

CMP: INR 440

Rating: BUY

Target Price: INR 693

Stock Info

BSE	544280
NSE	AFCONS
Bloomberg	AFCONS:IN
Reuters	AFCN.NS
Sector	Infra & Construction
Face Value (INR)	10
Equity Capital (INR mn)	3,678
Mkt Cap (INR mn)	161,823
52w H/L (INR)	570/382
Avg Yearly Volume (in 000')	1,906.5

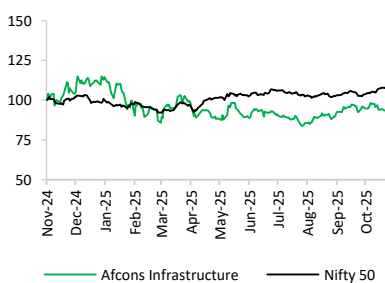
Shareholding Pattern %

(As on Sep, 2025)

Promoters	50.17
DII	14.53
FII	15.80
Public & Others	19.50

Stock Performance (%)	3m	6m	12m*
Afcons Infrastructure	5.3	2.3	-6.5
NIFTY	2.9	6.4	7.5

Afcons Infrastructure vs NIFTY



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Afcons Infrastructure Ltd is a leading global EPC company and a flagship firm of the Shapoorji Pallonji Group. The company has a proven track record of executing large, complex projects across diverse infrastructure segments including marine, urban transport, hydro, surface transport, and oil & gas. The company has a significant international presence, with projects delivered in over 30 countries. The company is renowned for its extreme engineering capabilities, demonstrated by iconic projects like the Chenab Bridge, the world's tallest single-arch railway bridge, and India's first undersea rail tunnel for the Mumbai-Ahmedabad High Speed Rail.

Investment rationale

Strong order book shows business visibility over medium term: The company has an order book of INR 353.1bn (~2.8x of FY25 revenue), which shows business visibility over the medium term. The order book is well diversified across segments such as urban infrastructure (54%), hydro & underground (25%), marine & industrial (13%), surface transport (5%), and oil & gas (3%). Geographically, 85% of the order book is domestic, with the remaining 15% from international projects. The company secured new orders worth INR 10.93bn in Q1FY26 and currently holds L1 status for projects valued at INR 215.6bn, which includes significant contracts in Maharashtra and new ventures in Croatia. The order inflows are expected to be INR 200-250bn in FY26E, with potential upside from the conversion of L1 positions and new bids. The order pipeline is around INR 3,350bn over the next 2 years, spanning domestic and international markets. The order book and pipeline remain strong for the company, showing business visibility over the medium term.

Project execution is expected to pick up from H2FY26E onwards: The company is targeting revenue growth of 20%-25% in FY26E, supported by a pickup in execution in the second half, particularly from fast-track projects and the resolution of pending issues in key projects like the Mumbai-Ahmedabad High Speed Rail (MAHSR). Despite delays in TBM deliveries for MAHSR, the company has progressed well with NATM tunneling and other project components.

International projects would improve margins: The company is focused on international markets, with L1 status for three projects in Croatia, marking its entry into Europe. These projects are well bid with higher margins and backed by European funding with favorable payment terms. The company is focused on increasing the international order book to 30% over the medium term. The company is focused on Africa, the Middle East, and South Asia. The management remains cautious yet optimistic about opportunities in the Middle East, particularly in large-scale infrastructure projects.

Water projects recovery will normalize working capital: The working capital was impacted in Q1FY26 due to delays in certification and payments, particularly in projects like the UP Jal Jeevan Mission. The receivables are around INR 4.22bn from UP Jal Jeevan Mission, against an advance of INR 870mn. We anticipate that the payments are expected to improve from Q2FY26E onwards. The debt levels are expected to remain stable, and the average cost of debt is around 9%. The company is exploring refinancing options to reduce interest burdens going forward.

Capex and new segments are additional growth drivers: The company has a planned capex of INR 11bn in FY26E. The capex for strategic equipment, including tunnel boring machines (TBMs), barges, and cranes, enhances execution capabilities and technological edge. The company is continuously exploring new segments such as green energy infrastructure.

