



INDIAN CONSTRUCTION INDUSTRY

**Election fever heats up construction
pace; revenue growth expected at
18-20% in FY2024**

DECEMBER 2023

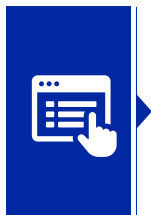


ICRA has revised its revenue growth estimate for FY2024 to 18-20% (from 12-15% levels earlier), in the backdrop of a strong ramp-up in execution ahead of the General Elections.

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 is expected to grow by 8.5%-9% in FY2024e, in the backdrop of the Government's thrust on infrastructure activity. It witnessed a YoY growth of 13.3% in Q2 FY2024 (compared to a 7.9% YoY growth in Q1 FY2024), driven by healthy execution pace and moderation in raw material prices. Despite moderation in growth from FY2023 level (+10% YoY), it remains higher than the long-term annualised growth of 5.3% during FY2012-FY2023 period.



- The strong order book inflow for most industry participants translated into an order book-to-billing ratio of ~3.2 times in H1 FY2024, indicating strong revenue growth prospects over the medium term. ICRA expects construction sector margins to improve by 50-100bps in FY2024e, in the backdrop of 18-20% growth in revenue and consequent operating leverage benefits along with moderation in commodity prices.



- The Mumbai Ahmedabad High Speed Rail Corridor, a landmark project in India's Infrastructure story, though delayed initially, is progressing well with 99.9% RoW available, 100% of civil contracts and 69% of track work related contracts awarded. That said, ICRA estimates the cost to escalate by 75% to Rs. 1.9 lakh crore and the project to be fully operational by CY2029.



- ICRA maintains a Stable outlook on the Indian construction sector. 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 Overview on Mumbai-Ahmedabad High Speed Rail Corridor



3 Details of Key Packages Awarded



4 Project Awarding Trends



5 Financial Performance



6 Trends in Credit Rating



7 Sector Outlook





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Rajeshwar Burla	Group Head	rajeshwar.burla@icraindia.com	040 4547 4829
Ashish Modani	Co-Group Head	ashish.modani@icraindia.com	020 6606 9912
Chintan Lakhani	Sector Head	chintan.lakhani@icraindia.com	022 6169 3345
Rohit Agarwal	Assistant Vice President	rohit.agarwal@icraindia.com	022 6169 3329





ICRA

Business Development/Media Contact Details

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





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