

AFCONS INFRASTRUCTURE is the flagship infrastructure, engineering and construction company of the Shapoorji Pallonji group (i.e., the group's leading engineering and construction company), a diversified Indian conglomerate, and has a legacy of over six decades. Additionally, it gains access to the Shapoorji Pallonji Group's network enabling strategic collaborations, business development opportunities and knowledge sharing.

**Business Overview:**

- The company has a strong track record of executing numerous complex, challenging and unique engineering, procurement and construction ("EPC") projects both within India and internationally.
- According to the Fitch Report, it is one of India's largest international infrastructure companies, as per the 2023 ENR (Engineering News-Record, US) Top International Contractors rankings, based on International Revenue for the Financial Year 2023.
- During the period comprising the last eleven financial years and the three-month period ended June 30, 2024, it has successfully completed 79 projects across 17 countries with a total historic executed contract value of Rs.563.05 billion.
- As of June 30, 2024, it has 65 active projects (i.e., ongoing projects) across 12 countries, aggregating to an order book of Rs.317.47 billion.
- Among large infrastructure construction companies in India analysed in the Fitch Report, it has the highest ROCE and EBITDA margins and the second highest ROE and PAT margins for the Financial Year 2024, and its PAT has grown at the fastest rate between the Financial Years 2022 and 2024.
- Over the years, it has expanded its presence globally and in particular across Asia, Africa and the Middle East. It has undertaken many complex, challenging, unique and 'first of its kind' infrastructure projects in India and the rest of the world.
- Its projects cover five major infrastructure business verticals:
  - Marine and Industrial, covering ports and harbour jetties, dry docks, wet basins, breakwaters, outfall and intake structures, liquefied natural gas tanks and material handling systems.
  - Surface Transport, covering highways and roads, interchanges, mining related infrastructure and railways.
  - Urban Infrastructure, covering elevated and underground metro works, bridges, flyovers and elevated corridors.
  - Hydro and Underground, covering dams and barrages, tunnels (including large road tunnels) and underground works, water and irrigation.
  - Oil and Gas, covering both offshore and onshore oil and gas projects.
- It maintains a strategic equipment base comprising a wide range of heavy machinery and specialized equipment. This equipment base, along with the ability to source other high-tech equipment and its in-house capabilities in managing specialized equipment, has been instrumental in winning several complex projects, such as the Atal tunnel, the High Speed Railway Project, the Delhi – Meerut regional rapid transit system, Delhi Metro Phase IV projects, and the second liquid cargo berth at Dahej, Gujarat for Gujarat Chemical Port Limited.
- During the three months ended June 30, 2024, and the Financial Years 2024, 2023 and 2022, it successfully completed three, seven, nine, and seven projects, respectively, aggregating to Rs.3934.56 crore, Rs.8843.11 crore, Rs.6340.39 crore, and Rs.7567.41 crore, respectively in contract value. These projects were delivered across 10 countries, and all of these projects were completed on or ahead of schedule.
- As of March 31, 2024, 2023 and 2022, its order book amounted to Rs.30960.99 crore, Rs.30405.76 crore and Rs.32804.83 crore, respectively. Subsequent to June 30, 2024, it has won projects worth Rs.5936.73 crore until September 30, 2024. Additionally, as of September 30, 2024, it was 'L1 bidder' in projects worth Rs.10732.35 crore.

<b>NSE SYMBOL</b>	<b>AFCONS</b>
<b>SECTOR</b>	<b>CONSTRUCTION</b>
<b>ISSUE SIZE</b>	<b>Rs. 5430 Crs.</b>
<b>PRICE BAND</b>	<b>Rs. 440 - 463</b>
<b>BID SIZE (Nos.)</b>	<b>32</b>
<b>FACE VALUE</b>	<b>Rs. 10.00</b>
<b>MARKET CAP</b>	<b>Rs. 17026.26 Crs</b>
<b>RATING</b>	<b>SUBSCRIBE</b>

<b>TENTATIVE DATES</b>	
<b>ISSUE OPEN DATE</b>	<b>25TH OCT 2024</b>
<b>ISSUE CLOSE DATE</b>	<b>29TH OCT 2024</b>
<b>BASIS OF ALLOTMENT</b>	<b>30TH OCT 2024</b>
<b>INITIATION OF REFUNDS</b>	<b>31ST OCT 2024</b>
<b>CREDIT OF SHARES</b>	<b>31ST OCT 2024</b>
<b>LISTING DATE</b>	<b>04TH NOV 2024</b>

