PRESS RELEASE
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Revenue growth of construction players to improve by 6-8% in 2026-27: ICRA

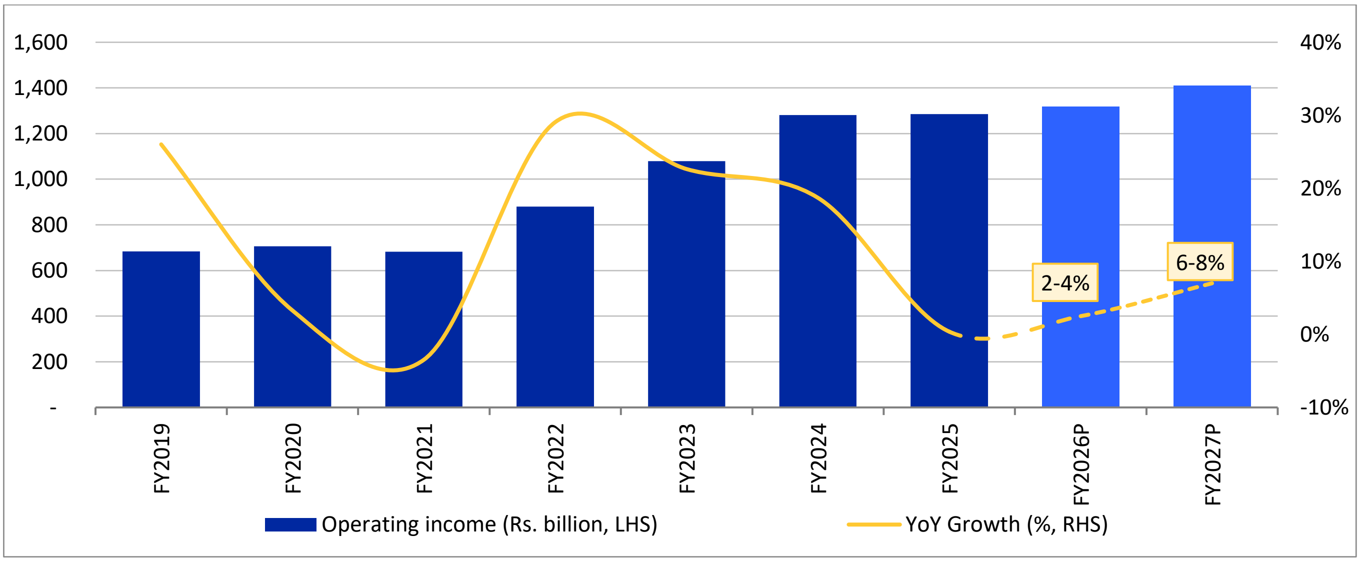
- Pick-up in JJM projects and expectation of improved awarding in road contracts remain key for growth
- Operating Profit margins likely to decline to 10.1-10.6% in 2026-27 from 10.3-10.8% in 2025-26 owing to intense competition

Rating agency ICRA highlighted that the revenue growth of construction players hit a speed bump in 2025-26, with road focussed contractors among the worst hit. The construction sector is likely to witness a muted revenue growth of 2-4% in 2025-26, after an almost flat performance in 2024-25, according to an analysis by ICRA. However, it expects the industry to witness a revenue growth of 6-8% in 2026-27 after two bleak years.

Shrinking order book of road contractors amid muted project awarding by the Ministry of Road Transport and Highways (MoRTH) and slowdown in Jal Jeevan Mission (JJM) related construction projects were among the key reasons behind the slowdown. However, EPC (engineering, procurement & construction) players that are focussed on urban infrastructure projects, mining, power and irrigation sectors continued to witness a healthy growth. While order inflows in 2025-26 benefitted from higher awards in mining and water segments, recovery in road awarding remained gradual, with ICRA expecting a more meaningful pick-up from 2026-27, aided by healthy budgetary capex and an improvement in execution. ICRA expects the industry to witness a revenue growth of 6-8% in 2026-27 against 2-4% in 2025-26 (estimated).

Giving more insights, **Suprio Banerjee, Co-group Head, Corporate Ratings, ICRA,** said: "*ICRA anticipates order inflows to expand by around 10% in 2026-27, led by a recovery in the road sector awards and JJM projects, with the latter witnessing an extension in timeline till December 2028, with higher outlay. Diversified EPC players will continue to be better placed with expected revenue growth of 8-10% in 2026-27, compared to road-focused entities that continue to face pressure in terms of order addition and intense competition. In the last decade, several Indian entities have diversified outside India, especially in Africa and West Asia. However, owing to recent geopolitical challenges, EPC companies focused on West Asia are also expected to witness some pressure on execution momentum.*

Exhibit: Trend in revenue growth of construction companies



Source: ICRA Research, Ace Equity; Sample of 19 entities with combined revenue of ~Rs. 1.28 trillion

The competitive intensity remains elevated across most of the construction segments. Majority of the road projects under MoRTH/NHAI were awarded at a sizeable discount compared to the base price, indicating accentuated competition. The competition for other sectors (Metro, and Water Supply and Sanitation) has also intensified, with new entrants trying to diversify their order book.

ICRA expects the operating profitability for construction companies to stay in the range of 10.3-10.8% in 2025-26, and 10.1-10.6% in 2026-27, owing to pressure on bitumen prices, driven by geopolitical tensions in West Asia, and intense competition in the sector. This, however, remains a sharp drop from 13.0-14.0% recorded in 2020-21, reflecting stiff competition for quality projects in the flagship sectors like roads.

The cash conversion cycle elongated in 2024-25 following the expiry of Atmanirbhar Bharat related relief measures and was also impacted in 2025-26 due to delay in payments under JJM. With extension in JJM, ICRA expects the receivable cycle of JJM focussed players to improve. Given the increase in debt levels and interest costs post the expiry of Atmanirbhar Bharat related relief measures, the interest coverage is expected to decline to 3.2-3.5 times in 2025-26 and further to 3.1-3.4 times in 2026-27, with continuing pressure on margins.

"*Road focused players are expected to witness pressure on their credit profiles, amid declining margins and muted revenue visibility. The diversified players are likely to benefit from continued investments in power, urban infrastructure and water (drinking and sanitation) segments. The leverage metrics remain at comfortable levels, which lend support to the credit profiles of industry participants. Accordingly, ICRA maintains a Stable outlook on the construction sector*," **Banerjee** added**.**

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