

The logo for AFCONS, featuring the word "AFCONS" in a bold, red, sans-serif font, enclosed within a white rounded rectangle with a red border, all set against a red background.

Issue Opens - October 25, 2024 to October 29, 2024

Price Band
₹440 to ₹463

Face Value
₹10

Issue Size
5,430 Cr

Lot Size
32 Shares

Issue Type
Book Built

Issue Size

117,278,618 shares / ₹5,430 Cr

Fresh Issue

26,997,840 shares/ ₹1,250 Cr

Offer for Sale

90,280,778 shares / ₹4,180 Cr

Basis of Allotment

Wednesday, October 30, 2024

Initiation of Refunds

Thursday, October 31, 2024

Credit of Shares to Demat

Thursday, October 31, 2024

Afcons Listing Day

Monday, November 4, 2024

research@ganeshstock.com

Objects of The Offer



The Offer comprises of the Fresh Issue by the Company and the Offer for Sale by the Selling Shareholders. The objects of the Fresh issue are:

- Capital expenditure towards purchase of construction equipments; and
- Funding long term working capital requirements; and
- Prepayment or scheduled repayment of a portion of certain outstanding borrowings and acceptances availed by Company.

Brief profile of the Directors

Shapoorji Pallonji Mistry is a Non-Executive Director and Chairman on the Board of the Company. He holds a bachelor's degree in arts (business administration and economics) from Richmond College, London. He is the nonexecutive chairman of Shapoorji Pallonji and Company Private Limited since March 21, 2014. He has 37 years of experience in construction, real estate, infrastructure, water, oil & gas and renewable energy sector. He is on the board of directors of companies such as Shapoorji Pallonji and Company Private Limited and Sterling Investment Corporation Private Limited, among others.

Subramanian Krishnamurthy is an Executive Vice Chairman (Whole-time Director) on the Board of the Company. He holds a postgraduate diploma in industrial engineering from the National Institute for Training in Industrial Engineering (NITIE). He has over 40 years of experience in the construction and engineering sector. He has been associated with the Company since November 2002. Prior to joining the Company, he was previously associated with Hindustan Construction Company Limited.

Paramasivan Srinivasan is a Managing Director on the Board of the Company. He is a fellow member of the Institute of Cost Accountants of India and the Institute of Company Secretaries of India. He is also a Stanford Certified Project Manager. He has over 22 years of experience in finance, secretarial and legal of the Company. He has been associated with the Company since 2002. Prior to joining the Company, he was previously associated with State bank of Travancore and Fouress Engineering (India) Limited.



About The Company

Afcons Infrastructure Ltd 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 have a legacy of over six decades. They have a strong track record of executing numerous complex, challenging and unique engineering, procurement and construction ("EPC") projects both within India and internationally

Key Business Operations

Afcons Infrastructure's 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.

Name and Description of Project

Image

Ghana Rail Project: The largest railway project in Ghana, which involves construction of the longest railway bridge in Ghana over Lake Volta (Source: *Fitch Report*).

Year of Completion: 2024

Location: Ghana



Chenab Bridge:¹ The tallest single-arch railway bridge in the world. This is one of the toughest bridge works undertaken in India due to geological and engineering considerations and was the first bridge designed for blast load (Source: *Fitch Report*).²

Year of Completion: 2023

Location: Jammu and Kashmir, India



Atal Tunnel:¹ The world's longest highway tunnel located at 3,000 metres above sea level. It has reduced the distance between Kulu and Lahaul by 48 km and travel time by four hours and provides all weather connectivity (Source: *Fitch Report*).

Year of Completion: 2020

Location: Rohtang, Himachal Pradesh, India



Statement of Profit and Loss



Afcons Infrastructure Ltd.

(All amounts are in Indian Rs. Million except as stated)