- It maintains longstanding relationships with a number of private and government clients globally. This includes Arcelor Mittal, with whom it has an association of over 10 years, ARISE Integrated Industrial Platforms (IIP), which designs, finances, conceives and operates industrial ecosystems across Africa, with whom it has an association of over 5 years, and a leading global food and agribusiness company headquartered in Singapore (with operations in Africa), which is a client across various business verticals.
- As of June 30, 2024, its equipment base included 11 marine barges, 153 cranes, 16 tunnel boring machines, 8 large capacity jack ups, and 21 piling rigs. Four tunnel boring machines are also pending delivery. It also has two dedicated workshops in Delhi and Nagpur for the maintenance of its equipment base. Fitch estimates the value of its indigenous strategic equipment base to be approximately US\$490 million, as of June 30, 2024. Mahakaya and Samrat, its jack ups, are amongst the biggest jack ups of their kind in India, and its inventory of customised tunnel boring machines is one of the largest amongst its peers in India.
- It is dedicated to integrating environmental, social, and governance (“ESG”) best practices into its business and ensuring a sustainable and responsible approach to its operations. It has 41 environmental auditors to track its environmental footprint.
- Its continuous pursuit of excellence in knowledge management is reflected in the recognition accorded to it through the MIKE (Most Innovative Knowledge Enterprise) award at Global and India levels.

## STRENGTHS

- Strong track record of timely execution of large-scale, complex and high-value projects .
- Large order book and strong financial performance.
- Collaboration among Internal Teams and with JV counterparties, and a Strategic Equipment Base leading to Strong Execution Capabilities.
- Knowledge Management and Innovation Practices.
- Experienced Leadership Team with Shapoorji Pallonji Group parentage.
- Strong Risk Management, Project Selection and Dispute Resolution Processes.

## OBJECTS OF THE ISSUE

- **The Offer for Sale** - Company will not receive any proceeds from the Offer for Sale of shares of Rs. 4180 crores. The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.
- **Fresh Issue** - The Company would also raise up to Rs. 1250 crores by offering fresh shares. Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects.
  - Capital expenditure towards purchase of construction equipments.
  - Funding long term working capital requirements.
  - Prepayment or scheduled repayment of a portion of certain outstanding borrowings and acceptances availed by the Company.
  - General corporate purposes.

## RISKS

- Company's 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.
- It may not be able to collect receivables due from its customers, in a timely manner, or at all, which may adversely affect its business. As of June 30, 2024, its total trade receivables (including interest on arbitration awards) amounted to Rs.3974.61 crores.
- The Equity Shares held by its Corporate Promoters, being Goswami Infratech Private Limited (“GIPL”), Shapoorji Pallonji and Company Private Limited and Floreat Investments Private Limited and certain members of the Promoter Group, being Hermes Commerce Private Limited and Renaissance Commerce Private Limited, representing 95.89% of the share capital had been pledged in favor of certain lenders to the Corporate Promoters and GIPL's Debenture Trustee.
- Company has received an inspection letter bearing reference no. RD (WR)/Insp/AIL/1603 dated February 23, 2024, under Section 206(5) of the Companies Act from the office of the Regional Director (Western Region), Ministry of Corporate Affairs (the “RD”), wherein the RD ordered an inspection of the books of accounts and other books and papers of the Company.
- There are outstanding legal proceedings involving the Company, Subsidiaries, Promoters and Directors. Any adverse decision in such proceedings may adversely affect the business.

## PEER COMPARISON

	Face Value (Rs.)	CMP In Rs. (24-10-2024)	TTM EPS (Rs.)	BV per share (Rs.)	P/E (X)	P/BV (X)	M. Cap / Sales
Larsen & Toubro	2.00	3442.65	96.59	628.07	35.6	5.5	2.1
KEC International	2.00	917.95	14.73	186.55	62.3	4.9	1.2
Kalpataru Projects Inter	2.00	1216.10	30.04	316.29	40.5	3.8	1.0
Dilip Buildcon	10.00	470.80	11.27	289.75	41.8	1.6	0.6
<b>Afcons Infrastructure</b>	<b>10.00</b>	<b>463.00</b>	<b>12.25</b>	<b>134.19</b>	<b>37.8</b>	<b>3.5</b>	<b>1.2</b>

(\*On upper price band and on enhanced equity)

## RECOMMENDATION

At the upper band of offer price of Rs 463, the issue has been priced at P/BV of 3.5 times and P/E of 37.8 times on enhanced equity. Compared to nearest peers, average P/BV of 4.0 times and P/E of 45.1 times, AFCONS INFRASTRUCTURE is reasonably valued.

Investors - **SUBSCRIBE to AFCONS INFRASTRUCTURE LTD - IPO** considering strong track record of timely execution of large-scale, complex and high-value projects, large order book, strong financial performance and reasonable valuation.

