

Afcons expects significant rise in FY25 capex, exceeding normal Rs 500-600 crore range

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Shapoorji Pallonji-backed Afcons Infrastructure expects the capex for FY25 to be "substantially" higher than the normal range of Rs 500 to Rs 600 crore, chief financial officer Ramesh Jha told Moneycontrol in an exclusive interview on June 11.

In March this year, the construction and engineering player filed draft red herring prospectus (DRHP) with the Securities Exchange Board of India (Sebi) to raise Rs 7,000 crore through an initial public offer (IPO).

"Generally, last three years or so, we have done CapEx in the range of Rs 500 to Rs 600 (crore). This year it will be a higher amount," Jha said adding that the company is planning to buy three tunnel boring machines (TBMs) through the process of the IPO.

"... these three TBMs we are buying are sizable. So, substantially, there will be an increase," he added. TBMs are used for excavating tunnels through a variety of soil and rock strata.

The EPC company will raise Rs 1,250 crore through a fresh issue and Rs 5,750 crore through offer for sale. Goswami Infratech Pvt Ltd will sell around Rs 5,750 crore worth of stake in the OFS, according to the DRHP.

Proceeds worth Rs 150 crore from the issue will be used for capital expenditure, Rs 350 crore will be used to fund long term working capital requirement and Rs 500 crore will be used for repayment of portion of certain outstanding borrowings and acceptance availed by the company.

Afcons executives noted that the company has seen steady growth over the years, relying on bank guarantees for project financing. To sustain and accelerate this growth, they need more capital to secure higher bank guarantee limits. Therefore, the company is considering entering the IPO market to raise the necessary funds.

Meanwhile, the company is confident that the current growth momentum will sustain.

"I must say the addressable market size is very big. Therefore, in terms of booking the order, it's no issue. And in terms of growth, if you look at whatever we have looked at for the next couple of years, the orders are already there... Therefore, the growth momentum will continue," said Managing Director Paramasivan Srinivasan.

Further, the company sees robust order growth from the metro segment. It plans to diversify into hydro pump storage and river linking projects as the company sees more projects coming from those segments along with railways.