Outlook & Valuation: Afcons Infrastructure has an order book of INR 353.1bn (~2.8x of FY25 revenue) and expected order inflows of INR 200-250bn, showing business visibility over the medium term. The company is targeting revenue growth of 20%-25% in FY26E, and EBITDA margins are expected to stabilize to 11%+ supported by improved execution, cost optimization, and the contribution from well-priced new projects. Execution will be supported by the resolution of pending issues in key projects such as the high-speed rail corridor. Working capital pressures, particularly from delayed receivables in specific state projects, are expected to ease as collections improve in the coming quarters. The company's debt levels are manageable, and strategic capex will continue to enhance its operational capabilities and growth going forward. We are estimating, revenue CAGR of 19.3% for FY25-FY28E, and RoE is expected to improve from 11% (FY25) to 16.7% in FY28E. The stock is trading at an EV/EBITDA of 10.7x based on FY26E EBITDA. At the CMP of INR 440 per share, we initiate a "BUY" rating at a TP of INR 693 per share; valued at an EV/EBITDA of 10x (Historical median EV/EBITDA: 10.1x) and its FY28E EBITDA of INR 25,110mn; an upside of 57.5%.

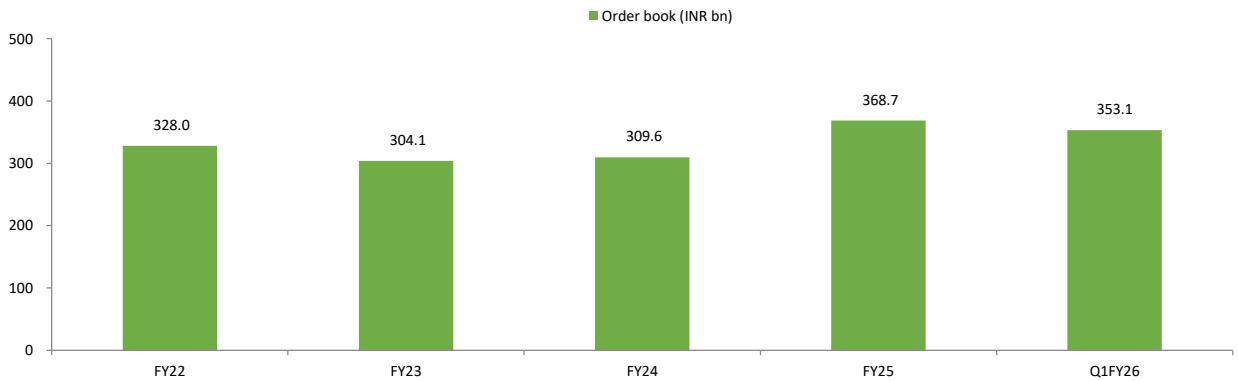
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Investment Rationale

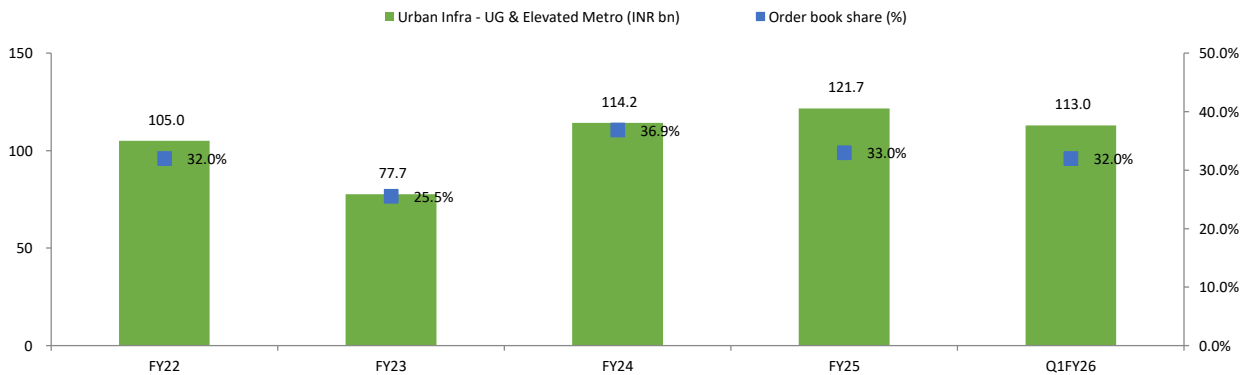
Afcns Infrastructure has an order book of INR 353.1bn (~2.8x of FY25 revenue), showing business visibility over the medium term. The order book is well-diversified across key infrastructure segments. Urban infrastructure (~54% of the order book) includes underground and elevated metro projects, bridges, and elevated corridors. The Hydro & Underground (~25% of the order book) segment encompasses dams, barrages, tunnels, and water supply projects. The Surface Transport (~13% of the order book) segment which includes highways, roads, and railways. The Marine & Industrial (~5% of the order book) segment covers ports, jetties, and LNG tanks, while the Oil & Gas segment represents the remaining 3%. Geographically, the order book is predominantly domestic (85%), and the remaining 15% from overseas. In terms of client type, the majority, 79%, are government entities, reflecting Afcns' strong relationships and focus on public infrastructure projects. Multi-lateral agencies account for 10% of the order book, and the private sector constitutes 11%.

