PSP Projects Limited

December 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	155.00 (Reduced from 158.00)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	1,300.00	CARE A+; Stable / CARE A1	Downgraded from CARE A+; Stable / CARE A1+
Short-term bank facilities	92.00	CARE A1	Downgraded from CARE A1+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to long-term bank facilities factors in strength derived from PSP Projects Limited's (PSP's) established presence of over two decades in civil construction industry, robust order book position providing medium-term revenue visibility and adequate debt coverage metrics. However, the revision in the short-term rating is considering moderation in liquidity profile with elongation of working capital position. The company has witnessed elevated receivables for over a year resulting in rise in gross current assets (GCA) days from 237 days in FY24 to 278 days in FY25. Thereby, buffer liquidity maintained by the company has been utilised towards incremental working capital financing along with increased reliance on bank borrowings.

The company has a robust order book of ₹9,883 crore as on September 30, 2025, ensuring strong revenue visibility over the medium term. The company has its forte in the building construction segment projects spread across government buildings, universities, residential and commercial buildings. Post acquisition of 34.41% stake in the company by Adani Infra (India) Limited (AIIL, rated 'CARE AA-; Stable'), the order book composition has shifted towards projects from AIIL with ~56% of work orders from the new sponsor. PSP is expected to witness significant expansion in scale over the medium term, with addition of work orders from in-house projects (Adani group). Liquidity is also expected to improve aided by faster recovery of receivables from in-house projects and project advances from group projects supporting the working capital requirement. Such advances are non-interest bearing without bank guarantees, releasing the working capital borrowings for third-party projects. The execution of in-house projects is expected to ramp up from Q4FY26, and full impact of improved performance is expected from FY27 onwards.

The rating strengths are tempered by moderation in revenue and profitability in FY25 and H1FY26 and elevated working capital position. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margins have moderated due to out-of-scope work done for Bhavan Prakoshtha project executed for Uttar Pradesh State Government and elevated working capital position. The margin moderated to 7.43% in FY25 (from 10.66% in FY24) and dropped to 4.72% in Q1FY26. While there has been a recovery in Q2FY26, the blended margins remained subdued in H1FY26. CARE Ratings Limited (CareEdge Ratings) understands that the impact of UP projects is over and expects the shift in order book composition to support profitability and liquidity going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in order book position along with increased geographic diversification.
- Sustained growth in its the total operating income (TOI) along while maintaining healthy profitability.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Negative factors

- Deteriorating TD/PBILDT to over 2.5x on a sustained basis.
- Deterioration in capital structure with overall gearing deteriorating to beyond 1.0x.
- Increasing working capital intensity with GCA days over 275 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is based on the strong order book providing revenue visibility which along with completion of legacy projects and incremental in-house projects shall also augment the profitability. Financial position is also expected to improve over the medium term with reduced reliance on working capital borrowings.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and established operations with synergies from the Adani group

The principal promoter, Prahalad S. Patel, brings over three decades of experience in the construction industry. PSP has built strong relationships with reputed clients and demonstrated a track record of timely project completion for over a decade, enabling repeat orders from existing customers. Adani Infra (India) Limited (Adani Infra) acquired 11.32% stake through an open offer in June 2025 and 23.09% stake from promoters through stake sale in Q2FY26, taking its total holding to 34.41% as on September 30, 2025. AIIL is now classified as one of PSP's promoters.

AIIL has executed large-scale engineering, procurement, and construction (EPC) projects across sectors, including solar, thermal power, transmission, roads, and water infrastructure, with cumulative order value exceeding ₹10,467 crore. As on June 30, 2025, AIIL's EPC order book stood at ₹5,409 crore, anchored by strong counterparties, such as NHPC Limited (rated 'CARE AAA; Stable') and Adani Electricity Mumbai Limited, which together contribute over 80% of the pipeline. The onboarding of AIIL is expected to provide PSP access to wider EPC opportunities within the Adani Group, strengthening its growth prospects.

