

AFCONS

AFCONS INFRASTRUCTURE LIMITED

Afcons Infrastructure Limited

Afcons Infrastructure Ltd.

Issue Opens On
Oct 25, 2024

Issue Closes On
Oct 29, 2024

Price Band (INR)
440 – 463

Issue Size (INR Mn)
51,603 - 54,300

Rating
SUBSCRIBE

Afcons Infrastructure Limited, part of the Shapoorji Pallonji group and established in 1959, has a legacy of over six decades in infrastructure engineering. As of September 30, 2023, it has completed 76 projects in 15 countries, with a contract value of INR 522.20 Bn and an active order book of INR 317 Bn from 67 projects. The company operates across Asia, Africa, and the Middle East, specializing in marine, surface transport, urban infrastructure, hydro, and oil and gas projects.

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	117.3
Fresh issue (# shares) (Mn)	27
Offer for sale (# shares) (Mn)	90.3
Price band (INR)	440– 463
Post issue MCAP (INR Mn)	1,61,804-1,70,262

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Wednesday 29 th Oct'24
Finalization of Basis of Allotment with Stock Exchange	On or about 30 th Oct'24
Initiation of Refunds	On or about 31 st Oct'24
Credit of Equity Shares to Demat accounts	On or about 31 st Oct'24
Commencement of Trading of Eq. shares on NSE	On or about 04 th Nov' 24

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	5,86,39,309	27,150	Upto 50%
NIB	1,75,91,793	8,145	Not less than 15%
Retail	4,10,47,516	19,005	Not less than 35%
Net Offer	11,72,78,618	54,300	100%

Source: IPO Prospectus

Objects of the Offer	INR Mn
Capex for construction of equipment	800
Long term Working Capital Requirements	3,200
Repayment of borrowings	6,000
General Corporate Purposes	2,500

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	99%	67%
Others	1%	33%
Total	100%	100%

Source: IPO Prospectus

Particulars (In INR Mn)	FY22	FY23	FY24
Revenue	1,10,190	1,26,374	1,32,675
EBITDA	9,361	13,106	13,650
EBITDA Margin (%)	8%	10%	10%
Profit After Tax	3,576	4,109	4,497
PAT Margin (%)	3%	3%	3%
Net Worth	27,121	31,757	35,960
RONW (%)	13%	13%	13%

Source: IPO Prospectus, KRChoksey Research

Afcons Infrastructure Ltd.

Company Overview :

Afcons Infrastructure is a flagship infrastructure, engineering, and construction company of the Shapoorji Pallonji Group a leading player within the Indian conglomerate landscape, having a legacy that spans over six decades. The company has established a robust track record in executing a wide array of complex and unique engineering, procurement, and construction (EPC) projects, both domestically and internationally. It is recognized as one of India's largest international infrastructure firms. The company has outperformed its peers in several key metrics.

Over the last eleven financial years, through the period ending June 30, 2024, the company successfully completed 79 projects across 17 countries, achieving a total executed contract value of INR 563 Bn. At the end of June 2024, the firm reported 65 active projects across 12 countries, contributing to an order book of INR 317 Bn.

The firm has successfully expanded its global footprint, particularly in Asia, Africa, and the Middle East, undertaking numerous complex and pioneering infrastructure projects. This strategic positioning, combined with strong financial indicators, underscores its potential for sustained growth and competitiveness in the international market.

The company's projects caters to 5 major business verticals:

Marine and Industrial: This sector encompasses the development of ports and harbor jetties, dry docks, wet basins, breakwaters, outfall and intake structures, liquefied natural gas tanks, and material handling systems.

Surface Transport: This area includes the construction of highways and roads, interchanges, mining-related infrastructure, and railway systems.

Urban Infrastructure: This category covers the development of elevated and underground metro systems, bridges, flyovers, and elevated corridors

Hydro and Underground This segment involves the construction of dams and barrages, tunnels (including large road tunnels), underground works, and water and irrigation systems.

Oil and Gas: This sector addresses both offshore and onshore oil and gas projects, reflecting a comprehensive approach to energy infrastructure development.

Business Order Vertical mix

Business Vertical	FY22		FY23		FY24	
	In Mn	%	In Mn	%	In Mn	%
Marine and Industrial	39,980	12%	29,092	10%	30,523	10%
Surface Transport	40,173	12%	39,869	13%	33,385	11%
Urban Infrastructure - Underground and elevated metro	1,05,041	32%	77,659	26%	1,14,238	37%
Urban Infrastructure - Elevated corridors and bridges	69,709	21%	49,536	16%	39,133	13%
Hydro and Underground	63,272	19%	85,430	28%	73,192	24%
Oil and Gas	9,874	3%	22,471	7%	19,139	6%
Total	3,28,048	100%	3,04,058	100%	3,09,610	100%

Source: IPO Prospectus, KRChoksey Research

Afcons Infrastructure Ltd.

