



Afcons Infrastructure Ltd

Industry: Infrastructure Engineering, Procurement,
and Construction (EPC)

Date: 24th October, 2024

Rating
NEUTRAL



Issue Highlights

Afcons Infrastructure IPO is a book built issue of Rs 5,430 crores. The issue is a combination of a Fresh Issue and Offer for Sale (OFS).

- The Fresh issue consists of 2.7 crore shares aggregating to Rs 1,250 crores at the upper end of the price band at Rs. 463 per share.
- The OFS consists of 9.03 crore shares aggregating to Rs 4,180 crores at the upper end of the price band at Rs. 463 per share.

Objects of the Offer are: The net proceeds of the Fresh Issue are to be utilised in the following manner:

Particulars	Rs. Cr
Capital expenditure towards purchase of construction equipment	80
Funding long term working capital requirements	320
Prepayment or scheduled repayment of a portion of certain outstanding borrowings and acceptances availed by our Company	600
General Corporate Purposes*	[•]
Total	[•]

**The amount to be utilised for general corporate purposes shall not exceed 25% of the gross proceeds of the Fresh Issue, in accordance with the SEBI ICDR Regulations.*

25th
Oct 2024
ISSUE OPENS

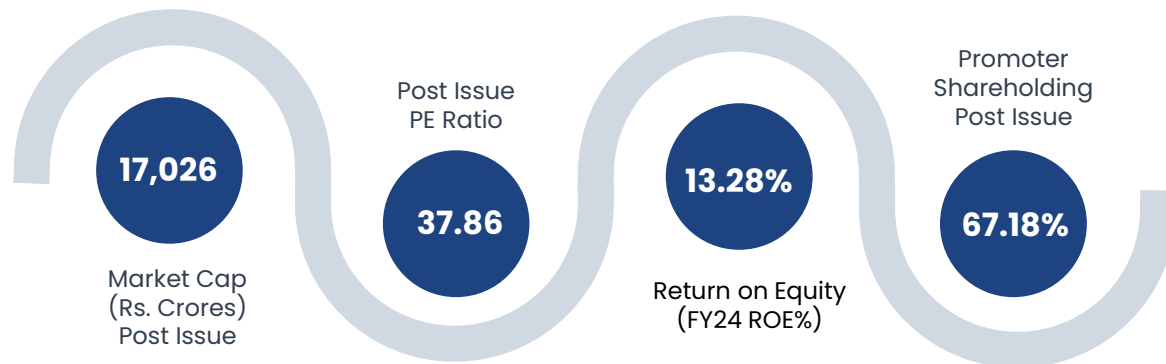
to

29th
Oct 2024
ISSUE CLOSES

ISSUE DETAILS	
Price Band	₹440 to ₹463 per share
Face Value	₹10 per share
Total Offer Size	117,278,618 shares (aggregating up to ₹5,430.00 Cr)
Fresh Issue	26,997,840 shares (aggregating up to ₹1,250.00 Cr)
Offer for Sale	90,280,778 shares of ₹10 (aggregating up to ₹4,180.00 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	32 Shares
Listing on	BSE, NSE

Outlook

- Afcons benefits from the parentage of the Shapoorji Pallonji Group, which has a legacy of over 150 years, with a strong global presence and extensive industry experience.
- As of 2023, AIL ranks as the 10th largest international contractor for marine and port facilities, 12th in the bridges segment, 42nd in transportation, and 18th in transmission lines and aqueducts segment, according to Engineering News-Record (ENR), US.
- The company has successfully completed the Ghana Rail Project (the largest railway project) in Ghana and the Chenab Bridge (tallest single-arch railway bridge in the world) located in J&K.
- As per the DRHP the OFS portion was supposed to be Rs 5,750 crores, which has now come down to Rs 4,180 crores.
- The IPO is reasonably priced with a post-issue PER of 37.86x, compared to its peers, with a return on equity (ROE) of 13.3% (FY24).
- We have issued a "NEUTRAL" rating for Afcons Infrastructure Ltd's IPO.



