	0.0	0.0
FII	3.3	2.3	7.0	8.6
DII	5.1	4.6	10.6	11.0
Others	25.4	26.9	22.3	20.3

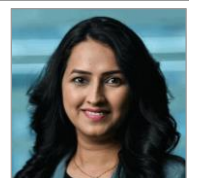
Source: Bloomberg

Price performance (%)	3M	6M	12M
Nifty	(5.7)	3.6	18.0
PSP Projects	(11.1)	(9.2)	(21.5)
NSE Mid-cap	(6.9)	4.5	29.8
NSE Small-cap	(7.7)	3.9	27.0

### Ankita Shah

Infrastructure, Ports & Logistics,  
Industrials  
+91 22 6164 8516  
ankita.shah@elaracapital.com

Associate  
Jinesh Kothari



## Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	19,266	24,625	26,891	32,343	37,154
<b>EBITDA</b>	<b>2,250</b>	<b>2,616</b>	<b>2,727</b>	<b>3,487</b>	<b>3,940</b>
Add:- Non operating Income	271	243	220	231	242
OPBIDTA	2,521	2,859	2,947	3,717	4,182
Less :- Depreciation & Amortization	400	649	707	834	968
<b>EBIT</b>	<b>2,121</b>	<b>2,210</b>	<b>2,239</b>	<b>2,883</b>	<b>3,214</b>
Less:- Interest Expenses	320	508	435	345	397
<b>PBT</b>	<b>1,801</b>	<b>1,702</b>	<b>1,804</b>	<b>2,538</b>	<b>2,817</b>
Less :- Taxes	471	463	464	652	724
<b>Reported PAT</b>	<b>1,330</b>	<b>1,239</b>	<b>1,340</b>	<b>1,886</b>	<b>2,093</b>
<b>Adjusted PAT</b>	<b>1,330</b>	<b>1,239</b>	<b>1,340</b>	<b>1,886</b>	<b>2,093</b>
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	360	360	396	396	396
Reserves	7,638	8,786	9,921	11,608	13,502
<b>Net worth</b>	<b>7,998</b>	<b>9,146</b>	<b>10,317</b>	<b>12,004</b>	<b>13,899</b>
Borrowings	1,450	4,551	2,748	3,129	3,489
Deferred Tax (Net)	(122)	(183)	(183)	(183)	(183)
Other liabilities	21	27	27	27	27
<b>Total Liabilities</b>	<b>9,348</b>	<b>13,541</b>	<b>12,908</b>	<b>14,977</b>	<b>17,231</b>
Net Block	2,396	3,218	4,023	4,460	4,827
Add:- Capital work in progress	177	29	29	29	29
Investments	7	7	7	7	7
Cash & bank balances	2,421	2,251	1,256	2,291	3,687
Net Working Capital	2,223	6,412	5,941	6,455	6,860
Other Assets	2,123	1,623	1,652	1,735	1,822
<b>Total Assets</b>	<b>9,348</b>	<b>13,541</b>	<b>12,908</b>	<b>14,976</b>	<b>17,231</b>
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non cash items	1,751	2,092	2,263	2,835	3,216
Add/Less:- Working Capital changes	(407)	(3,650)	442	(544)	(437)
Operating Cash Flow	1,344	(1,558)	2,705	2,290	2,779
Less:- Capex	900	1,323	1,512	1,271	1,335
Free Cash Flow	444	(2,881)	1,193	1,019	1,444
Financing Cash Flow	(45)	2,502	(2,408)	(162)	(235)
Investing Cash Flow	70	209	220	179	187
<b>Net change in Cash</b>	<b>469</b>	<b>(170)</b>	<b>(995)</b>	<b>1,035</b>	<b>1,396</b>
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	10.2	27.8	9.2	20.3	14.9
EBITDA Growth	(12.3)	16.3	4.2	27.9	13.0
PAT Growth	(18.1)	(6.9)	8.2	40.7	11.0
EBITDA Margin	11.7	10.6	10.1	10.8	10.6
Net Margin	6.9	5.0	5.0	5.8	5.6
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	(0.1)	0.3	0.1	0.1	(0.0)
ROE (%)	17.9	14.5	13.8	16.9	16.2
ROCE (%)	24.5	19.1	16.7	20.4	19.7
Per Share data & Valuation Ratios					
Reported EPS (INR/Share)	36.9	34.4	33.8	47.6	52.8
Adjusted EPS (INR/Share)	36.9	34.4	33.8	47.6	52.8
EPS Growth (%)	(18.1)	(6.9)	(1.8)	40.7	11.0
DPS (INR/Share)	5.0	2.5	5.0	5.0	5.0
P/E Ratio (x)	16.5	17.7	18.0	12.8	11.6
EV/EBITDA (x)	9.3	9.3	9.4	7.2	6.1
EV/Sales (x)	1.1	1.0	1.0	0.8	0.6
Core Price/Book (x)	2.7	2.4	2.3	2.0	1.7
Dividend Yield (%)	0.8	0.4	0.8	0.8	0.8

