



# MSEARCH

## INITIAL PUBLIC OFFER (IPO)

24-10-2024

**AFCONS INFRASTRUCTURE LTD**

**25-10-2024 - 29-10-2024**

**Industry: Civil Construction**

**Price Band: ₹440 - 463**

**Recommendation: Subscribe for long term**

**Post Implied Market Cap: - ₹16,245 - ₹17,029Cr**

### Key Data

|                       |                              |
|-----------------------|------------------------------|
| Issue Size (₹ Cr)     | 5,430                        |
| Fresh (₹)             | 1,250                        |
| OFS (₹)               | 4,180                        |
| No. of shares offered | 123,472,222 -<br>117,335,319 |
| Face Value (₹ /share) | 10                           |
| Bid Lot               | 32                           |

### Indicative Timetable

|                                    |             |
|------------------------------------|-------------|
| Activity                           | On or about |
| Finalisation of Basis of Allotment | 30-10-2024  |
| Refunds/Unblocking ASBA Fund       | 31-10-2024  |
| Credit of equity shares to DP A/c  | 31-10-2024  |
| Trading commences                  | 04-11-2024  |

### Shareholding (No. of shares)

|                                |             |
|--------------------------------|-------------|
| Pre-Issue                      | 340,738,269 |
| Post Issue (Lower price band)  | 369,210,491 |
| Post Issue (Higher price band) | 367,792,811 |

### Shareholding Pattern

#### Promoter & Promoter Group:

|            |        |
|------------|--------|
| Pre Issue  | 96.63% |
| Post Issue | 64.97% |

#### Public - Selling Shareholder:

|            |       |
|------------|-------|
| Pre Issue  | 2.37% |
| Post Issue | 2.20% |

#### Public - Others:

|            |        |
|------------|--------|
| Pre Issue  | 1.00%  |
| Post Issue | 32.83% |

### Issue Breakup

|        |     |
|--------|-----|
| QIB    | 50% |
| NIB    | 15% |
| Retail | 35% |

### Other Details

**BRLMs:** ICICI Securities, DAM Capital Advisors, Jefferies India, Nomura Financial Advisory, Nuvama Wealth Mgt, SBI Capital Markets

**Registrar:** Link Intime India.

**Listing:** BSE & NSE

### Research Analyst

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### About the Company

Afcons Infrastructure Ltd. (Afcons), part of the Shapoorji Pallonji group, is a leading infrastructure, engineering and construction company with over six decades of experience. It has a strong track record of executing complex EPC projects both in India and internationally. As per the 2023 ENR rankings, AIL is one of India's largest international infrastructure companies based on international revenue for FY 2023.

### Investment Rationales

- Strong Track Record of Timely Execution of Large-Scale, Complex and High-Value Projects:** Afcons is a leading infrastructure construction company known for executing large, complex projects in India and globally. With a focus on high-value projects, they have a strong track record of efficient project management and on-time delivery, often completing projects ahead of schedule. AIL has a diverse portfolio, covering sectors such as marine, ports, bridges, transportation, and transmission lines. In the 2023 ENR rankings, they ranked as the 10th largest marine and port contractor globally and were the only Indian company in the top 25 in several categories. Their skilled workforce, operational excellence model, and strategic equipment base enable them to successfully execute projects across 10 countries.
- Diversified Order Book across Geographies, Clients, and Business Verticals, Longstanding Relationships with Clients Globally, and Strong Financial Performance:** Company's order book plays a crucial role in providing visibility on future revenues, representing the value of unexecuted contracts. Over the past three years, the company has expanded and diversified its order book across business verticals, with Urban Infrastructure being the largest. They maintain strong relationships with private and government clients globally, including long-standing partnerships with major entities like Arcelor Mittal, ARISE Integrated Industrial Platforms, and Reliance Industries. Their ability to adapt to diverse project demands, such as marine, industrial, and surface transport, showcases their expertise and flexibility in project execution.
- Collaboration among Internal Teams and with JV counterparties, and a Strategic Equipment Base leading to Strong Execution Capabilities:** Company has strengthened its execution capabilities through collaboration among internal teams and the establishment of the Core Methods and Engineering Group (CMEG). The CMEG, led by senior executives, supports business units in developing innovative, construction-friendly, and cost-efficient methodologies. The company also maintains a vast strategic equipment base, including 11 marine barges, 153 cranes, 16 tunnel boring machines, 8 large-capacity jack-ups, and 21 piling rigs. Additionally, Afcons operates dedicated workshops in Delhi and Nagpur for equipment maintenance, ensuring operational efficiency.
- Experienced Leadership Team with Shapoorji Pallonji Group parentage:** The company is the flagship infrastructure engineering and construction firm of the Shapoorji Pallonji Group, a leading Indian conglomerate with 150 years in the construction industry. It is led by Chairman Shapoor Pallonji Mistry, Executive Vice Chairman Subramanian Krishnamurthy, with over 40 years of experience, and Managing Director Paramasivan Srinivasan, with over 22 years of experience at the company.
- Maximizing Opportunities in Existing Markets and Expanding Footprint in Overseas Markets:** The company aims to expand its international presence in regions such as East and West Africa, South Asia, Southeast Asia, Eastern Europe, Eurasia, and Saudi Arabia. By leveraging its expertise in roads, marine, and water projects, it seeks to broaden its revenue base and mitigate risks from geographic concentration, targeting growth opportunities and delivering high-quality services in diverse markets.

