

IPO Note

AFCONS INFRASTRUCTURE LIMITED

Oct 25, 2024





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Details of the Issue

Price Band	₹ 440 - ₹ 463
Issue Size	₹ 5,430 Cr
Face Value	₹ 10
Bid Lot	32
Listing on	BSE, NSE
Post Issue Mcap	₹ 17,026.18 Cr
Investment Range	₹ 14,080 - ₹ 14,816

Important Indicative Dates (2024)

Opening	25 - Oct
Closing	29 - Oct
Basis of Allotment	30 - Oct
Refund Initiation	31 - Oct
Credit to Demat	31 - Oct
Listing Date	04 - Nov

Lead Manager

ICICI Securities Limited
DAM Capital Advisor Limited
Jefferies India Pvt Limited
Nomura Financial Advisory and Securities (India) Pvt Limited
Nuvama Wealth Management Limited
SBI Capital Market Limited

Offer Details

Offer Size	₹ 5,430 Cr
Fresh Issue	₹ 1,250 Cr
OFS	₹ 4,180 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	2,715	58.63	61.70	50
NIB	815	17.59	18.51	15
Retail	1,901	41.04	43.19	35
Em- ploy.	-	-	-	-
Total	5,430	117	123	100

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Incorporated in 1959, Afcons Infrastructure Limited, part of the Shapoorji Pallonji group, is a global infrastructure engineering and construction company with over six decades of experience. As of September 30, 2023, it has completed 76 projects across 15 countries, with a total executed contract value of Rs 522.20 billion, and is managing 67 active projects across 13 countries with an order book of Rs 348.88 billion. The company operates in Asia, Africa, and the Middle East, with five key business verticals: marine and industrial projects, surface transport, urban infrastructure, hydro and underground projects, and oil and gas.

[Business Highlights & Services](#)

The company strategically targets large, complex projects that align with its robust project selection process and risk management framework. By avoiding bids in highly competitive markets, where price is the primary differentiator, the company focuses on technically challenging projects in specialized sectors that typically yield higher profit margins due to reduced competition. Eligibility for bidding is restricted to firms that meet specific criteria, including prior experience with similar projects, which positions the company advantageously. Its proven track record of executing 235 Marine and Industrial projects across 15 countries, including 206 projects in India, highlights its capability. In the Urban Infrastructure sector, the company has successfully constructed over 120 km of elevated and underground metro networks, more than 150 bridges, viaducts, and flyovers, and 32 metro stations across nine Indian cities.

This extensive experience not only enhances the company's ability to secure new projects but also contributes to stable revenue visibility and growth opportunities. Additionally, undertaking large, complex projects boosts the company's profile and credibility in the market, setting it apart from other EPC competitors. This strategic focus makes the company a compelling investment opportunity, as it is well-positioned for long-term success in high-value, specialized projects.

As of June 30, 2024, the company boasts 65 active projects across 12 countries, with a substantial order book of ₹317.47 billion. This reflects a slight decrease from ₹352.40 billion in the previous year but demonstrates resilience compared to previous quarters, maintaining a steady trajectory with ₹309.61 billion as of March 31, 2024. Notably, the company has secured an additional ₹59.37 billion in projects since June 30, 2024, and holds the position of 'L1 bidder' in projects worth ₹107.32 billion as of September 30, 2024. The order book is well-diversified across various business verticals, with the Urban Infrastructure segment being the largest contributor. This diversification mitigates risks and enhances the stability of future earnings. With an order book of 3x to FY24 revenue, the company is well-positioned for sustained growth and healthy earnings visibility for the future.

The company emphasizes geographical diversification to maximize growth opportunities in both existing and emerging markets, targeting regions like East and West Africa, South Asia, Southeast Asia, Eastern Europe, and Saudi Arabia. This strategic expansion is designed to broaden the revenue base and mitigate risks associated with market concentration. The operational strategy focuses on cost management through an asset-right approach, efficient working capital management, and precise project pricing. It invests in a strategic equipment base while leveraging subcontractors to optimize resource utilization and minimize capital expenditure.



Additionally, it emphasize strong project selection, aiming for steady cash flows and negotiating escalation clauses to mitigate cost overruns. The project execution strategy includes optimizing design, value engineering, and implementing state-of-the-art technology, such as an SAP-based dashboard for real-time insights and an IoT-based Remote Monitoring System for fleet management. These initiatives enhance efficiency, reduce costs, and ensure timely project delivery, positioning the company for sustainable growth and value creation for stakeholders.

Order Book Details

Particulars	As at, and for the three months ended,		As of, and for the financial year ended,		
	June 30, 2024	June 30, 2023	March 31, 2024	March 31, 2023	March 31, 2022
Overseas Order Book (INR Million)	77,437.70	91,389.05	85,593.99	91,598.29	94,923.00
Overseas Order Book %	24.39%	25.93%	27.65%	30.13%	28.94%
Book to Bill Ratio (x)	2.52	2.78	2.33	2.41	2.98
Order Inflow (INR Million)	29,892.10	61,799.30	77,836.41	79,238.30	168,830.40

Order Book by Business verticals

S. No.	Business Vertical	Order Book Value (₹ million)	Percentage of Order Book (%)
1.	Marine and Industrial	27,218.27	8.57%
2.	Surface Transport	30,912.74	9.74%
3.	Urban Infrastructure		
	▪ Underground and elevated metro	117,428.03	36.99%
	▪ Elevated corridors and bridges	35,757.83	11.26%
4.	Hydro and Underground	88,194.42	27.78%
5.	Oil and Gas	17,962.97	5.66%
	Total	317,474.27	100%