Exhibit 1: The order book stood at INR 353.1bn (~2.8x of FY25 revenue) showing business visibility over the medium term.



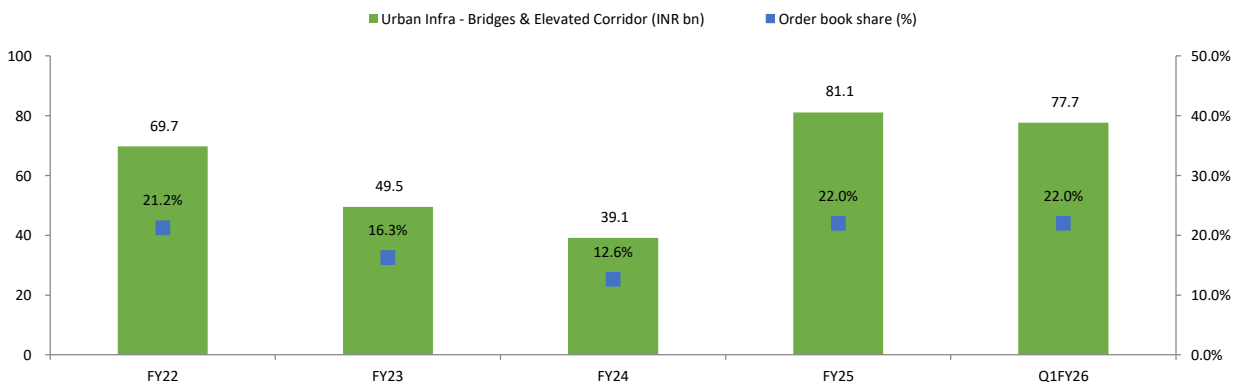
Source: Company reports, Arianth Capital Research

Exhibit 2: Urban Infra – UG & Elevated Metro order book share stood at 32% as of Q1FY26.



Source: Company reports, Arianth Capital Research

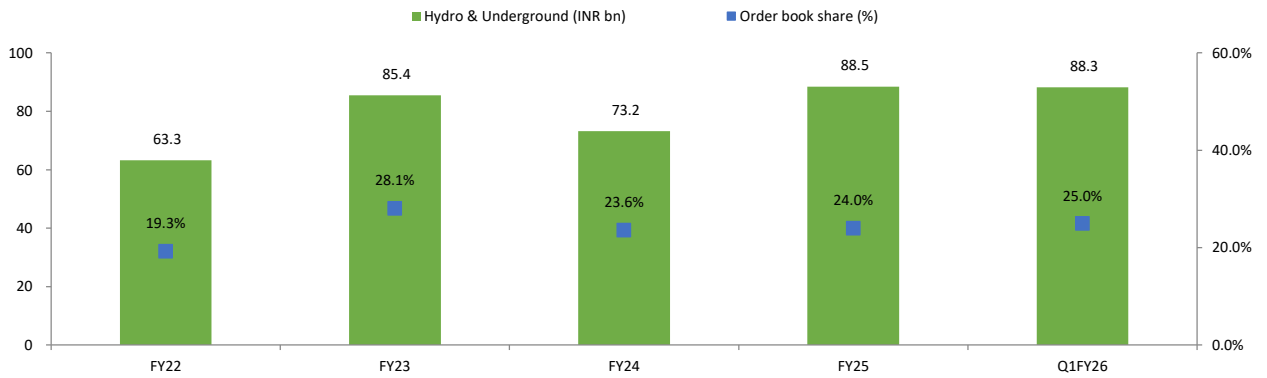
Exhibit 3: Urban Infra – Bridges & Elevated corridor order book share stood at 22% as of Q1FY26.



