

METRO RAIL SEGMENT

**Metro rail segment could provide
Rs. 80,000 crore opportunities for
civil construction entities over the
next 4-5 years**

June 2022



Civil construction forms ~35-45% of the overall development cost of the metro rail project. It is followed by rolling stock (~25-30% of project cost) and then systems work (~15-20% of project cost).

ICRA expects Rs. 80,000 crore business potential for construction entities in the next five years



- India currently has operational metro network of 746.3 km in 15 cities, which is expected to increase to 1,900-2,000 Km in next five years. At present, around 991 Km of metro rail project is under construction/approval stage and around 1,040 Km is in the proposal stage. Given the strong order/proposal pipeline, the construction entities with presence in the metro rail segment are likely to witness strong growth.



- A sizeable share of metro rail projects are currently funded by multilateral agencies, which has helped in easing the financing burden on the Government and in speedy expansion of the project. The Metro Rail Policy in FY2017 helped boost the network, evident from the growth of nearly 4 times in the last six years.



- Currently, metro rail projects of about 1,400 km worth Rs. 2,00,000 crore are under approval/proposal stage. Based on the projects currently under approval/proposal stage, it will translate into ~Rs. 80,000-crore business opportunity for the civil construction industry.



- Unlike road segment, which has witnessed steep competition in recent times with most of the bids in EPC segment at discount, the metro rail segment has continued to witness relatively better pricing/bidding discipline amongst participants. Almost 58% of the metro rail projects in the last 15 months were awarded at premium over the base price, with 14% of projects awarded at a premium of over 20%.



- ICRA expects competitive intensity to remain moderate with incumbents likely to be the key beneficiaries.



- Given most of the orders are backed by multilateral agencies as Central Government funding, the receivable cycle of industry participants is also expected to remain under control as well.



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