



FRIDAY, AUGUST 02, 2024

[^ TOP](#)

- [Construction Players To Offset Competition With Operating Leverage, Stable Margins Likely In FY25e: Icri](#)
- [Indian construction sector projected to see 12-15 pc growth in FY25: Report](#)
- [India's construction equipment industry to reach \\$25 b by 2030](#)
- [NHAI Launches Special Asset Monetisation Cell, Targets Rs 50,000 Crore Revenue In 2024-25](#)
- [Shimla: World's Second-Largest Ropeway's Construction Set To Start In March 2025, To Decongest City](#)
- [Bengaluru Metro Phase 3: Rs 15,611 Crore Project Received Union Finance Ministry's Approval, Awaits Cabinet Nod](#)

Construction Players To Offset Competition With Operating Leverage, Stable Margins Likely In FY25e: Icri  
Business Standard,  
August 02, 2024

The government's continued infrastructure push and adequate order book position will result in double-digit revenue growth (12 to 15 per cent) for the Indian construction sector in FY2025e



The rating agency Icri expects the Indian construction entities to maintain healthy revenue growth in FY2025e with a projected year-on-year (YoY) growth of 12 to 15 per cent in this fiscal, aided by an adequate order book position and the government's thrust on infrastructure activity. This is reflected in the increase in the central government's total capital expenditure to Rs 11.1 trillion in the FY2025 revised budget estimates (RBE), which augurs well.

The rating agency maintained a stable outlook for the sector with steady growth in operating income, moderate leverage, and comfortable coverage metrics.

Chintan Lakhani, Vice President and Sector Head- Corporate Ratings, Icri said, "The aggregate order book-to-sales ratio of ICRA's sample set of companies remained stable at 3.3x as of March 2024 (3.4 times during March-2023), thereby indicating healthy revenue growth prospects over the medium term. Certain construction entities have witnessed pressure on road sector-related order inflows in FY2024, in the backdrop of muted order awarding from the Ministry of Road Transport and Highways.

However, Lakhani added that the diversification into other segments like drinking water, metro segment, or railway station development has helped them sustain their order book. Icri expects the revenue growth to remain healthy at 12 to 15 per cent in FY2025.

Over the past five years ending March 2024, the order book of Icri's sample construction companies has remained between 3.3x – 4.0x of operating income, supported by the Government's increased capital outlay towards the infrastructure sector. Transportation (roads, metro, airport, bridges, flyovers) and building (residential, commercial, mixed-use, industrial) segments continue to dominate the order book; however, their combined share has declined to 62 per cent in FY2024 from 77 per cent in FY2020.

The proportion of orders in mining, water, and energy has increased over the same period. The moderation in prices of some of the key commodities such as steel, supported the earnings profile of entities in the construction sector during FY2024; however, steel prices have started inching upwards and could be a spoilsport in the current fiscal.

The intense competition in engineering, procurement and construction and hybrid annuity model projects awarded by the NHAI/ the Ministry of Road Transport and Railways continues to remain



## News

high; however, it is relatively moderate in segments like sewage and drinking water. Notwithstanding the heightened competition, the operating margins, supported by operating leverage benefits, are expected to largely remain stable at around 11 per cent  $\pm$  25bps in FY2025e.

[^ TOP](#)

### Indian construction sector projected to see 12-15 pc growth in FY25: Report

The Statesman,  
August 02, 2024

Riding on the government's big infrastructure drive, the construction sector in the country is estimated to grow 12-15 per cent in FY25, a report said on Wednesday.

Riding on the government's big infrastructure drive, the construction sector in the country is estimated to grow 12-15 per cent in FY25, a report said on Wednesday.

The government has kept FY25 capex outlay at Rs 11.11 lakh crore, higher than last year's revised estimate of Rs 9.5 lakh crore.

According to credit rating agency ICRA, Indian construction entities will maintain healthy revenue growth this fiscal, aided by an adequate order book position and the government's thrust on infrastructure activity.

"The aggregate order book-to-sales ratio of a sample set of companies remained stable at 3.3 times as of March 2024 (3.4 times during March 2023), thereby indicating healthy revenue growth prospects over the medium term," said Chintan Lakhani, Vice President and Sector Head-Corporate Ratings, ICRA.

Certain construction entities have witnessed pressure on road sector-related order inflows in FY2024, in the backdrop of muted order awarding from the Ministry of Road Transport and Highways.

"However, diversification into other segments like drinking water, metro segment, or railway station development has helped them sustain their order book. ICRA expects the revenue growth to remain healthy at 12-15 per cent in FY25," the credit rating agency maintained.

Over the past five years ending March 2024, the order book of the rating agency's sample construction companies has remained between 3.3-4 times of operating income, supported by the government's increased capital outlay towards the infrastructure sector.

The Budget has allocated a massive Rs 11.11 lakh crore for the infrastructure sector comprising highways, ports, railways and power plants, and plans to continue with this plan for the next five years to accelerate growth and create more jobs.

