

# INDIAN CONSTRUCTION INDUSTRY

An estimated growth of 6-8% in  
FY2027 after a muted 2-4% in  
FY2026, hit by road sector awarding  
challenges

March 2026





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*Construction sector revenues are expected to grow at a moderate pace, with operating income projected to rise by 2–4% in FY2026 and accelerate to 6–8% in FY2027, supported by an adequate aggregate order book that is expected to remain above 3x of operating income and improving execution momentum post monsoon.*

*While overall credit metrics are likely to remain stable, diversified EPC players are better positioned due to a broader segment mix and stronger order book*



- **The construction GVA growth slowed to 6.6% in Q3 FY2026** from 8.7% in the previous quarter, amid the mixed performance of key construction inputs such as cement output (to +11.1% in Q3 FY2026 from +7.3% in Q2 FY2026) and finished steel consumption (to +4.7% from +8.5%).



- **As on December 31, 2025, the order book-to-billing ratio was 3.8 times**, underpinned by sustained order inflows and diversification beyond roads. Operating income for ICRA's sample set of entities stayed flat in 9M 2026 over the same period in FY2025, reflecting reduced construction activity due to an early and elongated monsoon along with slower awarding and execution activities.



- **The overall margins are expected to decline** to 10.1-10.6% in FY2027 due to higher competition, volatile raw material prices owing to geopolitical conflicts and increased working capital requirement. In 9M FY2026, the margin was 10.7% with overall margins expected to remain range-bound at 10.3-10.8% in FY2026.



- **The West-Asia conflict will impact the EPC companies** focused on middle-east and are expected to witness some pressure on execution momentum. Moreover India imported around 35-36% of its bitumen in FY2025, mainly from West Asia. Due to war-related supply disruptions, Indian OMCs have raised bitumen prices, which in turn will impact the raw material prices of road focused EPC players.



- **The cash conversion cycle elongated in FY2025 following the expiry of Atmanirbhar Bharat** related relief measures and was also impacted in FY2026 due to elongation in payments under the Jal Jeevan Mission (JJM). With extension in JJM, ICRA expects receivable cycle of JJM focused players to witness improvement. Given the increase in debt levels and interest costs post the expiry of Atmanirbhar Bharat related relief measures, interest coverage, is expected to decline to around 3.2–3.5 times in FY2026 and further to 3.1–3.4 times in FY2027, with continuing pressure on margins.

## 1 Macroenvironment



## 2 Geopolitical development



## 3 Order book Analysis



## 4 Competitive Intensity



## 5 Price Trends and Outlook on Key Commodities



## 6 Financial Performance



## 7 Trends in Credit Rating Trends



## 8 Sector Outlook



## 9 Peer Comparison



## 10 Policies and schemes





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