

# INDIAN CONSTRUCTION INDUSTRY

---

**Credit profile of construction entities  
likely to remain resilient to input  
cost and competitive pressure**

**JUNE 2022**



*Despite 100-200 bps contraction in operating profitability for construction entities due to input cost pressure, the credit profile of most industry participants to remain stable*



- The construction industry is expected to witness healthy revenue growth in the medium term. Construction GVA in India is expected to grow at 12-14% in FY2023, in the backdrop of the Government's thrust on infrastructure activity, strong order book and low base effect



- Aggregate order book to sales of ICRA's sample of 12 entities stands at around 3.2 times, highlighting strong revenue growth prospects over medium term. Segments like metro/urban infrastructure, water & sanitation has witnessed handsome growth in order book in recent times.



- 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 the next five 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.



- Sharp increase in key commodity prices, especially steel, bitumen and cement along with heightened competition will have a bearing on industry profitability, with most participants likely to witness 100-200 bps contraction in operating profitability.



- Working capital cycle of most industry participants has remained stable, with receivable cycle below 90 days. Funds mobilization through customer advances has limited overall dependence on working capital borrowings from banking system. The interest coverage indicators of most industry participants has remained at comfortable level (~3-4 times).



- Despite cost pressure, ICRA Research expects industry participants to remain resilient in the backdrop of stable working capital cycle, limited capex requirement, healthy accruals and moderate leverage.



ICRA

## Analytical Contact Details



**Rajeshwar Burla**

*VP & Group Head*

**Ashish Modani**

*VP & Co-Group Head*

**Abhishek Gupta**

*AVP & Sector Head*

**Rohit Agarwal**

*Senior Analyst*



[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

[abhishek.gupta@icraindia.com](mailto:abhishek.gupta@icraindia.com)

[rohit.agarwal@icraindia.com](mailto:rohit.agarwal@icraindia.com)



040 4067 6527

020 6606 9912

0124 4545 863

022 6169 3329





ICRA

## Business Development/Media Contact Details



**L. Shivakumar**

*Executive Vice-President*

**Jayanta Chatterjee**

*Executive Vice-President*

**Naznin Prodhani**

*Head Media & Communications*



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





***© Copyright, 2022 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**