

Construction Sector

Buoyancy in state capital outlay to drive healthy revenue growth for state-focused EPC players; working capital challenges persist SEPTEMBER 2023



Agenda











Trends in Projects Awarded by States



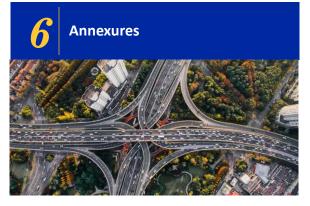


Analysis of Construction Entities Focused on State Government Projects



Trends in ICRA Credit Ratings in Construction Sector





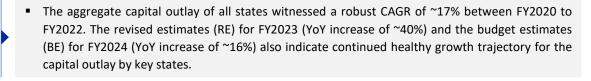
Highlights

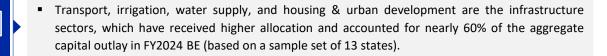


Opportunities for construction/EPC players to remain healthy in the medium term, on the back of higher budgetary capital outlay by the state governments.

Construction entities focused on transportation (roads, metro) and water supply are expected to witness healthy traction.







- The competitive intensity across the infra projects awarded by state governments (including state undertakings) remains moderate, and relatively lower than that in the case of the Central Government projects. Tenders floated in the roads, and water supply & sanitation segments have witnessed healthy participation in the past one year.
- The order book position for Engineering Procurement Construction (EPC) players focused on state government projects has improved in the last one year, supported by robust new order inflows in FY2023. A ramp-up in execution will be important to meet the timelines.
- State-focused EPC players have witnessed relatively higher working capital requirement, primarily
 owing to a longer receivable cycle. Further, with six out of the 13 sample states going to elections
 in the next 12-18 months, the state-focused players remain exposed to the risk of change in
 priorities or re-tendering, should there be a change in government.







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