Indicative Timeline

On or before

Finalization of Basis of Allotment	Wednesday, October 30, 2024
Unblocking of Funds	Thursday, October 31, 2024
Credit of shares to Demat Account	Thursday, October 31, 2024
Listing on exchange	Monday, November 4, 2024

IPO Reservation

QIB Shares	Not more than 50.00% of the Net Issue
HNI Shares	Not less than 15.00% of the Net Issue
Retail Shares	Not less than 35.00% of the Net Issue

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	32	₹14,816
Retail (Max)	13	416	₹192,608
S-HNI (Min)	14	448	₹207,424
S-HNI (Max)	67	2,144	₹992,672
B-HNI (Min)	68	2,176	₹1,007,488

Company Overview

Afcons Infrastructure Limited (AIL) is the flagship infrastructure engineering and construction company of the Shapoorji Pallonji Group, with a legacy spanning over six decades. Established in 1959 as Rodio Hazarat and Company—a partnership between Rodio Foundation Engineering Limited of Switzerland and Hazarat and Company Private Limited of India—the company was later converted to a private limited entity on November 22, 1976. AIL has built a strong track record of executing complex Engineering, Procurement, and Construction (EPC) projects by undertaking challenging, unique and ‘first of its kind’ infrastructure projects in India and the rest of the world. With this it has successfully expanded its operations globally, particularly in Asia, Africa, and the Middle East. As of June 30, 2024, the company has completed 79 projects across 17 countries, with a total executed contract value of Rs 56,305 crores. Currently, AIL is engaged in 65 active projects across 12 countries, which contribute to an impressive order book totaling Rs 31,747 crores.

- **Prominent Projects:** Afcons Infrastructure Limited has successfully completed several prominent projects, including the Ghana Rail Project (largest railway project) in Ghana, the Chenab Bridge (tallest single-arch railway bridge in the world) in Jammu & Kashmir, the Atal Tunnel (world’s longest highway tunnel located at 3,000 metres above sea level) in Rohtang, the MG Setu Bridge in Patna, and the Annaram Bridge in Telangana. Another notable completed works include the Fourth Container Terminal at JNPT in Mumbai and the Lusaka City Decongestion Project in Zambia. Currently, the company is engaged in ongoing projects such as the Kolkata Metro in Kolkata, the Male to Thilafushi Link Project in the Maldives and the Mumbai–Ahmedabad High–Speed Railway (MAHSR–C–2) in Mumbai.
- **Diversified Business Verticals:** Their projects cover five major infrastructure business verticals: In the Marine and Industrial sector, the company specializes in ports and jetties. Its Surface Transport division focuses on highways and roads, while the Urban Infrastructure segment encompasses bridges and flyovers. The Hydro and Underground business includes projects related to dams and tunnels, and the Oil & Gas division covers both offshore and onshore oil and gas projects.
- **Order Book:** As of June 30, 2024, Afcons Infrastructure has a total order book of ₹31,747 crores. Domestic orders account for 75.6% of this total, amounting to ₹24,004 crores, while the overseas order book stands at ₹7,743 crores, representing the remaining 24.4% of the order book.
- **Multiple Awards/Recognitions:** Afcons is recognized as one of India’s largest international infrastructure companies, as highlighted by the 2023 Engineering News–Record (ENR, US). Additionally, it has received the prestigious MIKE (Most Innovative Knowledge Enterprise) award from 2018 to 2023, both in India and globally. The company was also accorded the status of Five Star Export House in accordance with the provisions of the Foreign Trade Policy 2023 by the Indian government in 2023.
- **Experienced Leadership:** The strategic direction of Afcons Infrastructure is led by Mr. Shapoor Pallonji Mistry, the Chairman and Non–Executive Director of Shapoorji Pallonji Group, Mr. Subramanian Krishnamurthy, Executive Vice Chairman, with over 40 years of experience in the construction and engineering sector and Mr. Paramasivan Srinivasan, the Managing Director, with 22 years of experience across functions at the company.