Meanwhile, the National Highways construction increased by 3 times from 11.7 km per day in FY14 to 34 km per day by FY24 while capital expenditure on Railways has increased by 77 per cent in the last five years.

In FY24, new terminal buildings at 21 airports have been operationalised which has led to an overall increase in passenger handling capacity by approximately 62 million passengers per annum.

[^ TOP](#)

## India's construction equipment industry to reach \$25 b by 2030

The Hindu Business Line,  
August 02, 2024

Indian Construction Equipment Industry poised for growth, expected to reach \$25 billion by 2030, focusing on exports and manufacturing hub

India's construction equipment industry is expected to grow at a CAGR of 12 per cent to reach \$25 billion by the end of this decade, aided by the government's focus on expanding the infrastructure sector, a report by Indian Construction Equipment Manufacturers Association (ICEMA) reveals.

India is the world's third largest market for construction equipment (CE) with an industry size of around \$10 billion (FY24) and has the potential to transform into a manufacturing and export hub, the industry body notes.

"As a result of current announced infrastructure investments in India, the CE industry is expected to reach \$25 billion in FY30, posting a CAGR of 12 percent with an envisaged investment in the industry value chain of around \$4 billion, which includes around \$1 billion over next five years in manufacturing by OEMs and 3X investment (around \$3 billion) by suppliers, component manufacturers and distribution channels," ICEMA said in the report, 2035 Construction Equipment Market Outlook for India.

### **Deloitte acted as the knowledge partner.**

Indian CE market has more than 50 OEM manufacturers and provides employment to more than 3 million people (direct and indirect). Indian construction equipment trade with the world is around \$3 billion, of which imports are \$2.6 billion and exports are around \$500 million.

"By FY35, the CE industry is expected to reach \$37 billion. However, with the commencement of the government's ambitious Amrit Kaal vision to make India an economic and manufacturing hub by using long-term infrastructure investments, the CE industry could grow at a faster rate to achieve a market size of \$42 billion in FY35," the report noted.

With the expanding infrastructure investments in India combined with ambitious goals of making India a manufacturing hub, the CE industry in India is set to focus on enhancing exports.

India's CE exports are currently worth about \$0.7 billion comprising 0.4 per cent of global CE market size, which is projected to grow to \$3 billion by 2030 (1.2 per cent of global market), it added.

Earthmoving equipment is the dominant segment with a 72 per cent share in FY23 and is expected to continue to dominate the market with an 81 per cent share in FY35. This is followed by concrete and material handling, with almost 11 per cent share in FY23 and a 6 per cent share in FY35.

The smallest segments are road construction and material processing, with 4 per cent and 2 per cent in FY23 and 6 per cent and 1 per cent in FY35, respectively, the report said.

[^ TOP](#)



## NHAI Launches Special Asset Monetisation Cell, Targets Rs 50,000 Crore Revenue In 2024-25

Swarajya,  
August 02, 2024

Asset monetisation is the process of creating new sources of revenue for the government and its entities by unlocking the economic value of un-utilised or underutilised public assets.

The National Highways Authority of India (NHAI) has announced the establishment of an asset monetisation cell aimed at driving future monetisation plans and overseeing the monetisation of completed and operational highway assets.

This move is designed to ensure the efficient and effective implementation of asset monetisation strategies.

According to an NHAI circular, the cell will be led by the NHAI member (finance) and will consist of both contractual and regular employees with expertise in finance, technical, techno-finance, commercial, and transport economics.

Appointments to the cell will be for an initial period of two years, extendable up to a maximum of five years.

The primary responsibilities of the asset monetisation cell include advising NHAI on overall planning and methodology for asset monetisation, conducting market analysis, and feasibility studies to identify potential assets, particularly those with established toll collection records and high revenue generation potential.

Additionally, the cell will be tasked with forming a public infrastructure investment trust, developing a comprehensive strategy document for NHAI's monetisation efforts, and engaging with investors, government bodies, and financial institutions to facilitate the monetisation process.

To assist investors in planning their investments efficiently and to expedite the monetisation process, NHAI has already identified and published an indicative list of 33 assets slated for monetisation during the 2024-25 fiscal year. These assets are expected to yield over Rs 50,000 crore in the current fiscal year, reports Economic Times.

This initiative follows the Ministry of Road Transport and Highways' successful monetisation of assets worth Rs 40,314 crore in 2023-24, contributing to the Rs 97,000 crore monetisation receipts in the previous financial year.

### **Asset Monetisation**

Asset monetisation is the process of creating new sources of revenue for the government and its entities by unlocking the economic value of unutilised or underutilised public assets.

A public asset can be any property owned by a public body — roads, airports, railways, stations, pipelines, mobile towers, transmission lines, etc., or even land that remains unutilised.



## News

Asset monetization is fundamentally different from 'privatisation' and 'slump sales' of assets. Instead, it involves 'structured partnerships' with the private sector, governed by well-defined contractual frameworks.

The driver for asset monetisation is beyond its fiscal impact. It is not just a funding mechanism, but an overall paradigm shift in infrastructure operations, augmentation and maintenance.