Company Overview:

Key completed and ongoing projects

Project Name	Location	Year of Completion
Ghana Rail Project	Ghana	2024
Chenab Bridge	Jammu and Kashmir, India	2023
Atal Tunnel	Rohtang, Himachal Pradesh, India	2020
MG Setu Bridge	Patna, Bihar, India	2022
Annaram Barrage	Telangana, India	2019
Fourth Container Terminal, JNPT, Mumbai	Mumbai, Maharashtra, India	2018
Zambia – Lusaka City Decongestion Project	Lusaka, Zambia	2021
Kolkata Metro	Kolkata, West Bengal, India	Ongoing
Male to Thilafushi Link Project	Maldives	Ongoing

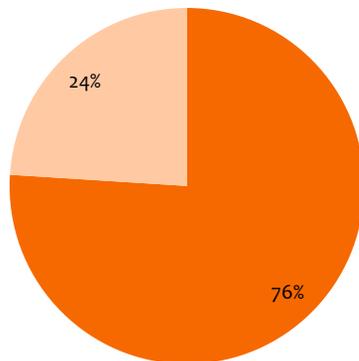
Source: IPO Prospectus, KRChoksey Research

Order book

Particulars	FY2022	FY2023	FY2024
Order Book (INR Mn)	3,28,048	3,04,058	3,09,610
Domestic Order Book (INR Mn)	2,33,125	2,12,459	2,24,016
Domestic Order Book (%)	71	70	72
Overseas Order Book (INR Mn)	94,923	91,598	85,594
Overseas Order Book (%)	29	30	28
Book to Bill Ratio (x)	3	2	2
Order Inflow (INR Mn)	1,68,830	79,238	77,836

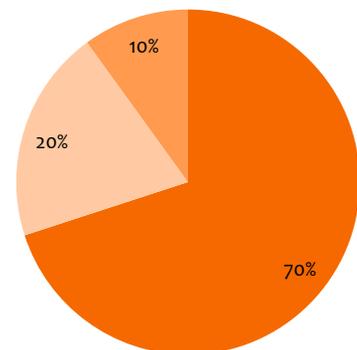
Source: IPO Prospectus, KRChoksey Research

Revenue by geography



■ Domestic ■ Overseas

Revenue by Client Type



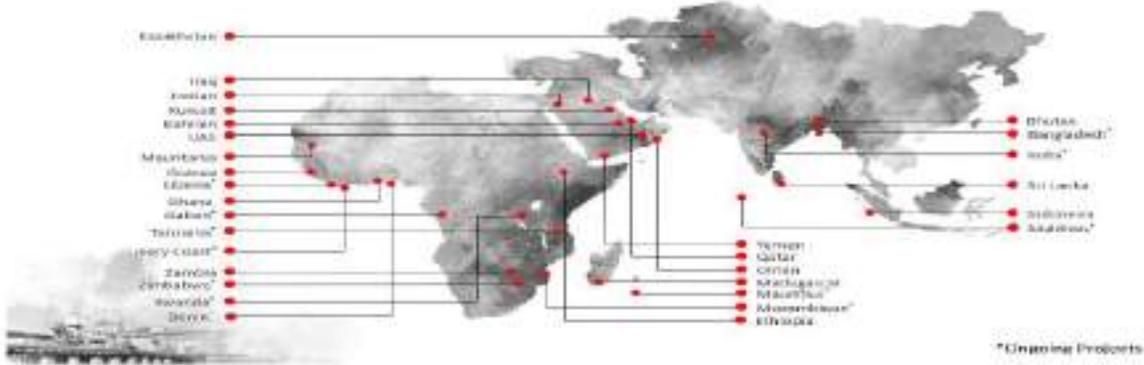
■ Government ■ Mutilateral ■ Private sector

Source: IPO Prospectus, KRChoksey Research

Afcons Infrastructure Ltd.

Company Overview:

Countries in which the company delivered projects since inception and have ongoing projects, as of June 30, 2024



Source: IPO Prospectus, KRChoksey Research

Largest project by contract value

Description of Project	Order Book Value (₹ million)	Percentage of Order Book (%)
C2 – Mumbai Ahmedabad HSR	53,228	17
Ganga Mitra Connectivity Project	19,856	6
Rishikesh Project, Uttarakhand	17,643	6
Bhopal Multispecies Dam, MP	16,989	5
DC-205, Delhi MRTS Phase IV	16,780	5

Source: IPO Prospectus, KRChoksey Research

Client contract category:

Construction contract revenue

Types of Contracts	FY2022		FY2023		FY2024	
	Revenue	%	Revenue	%	Revenue	%
EPC Contracts	73,767	67.75%	87779	70.32%	94,639	72.37%
Item Rate Contracts	34,450	31.64%	35644	28.55%	35,808	27.38%
Cost Plus Contracts	668	0.61%	1411	1.13%	328	0.25%
Total construction contract revenue	1,08,885	100.00%	124834	100.00%	1,30,775	100.00%

Source: IPO Prospectus, KRChoksey Research

Order book by type of contract

Types of Contracts	FY2022		FY2023		FY2024	
	Revenue	%	Revenue	%	Revenue	%
EPC Contracts	2,40,169	73.21%	2,38,907	78.57%	1,95,683	63.20%
Item Rate Contracts	87,441	26.65%	64,618	21.25%	1,13,817	36.76%
Cost Plus Contracts	481	0.15%	481	0.18%	110	0.04%
Total order book	3,28,084	100.00%	3,04,058	100.00%	3,09,610	100.00%

Source: IPO Prospectus, KRChoksey Research

Afcons Infrastructure Ltd.