Capability Matrix



- 1. Marine and Industrial:** Under its Marine and Industrial business vertical, Afcons Infrastructure Limited (AIL) engages in a diverse range of projects related to ports and harbor jetties, including the construction of dry docks, wet basins, breakwaters, outfall and intake structures, LNG tanks, and material handling systems. It is the 10th largest international marine and port facilities contractor in the world and the only Indian company in the top 25 for marine and port projects as per the 2023 ENR (Engineering News-Record, US). Since its inception, AIL has successfully executed 235 Marine and Industrial projects across 15 countries, with 206 of these projects located in India. Currently, the company is working on three ongoing projects having total order value of Rs 4,432 crores.
- 2. Surface Transport:** The Surface Transport business vertical encompasses a broad range of projects, including highways, roads, interchanges, mining-related infrastructure, and railways. The scope of construction activities within this segment includes the laying of new roads, rehabilitation and strengthening of existing ones, as well as the construction of bridges and flyovers, which often span rivers and other water bodies. The company is recognized as the 42nd largest international contractor in the transportation segment and holds the distinction of being the only Indian company among the top 50 international transportation contractors. Projects under this segment have received funding from institutions such as the World Bank, the Asian Development Bank, the National Highways Authority of India (NHAI), and various state road transport corporations in India. Currently, Afcons is engaged in two ongoing projects within the Surface Transport segment, with a total order value of ₹928 crores.
- 3. Urban Infrastructure:** Recognized as the 12th largest international contractor in the bridges segment, the company has made significant contributions to urban transit since 1979. This vertical focuses on the development of metro works, bridges, flyovers, and elevated corridors. Over the years, AIL has successfully constructed more than 120 kilometers of elevated and underground metro networks, over 150 bridges, viaducts, and flyovers, as well as 32 elevated and underground metro stations across nine cities in India. The company is also constructing India's first undersea tunnel (seven km long) for the Mumbai-Ahmedabad High Speed Rail Corridor. Currently, Afcons is working on six ongoing projects for underground and elevated metro systems, with a total value of ₹12,067 crores, alongside three additional projects focused on elevated corridors and bridges, valued at ₹6,495 crores.

Capability Matrix

- 4. Hydro and Underground:** This business vertical focuses on the construction of dams and barrages, tunnels, and underground works, as well as water and irrigation projects. With over a decade of experience in this sector, the company has expanded its portfolio to include newer sub-segments such as irrigation and water supply. To date, AIL has successfully executed 13 projects within the tunnels, irrigation, and hydro works categories and has constructed over 50 km of underground tunnels through the 'New Austrian Tunneling Method' ("NATM"), an innovative method in which the geological stress of the surrounding rock mass is used to stabilize the tunnel. In CY23, the company was recognized as the 18th largest international contractor in the transmission and aqueducts segment. Currently, AIL is engaged in six ongoing projects in this vertical, with a total value of ₹10,206 crores, demonstrating its commitment to advancing critical infrastructure in the hydro and underground sectors.
- 5. Oil and Gas:** The oil and gas business focusses on both onshore and offshore segments. The company has made history as the first Indian EPC contractor to successfully install an offshore process platform using float-over technology, completing the project on time. Since its inception, Afcons has achieved over 57.2 million Safe Man Hours. At present, the company is working on two ongoing projects within the oil and gas sector, with a total order value of ₹3,849 crores.



Risks

- **Customer Concentration Risk:** The business is significantly reliant on projects awarded by government and government-owned entities, both in India and internationally. This includes central and state governments, governmental organizations, and public sector undertakings. The government contributions to the company's revenue recorded at 69.8% in Q1FY25, 65.9% in FY2024, 62.2% in FY2023, and 62.9% in FY2022. Moreover, the 10 largest customers have consistently accounted for a substantial portion of the order book, by contributing 65.8%, 65.6%, 63.7%, and 68.3% in those same periods. Such heavy reliance on government contracts exposes the company to risks; any changes in government policy regarding budgetary allocations for infrastructure development or downturns in the infrastructure sector could adversely impact operations.
- **Payment risk from International Clients:** Additionally, projects for clients outside India are funded by the Export-Import Bank of India (EXIM Bank), which retains the right to cease payments to Afcons in the event of customer defaults on repayments. During Q1FY25, FY24, FY23 and FY22, there were three instances where EXIM Bank had stopped making payments to the company, due to defaults by the customers. For instance, the company undertook the Tema to Mpakadan railway project in Ghana, the Government of Ghana defaulted on two payments to EXIM Bank. Thereafter, the EXIM Bank started to release further payments only with the approval of the Government of India.
- **Competitive Bidding Process:** The company primarily secures contracts through a competitive bidding process, indicating its ability to successfully bid for and secure contracts is critical to its operations. For FY24 the company bid for total of 53 projects, out of which 11 bids were successful and 42 bids were unsuccessful. However, there is a risk that the company may not meet the eligibility criteria specified for certain projects. In such instances, Afcons may explore forming project-specific joint ventures or consortiums with experienced contractors. While this strategy may mitigate some risks, it introduces potential complexities and uncertainties in project execution and management.
- **Competitive Pressure:** Afcons Infrastructure operates in a highly competitive industry, facing significant rivalry from established players such as Larsen & Toubro Ltd, KEC International Ltd, Kalpataru Project International Ltd, and Dilip Buildcon Ltd. Many competitors possess greater industry experience and substantial financial, technical, and resource capabilities, enabling them to undertake larger projects and secure more favorable financing arrangements. The ability of Afcons to bid for and win projects is contingent upon various factors, including its experience in executing large-scale projects and its demonstrated engineering and construction capabilities.

