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Issue Offer

Fresh Issue of 26,997,840 equity shares up to INR 12,500 Mn and OFS of 90,280,778 shares up to INR 41.80 Bn by Promoters group taking the total issue size at INR 54.30 Bn

Issue Summary

Price Band INR	440-463
Face Value INR	10
Implied Market Cap INR Bn.	1,702.62
Market Lot	32
Issue Opens on	Oct 25, 2024
Issue Close on	Oct 29, 2024
No. of share pre-issue	340,738,269
No. of share post issue	367,736,109
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Link Intime India Private Ltd

Book Running Lead Managers

ICICI Securities Limited
Dam Capital Advisors Ltd
Jefferies India Private Limited
Nuvama Wealth Management Ltd., etc.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	99.0%	67.18%
Public & Others	1.0%	32.82%

Objects of the issue

- Capital expenditure towards purchase of construction equipment
- 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 purpose

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Afcons Infra is the flagship infrastructure engineering company of the Shapoorji Pallonji Group, has a strong global presence, having completed numerous complex and unique EPC projects across various countries. With a portfolio of 76 completed projects in 15 countries, valued at INR 522.20 Bn, the company continues to expand its reach with 64 ongoing projects across 13 countries, bringing in an order inflow of INR 348.88 Bn. Afcons Infra has been involved in some of the world's most challenging projects, including the Chenab Bridge, the tallest railway bridge in the world designed with blast-proof technology, and the Atal Tunnel, the highest tunnel in the world and various monumental structures. Its dedication to innovation and excellence is reflected in the numerous awards it has received, including the prestigious MIKE (Most Innovative Knowledge Enterprise) award, which it has won consistently from 2018 to 2023, at both the India and Global levels.

Investment Rationale:

Expertise in Complex Infrastructure and Strategic Growth: The company has a strong track record in executing complex infrastructure projects across five major verticals: Marine & Industrial (8%), Surface Transport (10%), Urban Infrastructure (50%), Hydro & Underground (26%), and Oil & Gas (6%). Their ability to complete large-scale projects on time, often earning performance bonuses. Company maintain a strategic equipment base comprising a wide range of heavy machinery and specialized equipment enabling them to meet project requirements effectively and efficiently, putting them in place for any upcoming opportunities.

Risk Mitigation and Expansion into Newer Geographies: Company aiming to broaden its revenue base and mitigate risks related to market conditions and price fluctuations, the organization is diversifying its customer portfolio across various regions. It is currently pursuing growth opportunities in East and West Africa, South Asia, Southeast Asia, Eastern Europe, Eurasia, and Saudi Arabia. These emerging markets offer substantial greenfield investment potential.

Strategic Cost Management and Asset Optimization: With experienced management and stable leadership, it focuses on technically complex projects in specialized areas that yield better margins and face fewer competitors. The company adopts an "asset-right" approach to manage costs effectively, ensuring efficient working capital management and accurate project pricing. This strategy is in place with its decision to not bid on high-capex projects, while building partnerships with a diverse and reliable network of subcontractors and ensuring timely bill certifications to manage working capital and client collections for future projects. Reducing credit risk by collecting 10% of contract value as advance payment and escalation causes which transfer overruns cost to clients.

Innovative Design and Digital Optimization for Enhanced Execution: Company optimized project execution and management through design optimization, leveraging an in-house design team to align with government initiatives aimed at minimizing external support. By employing value engineering, it identifies design efficiencies during the tendering stage, reducing time and resource estimates. Adopting digitization, the company utilizes automation to streamline operations and gain real-time insights from SAP-based dashboards. A key highlight is the installation of Remote Monitoring System (RMS) equipment on the Nagpur project "Samruddhi Mahamarg", India's longest expressway at 701 km—where company is managing two of the sixteen specialized engineering packages.

Valuation and View:

The company focuses on delivering high-quality services in road and marine projects while leveraging its market position in new geographies. It bring attention to sustainability and profitability by managing a recurring order book of high-margin specialized projects. Company is also dedicated to optimizing costs while also enhancing its project delivery capabilities and capacity. **At the upper band of INR 463, the issue is valued at a P/E ratio of 46.48x, based on a FY24 EPS of INR 9.96x . We are recommending a "Subscribe" for this issue.**

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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