Industry Overview:

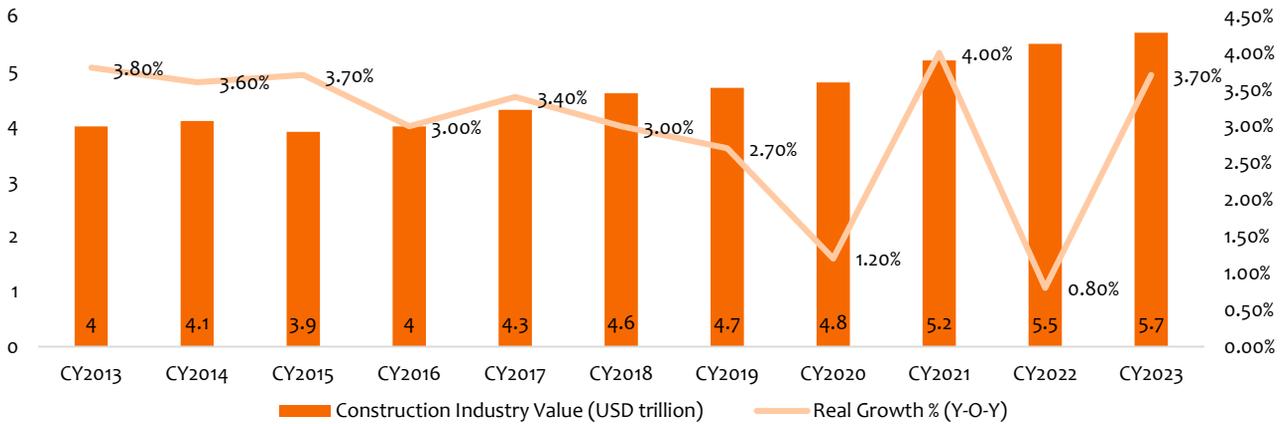
Global construction industry overview :

The global construction market is divided into two primary sectors: infrastructure construction and building construction, which further includes residential and non-residential projects.

Infrastructure Construction focuses on essential economic assets that facilitate trade and provide vital services. Key components include transportation networks (roads, ports, airports, rail), power generation, water supply, and telecommunications, all of which are crucial for economic activity and public health. Additionally, the broader definition of infrastructure encompasses sectors like oil and gas, mining, and social infrastructure, including schools and hospitals. Collectively, these sectors are integral to driving growth and development in the global economy.

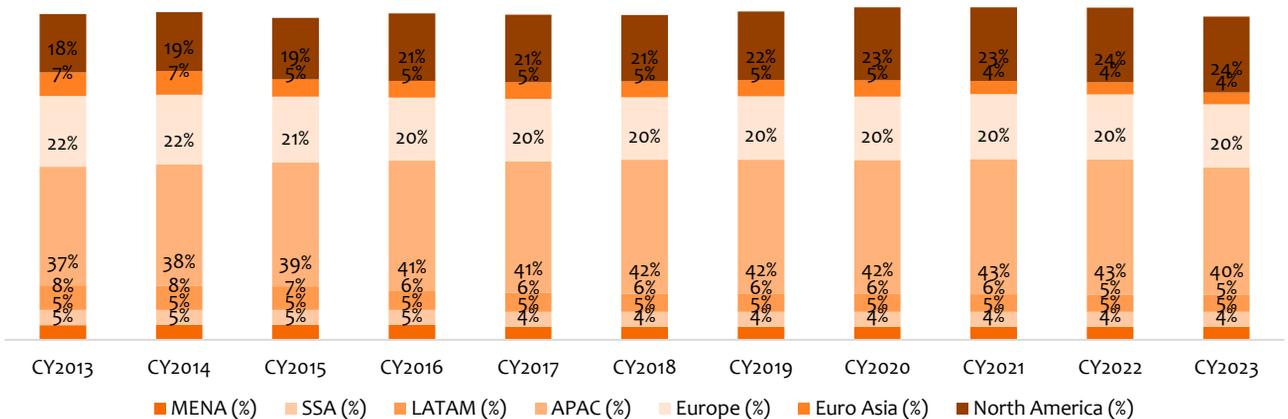
According to Fitch Solutions, the global construction industry's value-added (GVA) reached approximately USD 5.7 trillion at the end of the calendar year 2023, marking a significant increase from USD 4.0 trillion in 2013. This growth reflects the expansion across various sectors, including transportation, power, water, telecommunications, oil and gas, mining, and construction.

Global Infrastructure Industry Value-Add (USD trillion) and Real Growth



Source: IPO Prospectus, KRChoksey Research

Global Infrastructure Industry Value-Add Market Share by Regions



Source: IPO Prospectus, KRChoksey Research

Afcons Infrastructure Ltd.

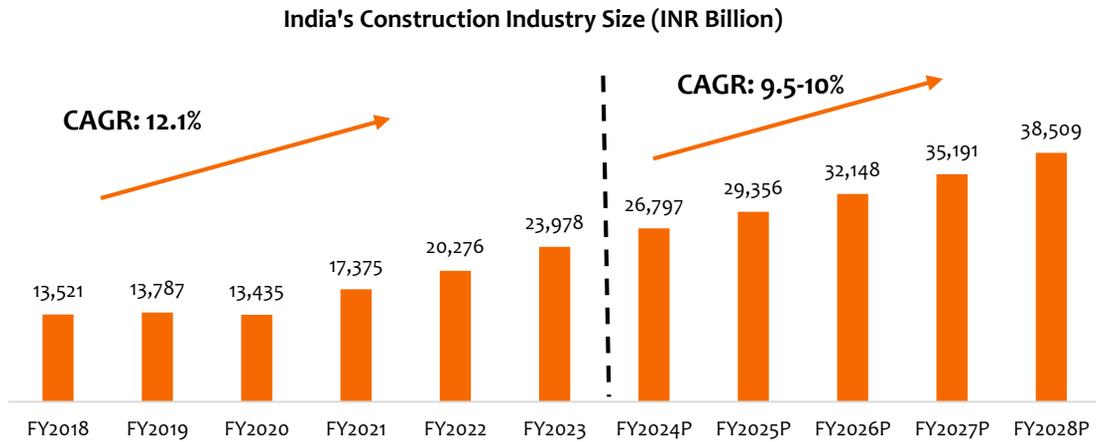
Industry Overview:

Indian Infrastructure Industry:

According to Fitch Solutions, the Indian construction industry was valued at INR 23,978 billion in FY2023, representing a compound annual growth rate (CAGR) of 12.1% from INR 13,521.2 billion in FY2018. This growth is driven by high urbanization rates, an expanding middle class, increased infrastructure investments, rising power demand, and robust industrial development.

