

October 24, 2024

IPO Note

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Issue Details

Price Band: ₹ 440 to ₹ 463
Employee Discount: ₹ 44/Share
Issue Opens on: October 25, 2024
Issue Closes on: October 29, 2024
Lot Size: 32 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 5,430 Cr.
No of Shares: 117,278,618
Face Value: ₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	1,250.00
Offer for Sale	4,180.00
Total	5,430.00

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	2,702.50
HNI	15	810.75
Retail	35	1,891.75
Employee	-	25.00
Total	100	5,430.00

Listing

BSE & NSE

Lead Managers

- ICICI Securities Ltd.
- DAM Capital Advisors Ltd.
- Jefferies India Private Ltd.
- Nuvama Wealth Management Ltd.
- SBI Capital Markets Ltd.
- Nomura Financial Advisory and Securities (India) Pvt. Ltd.

Registrar

Link Intime India Pvt. Ltd

ANALYST

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COMPANY OVERVIEW

Afcons Infrastructure 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.

As of June 30, 2024, they have 65 active projects (i.e., ongoing projects) across 12 countries, aggregating to an order book of ₹ 317.47 billion. The company's projects cover five major infrastructure business verticals viz. (i) Marine and Industrial (ii) Surface Transport (iii) Urban Infrastructure, (iv) Hydro and Underground and (v) Oil and Gas Projects.

The company has longstanding relationships with several private and government clients globally. This includes Arcelor Mittal, an association of over 10 years, ARISE Integrated Industrial Platforms (IIP) an association of over 5 years, and a leading global food and agribusiness company headquartered in Singapore, which is a client across various business verticals. The company has worked on **several complex projects** some of which include **Chenab Bridge- tallest single-arch Railway Bridge in the world, Atal Tunnel - the world's longest highway tunnel** located at 3,000 metres above sea level.

HIGHLIGHTS

1. Strong Track Record of Timely Execution of Large-Scale, Complex and High-Value Projects
2. Large Order Book and Strong Financial Performance
3. Collaboration among Internal Teams and with JV counterparties, and a Strategic Equipment Base leading to Strong Execution Capabilities
4. Knowledge Management and Innovation Practices
5. Experienced Leadership Team with Shapoorji Pallonji Group parentage
6. Strong Risk Management, Project Selection and Dispute Resolution Processes

OBJECTS OF THE ISSUE

1. Capital expenditure towards purchase of construction equipments (₹ 80 Cr.)
2. Funding long term working capital requirements (₹ 320 Cr.)
3. Prepayment or scheduled repayment of a portion of certain outstanding borrowings and acceptances availed by the Company (₹ 600 Cr.)
4. General corporate purposes

Offer for Sale of equity shares aggregating to ₹ 4,180 Cr. The company will not receive any proceeds from the Offer for sale.

OUR VIEW

Afcons Infrastructure Limited, incorporated in 1959, is a leading infrastructure engineering and construction company under the Shapoorji Pallonji Group having a legacy of over six decades. They have a strong track record of executing numerous complex, challenging and unique EPC projects both within India and internationally. Over the years, they have expanded their presence globally and in particular across Asia, Africa and the Middle East.

The business is capital intensive and any fall in cash flow or inability to fulfill working capital requirements might affect the operations. Any failure to quality for or win new contracts from project owners, risk of not being able to collect receivables due from the customers, risk of termination of the project in half-way will affect financial condition of the business. Company's order book is concentrated on government or government-owned customers (69.8%). Interest rate fluctuations can impact the borrowings taken at a floating rate.

The revenue and PAT CAGR for the period FY22-24 stood at about 10% and 12% respectively. The company operated on an EBITDA margin of 11.6% and PAT margin of 3.3% for year ended FY24. Generating ROCE of 20.18% and ROE of 13.28% as at FY24. Debt to Equity is increasing YoY and stood at 0.91x at Q1FY25 which is a concern.

The issue is priced at a P/BV of 4.31 based on its NAV of Rs. 107.48 as at June 30, 2024 and is asking price is at P/E of 35 at higher price band of ₹ 463. Issue appears fully priced as industry average is around 48x and competitors are valued at 74.67x being highest (KEC International Ltd.) and 37.14x lowest of L&T Consolidated.

The company has bright future with strong portfolio of products and combined with strong parentage from Shapoorji Pallonji Group. Looking at all the factors, risks, opportunities and valuation, cash rich investors can apply for the issue.

Brief Financials

PARTICULARS	As at June '24	₹ in Million		
		FY '24	FY '23	FY '22
Total Income	32,134.70	1,36,468.74	1,28,440.90	1,12,695.49
Total Expenditure	30,780.27	1,29,742.71	1,22,450.15	1,08,629.97
EBITDA	3,716.93	15,831.24	13,737.89	10,685.99
Profit before Tax	1,354.43	6,726.03	5,990.75	4,065.52
Profit after Tax	915.86	4,497.38	4,108.60	3,576.05
E.P.S. (Diluted)	2.69*	13.20	12.06	10.49
P/E (x) (Diluted)	-	35	-	-
RONW (%)	2.50*	12.58	13.02	13.24

* Not Annualised

PRICE CHART (@ ₹ 463) (Retail Category)

LOT SIZE	Amount
32	14,816
64	29,632
96	44,448
128	59,264
160	74,080
192	88,896
224	103,712
256	118,528
288	133,344
320	148,160
352	162,976
384	177,792
416	192,608

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount(Rs.)
Small HNI	448	207,424
Big HNI	2,176	1,007,488

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	30/10/2024
Initiation of refunds/unblocking ASBA Fund	31/10/2024
Credit of Equity Shares to demat accounts of Allottees	31/10/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	04/11/2024

For more details, Please refer RHP,

(https://nsearchives.nseindia.com/content/ipo/RHP_AFCONS.zip)

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