Strong order book position

The company had strong outstanding order book of ~₹9,883 crore as on September 30, 2025, representing 4x of TOI of FY25, providing revenue visibility in the medium-to-long term. The order book composition has undergone a strategic shift post the acquisition of 34.41% stake in the company by AIIL, with projects from latter accounting for ~56% of the total work orders. Backed by the strong execution pipeline of the Adani Group, PSP is expected to witness significant expansion in scale over the medium term, supported by the expected addition of work orders from in-house projects (Adani group). Going forward, the ratio of in-house to third-party projects is expected at 70:30.

The orders are majorly spread majorly across four segments with the highest contribution from Institutional segment (43%), followed by Residential (26%), Government offices (12%), Sports/university/ Hospital and other public places (9%), Metro and roadworks (6), Riverfront and Dam redevelopment (3%), and Industrial (1.75%). In terms of geography, PSP has its order book spread across Gujarat, Maharashtra, Karnataka, and Uttar Pradesh, with majority orders concentrated in Gujarat (~81%). Although currently the orderbook is concentrated in Gujarat, PSP has executed multiple marquee and complex projects across the country.

Long-term growth prospect despite moderation in performance in FY25

The company reported moderation in revenue and margins in FY25 and H1FY26 due to industry-wide factors, including impacting of general elections, extended monsoon and shortage of labour. This and out-of-scope work for UP projects impacted the margins adversely resulting in reduction in PBILDT margin to 7.43% in FY25 (from 10.66% in FY24) and further to 4.72% in Q1FY26. However, the financial performance improved in Q2FY26, with revenue rising 35% to ₹694 crore from ₹578 crore in Q2FY25. PBILDT margin recovered to 6.92% from 4.68% in Q1FY26 and 6.75% in Q2FY25. This improvement was driven by the end of the monsoon season, better labour availability, and mobilisation of Adani Group projects from mid-August 2025. CareEdge Ratings expects improvement in performance in H2FY26 with completion of legacy projects and change in order mix. The impact of synergies with the new sponsor is likely to reflect from FY27 onwards resulting in growth in scale and PBILDT margins in range of 8-9%.

Adequate debt coverage indicators

PSP's capital structure remained adequate, with overall gearing comfortable at 0.48x as on March 31, 2025 (0.65x as on March 31, 2024). The funds raised via QIP has supported the incremental working capital requirement in the last one year while strengthening the capital structure. However, the moderation in margins and higher working capital borrowings, led to some pressure on debt coverage indicators with total debt to PBILDT moderating to 3.17x in FY25 and 3.75x in H1FY26 (2.25x in FY24). Going ahead, with improved execution, receipt of interest free advances for in-house projects and faster recovery of receivables from such projects, the working capital situation is expected to ease. CareEdge Ratings expects the debt coverage metrics to improve and remain below 2.5x over the medium term.

Manufacturing plant for precast materials

PSP has set up a manufacturing plant for Precast concrete and allied elements near Sanad, Gujarat, with a production capacity of one 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. Precast plant is majorly being used for the captive consumption of the company with outside outstanding order of ₹70 crore by L&T towards the pre-cast material. The plant act as a backward integration for PSP and ensure faster execution of projects.

Thrust of government on urban infrastructure development

The Union Budget of India placed a strong emphasis on infrastructure development, recognising it as a key driver for economic growth and development. The emphasis has been particularly on urban infrastructure development with rising urban population requiring infrastructure expansion and upgradation. Development of smart cities with integrated infrastructure, digital connectivity is one of the focused sectors by the government. Investment in infrastructure by the private sector is being proposed to be promoted through viability gap funding and supportive policies and regulations. CareEdge Ratings believes PSP shall benefit from the government's thrust on urban infrastructure being its long-standing track record in buildings construction segment.

Key weaknesses

Elongation in GCA days with moderation in liquidity profile

PSP's operations continue to be working capital intensive, which is typical for EPC players. Slower execution and delayed receivables from key projects have further strained the working capital position. GCA days rose to 278 in FY25 from 237 in FY24. Collection period remained high at 160 days in FY25, primarily due to pending receivables from Surat Diamond Bourse, UP Government projects, and few other projects. Total debtors (including unbilled revenue and retention money) increased from ₹952 crore as on March 31, 2024, to ₹1,226 crore as on March 31, 2025, and further to ₹1,450 crore as on September 30, 2025, with receivables over 180 days at ₹141 crore. Thereby, liquidity position has moderated with buffer liquidity maintained by the company used for incremental working capital financing, and higher reliance on bank borrowings.