In FY2023, the construction sector breakdown is as follows: infrastructure comprises 37.4%, residential buildings account for 15.2%, and non-residential buildings make up 47.4% of the total industry.

Looking ahead, FSIAPL forecasts a CAGR of 9.5% to 10.0%, projecting the industry will grow to INR 38,508.9 billion by FY2028. This expansion is supported by stable government initiatives, increased private sector involvement, and public-private partnerships. Key government programs—such as the National Infrastructure Pipeline, Smart Cities Mission, Gati Shakti, UDAN, Bharatmala Pariyojana, Sagarmala, and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT)—aim to improve connectivity, upgrade urban infrastructure, and enhance transportation networks, thereby boosting the overall construction sector in India.



Source: IPO Prospectus, KRChoksey Research

Projection of Capital Outlay of Core Infra Ministries in India (INR Billion) FY2023 to 2028

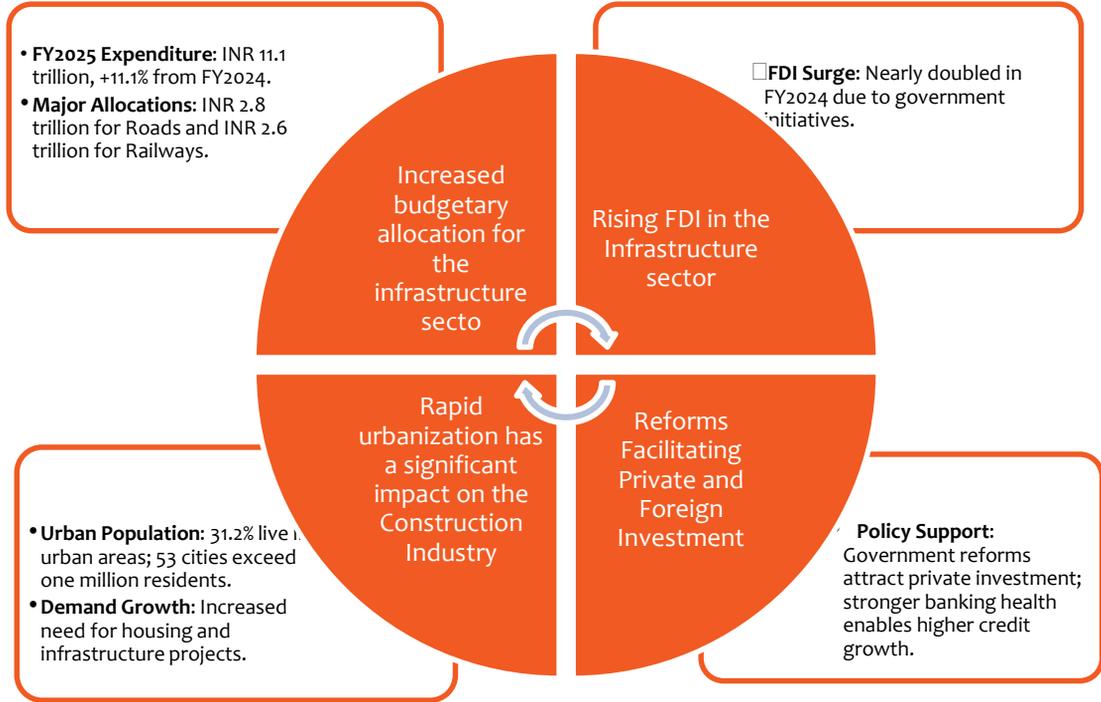
Segments	Name of the Ministry	FY2023A	FY2024RE	FY2025BE	FY2026P	FY2027P	FY2028P	CAGR % (2023A-2028P)
Roads	Ministry of Road Transport and Highways	2059.9	2645.3	2722.4	2276.1	2503.8	2754.1	6.00%
Railways	Ministry of Railways	1592.6	2400	2520	1759.8	1935.8	2129.3	6.00%
Urban Infra	Ministry of Housing and Urban Affairs	268.8	265.2	286.4	291.6	316.4	343.3	5.00%
Ports	Ministry of Ports, Shipping and Waterways	6.8	11.7	10.8	7.3	7.8	8.5	4.50%
Power	Ministry of Power	10.5	12.1	10.9	11.8	11.9	10.7	0.40%
Irrigation	Ministry of Jal Shakti - Department of Water Resources	1.7	3.2	4	1.8	1.9	2	4.00%
Oil & Gas	Ministry of Petroleum and Natural Gas	0	3.3	11.3	11.7	12.2	12.7	4.0%*
Metals & Mining	Ministry of Mines	0.6	0.6	0.8	0.5	0.7	0.7	4.20%

*Ministry of Petroleum and Natural Gas (Oil and Gas segment) has not allocated any capital outlay funds in FY2023A, hence projection is calculated for 3 years from FY2025BE-FY2028P

