



INDIAN CONSTRUCTION INDUSTRY

**Project awarding likely to see
recovery in FY2026**

June 2025





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Project awarding activity witnessed a YoY decline in FY2025, owing to the General Elections in Q1 FY2025. With sustained Government thrust on segments like transportation, water supply & sanitation, irrigation etc, the order-awarding activity is estimated to recover and report 14-16% YoY growth in FY2026e.



- **The construction gross value added (GVA) YoY growth improved to a six-quarter high of 10.8% in Q4 FY2025** from 7.9% in Q3 FY2025, aided by the **surge in Gol's capex and uptick in the growth of infra/construction goods' output and cement**. Overall, YoY growth in the construction GVA is expected to ease to 7.0-7.5% in FY2026 which, though being lower than the FY2025 levels (9.4%), will remain higher than the long-term CAGR of ~6.5% seen during FY2015-FY2025PE.



- **Despite the modest order inflow in FY2025, the order book-to-billing ratio stood at ~3.4 times as on March 31, 2025 (based on the operating income of FY2025)**, which remained at satisfactory levels, indicating healthy revenue growth prospects over the medium term. The OI for the sample entities remained flat in FY2025 (compared to FY2024), reflecting subdued construction activity due to the Elections and elongated monsoon in H1 FY2025. With the anticipated pick-up in construction activity, ICRA expects 6-8% revenue growth for construction sector participants in FY2026e, supported by a healthy order book.



- **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 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 10.25% - 10.75% in FY2026e.



- **The cash conversion cycle elongated in FY2025, following the expiry of the Atmanirbhar Bharat scheme-related relaxations, and is likely to persist in FY2026P**. Although debt levels may increase to support the enhanced working capital requirements, the corresponding operational leverage benefits are expected to keep the interest cover at ~3.5-3.8 times 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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