Order Book by clients

S. No.	Type of Client	Order Book Value (₹ million)	Percentage of Order Book (%)
1.	Government ¹	221,602.42	69.80%
2.	Multilateral ²	63,723.74	20.07%
3.	Private	32,148.10	10.13%
	Total	317,474.27	100%

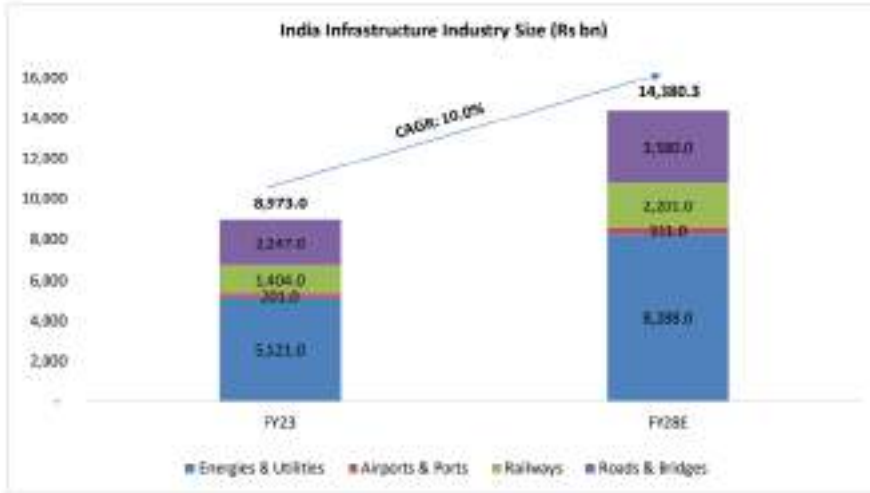
Revenue by Client

(₹ in million, except percentages)

Types of clients	As of					
	March 31, 2024		March 31, 2023		March 31, 2022	
Government ¹	204,295.50	65.98%	189,103.76	62.19%	206,620.23	62.98%
Multilateral ²	69,337.75	22.40%	76,163.70	25.05%	85,218.60	25.98%
Private Sector	35,976.65	11.62%	38,790.21	12.76%	36,209.51	11.04%
Total³	309,609.90	100%	304,057.67	100%	328,048.34	100%



Industry Outlook



Peers Comparison

Name of the Companies	Revenue from Operations for FY 2024 (₹ million) ¹	Face Value per Equity Share (₹)	Closing Price ²	EPS (Basic) ³ (₹)	EPS (Diluted) ⁴ (₹)	P/E	EV/EBITDA	Return on Net Worth (**RoNW ⁵) (%)	NAV per Equity Share ⁶ (₹)
Afcons Infrastructure Limited (Company) [*]	132,674.95	10.00	NA	13.20	13.20	NA	NA	12.58	104.92
<i>Listed Peers</i>									
Larsen & Toubro Limited (L&T) (Consolidated)	2,211,129.10	2.00	3,487.10	93.96	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
Kalpataaru 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



Companies Competitive Strength :

- Strong Track Record of Timely Execution of Large-Scale, Complex and High-Value Projects.
- Diversified Order Book across Geographies, Clients, and Business Verticals, Longstanding Relationships with Clients Globally, and Strong Financial Performance.
- Collaboration among Internal Teams and with JV counterparties, and 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

Key Strategies Implemented by Company

- Selectively Pursue Large Value and Complex Projects.
- Maximizing Opportunities in Existing Markets and Expanding Footprint in Overseas Markets.
- Focus on Cost Management.
- Optimizing Project Execution and Management.
- Growing a highly skilled and motivated workforce and strengthening the equipment base.

Particular (INR in Cr)	Q1FY25	FY24	FY23	FY22
Equity Capital	340	340	72	72
Reserves and Surplus	3,342	3,255	2,654	2,640
Net Worth	3,682	3,595	2,726	2,712
Revenue	3,154	13,268	12,637	11,019
Growth (%)	4.34%	5%	15%	
EBITDA	365	1,539	1,352	1,045
EBITDAM (%)	11.6%	11.6%	10.7%	9.5%
PAT	92	450	411	358
PATM (%)	2.9%	3.4%	3.3%	3.2%
ROE (%)	10.6%	13.3%	14.0%	14.0%
ROCE (%)	14.9%	20.2%	20.0%	17.3%

Valuations and Recommendation:

- Based on annualized FY24 earnings to pre-IPO paid-up equity capital of the company, The issue is priced at a P/E of 35X. Thus the issue appears to be fairly priced compared to earning and growth of the business.
- Afcons Infrastructure, is a leading Indian firm in international contracts, especially in marine, port, and bridge construction. It boasts over 6 decades of experience in infrastructure, engineering, and construction. It is recognized for executing complex EPC projects in India and internationally, with presence across 17 countries. With 30% of its revenue coming from exports, the company is expanding into new markets like Africa to reduce reliance on any single region. It has a robust order book exceeding ₹40,000 crore as of September 2024, primarily in the underground metro and rail sectors. Which make healthy earning visibility for next 2 to 3 Quarter. It has Strong client relationships, including long-term associations with Arcelor Mittal and Reliance Industries, enhance its competitive edge. Despite capital-intensive operations and high depreciation impacting profit margins, the company reported healthy financial growth from FY22 to FY24, with revenue, EBITDA, and PAT increasing at CAGRs of 9.7%, 20.8%, and 12.1%, respectively. Hence, we recommend a “Subscribe” rating for the issue.



Notes

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