Source: IPO Prospectus, KRChoksey Research

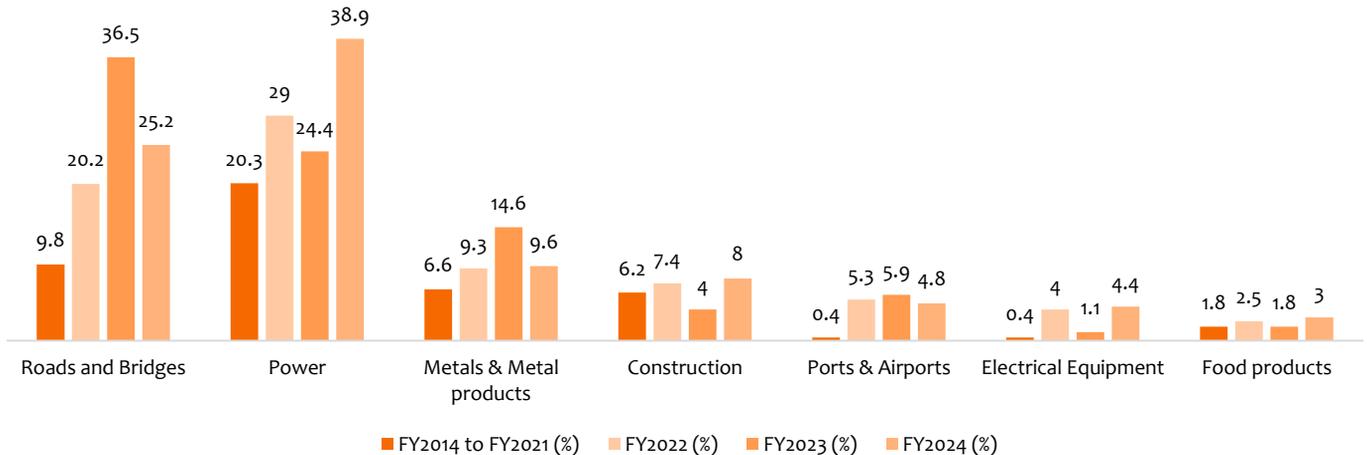
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Growth Drivers of overall Construction sector in India



Source: IPO Prospectus, KRChoksey Research

Share of major projects in Aggregate cost sanctioned by Banks and Financial Institutions



Source: IPO Prospectus, KRChoksey Research

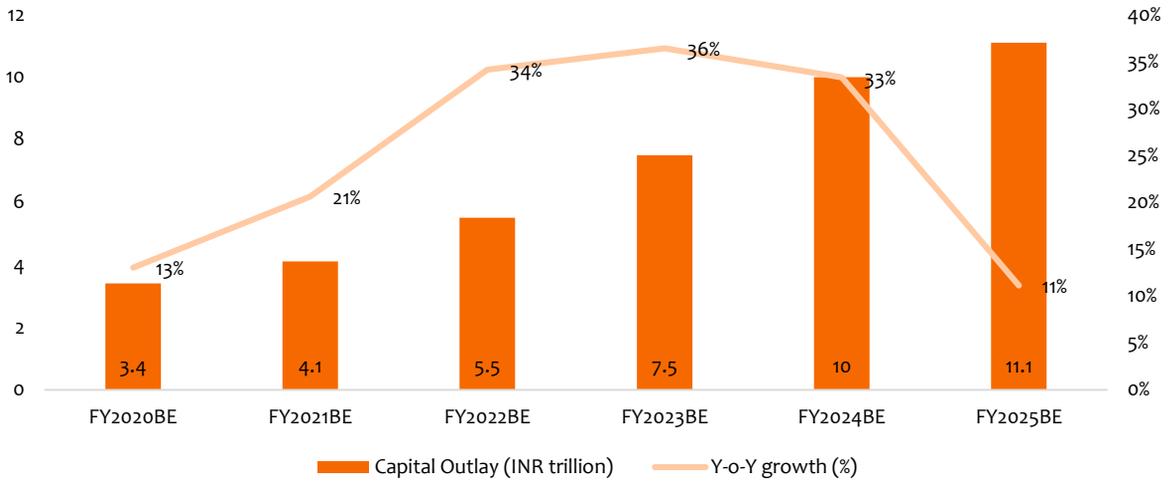
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Industry Overview :

Outlook on Indian Infrastructure:

Infrastructure spending has a significant multiplier effect on the economy. Over the past decade, the government has steadily increased its outlay for infrastructure. In the last three budgets, the Central Government sharply raised capital expenditure, increasing it from INR 4.1 trillion in FY2021 to INR 11.1 trillion in FY2025.

Central Government has sharply raised capex



Source: IPO Prospectus, KRChoksey Research

The capital expenditure thrust in the last three budgets of the Government of India is not merely a short-term initiative to address infrastructure gaps. Instead, this focus on capital expenditure—especially in infrastructure-intensive sectors such as roads, highways, railways, and housing—has significant long-term implications for economic growth.

On one hand, increased capital expenditure bolsters aggregate demand and encourages private spending, particularly during periods of risk aversion. On the other hand, it enhances the productive capacity of the economy over the long term. Recent signs of a rebound in private sector investments indicate that this capex strategy is beginning to yield results.

To further promote capital expenditure, the government has introduced various incentives aimed at boosting states' spending. These include long-term interest-free loans and additional borrowing provisions linked to capital expenditure, which are designed to drive investment and foster economic growth.

India is set to remain the fastest-growing major economy, with a forecasted real GDP growth rate of 6.8% for FY2026-27. The global construction industry is expected to expand from USD 5.7 trillion in CY2023 to USD 7.8 trillion by CY2029, driven by emerging markets growing at an average of 3.9% annually. India's construction sector, valued at INR 23,978 billion in FY2023, is projected to grow at a CAGR of 9.5% to 10%, reaching INR 38,508.9 billion by FY2028, fueled by government initiatives, private investment, and public-private partnerships.

Afcons Infrastructure Ltd.