Risks

- **Contingent Liabilities:** As of Q1FY25, the company has a contingent liability of Rs 1,544 crores, out of which Rs 581 crores is from difference with the sub contractors/vendors in regard to rates and quantity of materials, Rs 484 crores from royalty claims and Rs 185 crores from sales & entry tax, VAT, GST, Service Tax and Income Tax.
- **Trade Receivables and Customer Collections:** As of June 30, 2024, the company has reported total trade receivables, including interest on arbitration awards, amounting to ₹3,974.6 crores. There is a significant risk that the company may face challenges in collecting these receivables in a timely manner, or potentially not at all. Delays or defaults in customer payments could adversely impact the company's financial condition, operational results, and cash flow stability.
- **Change in Laws and Regulations:** The company operates in a sector subject to evolving regulations and policies. Changes implemented by the Government of India may introduce new compliance requirements, necessitating the acquisition of additional approvals and licenses from regulatory bodies. Such changes could lead to project delays, increased costs, and may adversely affect the company's business operations, financial condition, and overall results.
- **Operational Risk:** The company faces various operational risks that could significantly impact project execution and financial outcomes, which include equipment failure, work-related accidents, and environmental hazards, which may result in injury, property damage, and delays. Execution risks also have challenges such as supply chain disruptions, land acquisition delays, and regulatory approval holdups. If these risks materialize, they could result in significant cost overruns, project delays, and potential losses, including penalties or loss of early completion bonuses.



FINANCIALS

Income Statement (Rs. Cr)	Q1FY25	FY24	FY23	FY22
Revenue from Operations	3,154.3	13,267.5	12,637.4	11,018.9
Other Income	59.1	379.3	206.7	250.6
Total Income	3,213.4	13,646.8	12,844.1	11,269.5
Expenses	2,800.8	11,902.5	11,326.8	10,082.7
EBITDA	353.5	1,365.0	1,310.6	936.2
Depreciation	130.3	494.5	471.6	355.4
EBIT	223.2	870.5	839.0	580.8
Finance Cost	147.0	577.2	446.7	424.8
PBT	135.3	672.6	599.0	406.6
Tax	43.8	222.9	188.2	49.0
PAT	91.5	449.7	410.8	357.6
EPS (In Rs.)	2.69	13.20	12.06	10.49

Order Book

Particulars	Q1FY25	FY24	FY23	FY22
Order Book (Rs. Cr.)	31,747.4	30,960.9	30,405.7	32,804.8
Domestic Order Book (Rs. Cr.)	24003.6	22401.5	21245.9	23312.5
% of Total order book	75.6%	72.4%	69.87%	71.1%
Overseas Order Book (Rs. Cr.)	7,743.8	8,559.4	9,159.8	9,492.3
% of Total order book	24.4%	27.6%	30.1%	28.9%
Book to Bill Ratio (x)	2.5	2.3	2.4	2.9

Data Source: Company filings & CSEC Research

Balance Sheet (Rs. Cr)	Q1FY25	FY24	FY23	FY22
Equity And Liabilities				
Share Capital	340.7	340.7	71.9	71.9
Other Equity and Reserves	3,342.5	3,255.2	3,103.7	2,640.1
Borrowings	3,845.0	2,919.6	2,131.4	2,306.1
Other Liabilities	9,656.3	9,718.1	8,994.2	7,955.6
TOTAL EQUITY AND LIABILITIES	17,184.5	16,233.6	14,301.2	12,973.7
Assets				
Fixed Assets	2,726.6	2,783.8	2,498.1	2,317.6
CWIP	46.8	43.1	183.6	17.5
Cash & Cash Equivalents	897.1	666.3	377.4	526.3
Other Assets	13,514.0	12,740.4	11,242.1	10,112.3
TOTAL ASSETS	17,184.5	16,233.6	14,301.2	12,973.7