Source: Company reports, Arianth Capital Research

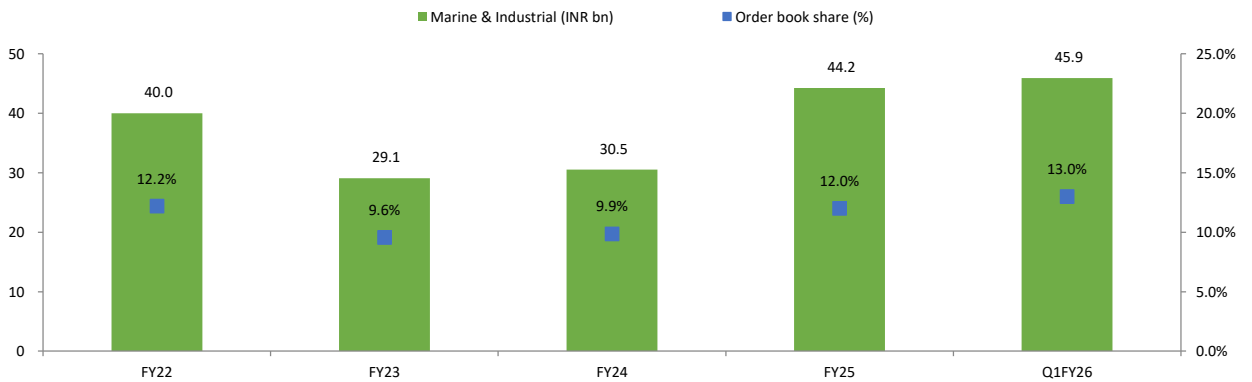
Investment Rationale

Exhibit 4: Hydro & Underground order book share stood at 25% as of Q1FY26.



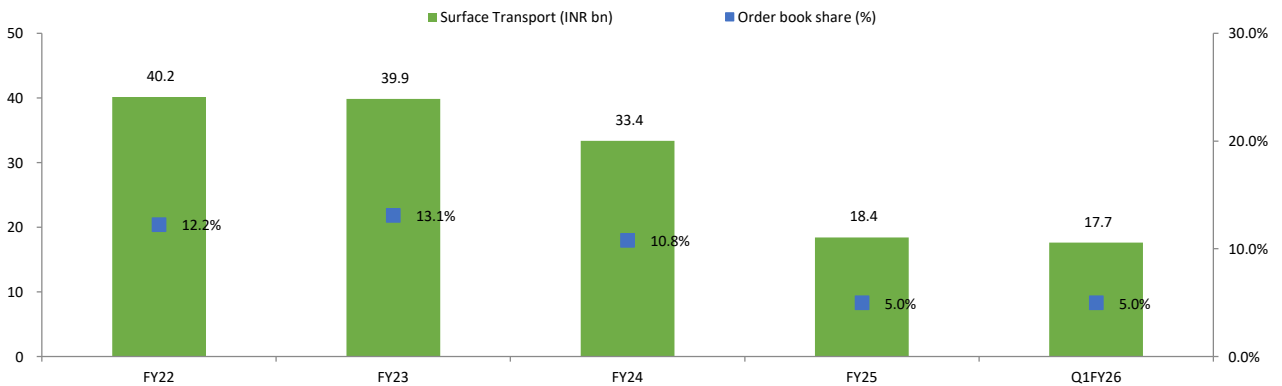
Source: Company reports, Arianth Capital Research

Exhibit 5: Marine & Industrial order book share stood at 12% as of Q1FY26.