Strengths:

Strong Track Record of Timely Execution of Large-Scale, Complex and High-Value Projects:

- The company is a leading infrastructure construction firm executing large and complex projects both in India and internationally. It specializes in high-value projects and has a strong track record of on-time delivery, with most projects completed ahead of schedule.
- It ranked 10th among international marine and port facilities contractors by the 2023 Engineering News-Record (ENR), it is the only Indian firm in the top 25. It also ranks 12th in the bridges segment and 42nd in transportation, underscoring its broad transnational presence across various infrastructure activities.
- The company leverages its design and engineering capabilities, robust internal systems, and a skilled workforce to ensure efficient project management. Its operational excellence model promotes standardized processes and resource optimization, enhancing productivity.
- In the three months ending June 30, 2024, and the financial years 2024, 2023, and 2022, the company completed three, seven, nine, and seven projects, respectively, with total contract values of INR 39,345 Mn, INR 88,431 Mn, INR 63,403 Mn, and INR 75,674 Mn.
- All projects were delivered on or ahead of schedule. This consistent performance positions the company to seize new opportunities and maintain its strong industry standing.

Projects completed before scheduled

Project	Business Verticals	Completed earlier than scheduled (in days)	Bonus earned for early completion (INR Mn)
Jammu Udhampur Project Highway Project	Surface Transport	156	1,160
Nagpur Metro Reach 3	Urban Infrastructure	153	50
Nagpur Mumbai Samruddhi Expressway – Package 14	Hydro & Underground	121	996
Agra Lucknow Expressway – Package 2	Surface Transport	69	549
Agra Lucknow Expressway – Package 4	Surface Transport	68	578
Nagpur Mumbai Samruddhi Expressway – Package 2	Surface Transport	64	530
Zambia City Decongestion Project	Surface Transport	61	Not applicable

Diversified Order Book across Geographies, Clients, and Business Verticals, Longstanding Relationships with Clients Globally, and Strong Financial Performance:

- Over the past three years, the company has diversified its order book, amounting to INR 317,474.27 Mn as of June 30, 2024, and securing projects worth INR 59,367.37 Mn by September 30, 2024. It is also an 'L1 bidder' in projects valued at INR 107,323.59 Mn.
- The order book spans various business verticals, with the Urban Infrastructure sector being the largest. The company maintains strong relationships with clients like Arcelor Mittal and a leading global food and agribusiness company, showcasing its adaptability across diverse projects.

Afcons Infrastructure Ltd.

Strengths:

Collaboration among Internal Teams and with JV counterparties, and a Strategic Equipment Base leading to Strong Execution Capabilities:

- The company has a collaborative approach that integrates internal teams across operations, design, human resources, and construction plant and equipment (CPE) to ensure robust execution capabilities. The Core Methods and Engineering Group (CMEG), led by senior executives, fosters innovation and cost-efficient construction methodologies for both ongoing and bidding projects.
- This project planning process incorporates multiple teams, resulting in comprehensive plans with fixed timelines, resource allocation, risk assessments, and budgeting. The execution-driven culture is supported by a highly skilled workforce adept at solving complex challenges.
- Joint ventures enhance the company's competitive edge by leveraging the expertise of established industry partners. Additionally, strong technical partnerships with original equipment manufacturers facilitate technology sharing and customization, aiding major projects like the Atal Tunnel and Chenab Bridge
- As of June 30, 2024, the company's strategic equipment base is valued at approximately US\$490 Mn, including 11 marine barges, 153 cranes, 16 tunnel boring machines, 8 large-capacity jack-ups, and 21 piling rigs. Two workshops in Delhi and Nagpur maintain this fleet, which features some of the largest jack-ups and a significant inventory of specialized tunnel boring machines in This equipment enhances the company's technological capabilities for executing complex infrastructure project.

Knowledge Management and Innovation Practices:

- The company emphasizes leveraging past project knowledge to enhance current and future initiatives. Its operational excellence model integrates people, processes, technology, and relationships across all projects, driven by the Knowledge Services Group's "Learn Before," "Learn During," and "Learn After" framework.
- In 2023, the Afcons Talent Management Academy was launched to develop engineering skills, and the company has received multiple MAKE and MIKE awards, being the only Indian infrastructure firm to win the MIKE award six times in a row.
- The company's quality is highlighted through NABL accreditation for its weld testing lab, the first of its kind for Indian Railways, now in Nagpur
- This commitment to knowledge and innovation has enabled successful project execution, such as using adaptive methods in the Ahmedabad Underground Metro Project and pioneering raker piles for a bridge in Ghana, marking a first for Africa

Experienced Leadership Team with Shapoorji Pallonji Group parentage:

- The company is the flagship infrastructure engineering and construction firm of the Shapoorji Pallonji Group, a prominent Indian conglomerate with over 150 years of experience. Leveraging the group's strong reputation, the company is recognized by clients for its excellence, trustworthiness, and timely project delivery. The Emerging Markets Business Centre aids in identifying overseas bidding opportunities.
- Led by Chairman Mr. Shapoor Pallonji Mistry, Executive Vice Chairman Mr. Subramanian Krishnamurthy, and Managing Director Mr. Paramasivan Srinivasan, the experienced leadership team provides strategic direction for growth. Many team members have over two decades of tenure, enabling effective navigation of industry challenges and fostering a culture of innovation and excellence.

Afcons Infrastructure Ltd.

