

# Going global

## Mumbai-based Afcons Infrastructure has major plans for African and Middle East markets

Afcons Infrastructure Limited, the flagship infrastructure company of the Mumbai-based Shapoorji Pallonji Group, is spreading its wings in a big way. The company has chalked out a major plan for the global markets in Africa and the Middle East. In fact, after making its presence felt in the Middle East, the company has made its foray recently in the African continent through its maiden project in Mauritius. Afcons is building a Rs75-crore worth oil jetty in Mauritius for the Mauritius Ports Authority (MPA). The project which started almost six-seven months ago, will be completed by the end of this calendar year. "We see this project as a gateway to the African continent, which offers huge opportunities in the field of infrastructure building. In future, we will continue to expand our base in the region," says K. Subrahmanian, managing director, Afcons Infrastructure.

Meanwhile, the MPA has expressed its satisfaction over the way the entire oil jetty project has progressed so far. "This is our first major project with an Indian company in the marine infrastructure field and we are satisfied with the progress," states Shekur Sunthah, deputy director general, MPA. "This has so far truly showcased India's ability in the area of infrastructure building."

Afcons has also initiated discussions for projects in other African markets like Algeria, Angola and Liberia. According to sources, in Algeria, it is in negotiation with Kajima, Japan, to contract a part of its \$2 billion reconstruction job. To expand its African operations, the company has recently appointed Jim Sample, a British expatriate with over 15 years of experience. "Jim has joined us as director, international operations, and will be in charge of our entire African operations," informs a company spokesperson.

In the Middle East, Afcons has already made a significant headway. The company has established its own office in Dubai to look after the growing regional operation. In Yemen, it is executing a cement plant project (Rs162 crore), after successfully completing a marine jetty project (Rs650 crore) in joint venture with a Danish firm. In Oman, a marine project (mooring facility) worth Rs120 crore is being undertaken for the last five-six months. The project is likely to be



Oil jetty project in Mauritius

completed by March 2008. "We will continue to increase our focus in the global markets," says S. Paramasivan, executive director (finance & commercial). "This will be part of our strategy to move into areas of higher margins."

On the domestic front, the company is executing marine, civil and pipeline projects at Jamnagar for Reliance. Other projects being undertaken are:

- Design and construction of special bridge project across Chenab River in J&K for the Konkan Railway Corporation;
- Baramulla rail link project, also for the Konkan Railway; and
- A bridge project over Some River for the East Central Railways.

Currently, Afcon is sitting on an impressive order book of around Rs3,000 crore, to be executed in the next two years.

In the past two-three years, this Mumbai-based company has brought about major changes in its management policy. "Unlike other construction companies, we have moved slowly in taking up new jobs in a market, which has been plenty to offer. In the last two-three years, we have prepared ourselves to move into high-margin construction areas. In fact, we have completely revamped our business mix," says Subrahmanian. The company has inducted over Rs100 crore worth strategic equipment to its existing resources for taking up specific jobs in the fields of marine, specialty bridges, hydro-tunnelling. Strategically, the company has decided to go slow in low-margin areas of highway projects. However, it will continue to participate in road projects in consortium with BOT/BOOT entities, which offer much better margins.

### Impressive performance

With all this, the company has achieved an impressive performance. For the nine-month period ended 30 December 2006, the company's turnover stood at Rs670 crore and, according to sources, the end of the year may see the figure at around Rs1,000 crore. For the entire last fiscal (2005-06), the turnover achieved was Rs718 crore – more than 29 per cent higher than the previous fiscal's Rs554 crore. In the last fiscal, overseas jobs accounted for almost 19 per cent of the turnover. "In coming years, we will scale up our foreign operations to at least 25 per cent of our total turnover," says a company official.

The company is now planning to improve its operations further. It is planning to enter the capital market some time in April 2007 with its Initial public offer (IPO) to raise funds for its expansion. The company has already filed a draft red herring prospectus with the Sebi. According to sources, it will be raising funds to the tune of Rs250-300 crore. Out of this, around Rs125 crore has been earmarked for the purchase of equipment and around Rs75 crore for the repayment of debts. The rest will be used for strategic corporate purposes.

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