

PRESS RELEASE

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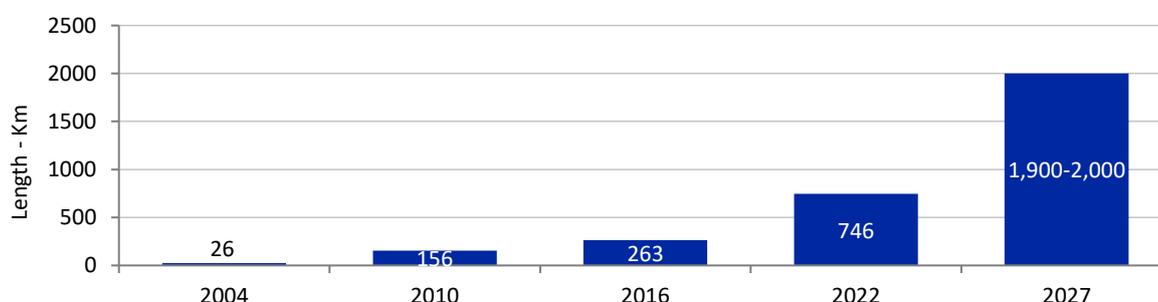
Metro rail projects offer Rs. 80,000 crore business opportunities to construction firms over the next five years: ICRA

- *In India, about 746 km of metro network is operational, and about 640 km of metro network is under implementation. This apart, 1,400 km of metro rail projects worth Rs. 2 trillion are in the approval/proposal stage*
- *ICRA expects competitive intensity to remain moderate with incumbents likely to be the key beneficiaries*

ICRA in its recent [research report](#) estimates that metro rail projects will generate Rs. 800 billion of opportunities for construction companies over the next five years. In India, 15 cities have operational metro networks of about 746 km (many of which are undertaking network expansion), while another seven cities of about 640 km have under-implementation metro projects. This apart, 1,400 km of metro rail projects worth Rs. 2 trillion are in the approval/proposal stage; of which a 352-km of new metro network has been approved, with the balance being in the proposal stage.

Giving more insights on this, **Mr. Abhishek Gupta, Sector Head & Assistant Vice President, Corporate Ratings, ICRA**, says: *“Given the Government’s thrust for infrastructure development, the metro rail network is likely to witness 2.7 times expansion in the next five years. Typically, the metro rail development cost ranges between Rs. 280-320 crore/km for elevated metro and the cost could be much higher in the case of an underground metro network. Civil construction forms ~35%-45% of the overall cost. Given the large size of the metro projects, this is likely to offer sizeable opportunities for construction companies over the next five years.”*

GROWTH OF OPERATIONAL METRO RAIL NETWORK IN INDIA



Source: ICRA Research

Due to the presence of a limited number of players in the sector, the competitive intensity has so far remained moderate with no signs of aggressive bidding as witnessed in other infrastructure segments like roads, railways, etc. As per ICRA’s analysis, about 58% of the projects (by value) were awarded at a premium over the base price, with 14% of the projects awarded at a premium of over 20%. While 42% of the bids were awarded at a discount; majority of these were at a nominal discount and only 7% of winning bids were at discount of over 25%.

Adds Mr. Gupta, *“Competitive intensity is expected to remain moderate in the near to medium term, with the incumbents expected to benefit the most. Given that majority of the orders are funded by multilateral agencies as well as Central Government allocations, the cash conversion cycle of the industry participants will remain comfortable.”*

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