Strengths

Strong Risk Management, Project Selection and Dispute Resolution Processes:

- The company employs a systematic risk management system to identify, measure, and monitor risks throughout the project lifecycle. It evaluates country, client, and project risks during pre-tendering and conducts a "bid or no-bid" analysis at the tender stage, involving risk pricing and mitigation plans.
- During project execution, it monitors risks such as site conditions, operational challenges and design issues through periodic reviews.
- To maintain a diverse order book, the company prioritizes projects that align with its risk appetite and strategic goals. Credit risk is mitigated by collecting milestone payments and using escalation clauses in contracts.
- A robust contracts management system addresses claims related to costs and scope changes, while the contracts and legal team ensures prompt resolution and collaborates with external experts for arbitration, aiming for mutually agreeable outcomes.

Strategies:

Selectively Pursue Large Value and Complex Projects:

- The company focuses on pursuing large-value, complex projects that align with its project selection process and risk management framework. It typically avoids projects with high competition, where bidders primarily compete on pricing.
- Instead, the company targets technically complex projects in specialized areas, which generally offer better profit margins due to fewer competitors. Eligibility criteria for bidding include prior experience in similar projects, allowing the company to leverage its extensive background in executing technically challenging projects.
- With experience in 235 Marine and Industrial projects across 15 countries and numerous high-value expressway projects, the company enhances its credibility. In the Urban Infrastructure sector, it has constructed over 120 km of metro networks, 150 bridges, and 32 stations across nine cities in India.
- This significant experience not only creates a steady stream of opportunities but also enhances revenue stability and visibility. Large, complex projects, such as the INR 40.27 billion Greater Male Connectivity link in the Maldives, provide valuable publicity and help differentiate the company from other EPC firms.

Maximizing Opportunities in Existing Markets and Expanding Footprint in Overseas Markets:

- The company recognizes the importance of geographical diversification and aims to maximize opportunities in existing markets while expanding its footprint in overseas markets. This approach targets growth prospects, broadens the revenue base, and mitigates risks associated with market fluctuations. Initial expansion will focus on regions where the company can deliver high-quality services, such as roads, marine, and water projects, leveraging its strong international experience.
- The company seeks to establish a presence in East and West Africa, South Asia, Southeast Asia, Eastern Europe, and Saudi Arabia. Gradual diversification will safeguard against risks from concentrated business activities in specific regions.
- With expertise in business development and strategic planning, the company is well-positioned to navigate changing landscapes and respond to market demands. By capitalizing on macroeconomic growth in India and its international capabilities, it aims for sustainable growth and value creation for stakeholders in both established and emerging markets.

Afcons Infrastructure Ltd.

Strategies:

Focus on Cost Management:

- The company's "asset-light" approach involves investing in a strategic equipment base while leasing non-core equipment. This strategy helps control costs and limit capital expenditure, allowing the organization to optimize asset utilization throughout project lifecycles.
- By expanding its network of reliable subcontractors, the company can flexibly scale resources based on project needs, further minimizing capital outlay. The organization typically avoids bidding on projects that require significant capital investments and seeks to extend the useful life of its equipment through targeted initiatives, deferring new purchases and achieving cost savings.
- In managing working capital, the company prioritizes timely bill certifications and collections from clients. Its project selection process focuses on securing projects that provide steady cash flows through periodic payments, ensuring positive cash flow throughout the lifecycle. The company also negotiates escalation clauses in contracts to pass cost overruns onto clients and emphasizes cost control at the site level, monitored during project reviews.
- For project pricing, the organization aims for competitiveness and alignment with the true value delivered. The tendering department prepares detailed cost estimates, accounting for direct, indirect, and finance costs. These estimates are reviewed by the head of the relevant business vertical, who finalizes pricing in consultation with the Executive Vice Chairman and Managing Director. This thorough approach ensures optimal pricing and minimizes the risk of unexpected cost overruns.

Optimizing Project Execution and Management:

- Optimizing project execution and management is crucial for delivering complex projects on time and within budget. The organization relies on a talented in-house design team that collaborates with external consultants to create construction-friendly designs, minimizing delays. Advanced design software enhances accuracy and accelerates revisions.
- During project implementation, teams actively seek efficiencies to reduce construction times and resource usage, fostering innovative solutions. Automation further drives efficiency through an SAP-based dashboard that provides real-time insights and streamlines budgeting.
- The Remote Monitoring System (RMS) enables continuous tracking of equipment performance, while digital tools improve supply chain management and subcontracting approvals.

Growing a highly skilled and motivated workforce and strengthening equipment base:

- The organization is focused on expanding its talent pool to boost project execution. As of June 30, 2024, it employs 3,972 permanent staff, an increase from previous years. Training in the latest construction methods is prioritized, covering civil, mechanical, electrical, safety, and fabrication disciplines.
- Complex projects drive innovation through collaboration between teams, with successes recognized at quarterly reviews and shared organization-wide. The company is developing a framework to strengthen its culture and align employee expectations, supported by a central development council overseeing training initiatives.
- To facilitate growth, the organization invests in cutting-edge equipment from domestic and international sources, ensuring timely availability and enhanced capabilities..

Afcons Infrastructure Ltd.

Risks:

- The company faces the risk of failing to qualify for or secure new contracts from project owners, which could adversely impact its business operations, financial health, future prospects, and cash flows.
- Its business significantly depends on projects awarded by government or government-owned customers, which subjects it to a variety of risks. Such projects contributed to 69.80% of its Order Book as of June 30, 2024.
- Due to its capital-intensive nature, the company may experience insufficient cash flows or difficulties in accessing financing, which could affect working capital and loan repayment obligations.
- The company may encounter challenges in timely collection of receivables from customers, potentially negatively impacting its financial condition, results of operations, and cash flows
- If projects are terminated prematurely, the company may lose expected payments, further straining its financial position.