### Risk

- Capital Intensive business.
- Higher dependency of government projects in their order book.

### MView

We believe Afcons Infrastructure Ltd. (Afcons) Ltd IPO brings investors an opportunity to invest in a flagship construction company of the Shapoorji Pallonji Group supported by a strong track record of executing large and complex projects both in India and internationally. We think with a diverse portfolio spanning marine, transportation, bridges and urban infrastructure, Afcons ability to complete projects ahead of schedule highlights its operational excellence. We also believe The company's robust order book and long-standing relationships with global clients like Arcelor Mittal and Reliance Industries provide strong revenue visibility. AIL's strategic push into high-growth international markets such as Africa, Southeast Asia, and Eastern Europe, combined with its expertise in leveraging innovative construction methodologies, positions it well for sustained growth. By looking at the financials, the company posted respectable growth in revenue from operations and net profit at 14.7% and 14.9% in FY2023 and a modest growth of 5% and 9.5%, respectively, in FY2024. on valuation parse at the upper price band of ₹ 463/-, the issue is asking for a market cap of ₹ 17029 cr and based on FY 2025e annualised earnings and fully diluted post IPO paid-up capital, the company is asking for a PE of 46.48x which seems fully priced by looking at the industry average of ~40-45x. Investors should also look at IPO offers which come with nearly 77% OFS i.e ₹ 4180/- cr with total issue of ₹ 5430 cr which is an area of concern for new investors. Given the company's advanced equipment base and proven execution capabilities and strategic market position make them a key player in infrastructure sectors. Hence, by looking at all attributes we recommend investors to "SUBSCRIBE" the Afcons Infrastructure Ltd for long term perspective only.

## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

| Particulars ₹ (in Cr)           | As at June 30 |           | As at March' 31 |           |           |
|---------------------------------|---------------|-----------|-----------------|-----------|-----------|
|                                 | 2024 (03)     | 2023 (03) | 2024            | 2023      | 2022      |
| Equity Share Capital            | 340.74        | 71.97     | 340.74          | 71.97     | 71.97     |
| Net worth                       | 3,662.25      | 3,240.45  | 3,575.05        | 3,155.06  | 2,691.03  |
| Total Borrowings                | 3,365.10      | 2,663.84  | 2,455.00        | 1,562.82  | 1,555.20  |
| Revenue from Operations         | 3,154.36      | 3,171.06  | 13,267.50       | 12,637.38 | 11,018.97 |
| Revenue Growth (%)              | -0.54%        |           | 4.99            | 14.69     |           |
| EBITDA                          | 371.69        | 314.06    | 1,583.12        | 1,373.79  | 1,068.60  |
| EBITDA Margin (%) as stated     | 11.57%        | 9.75%     | 11.60%          | 10.70%    | 9.48%     |
| Net Profit for the Year         | 91.59         | 90.96%    | 449.74          | 410.86    | 357.61    |
| Net Profit Margin (%) as stated | 2.85%         | 2.82%     | 3.30%           | 3.20%     | 3.17%     |
| EPS                             | 2.69          | 2.67      | 13.20           | 12.06     | 10.49     |
| RONW (%)                        | 2.50%         | 2.81%     | 12.58%          | 13.02%    | 13.24%    |
| ROCE (%)                        | 14.89%        | 15.12%    | 20.18%          | 20.04%    | 17.30%    |
| Net Asset Value (₹) as stated   | 107.48        | 95.1      | 104.92          | 92.59     | 78.98     |
| Debt to Equity                  | 0.06          | 0.09      | 0.08            | 0.15      | 0.72      |
| Order Book (₹ Cr)               | 31,747.43     | 35,240.22 | 30,960.99       | 30,405.77 | 32,804.83 |

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

| Companies                           | Revenue from Operations for Fiscal 2024 (₹ in Cr) | Mcap (₹ in Cr) | FV | EPS   | NAV (₹ Per Share) | P/E  | RoNW   |
|-------------------------------------|---|----------------|----|-------|-------------------|------|--------|
| Afcons Infrastructure Ltd           | 13,267.50   | 17,029         | 10 | 9.96  | 141.05            | 46.5 | 12.58% |
| Larsen & Turbo Ltd                  | 2,21,112.91                                       | 4,72,579       | 2  | 93.96 | 623.15            | 35.5 | 15.24% |
| KEC International Ltd               | 19,914.17   | 24,730         | 2  | 13.49 | 155.32            | 63.1 | 8.68%  |
| Kalpataru Project International Ltd | 19,626.43   | 19,940         | 2  | 31.37 | 308.36            | 41.6 | 10.17% |
| Dilip Buildcon Ltd                  | 12,011.90   | 7,041          | 10 | 13.75 | 298.85            | 40.6 | 4.44%  |

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 24-10-2024

Afcons Infrastructure Ltd, EPS/PE,PB, NAV, EV/EBITDA calculated on annualised basis post money



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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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