

Infrastructural Construction

Industry Code (as per CMIE Prowess): 0101060203000000'

June 2022

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 57 Companies

Median Rating Value of sample size: BBB+

Individual Parameters Contributing to the Score

Demand & Supply Balance  **16/20**

Moderate Demand

The performance was affected in the first half of FY21 mainly on account of the economic disruption and logistical constraints. As per CMIE data, the industry has witnessed y-o-y 14.3% growth in sales from Rs.284.2 billion for March 2021 quarter to Rs.324.9 billion during the quarter ended March 2022. The gradual shift towards Electric Vehicles (EV) has also seen infrastructural growth. As per the Bureau of Energy Efficiency (BEE), a total of 1,742 EV Public Charging Stations (PCS) are operational across the country. The Government focus on infrastructure development & initiatives like National Infrastructure Pipeline are expected to support future revenues of the players, once the economy resumes normalcy.

Extent of Competition  **12/20**

Neutral

Fairly fragmented industry with a presence of few large pan India players. Subcontracting & project specific partnerships for technical/financial reasons are fairly common. The Government contracts are tender based thereby affecting the margins

Regulatory Risk



12/20

Predictable Regulatory environment

Multiple approvals required in construction projects and lack of a single window clearance has been a major reason for project delays; in road projects, land acquisition or Right of Way has been one of the reasons for delays. Besides conventional EPC & BoT models, Government has been exploring different models like HAM (Hybrid Annuity Model) to attract more interest in the sector.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Adequate availability of raw materials such as cement, bitumen, steel etc. Finance also fairly well accessible for construction equipment although costs may go up as the economy gets into a recovery mode.