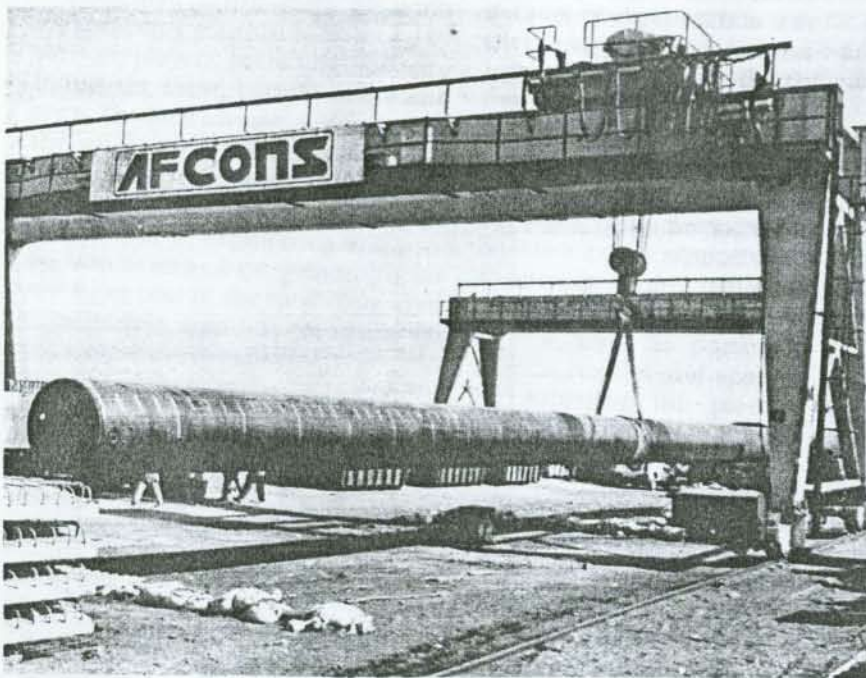


# Landscaping India

**Afcons Infrastructure, a Shapoorji Pallonji group company, is planning to equip itself to meet the growing infrastructure demand**



*Afcons is engaged in executing projects like construction of bridges*

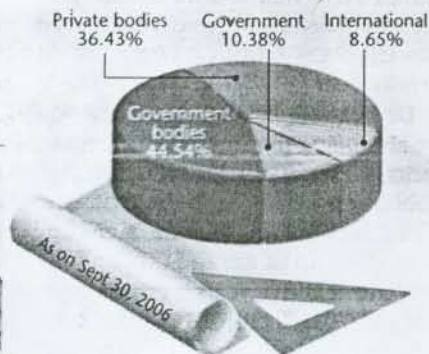
Construction companies never had it so good. Huge project outlays in the infrastructure sector and the capacity additions embarked by the private sector has led to a sharp surge in project investments. The total project investments in infrastructure, as per a Cris-Infac study, has gone up from Rs1,03,400 crore in 2002-03 to nearly Rs1,44,400 crore in 2005-06. The total number of projects envisaged in the private sector also has gone up significantly. CMIE and Crisil has estimated that the average annual investments is expected to go up from Rs22,000 crore per annum over the seven-year period (1999-05) to go up to over Rs86,500 crore in the subsequent five-year period (2005-10).

Given the opportunities arising from these projects,

it is not surprising to see construction companies gearing up to meet the additional demand made on the sector for executing the same. Order books are bulging with even medium-sized companies boasting of two-three years of order back-log.

Against this background, many of

## ORDER BOOK COMPOSITION



the construction companies are tapping the capital markets for raising funds. Afcons Infrastructure, a Mumbai-based, Shapoorji Pallonji group company, is planning to come out with a maiden public offering, to raise funds primarily to fund its equipment cost of Rs125 crore and repayment of debts to the tune of Rs75 crore, besides raising funds for meeting its other strategic initiatives.

Incorporated in 1959, the company is primarily into civil engineering, engaged in executing large and complicated projects across sectors with special emphasis on building jetties, docks, harbours, roads, bridges, tunnelling and special foundations. Most of the projects undertaken are for the government and quasi-government bodies, with private sector projects accounting for only around 36 per cent of the total. Income from international projects accounts for around 8 per cent.

Besides marine jobs, the company has also constructed several bridges in India and overseas. One of the prestigious projects being executed currently is the 1,315 m Chennab bridge in Jammu & Kashmir, which is part of the Jammu-Udhampur-Baramullah Rail Link project being undertaken by Konkan Railway. "We are now keenly looking at expanding our presence in the energy sector, particularly oil and gas and power," says K. Subrahmanian, MD, adding that the



## FINANCIALS\*

Rs crore	Apr-Sept '06*	Financial Year ended		
		6 Mar	5 Mar	4 Mar
Total income	403.0	686.0	542.0	444.0
PBIDT	40.3	70.7	51.81	45.58
Int & finance chgs.	23.4	38.1	33.7	30.0
Adj. PAT	4.4	5.7	2.0	1.2
Share capital	171.5	171.5	121.4	71.4
Networth	217.5	211.9	162.3	113.5

\*Restated summary statement

new gas finds across KG basin will require special storage facilities. Indian Oil as well as GAIL had mooted the construction of gas caverns, even as the gas finds were being announced.

Dedicated distribution networks are also being planned to be set up by various players including Reliance Industries, Essar, besides ONGC and NPCL. The total investments including the setting up of gas and oil pipelines over the next five years is estimated to cost Rs1,70,200 crore. As against the project cost in exploration and production of oil and gas accounting for just 4 per cent of the total costs, civil construction accounts for nearly 80 per cent of the overall cost in gas and pipeline projects.

## AFCONS INFRASTRUCTURE

Group	: Shapoorji Pallonji
Industry	: Civil Construction
IPO offer	: 16.06 million shares
Post issue size	: 18%
Price band	: NA
Book runners	: Enam (lead managers)
Co-runners	: CLSA, JM Morgan Stanley, SBI Capital Markets

The company is consciously moving out of low-margin business like road construction and planning to take on more challenging and high-margin projects in oil and gas and power. It is also looking at undertaking more design and build contracts, as opposed to participating in tender projects, where the selection criteria is done solely on the lowest bid basis.

For the six months ended September 2006, the company had earned a PAT of Rs4.4 crore, on a turnover of Rs400 crore. While the financials are not much to write about, the company's strategy to shift in favour of high-margin projects and also concentrate on design and build projects should have a positive impact on the bottomline in the future.