Particulars	For the three month period ended	For the three month period ended	For the year ended	For the year ended
	30 th June, 2024	30 th June, 2023	31 st March, 2024	31 st March, 2023
Revenue from operations	31,543.60	31,714.13	1,32,674.95	1,26,373.82
Other income	591.10	500.88	3,793.79	2,067.08
Total income (1 - 2)	32,134.70	32,215.01	1,36,468.74	1,28,440.90
Expenses				
(a) Cost of material consumed	7,984.70	8,404.29	40,124.73	36,517.11
(b) Cost of construction	13,858.90	14,157.03	52,939.70	52,006.54
(c) Employee benefits expense	3,448.20	3,315.16	13,834.24	12,982.26
(d) Finance costs	1,469.10	1,158.45	5,772.58	4,466.63
(e) Depreciation and amortisation expense	1,302.30	1,107.59	4,945.34	4,715.77
(f) Other expenses	2,717.07	2,796.75	12,126.12	9,761.84
Total expenses	30,780.27	30,935.30	1,29,742.71	1,22,450.15
Restated Profit before tax (3 - 4)	1,354.43	1,279.71	6,726.03	5,990.75
Tax expense:				
(a) Current tax	370.30	357.43	2,002.40	1,894.27
(b) Deferred tax	66.46	6.66	72.42	(257.88)
(c) Tax expense relating to prior year (net)	1.81	-	153.83	285.76
Total tax expense	438.57	364.09	2,228.65	1,882.15
Restated Profit for the period / year from continuing operations (5 - 6)	915.86	915.62	4,497.38	4,108.60
Restated Earnings per share (Face value of ₹ 10 each): (Three month period ended EPS not annualised)				
(a) Basic earnings per share (Rupees)	2.69	2.67	13.20	12.06
(b) Diluted earnings per share (Rupees)	2.69	2.67	13.20	12.06

Strengths



- **Strong Track Record:** Proven history of executing large-scale, complex projects on time.
- **Client Relationships:** Long-standing partnerships with key clients like IHI Corporation and Reliance Industries.
- **Diverse Portfolio:** Operates across various segments like railways, marine, highways, and more, ensuring stability.
- **Experienced Management:** Led by a seasoned team with extensive expertise in infrastructure development.
- **Diversified Geographical Presence:** Operates in multiple geographies, reducing reliance on a single market.

Threats

- **Debt Burden:** High debt levels may limit financial flexibility and increase interest costs.
- **Government Dependency:** Significant reliance on government contracts can make the company vulnerable to policy changes.
- **Competition:** Faces stiff competition from established players like L&T, KEC International, and others.
- **Project Execution Risks:** Delays and cost overruns in projects can impact profitability and reputation.
- **Operational Risks:** Exposure to various operational risks like labor unrest, accidents, and natural disasters.

Valuation and Outlook



Afcons Infrastructure IPO is expected to be priced between ₹440 to ₹463 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of **35x** versus the Industry P/E of **47X**

Name of the Companies	Revenue from Operations for FY 2024 (₹ million) ^a	Face Value per Equity Share ^b (₹)	Closing Price ^a	EPS (Basic) ^c (₹)	EPS (Diluted) ^d (₹)	P/E	EV/EBITDA	Return on Net Worth ("RoNW") ^e (%)	NAV per Equity Share ^f (₹)
Afcons Infrastructure Limited (Company) ^a	132,674.95	10.00	NA	13.20	13.20	NA	NA	12.58	104.92
Listed Peers									
Larsen & Toubro Limited (L&T) (Consolidated)	2,211,129.10	2.00	3,487.10	99.96	93.88	37.14	20.91	15.24	623.15
KEC International Limited (KEC)	199,141.70	2.00	1,007.35	13.49	13.49	74.67	23.33	8.68	155.32
Kalpataru Project International Limited (KPIT)	196,264.30	2.00	1,323.75	31.37	31.37	42.20	14.64	10.17	308.36
Dilip Buildcon Limited (DBL)	120,119.04	10.00	502.70	13.75	13.36	37.63	10.37	4.44	298.85

As of June 30 in both 2024 and 2023, their order book was valued at ₹317,474.27 million and ₹352,402.15 million, respectively. Company's Profit grew by 12.3% VAGR between FY22 and FY 24 and revenue grew by 10% CAGR during the same period. Given the company's advanced equipment base and proven execution capabilities and strategic market position make them a key player in infrastructure sectors

Based on above factors and the valuations, the company seems to be Fairly priced hence we rate Afcons Infrastructure IPO with **"MAY APPLY"** rating for Long term investment.

Disclaimer:

This Report is for the personal information of the authorised recipient(s) and is not for public distribution and should not be reproduced or redistributed to any other person or in any form without prior permission of Ganesh Stock. The information provided in the report is from publicly available data, which we believe, are reliable but does not taken as an indication or guarantee of future performance/ assurance of returns. The Report also includes analysis and views of their team. The Report is purely for information purposes and does not construe to be investment recommendation/advice or an offer or solicitation of an offer to buy/sell any securities. Investment in Securities Market is subject to Market Risk.

Accordingly, Ganesh Stock or any of its connected persons including its directors or subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication.

Investors should not solely rely on the information contained in this Report and must make investment decisions based on their own investment objectives, judgment, risk profile and financial position. The recipients of this report may take professional advice before acting on this information.

