

INDIAN CONSTRUCTION INDUSTRY

Revenue growth impacted by the early onset of monsoons; recovery expected from Q3 FY2026 onwards

September 2025



Highlights



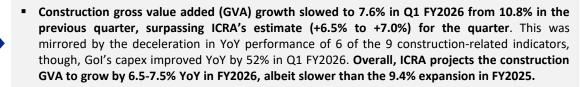


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ICRA maintains its expectation of 6-8% revenue growth for the construction sector in FY2026 on the back of a healthy order book position, despite the OI remaining flat in Q1 FY2026 visà-vis Q1 FY2025.

Credit profile of diversified players is expected to benefit; however, players focussed primarily on road or jal-jeevan mission could face some challenges in near to medium term







■ The order book-to-billing ratio stood at ~3.5 times as on June 30, 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 Q1 FY2026 (compared to Q1 FY2025), reflecting subdued construction activity due early monsoons.



■ While the competitive intensity in the road sector continues to remain high, it has also increased in water supply & sanitation (WSS) sectors in 4M FY2026 compared to FY2025. 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, albeit much lower than FY2022 levels (11.9%)



■ The cash conversion cycle elongated in FY2025, following the expiry of the Atmanirbhar Bharat scheme-related relaxations, and is likely to persist in FY2026P. Players focused on Jal-Jeevan mission also witnessed built up in receievable in FY2025, though situation has relatively improved in current fiscal. 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.

Agenda















Agenda



7 Sector Outlook







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