Outlook and valuation:

- Afcons Infrastructure is strategically positioned for sustained growth within the infrastructure sector, capitalizing on its extensive experience in executing complex engineering, procurement, and construction projects.
- With a strong order book of INR 317 billion and a successful track record of completing 79 projects across 17 countries.
- Afcons has demonstrated exceptional financial performance, reporting significant revenue and maintaining a strong profit margin. During the year the company reported ROE and ROCE of 13% and 20% respectively higher than its competitors
- The company's robust capabilities in marine, urban infrastructure, and hydro projects, coupled with strategic relationships with key clients, enhances its competitive edge. Afcons is actively pursuing geographical diversification, focusing on emerging markets in Africa and the Middle East, while continuously innovating its project execution methodologies.
- With a commitment to quality and efficiency, strengthened by a highly skilled workforce and advanced technology, Afcons is well-positioned to meet the rising global demand for infrastructure development.
- Given its solid financials and proactive growth strategies, the company is positioned for a favourable valuation . The IPO is pegged at a PE multiple of 36x
- In light of Afcons Infrastructure's robust growth potential, solid financial performance and strategic initiatives aimed at market expansion, we recommend a **'SUBSCRIBE'** rating for the company.

Afcons Infrastructure Ltd.

Peer Comparison:

Company Name	Area of Operation	Geographical Presence	Order Book FY24 (In INR Mn)
Afcons Infrastructure Limited	Marine and Industrial, Surface Transport, Urban Infrastructure, Oil and Gas, Hydro and Underground	30 countries across South Asia, Africa, Middle East, and CIS	3,09,610
Larsen and Toubro Limited (L&T Ltd.) (Standalone)	Infra Projects (Buildings and Factories, Transportation Infrastructure, Heavy Civil Infrastructure, etc.)	Over 30 countries around the world	37,13,810
KEC International Limited	Transmission and Distribution, Railways, Civil, Urban Infrastructure, Oil and Gas Pipelines, Cables, Solar	Across 6 continents in over 110 countries	2,96,440
Kalpataru Projects International Limited	Power Transmission and Distribution, Water, Buildings and Factories, Railways, Urban Infrastructure, Biomass	Across 5 continents in 73 countries	5,84,150
Dilip Buildcon Limited	Roads and Highways, Rails and Metro, Airport, Mining, Irrigation, Special Bridges, Urban Development	Present in 19 states and 1 union territory of India	1,74,316

Particulars	Afcons Infrastructure	L&T	KEC International	Kalpataru Projects	Dilip Buildcon
Market Cap	1,70,262	47,81,410	2,49,762	2,02,449	69,210
Revenue from operations	1,32,675	22,11,129	1,99,142	1,96,264	1,20,119
EBITDA	15,831	2,98,650	12,618	16,657	13,366
EBITDA Margin (%)	11.6%	13.5%	6.3%	8.5%	11.0%
PAT	4,497	1,55,470	3,468	5,159	2,010
PAT Margin	3.3%	7.0%	1.7%	2.6%	1.7%
ROE (%)	13.28%	14.70%	8.82%	10.47%	4.80%
ROCE (%)	20.2%	13.4%	14.5%	13.7%	8.6%
EPS	12*	95	13	31	13
PE ratio	38	36	64	42	41
RONW (%)	12.6%	14.7%	8.7%	10.2%	4.4%
EV/EBITDA	13.8	17.1	23.3	14.6	10.4

*Adj EPS

Source: IPO Prospectus, KR Choksey Research

Afcons Infrastructure Ltd.

Financials:

Income Statement (INR Mn)				Cash Flow (INR Mn)			
	FY22	FY23	FY24		FY22	FY23	FY24
Revenue	1,10,190	1,26,374	1,32,675				
Operating Expenditure	1,00,829	1,13,268	1,19,025	CFFO	6,105	12,155	7,074
EBITDA	9,361	13,106	13,650	CFFI	-2,506	-8,702	-8,586
EBITDA Margin %	8%	10%	10%	CFFF	-5,210	-4,826	2,455
Other Income	2,506	2,067	3,794	Net Increase/(Decrease) in Cash	-1,612	-1,373	944
Depreciation	3,554	4,716	4,945	Cash at beginning	6,125	4,471	3,193
Interest	4,247	4,467	5,773	Cash at end	4,471	3,193	4,133
PBT	4,066	5,991	6,726				
Tax	489	1882	2229				
Profit after Tax	3,576	4,109	4,497				
PAT Margin (%)	3%	3%	3%				
Adjusted EPS	9.72	11.17	12.23				

Balance sheet (INR Mn)			
	FY22	FY23	FY24
Assets			
Non-Current Assets			
Property, plant and equipment	22,514	24,487	27,151
Other non-current assets	28,293	28,775	25,452
Current Assets			
Inventories	12,702	15,858	16,266
Trade receivables	23,039	21,966	31,210
Cash and Bank	5,264	3,774	6,663
Other current assets	37,926	48,151	55,595
Total Assets	1,29,738	1,43,013	1,62,336
Equity & Liabilities			
Equity share capital	720	720	3,407
Other equity	26,401	31,037	32,552
Non-Controlling Interest	-93	16	16
Total Equity	27,028	31,773	35,975
Non -Current liabilities			
Financial liabilities	4,361	6,122	6,328
Other non-current liabilities	26,102	22,619	21,218
Current liabilities			
Financial liabilities	11,872	10,001	18,904
Trade payables	26,973	35,085	43,256
Other current liabilities	33,403	37,413	36,655
Total Equity and Liabilities	1,29,738	1,43,013	1,62,336

Source: IPO Prospectus, KR Choksey Research

Afcons Infrastructure Ltd.

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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