Notable Ratios

Particulars	Q1FY25	FY24	FY23	FY22
EBITDA Margin (%)	11.2%	10.3%	10.4%	8.5%
Return on Equity (RoE) (%)	10.6%	13.3%	13.9%	14.1%
Return on Capital Employed (RoCE) (%)	14.9%	20.2%	20.0%	17.3%
Debt to Equity (x)	0.9	0.7	0.5	0.6
Net Working Capital Days (in Days)	94	63	38	43

Date: 24th October, 2024

Business Vertical wise Order Book:

Business Vertical	In Rs. Cr							
	Q1FY25	(%)	FY24	(%)	FY23	(%)	FY22	(%)
Marine and Industrial	2,721.8	9%	3,052.3	10%	2,909.2	10%	3,997.9	12%
Surface Transport	3,091.2	10%	3,338.5	11%	3,986.9	13%	4,017.3	12%
Urban Infrastructure								
(i) Underground and elevated metro	11,742.8	37%	11,423.7	37%	7,765.9	26%	10,504.1	32%
(ii) Elevated corridors and bridges	3,575.8	11%	3,913.3	13%	4,953.6	16%	6,970.9	21%
Hydro and Underground	8,819.4	28%	7,319.2	24%	8,543.0	28%	6,327.2	19%
Oil & Gas	1,796.3	6%	1,913.9	6%	2,247.1	7%	987.4	3%
Total	31,747.3	100%	30,960.9	100%	30,405.7	100%	32,804.8	100%

Geography wise Order Book:

Geography	In Rs. Cr							
	Q1FY25	(%)	FY24	(%)	FY23	(%)	FY22	(%)
India	24,003.6	76%	22,401.5	72%	21,245.9	70%	23,312.5	71%
Overseas	7,743.7	24%	8,559.4	28%	9,159.8	30%	9,492.3	29%
Total	31,747.3	100%	30,960.9	100%	30,405.7	100%	32,804.8	100%

Client wise Order Book:

Types of Clients	In Rs. Cr							
	Q1FY25	(%)	FY24	(%)	FY23	(%)	FY22	(%)
Government	22,160.2	70%	20,429.5	66%	18,910.4	62%	20,662.0	63%
Multilateral	6,372.3	20%	6,933.7	22%	7,616.3	25%	8,521.9	26%
Private Sector	3,214.8	10%	3,597.7	12%	3,879.0	13%	3,620.9	11%
Total	31,747.3	100%	30,960.9	100%	30,405.7	100%	32,804.8	100%

Order Book by type of Contract:

Type of Contracts	In Rs. Cr							
	Q1FY25	(%)	FY24	(%)	FY23	(%)	FY22	(%)
EPC Contracts	18,900.5	60%	19,568.3	63%	23,890.7	79%	24,016.6	73%
Item Rate Contracts	12,846.8	40%	11,381.6	37%	6,461.7	21%	8,744.1	27%
Cost Plus Contracts	Nil	Nil	11.0	0%	53.3	0%	44.1	0%
Total	31,747.3	100%	30,960.9	100%	30,405.7	100%	32,804.8	100%

Number and Value of Completed Projects:

Business Vertical	Q1FY25	Rs. Cr	FY24	Rs. Cr	FY23	Rs. Cr	FY22	Rs. Cr
Marine and Industrial	Nil	Nil	3	2,489.2	4	1,406.5	4	1,973.3
Surface Transport	1	2,993.6	Nil	Nil	1	2,308.2	2	4,814.3
Urban Infrastructure	1	745.7	2	3,040.9	4	2,625.6	Nil	Nil
Hydro and Underground	1	195.1	2	3,312.9	Nil	Nil	1	779.8
Oil & Gas	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	3	3,934.4	7	8,843.0	9	6340.3	7	7567.4

Largest Ongoing Projects:

Sr. No	Description of Project	Order Book Value (Rs. Cr)	Percentage of Order Book (%)
1	C2 - Mumbai Ahmedabad High Speed Rail (HSR)	5,322.7	16.7%
2	Greater Male Connectivity Project, Maldives	2,388.5	7.5%
3	Jamrani Dam Project, Uttarakhand	2,021.9	6.4%
4	Basania Multipurpose Dam, MP	1,675.8	5.3%
5	DC-05, Delhi MRTS Phase IV	1,399.3	4.4%

