

# THE ECONOMIC TIMES

**BUILDING BIGGER BOOK** Parent Shapoorji Pallonji Group likely to sell additional stake in the revised public offer whose size has been raised to ₹8,500 cr and comprises a pre-IPO round of ₹4,000 cr

## Afcons Cites Strong Record, Focus on Avoiding Bad Projects for Market Edge

Nikita Periwal

**Mumbai:** Shapoorji Pallonji-owned infrastructure player Afcons Infrastructure believes that avoiding bad projects, rather than choosing good ones, has strengthened its execution prowess over the years.

The over six-decade-old company follows a stringent risk management process which has helped it deliver more than four-fifths of the projects it undertakes ahead of schedule. On average, more than half of such projects within the industry see a delay.

"We take a lot of factors into consideration, including the country risk and the kind of funding available in those markets," managing director S Paramasivan told ET. The company also prefers projects which have strong multi-lateral funding, while avoiding projects which see aggressive competition, he said.

The company is set to hit the primary markets for its initial public offering in a couple of weeks.

"There are no credible names apart from Larsen & Toubro (in the infrastructure space), and maybe a couple of others. This (Afcons) is a very credible name with a very strong track record of the last six and a half decades, and the

### Headed for D-Street

**AFCONS OPERATES IN FIVE SEGMENTS:**

- Surface transport
- Urban infrastructure
- Marine and industrial
- Oil and gas
- Hydro and underground

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Projects executed include the Atal Tunnel and the Chenab Railway Bridge

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company is quite strong in terms of the balance sheet," chief financial officer Ramesh Jha told ET in an interaction when asked about the response expected for the IPO.

Operating in five key segments — surface transport, urban infrastructure, marine and industrial, oil and gas, and hydro and underground, some of the projects executed by the company in India include the Atal Tunnel in Rohtang and the Chenab Railway Bridge.

Afcons has nearly half of its current order book of ₹35,000 crore coming from the urban infrastructure segment — consisting of metros and bridges.

"Most of the state governments are keen that these projects are done, so the environment of the metro construction is generally very positive," Krishnamurthy Subramanian, the executive vice-chairman said, when asked about the risk of having such a large portion of the orderbook from a single segment.

The company has, though, avoided certain projects in this space based on its risk management framework. It is also letting go of opportunities in the Middle East, except for in Saudi Arabia, because of certain unfavourable conditions including cash retention, a long payment cycle, and an arduous pro-

ject resolution process.

Apart from Asia and the Middle East, Afcons also has a significant presence in Africa.

"Africa has consistently been spending a good amount of money in infrastructure development, and it is also a funding-dependent market," MD Paramasivan said. "There was a slowdown in the African market, which has gone now. Things have picked up, and there is heightened private sector investment, apart from government investment," he said.

The company is also confident about its prospects in Eastern Europe, where it believes it will have a cost advantage.

### DEAL SIZE

Afcons, which had initially planned an IPO of ₹7,000 crore, is set to increase the overall deal size to ₹8,500 crore, which will include a pre-IPO round of around ₹4,000 crore. This will effectively reduce the size of the IPO to ₹4,500 crore, they said.

The IPO is a combination of fresh equity of shares and an offer-for-sale. The higher deal size is likely to come from an additional stake sale by the Shapoorji Pallonji group rather than higher valuations, the sources said. "The group has a stated intent that they want to maintain a majority stake in the company," he said.