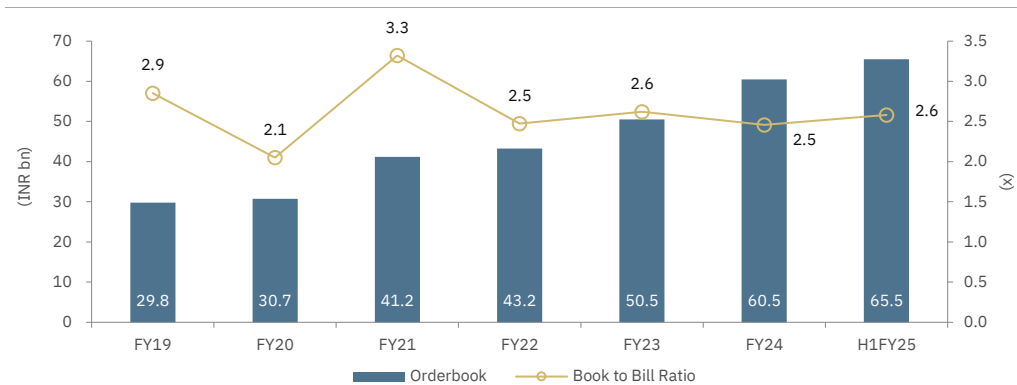
Revenue CAGR of 15%, EBITDA CAGR of 15% and a PAT CAGR of 19% during FY24-27E. Profitability is likely to be higher, given lower finance cost led by debt reduction

Margin is likely to be range-bound at 10-11% until FY27E

Note: Pricing as on 21 November 2024; Source: Company, Elara Securities Estimate

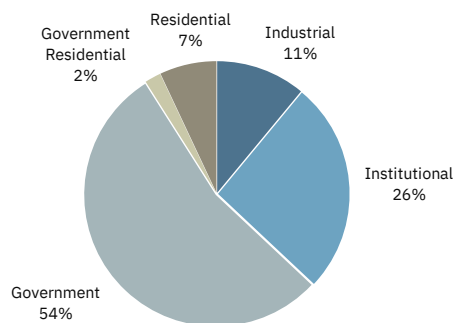
**Deal Structure:** Adani Infra has signed a definitive agreement with PSPPL to acquire ~30.07% stake from promoter for ~INR 6.9bn at a price of INR 575/share. This would trigger an open offer from public shareholders for another 26% stake at INR 642/share. To maintain 50:50 shareholding for both entities, the share acquired through the open offer will reduce the quantum of stake sale by promoters. Post acquisition, the company will be jointly owned and will have lock-in period of five years before any further sale, giving the first right of refusal to each counterparty. PS Patel will continue to serve as Chairman, MD & CEO and existing management team will continue with business operations, and Adani Infra will get equal rights & representation on the board.