PEER COMPARISON

Company Name	Market Cap (Rs Cr)	PE Ratio	RoE (%) (FY24)	RoCE (%) (FY24)	Book to Bill (x)	EV/EBITDA (FY24)	EBITDA Margin (FY24)
Afcons Infrastructure	17,026 (post issue)	37.86 (post issue)	13.3%	20.2%	2.3	NA	10.3%
KEC Int Ltd	26,103	64.4	8.8%	14.5%	1.5	22.1	6.3%
Kalpataru Project Int Ltd	20,690	42.5	10.5%	13.7%	2.9	13.1	8.5%
Dilip Buildcon Ltd	7,200	41.6	4.8%	8.6%	1.5	9.6	11.0%
L&T (Standalone)	4,94,813*	36.9*	13.7%	15.0%	2.9	19.9	11.4%

Peers MCap and PER as on 21st October 2024, *MCap and PER for L&T are consolidated

Order Book of Peers for Q1FY25:

Company Name	Order Book (Rs. Cr)	Domestic Order Book (Rs. Cr)	% of total order book	Overseas Order Book (Rs. Cr)	% of total order book	Order Inflow (Rs. Cr)
Afcons Infrastructure	31,747.0	24,003.6	75.6%	7,743.4	24.4%	2,989.2
KEC Int Ltd	32,715.0	24,209.1	74.0%	8,505.9	26.0%	7,664.0
Kalpataru Project Int Ltd	57,195.0	30,885.3	54.0%	26,309.7	46.0%	3,182.0
Dilip Buildcon Ltd	18,606.5	18,606.5	100.0%	-	0.0%	925.8
L&T (Standalone)	NA	NA	NA	NA	NA	NA

Industry Outlook

Broadly, there are two sectors of construction: Infrastructure construction and Building construction. Building construction is usually further divided into residential and non-residential. Economic infrastructure includes transportation, power, water, and telecom systems that boost economic activity and provide essential services. Roads, ports, airports, rail, and telecom networks are needed for trade and mobility. Electricity fuels production, and clean water underpins public health. Apart from economic infrastructure, the broader definition of infrastructure also includes oil and gas, mining and social infrastructure.

As of the end of Calendar Year 2023, the global construction industry value-add, stood at USD 5.7 trillion, having grown from USD 4.0 trillion in CY2013. The growth will largely be driven by expanding construction investment in emerging markets, with emerging market construction industry value expected to grow by an annual average real growth of 3.9% YoY CY2024 and CY2033. The strong growth of construction in emerging markets will be driven in large part by emerging markets in Asia, with India, Indonesia, Vietnam, the Philippines, and Bangladesh among markets that will see the highest growth rates in the coming decade.

Over 85% of the infrastructure market is comprised of the APAC region, North America and Western Europe. The share of APAC in the overall pie has increased from 37% in CY13 to 45% in the CY23. While, China and USA dominated the overall infrastructure market and accounted for over 40% of the market in the Calendar Year 2023. Within the Asia-Pacific region, several Southeast Asian markets including the Philippines, Vietnam and Indonesia will see robust growth going forward with forecast annual average real growth of 6.4% YoY between CY2024 and CY2033, while the North America and Europe will also see more modest growth, with average annual real growth of 2.1% YoY between CY2024 and CY2033.

India stands as the world's fifth-largest economy and is recognized as one of the fastest-growing large economies globally, with an anticipated GDP growth rate of 6.5% for the Financial Year 2025. This robust economic backdrop supports the country's construction sector, which is poised for significant expansion. As the GVA in the construction sector increased from Rs 7.8 lakh crores in FY2012 to Rs 14.4 lakh crores in FY2024, with a 9% YoY growth. The GVA is expected to grow at 9-11% in FY2025 owing to the government's emphasis on infrastructure development and a robust order book. The Indian construction industry is on a rapid upward trajectory, valued at ₹23,97,800 crores in the FY 2023 having grown at a CAGR of 12.1% from Rs 13,52,120 crores in FY2018. Additionally, FSIAPL projects it to become the fastest-growing construction market in the world, with a CAGR of 9.5% to 10% expected between the Financial Year 2023 and the Financial Year 2028, ultimately reaching a market size of ₹38,50,890 crores by 2028, and to grow robustly over the coming decade at an annual average of 6.4% in real terms between CY2024 and CY2033.

