

December 15, 2006

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The Indian Magazine For Business, Finance And Investment

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## Land Bank Mania

Myth or Reality?



A feature on  
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## AFCONS INFRASTRUCTURE

# Galloping growth strategy



K Subrahmanian

**A**FCONS INFRASTRUCTURE, pioneers and leaders in infrastructure development known for its professional management, innovative technologies and expertise in construction of complex marine works such as jetties, docks, harbours, ports, etc, has devised a galloping growth strategy which can catapult the Rs 700-crore company into the league of large infrastructure companies with an annual turnover of over Rs 4000 crore within the next five years.

Having begun operations in 1959 as a very specialised foundation company, Afcons has today emerged as a versatile infrastructure company, present in almost every sector of civil construction. Prestigious projects completed by the company include Airoli Bridge, Thane Creek Bridge, various state highways and roads for the National Highway Authority of India (NHAI), various jetties and wharfs for most of the ports in India, LNG tanks in Dahej, etc. Of late, the company has also got into hydro, underground works and piping. However, the project Mr K Subrahmanian, managing director of the company, is most enthusiastic about, is the recently awarded special bridge across river Chenab in Jammu & Kashmir, which he considers as one of the biggest highlights of the company's achievements. Says he, "This is the single largest contract ever awarded by the Indian Railways costing Rs 512 crore. This, when completed, would be the tallest structural steel arch railway bridge - higher than the Eiffel Tower."

Mr Subrahmanian takes pride in the company's use of innovative technology, which he says, "has been the hallmark of Afcons. We are the first to introduce many such methods in India," he adds. These technologies include the use of pneumatic well sinking method, launching of precast girder weighing 1,200 MT, adoption of top down technique in constructing an underground metro station at Barakhamba for DMRC, Delhi, the deepest diaphragm wall of 70 mtr depth at Somasila, and underwater pile crushing, among others.

Afcons has been part of the Shapoorji Pallonji (SP) construction conglomerate since the year 2000. Speaking about the advantages that the company has enjoyed since then, Mr Subrahmanian says, "While Afcons is tradition-

ally a techno-savvy entity, the entry of Shapoorji Pallonji has made it into a techno commercial company. Further, SP's finances have helped Afcons to get entry into the bigger league. Also, SP has been strong on overseas markets and its overseas strategy could be integrated with Afcons. The strong ethical values of the group got mixed into the organisation," he maintains.

Headquartered at Mumbai, the company has regional offices in major cities in India like Delhi, Kolkata, Chennai and Nagpur, and it has recently opened an office in Dubai too. Besides operating in almost every part of India, covering all major ports of the country, the company is operational in Qatar, Oman, Yemen, Mauritius and the UAE. It is busy setting up a futuristic looking presidential complex in Accra, Ghana and a cricket stadium in Guyana for the 2007 world cup. "We intend to expand our activities in further territories," avers Mr Subrahmanian. The company's major clients at home include DMRC, KRCL, MSRDC, NTPC, state PWDs, NHAI, CPCL, all major Port authorities in India, including Mumbai Port Trust, among others. Afcons also does work for private companies like Reliance, Tata Power etc.

While revealing that the company's major competitors include HCC, Gammon India, Simplex, L & T (ECC), Navayuga, and NCC among others, Mr Subrahmanian says, "Despite the tough competition in the market, we are able to get our share of the market due to competitive bidding. As on today, we have an order book of Rs 3,000 crore."

## Major strengths

Among the major strengths of the company, Mr Subrahmanian cites the fact that Afcons is accredited with ISO 9001:2000 which indicates quality management system of the company. He further adds, "We have strong contract execution capacity and also have complete infrastructure to implement prestigious and fast-track projects. The company is managed by professionals with a dedicated team of 1,269 personnel, which includes over 800 qualified engineers. These personnel are provided with continuous training and career development programmes. We have computerised project planning and monitoring capabili-

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ties, and trained quality control and safety officers at each site ensuring strict adherence to quality and safety norms. We also make extensive use of advanced project management software for project planning and monitoring."

According to Mr Subrahmanian, the company has a large equipment base which includes marine equipment, earthmoving machinery, concrete production, transporting and placement machinery, aggregate production plants, road building equipment and material handling equipment. "All this helps us to achieve completion of projects ahead of schedules. Our gross block is in excess of Rs 300 crore," he adds.

On the financial front, the company has been seeing a steady growth in its turnover over the last three years, while its net profits have been spurting impressively over this period. From Rs 456.31 crore in FY 2004, the turnover increased by 21 per cent to Rs 549.93 crore in FY 2005 and then by 25 per cent to Rs 686.29 crore in FY 2006. The net profits jumped by 66 per cent from 1.22 crore in FY 2004 to Rs 2.02 crore in FY 2005, and then by a highly impressive 184 per cent to Rs 5.73 crore. Mr Subrahmanian reveals that 19 per cent of the turnover in FY 2006 has come from the company's international operations.

### **New lines of business**

Speaking about the company's future plans and aspirations, Mr Subrahmanian says, "The company has ventured into newer lines of business like tunnels and oil pipeline

recently. In future, we are not only looking at incremental growth but also growth from newer lines of business within the infrastructure segments. The company has finalised a galloping growth strategy, which it expects to achieve in the periods to come. We expect to achieve a turnover of about Rs 4,000 crore by the next five years. We have made a strategic plan as per which 20-25% of the turnover in future should come from the international projects."

While pointing out that there is lot of potential for infrastructure growth in India, Mr Subrahmanian acknowledges the role played by the government in giving an emphasis on infrastructure development for the growth of the economy. Says he, "There were many important steps taken by the government such as the ambitious NHDP project, PMGSY, allocation of dedicated road development funds, framing liberalised norms for private sector participation and allowing joint ventures for major projects involving innovative techniques. All these have helped the construction industry to grow. However, the government could cut down on the bureaucratic procedures to expedite the project clearance and award process," he adds.

Giving his outlook for the infrastructure industry in India, Mr Subrahmanian says, "The infrastructure segment is in for a booming phase for the next 20-25 years in India with so much emphasis on development. The construction companies in India are going to be stretched to the limit in terms of human and equipment resources and it is going to be a real challenge for us to tackle the demands that are going to be placed on us." ■



## AFCONS INFRASTRUCTURE LIMITED



*Oil Terminal J1, J2, J3 at Jawahar Dweep, MbPT.*

***“AFCONS INFRASTRUCTURE LIMITED***, is one of India's largest engineering , construction, rehabilitation and infrastructure companies. Over the past five decades AFCONS , with its reputation of being the safest contractor , has become a trusted business leader by providing exceptional expertise , technical knowledge and maintaining safety standards across every phase of the project. Clients rely on AFCONS to deliver world class service such as from the construction of Complex, Marine works (such as Ports, Harbours, Dry docks, Building docks, etc.) to Highway and Bridge works to Power projects and other general Civil Engineering Projects . AFCONS primary objective is to develop , execute and maintain capital projects on schedule , within budget & with operational excellence...”

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