



INDIAN CONSTRUCTION INDUSTRY

**Operating leverage benefits to offset
heightened competitive pressure;
margins to remain stable in FY2025**

JUNE 2024





[Click to see full report](#)

ICRA expects the operating margins to remain stable, as operational leverage benefits will offset the continued competitive pressure. The coverage metrics are expected to remain comfortable, with interest cover likely to remain around 4.0 times.



- **The construction gross value added (GVA) in India witnessed a YoY growth of 9.9% in FY2024**, driven by healthy execution pace and moderation in raw material prices. ICRA expects the construction GVA to grow by ~7.0-7.5% in FY2025, which though lower than the FY2024 levels, will remain higher than the long term CAGR of ~6.0% witnessed during FY2014-FY2024PE.



- **The sustained inflows of orders for most industry participants translated into an order book-to-billing ratio of 3.3 times in FY2024**, indicating strong revenue growth prospects over the medium term. ICRA expects 12-15% revenue growth for construction sector participants in FY2025e. The transportation segment contributes to a majority of the order books for most industry participants, with strong order inflow from roads and railways (metro, high-speed railway).



- **The competitive intensity in the road sector continues to remain high.** It has also increased in the railway and metro sectors in FY2024 compared to FY2023. The water segment continues to witness relatively moderate competition, evidenced by the relatively higher number of bids quoted at a premium compared to other sectors in FY2024. Notwithstanding the heightened competition, the operating margins, supported by operating leverage benefits, are expected to largely remain stable at around 11% \pm 25bps in FY2025e.



- **ICRA expects the cash conversion cycle to elongate with no further extensions in Atmanirbhar Bharat scheme-related relaxations** beyond March 2024. Although debt levels are expected to increase to support the enhanced working capital requirements, the corresponding operational leverage benefits are expected to keep the interest cover at ~4.0 times in FY2025e.

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 Peer Comparison





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Rajeshwar Burla	Group Head	rajeshwar.burla@icraindia.com	040 6939 6443
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
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!