## PROFIT & LOSS A/C

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	3 MONTHS JUNE FY 2024	3 MONTHS JUNE FY 2025
Revenue from operations	11018.97	12637.38	13267.50	3171.41	3154.36
Other income	250.58	206.71	379.38	50.09	59.11
Total income	11269.55	12844.09	13646.87	3221.50	3213.47
Expenses	0.00	0.00	0.00	0.00	0.00
Cost of material consumed	3176.31	3851.71	4012.47	840.43	798.47
Cost of construction	4939.64	5200.65	5293.97	1415.70	1385.89
Employee benefits expense	1084.98	1298.23	1383.42	331.52	344.82
Finance costs	424.73	446.66	577.26	115.85	146.91
Depreciation and amortisation expense	355.37	471.58	494.53	110.76	130.23
Other expenses	881.97	976.18	1212.61	279.68	271.71
Total expenses	10863.00	12245.02	12974.27	3093.93	3078.03
Restated Profit before tax	406.55	599.08	672.60	127.57	135.44
Tax expense:	0.00	0.00	0.00	0.00	0.00
Current tax	124.57	189.43	200.24	35.74	37.03
Deferred tax	-78.72	-29.79	7.24	0.87	6.65
Tax expense relating to prior year (net)	3.10	28.58	15.38	0.00	0.18
Total tax expense	48.95	188.22	222.87	36.61	43.86
Restated Profit for the period from continuing operations	357.61	410.86	449.74	90.96	91.59

**BALANCE SHEET**

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	3 MONTHS JUNE FY 2024	3 MONTHS JUNE FY 2025
<b>ASSETS</b>					
Property, plant and equipment	2251.39	2448.75	2715.14	2480.52	2635.60
Capital work-in-progress	17.53	183.60	43.07	222.36	46.77
Right-of-use assets	65.56	48.72	67.91	39.79	90.32
Intangible assets	1.69	1.26	1.52	1.59	1.60
Trade receivables	678.88	651.21	499.21	651.27	490.50
Other non-current assets	2065.62	1992.77	1933.51	2104.30	1971.22
<b>Total non-current assets</b>	<b>5080.67</b>	<b>5326.30</b>	<b>5260.35</b>	<b>5499.84</b>	<b>5235.99</b>
Inventories	1270.24	1585.79	1626.57	1570.45	1709.22
Trade receivables	2303.87	2196.64	3120.98	1998.22	3099.61
Cash and Bank balance	526.42	377.44	666.26	388.99	897.21
Loans	55.09	53.35	61.84	53.59	60.55
Other financial assets	92.38	398.31	501.34	397.80	503.65
Contract assets	2471.53	3272.51	3954.39	3982.90	4541.46
Other current assets	1173.58	1090.92	1041.92	1192.58	1136.89
<b>Total current assets</b>	<b>7893.10</b>	<b>8974.96</b>	<b>10973.29</b>	<b>9584.53</b>	<b>11948.58</b>
<b>Total assets</b>	<b>12973.77</b>	<b>14301.25</b>	<b>16233.64</b>	<b>15084.36</b>	<b>17184.58</b>
<b>EQUITY AND LIABILITIES</b>					
Equity share capital	71.97	71.97	340.74	71.97	340.74
Instruments entirely equity in nature	450.00	450.00	0.00	450.00	0.00
Other equity	2190.11	2653.75	3255.22	2739.49	3342.52
Non controlling interest	-9.28	1.56	1.56	1.54	1.56
<b>Total Equity</b>	<b>2702.80</b>	<b>3177.28</b>	<b>3597.52</b>	<b>3263.00</b>	<b>3684.82</b>
Borrowings	401.89	596.47	597.69	698.34	663.05
Lease Liabilities	34.20	15.68	35.15	13.58	53.57
Trade payables	439.73	472.84	431.00	472.25	419.17
Other financial liabilities	188.09	156.88	126.53	176.69	118.77
Contract liabilities	1766.30	1524.03	1451.29	1476.37	1663.17
Provisions	86.29	8.87	9.32	20.63	11.84
Deferred tax liabilities (net)	129.75	99.29	103.67	97.81	111.66
<b>Total non-current liabilities</b>	<b>3046.24</b>	<b>2874.06</b>	<b>2754.65</b>	<b>2955.67</b>	<b>3041.23</b>
Borrowings	1153.31	966.34	1857.31	1965.50	2702.05
Lease Liabilities	33.84	33.75	33.08	26.05	34.68
Trade payables	2697.32	3508.50	4325.61	3508.96	4280.78
Contract liabilities	2713.84	3015.28	2998.16	2773.63	2791.11
Other current liabilities	626.42	726.05	667.31	591.56	649.91
<b>Total current liabilities</b>	<b>7224.73</b>	<b>8249.92</b>	<b>9881.47</b>	<b>8865.70</b>	<b>10458.52</b>
<b>Total liabilities</b>	<b>10270.97</b>	<b>11123.97</b>	<b>12636.12</b>	<b>11821.36</b>	<b>13499.75</b>
<b>Total equity and liabilities</b>	<b>12973.77</b>	<b>14301.25</b>	<b>16233.64</b>	<b>15084.36</b>	<b>17184.58</b>

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