However, the company expects GCA days to improve in H2FY26, aided by recoveries of stuck receivables within 6-8 months and faster project execution and receivable recovery. Improvement in GCA days remains a key monitorable for the near term.

Presence in a highly fragmented and competitive construction industry

The civil construction industry is highly fragmented and competitive with presence of many mid-and large-sized players and its tender-driven nature of business. Gujarat, which offers a relatively conducive and stable environment for construction companies, witnesses high level of competition due to large number of players willing to take up projects in this region. However, PSP's established track record in execution of multiple civil construction projects in Gujarat and Maharashtra and in-house availability of resources gives it an edge to bid competitively and execute orders in a timely manner.

Liquidity: Adequate

PSP's liquidity profile is characterised by sufficient cushion in gross cash accruals of ₹121 crore in FY25 against repayment obligations of ₹33.76 crore in FY26. While long-term debt obligations remain low, working capital intensity has heightened with deployment of liquidity buffer maintained towards working capital financing. As on September 30, 2025, month-end utilisation of its sanctioned fund-based and non-fund-based limits was at 70% and 69%, respectively, for the 12 months ended September 2025. PSP had an unencumbered cash balance and bank balance of ₹39 crore as on September 30, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action done by the company
Environmental	The company has implemented measures to identify and safeguard mature trees within construction sites. The company fostered partnerships with local communities, environmental organisations, and governmental bodies to actively support and engage in community-based tree-planting campaigns and projects focused on bolstering the greenery.
Social	The company has offered financial assistance to hospitals and trusts for procuring operation theatre equipment, instruments and infrastructure development of hospitals. The company supports gender equality establishment of women's hostels, fostering an environment of empowerment and support. The company supports education by awarding scholarships to deserving and financially challenged students, distributing stationery and ration kits among school students, and enhancing the learning environment with initiatives including installing R.O. plants and air coolers.
Governance	The company has half of the board members comprising independent directors. The company is governance-driven, marked by processes, systems, digitalisation, policies, certifications, and responsible succession planning.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Incorporated in August 2008, PSP (formerly known as PSP Projects Private Limited) is an Ahmedabad, Gujarat-based company promoted by Prahalad S. Patel, who was earlier engaged in civil construction through a proprietorship firm, BPC Projects, and Adani Infra (India) Limited, which acquired 34.41% stake in the company as on September 30, 2025. PSP took over BPC projects in 2009 and is currently engaged in providing construction and allied services across industrial, institutional, government, and residential projects. PSP is engaged in planning, designing, construction, and post-construction activities in the construction value chain.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (U/A)
Total operating income	2,462.62	2,468.42	1,206.45
PBILDT*	262.54	183.45	72.56
Profit after tax (PAT)	123.90	56.46	15.08
Overall gearing (x)	0.65	0.48	0.44
Interest coverage (x)	5.17	4.15	3.13

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	155.00	CARE A+; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	50.00	CARE A1
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1300.00	CARE A+; Stable / CARE A1
Non-fund-based - ST-Letter of credit		-	-	-	42.00	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	155.00	CARE A+; Stable	-	1)CARE A+; Stable (18-Feb-25)	1)CARE A+; Stable (06-Feb-24)	1)CARE A+; Stable (14-Dec-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1300.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1+ (18-Feb-25)	1)CARE A+; Stable / CARE A1+ (06-Feb-24)	1)CARE A+; Stable / CARE A1+ (14-Dec-22)
3	Non-fund-based - ST-Letter of credit	ST	42.00	CARE A1	-	1)CARE A1+ (18-Feb-25)	1)CARE A1+ (06-Feb-24)	1)CARE A1+ (14-Dec-22)
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	50.00	CARE A1	-	1)CARE A1+ (18-Feb-25)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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