



# INDIAN CONSTRUCTION INDUSTRY

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**FY2026 revenue growth to be supported by an adequate order book position, post muted performance in FY2025**

**March 2025**





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*Despite the Government's thrust on segments like transportation, water supply & sanitation, irrigation etc., the growth in operating income (OI) is likely to be modest in the range of 1-3% in FY2025, led by weaker execution in H1 FY2025 and lower-than-expected pick in Q3 FY2025.*



- **The construction gross value added (GVA) YoY growth eased to 7.0% in Q3 FY2025 from 8.7% in Q2 FY2025, despite the surge seen in the YoY growth of Gol's capex (to +47.7% in Q3 from +10.3% in Q2).** Overall, YoY growth in the construction GVA is expected to ease slightly to 7.9-8.3% in FY2025 which, though being lower than the FY2024 levels (9.9%), will remain higher than the long-term CAGR of ~6.0% seen during FY2014-FY2024PE.



- **Despite the modest order inflow in 9M FY2025, the order book-to-billing ratio stood at ~3.4 times as on December 31, 2024 (based on the trailing 12-month operating income), which remained at satisfactory levels,** indicating healthy revenue growth prospects over the medium term. During 9M FY2025, the growth in operating income remained modest at 0.6% on a YoY basis on account of slowdown due to the Elections and the monsoon in H1 FY2025. With the pick-up in construction activity in H2 FY2025, ICRA expects 1-3% revenue growth for construction sector participants in FY2025e, which is likely to further improve to 8-10% for FY2026e.



- **While the competitive intensity in the road sector continues to remain high,** it has also increased in the metro and water supply & sanitation (WSS) sectors in 11M FY2025 compared to FY2024. The competition, among other factors may largely be attributed to the entities' effort to diversify their order book. Notwithstanding the heightened competition, the operating margins, supported by operating leverage benefits and stable commodity prices, are likely to largely remain stable at around 10.5% - 11.0% in FY2025e and FY2026e.



- **With no further extensions in the Atmanirbhar Bharat scheme-related relaxations beyond March 2024 the cash conversion cycle is expected to get elongated in FY2025 and FY2026.** 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 ~3.6-3.9 times in FY2025e and sustain at similar levels in FY2026e.

## 1 Macro Environment



## 2 Competitive Intensity



## 3 Order Book Analysis



## 4 Trend in Prices and Outlook on Key Commodities



## 5 Financial Performance



## 6 Trends in Credit Rating



## 7 Sector Outlook



## 8 Peer Comparison





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