**Exhibit 1: Healthy orderbook with 2.6x book-to-bill ratio**



Source: Company, Elara Securities Research

**Exhibit 2: Orderbook mix likely to change with higher institutional projects post the acquisition**



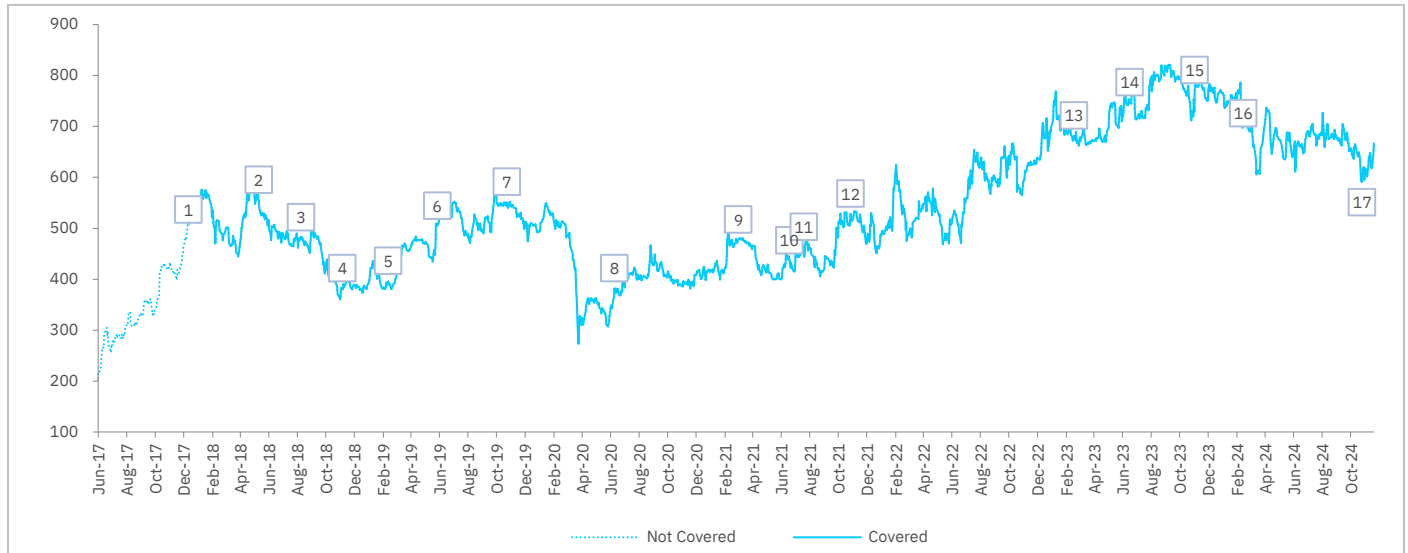
Source: Company, Elara Securities Research

**Exhibit 3: Valuation summary**

(INR mn)	FY27E
PAT	2,093
Target P/E (x)	15
<b>Value of construction business</b>	<b>31,392</b>
Shares (mn)	40
<b>Target price (INR)</b>	<b>792</b>

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

### Guide to Research Rating

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

## Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited. It is important to note that any dispute with respect to this research report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued adverse letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website [www.elaracapital.com](http://www.elaracapital.com)

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

## Disclaimer & Standard warning

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

## Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

## Disclosures for U.S. Investors

The research analyst did not receive compensation from PSP Projects Limited.

Elara Capital Inc.'s affiliate did not manage an offering for PSP Projects Limited.

Elara Capital Inc.'s affiliate did not receive compensation from PSP Projects Limited in the last 12 months.

Elara Capital Inc.'s affiliate does not expect to receive compensation from PSP Projects Limited in the next 3 months.

## Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

**India**  
**Elara Securities (India) Private Limited**  
 One International Center, Tower 3,  
 21st Floor, Senapati Bapat Marg,  
 Elphinstone Road (West)  
 Mumbai – 400 013, India  
 Tel : +91 22 6164 8500

**Europe**  
**Elara Capital Plc.**  
 6th Floor, The Grove,  
 248A Marylebone Road,  
 London, NW1 6JZ,  
 United Kingdom  
 Tel : +44 20 7486 9733

**USA**  
**Elara Securities Inc.**  
 230 Park Avenue, Suite 2415,  
 New York, NY 10169, USA  
 Tel: +1 212 430 5870  
 Fax: +1 212 208 2501

**Asia / Pacific**  
**Elara Capital (Asia) Pte.Ltd.**  
 One Marina Boulevard,  
 Level 20,  
 Singapore 018989  
 Tel : +65 6978 4047



**Managing Director**

**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571



**Head of Research**

**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

### Sales Team



**India**

**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543  
**Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558  
**Lekha Nahar** - lekha.nahar@elaracapital.com - +91 22 6164 8512



**India, APAC & Australia**

**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508  
**Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541  
**Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



**India & UK**

**Prashin Lalvani** - prashin.lalvani@elaracapital.com - +91 22 6164 8544



**India & US**

**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570



**Corporate Access, Conference & Events**

**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520  
**Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595

Access our reports on Bloomberg: Type **RESP ESEC <GO>**

Also available on **Thomson & Reuters**

#### Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500  
 CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933  
 Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236  
 Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018  
 Investor Grievance Email ID: [investor.grievances@elaracapital.com](mailto:investor.grievances@elaracapital.com) - Tel. +91 22 6164 8509  
 Compliance Officer: Mr. Anand Rao - Email ID: [anand.rao@elaracapital.com](mailto:anand.rao@elaracapital.com) - Tel. +91 22 6164 8509