[^ TOP](#)

### Shimla: World's Second-Largest Ropeway's Construction Set To Start In March 2025, To Decongest City

Swarajya,  
August 02, 2024

Shimla, grappling with persistent traffic congestion, particularly in the Taradevi to city centre stretch, is set to benefit from this transformative project. (X)

The Shimla Ropeway Project is set to become the world's second-largest ropeway, and will commence construction on 1 March 2025, announced Himachal Pradesh Deputy Chief Minister Mukesh Agnihotri on Wednesday (30 August).

This ambitious project aims to decongest the Himachal Pradesh state capital, Shimla. The 13.55 km ropeway will feature three route lines named Monal Line, Deodar Line, and Apple Line, with 15 stations along the way.

Currently, the world's longest ropeway is a 32-km project in Bolivia. Globally, there are approximately 25,000 ropeways, while India has only 20.

Himachal Pradesh is leading in this, with the Baglamukhi Temple ropeway already operational and the Baba Balaknath Temple ropeway recently approved by the cabinet.

The Shimla Ropeway will have 13 boarding stations, including Taradevi, Judicial Complex, Chakkar, Tutikandi, New ISBT, Railway Station, Old ISBT, Lift, Chhota Shimla, Navbahar, Sanjauli, IGMC, Lakkar Bazaar, and 103 Tunnel. The project is expected to provide direct employment to 250 people and indirect employment to over 20,000 individuals.

Chief Parliamentary Secretary Sunder Singh Thakur highlighted the project's potential to ease congestion in Shimla, while Principal Secretary (Transport) R D Nazim noted that the project would be financed through an 80 per cent loan from the New Development Bank, with the remaining 20 per cent funded by the state government.

A fact-finding mission from the New Development Bank (NDB) inspected the project from 2 June to 10 June and gave its consent on 12 July. Formal approval is expected during the bank's Board of Directors meeting in December 2024, reports Times Of India.

During a symposium on the New Urban Transport system, Agnihotri, who also holds the transport and highways portfolio, announced that the fare for the ropeway would differ for locals and tourists, with rates set by the state government.



## News

The ropeway will cover a 60 km area, with the state government bearing 20 per cent of the Rs 1,734.40 crore project cost. Initially, it will transport 2,000 people per hour, with a projected increase to 6,000 for two-way travel by 2059.

The entire project is slated for completion in five years, with the first phase targeted within two and a half years.

Known as the 'Queen of Hill Stations,' Shimla has become a multifunctional city along with the dominance of tourism, administrative and institutional activities. As a result of the increased urbanisation in and around hill cities, Shimla is currently experiencing issues with traffic.

Shimla, the capital city of Himachal Pradesh, has a population of about 3.08 lakh with an annual tourist influx of around 40 lakhs.

During the peak tourist season, the city witnesses over 10,000 vehicles, while its infrastructure caters to only 2,500 vehicles.

The innovative ropeway project would be a game changer with tourists parking their vehicles at the entry point of Shimla and boarding the ropeway network. This eco-friendly mode of transportation will be a carbon-neutral project.

[^ TOP](#)

### Bengaluru Metro Phase 3: Rs 15,611 Crore Project Received Union Finance Ministry's Approval, Awaits Cabinet Nod

Swarajya,  
August 02, 2024

The Union Finance Ministry has recently approved Bengaluru Metro's Rs 15,611 crore Phase-3 project, which now awaits the final nod from the cabinet.

Phase-3 of the metro project will span 44.65 km with two elevated corridors and a total of 31 metro stations.

The first corridor, extending over 32.15 km along the western side of the Outer Ring Road, connecting J P Nagar's fourth phase to Kempapura, will include 22 stations and will also connect to the Airport Line.

The second corridor, covering a distance of 12.5 km from Hosahalli to Kadabgere on Magadi Road, will feature nine stations.

Meanwhile, the state government has authorised the Bangalore Metro Rail Corporation Limited (BMRCL) to initiate the tendering process for the 44.65-km project. However, progress is being delayed by a new state proposal to incorporate double-decker flyovers into all upcoming Metro projects.

A senior BMRCL official stated, "Following the Public Investment Board's earlier approval, the Finance Ministry has recently given its consent. Last week, the Centre's Urban Development Department presented a detailed overview of Phase-3 to the Prime Minister's Office to expedite Cabinet clearance," reports The New Indian Express.



## News

The state government approved the revised project cost (reduced from Rs 16,328 crore) on 14 March this year, setting a 2028 deadline.

The Phase-3 project has a 5.5-year deadline from the date of sanction. Phase-3 is expected to carry an average of 9.12 lakh passengers daily by 2051.

Currently, the city metro stands as India's second longest operational metro network, spanning 73.81 kilometres, following the Delhi Metro.

Two operational corridors serve the city. The East-West Corridor stretches 43.49 kilometres, running from Whitefield Station in the east to Challagatta Terminal in the west.

The North-South Corridor covers 30.32 kilometres, with Nagasandra Station marking its northernmost point and Silk Institute Station situated at its southern end.

[^ TOP](#)