



# INDIAN CONSTRUCTION INDUSTRY

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**Revenue likely to grow by 12-15% in  
FY2025, driven by sustained execution  
and an adequate order book**

**MARCH 2024**

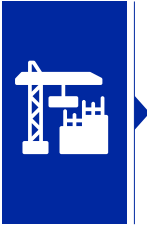




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ICRA estimates the revenue to grow by 12-15% on a YoY basis in FY2025, driven by sustained execution and adequate order book position.

ICRA maintains a Stable outlook on the construction sector. The coverage metrics are expected to remain comfortable with interest cover likely to remain above 4.0 times.



- The construction GVA in India witnessed a YoY growth of 10.4% in 9M FY2024, including a YoY growth of 9.5% in Q3 FY2024, driven by healthy execution pace and stabilisation in raw material prices. While a healthy uptick in the GoI's and states' budgeted capex for FY2025BE augurs well for the construction sector, a timely execution of the projects is the key. ICRA expects the construction GVA to grow by 9.5-10% in FY2024e and 7.0-7.5% in FY2025e, in the backdrop of the Government's thrust on infrastructure activity.



- While competitive intensity in the roads sector continues to remain high, it has also increased in the Railway and metro sectors in 11M FY2024 compared to FY2023. The water segment continues to see relatively moderate competition as seen in the relatively higher number of bids quoted at a premium compared to other sectors during 11M FY2024.



- The sustained inflows of orders for most industry participants translated into an order book-to-billing ratio of 3 times in 9M FY2024, indicating strong revenue growth prospects over the medium term. ICRA expects construction sector margins to improve by 25-50bps in FY2025e, in the backdrop of 12-15% growth in revenue and consequent operating leverage benefits along with relatively stable commodity prices.



- A healthy execution momentum, operating leverage benefits and expectations of stable raw material prices are expected to support the overall profitability. The coverage metrics are expected to remain healthy, with interest cover to stay over 4.0 times in FY2024 and FY2025.

## 1 Macro Environment



## 2 Competitive Intensity



## 3 Trend in prices and outlook on key commodities



## 4 Orderbook Analysis and Financial Performance



## 5 Trends in Credit Rating and Sector Outlook



## 6 Operational Peer Comparison





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## Analytical Contact Details

Name	Designation	Email	Contact Number
Rajeshwar Burla	Group Head	<a href="mailto:rajeshwar.burla@icraindia.com">rajeshwar.burla@icraindia.com</a>	040 6939 6443
Ashish Modani	Co-Group Head	<a href="mailto:ashish.modani@icraindia.com">ashish.modani@icraindia.com</a>	020 6606 9912
Chintan Lakhani	Sector Head	<a href="mailto:chintan.lakhani@icraindia.com">chintan.lakhani@icraindia.com</a>	022 6169 3345
Rohit Agarwal	Assistant Vice President	<a href="mailto:rohit.agarwal@icraindia.com">rohit.agarwal@icraindia.com</a>	022 6169 3329





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# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	<a href="mailto:vipin.saboo@icraindia.com">vipin.saboo@icraindia.com</a>	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Naznin Prodhani	Head – Media & Communications	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





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