The government's thrust on Capital expenditure, particularly in the infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, has longer-term implications for growth. To push for enhancing Capex from all directions, the Centre announced several incentives to boost states capital expenditure in the form of long-term interest-free loans and capex-linked additional borrowing provisions. The capex spending allotment of Rs 11.1 lakh crores in the union budget FY2025, implies the government's sustained focus on capex continues. Even 26 states (excluding Arunachal Pradesh and Sikkim) have budgeted capex spending at Rs 9.5 lakh crores for FY2025, after spending Rs 8.8 lakh crores in FY2024RE (Revised Estimates). During FY2024, about 944 projects got assistance from banks/FIs with a record high total cost of projects of Rs 3.9 lakh crores, as compared to 547 projects sanctioned during the previous year having total cost of Rs 2.7 lakh crores. Overall, investment plans of 1,505 projects were made during FY2024, with record investment intentions of Rs 5.7 lakh crores, as against 982 projects in FY2023 with investment intentions of Rs 3.5 lakh crores.

Industry Outlook

The financial outlook for pipeline projects in India indicates a significant increase in capex, projected to rise from Rs 1.6 lakh crores in FY2024 to Rs 2.5 lakh crores in FY2025. This surge is largely driven by greenfield projects, which accounted for 89% of the total projects financed by banks and financial institutions in FY2024, reflecting a trend towards capacity expansion among private corporates.

The infrastructure sector remains the focal point of this investment surge, particularly in roads, bridges, and power, demonstrating the government's commitment to enhancing infrastructure development. Projections suggest that India's transport infrastructure construction sector will experience a compound annual growth rate (CAGR) of 9.6%, expanding from ₹3,85,230 crores in FY2023 to ₹6,09,200 crores by FY2028. This growth is supported by both public and private investment, with road construction alone expected to reach approximately ₹3.76 lakh crores by 2028. Additionally, the country's metro projects pipeline is robust, with an estimated value of around US\$22.2 billion at various stages of development, including projects that have been announced, approved, and are in the planning phase. Meanwhile, Indian Railways is set to increase its net expenditure at an impressive CAGR of 20%, anticipated to reach ₹4.80 lakh crores by FY2028. Under the Sagarmala Programme, 262 port infrastructure projects valued at Rs 1.4 lakh crores are also underway.

Irrigation projects are prioritized, with over ₹5.0 lakh crores planned for investment under centrally sponsored schemes, demonstrating the government's commitment to enhancing agricultural productivity and water management. Additionally, the Ministry of Petroleum and Natural Gas (MoPNG) is expected to see capital outlay growth at an average CAGR of approximately 4.0%, reaching Rs 1,270 crores by FY2028.

The pace of National Highway construction in India has increased consistently due to the systematic push through corridor-based National Highway development approach, from about 16.6 km/ day in FY2016 to about 34.0 km/ day in FY2024. FSIAPL expects India's pace of National Highways construction to increase to 35-36 km/ day in FY2025. Road transportation in India has gradually increased over the years with improvement in connectivity between cities, towns, and villages. As the total length of all road networks in India increased from 5.47 million kms as of FY2015 to 6.35 million kms as of FY2024.

Additionally, the actual capital outlay for the Ministry of Housing and Urban Affairs (MoHUA) has increased at a CAGR of ~11.9% from Rs 15,350 crores in FY2018 to Rs 26,880 crores in FY2023. As per Fitch Solutions, the capital outlay in the MoHUA is projected to increase at a CAGR of ~5.0% from FY2023 to Rs 34,330 crores in FY2028. As per the Union Minister for MoHUA, India has developed four state-of-the-art manufacturing facilities of metro coaches that have produced over 1,000 Metro coaches in the last five years, supporting various Metro rail systems across the country. With the approval of these new projects, India now has 1,018 km of metro lines under construction as of 17 August 2024. In addition to domestic achievements, there is a growing international interest in India's expertise in Metro rail systems. The Delhi Metro Rail Corporation (DMRC) is presently developing a Metro rail system in Bangladesh and has offered consultancy services in Jakarta. Additionally, countries such as Israel, Saudi Arabia (Riyadh), Kenya, and El Salvador have expressed interest in collaborating with DMRC on their Metro development projects.

In conclusion, India's infrastructure expansion is poised for substantial growth, driven by strategic investments across multiple sectors, including transportation, railways, and urban development. The construction sector is on an upward trajectory, with a market value expected to reach Rs 38.5 lakh crores by 2028. This momentum reflects a robust commitment to infrastructure development, positioning India as a key player in the global construction landscape, particularly within the emerging markets of Asia. Overall, sustained growth in both the global and Indian construction sectors is anticipated, supported by a clear focus on infrastructure enhancement.



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