Source: Company reports, Arianth Capital Research

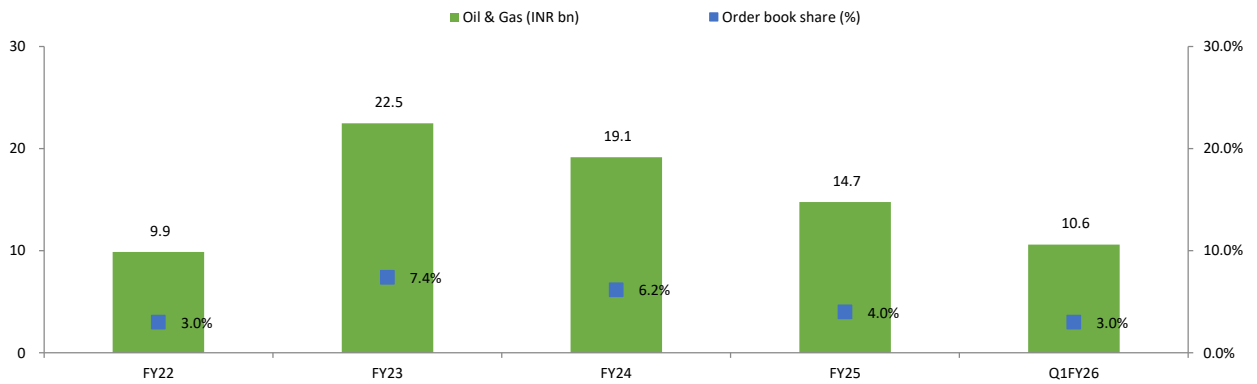
Exhibit 6: Surface Transport order book share declined to 5% during the period of FY22-Q1FY26.



Source: Company reports, Arianth Capital Research

Investment Rationale

Exhibit 7: Oil & Gas order book share stood at 3% as of Q1FY26.

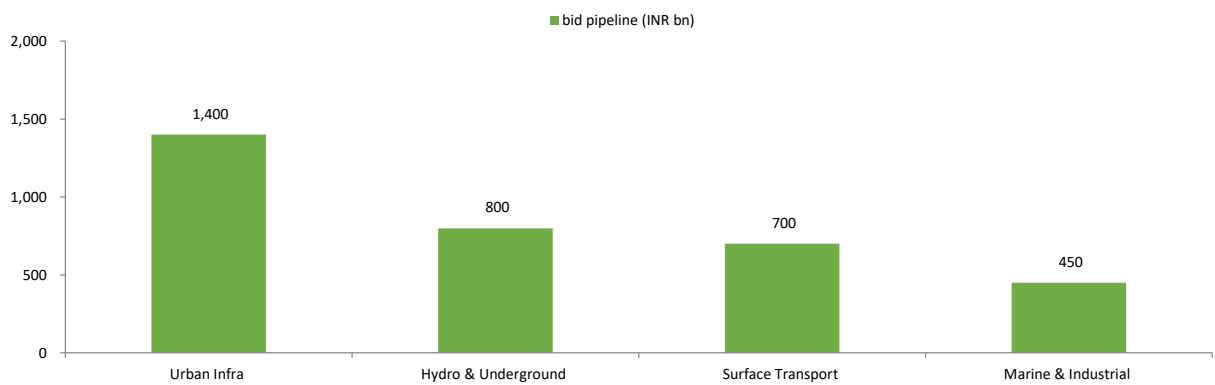


Source: Company reports, Aриhant Capital Research

The company has secured new orders of INR 10.93bn in Q1FY26. The company holds an L1 position of INR 215.6bn, which includes two road projects in Nagpur-Gondia (~INR 52bn), two tunneling packages for the Pune Ring Road (~INR 48bn), two mixed road and tunnel projects in Croatia (~INR 45bn), and one railway project in Croatia (~INR 68bn). We anticipate that Croatia orders (INR 113bn) is expected to convert into firm orders by Oct/Nov-25. Two domestic road projects, Pune Ring Road and Nagpur-Mumbai Road, valued at ~INR 100bn, have faced project awarding delays.

The addressable project pipeline is around ~INR 3,350bn for the next 2 years. The pipeline spread across domestic (2/3) and International markets (1/3). The segment-wise breakdown are Urban Infra segment (INR 1400bn), which includes upcoming metro rail projects, bridges, and elevated corridors across various Indian cities and select international locations. The Hydro & Underground segment (INR 800bn), which includes irrigation projects, and large underground constructions. The Surface Transport segment (INR 700bn) encompasses national highways, expressways, and railway projects. The Marine & Industrial segment (INR 450bn), which includes opportunities in port development, jetties, and other marine structures.

Exhibit 8: The company has addressable project bid pipeline of ~INR 3,350bn for the next 2 years.



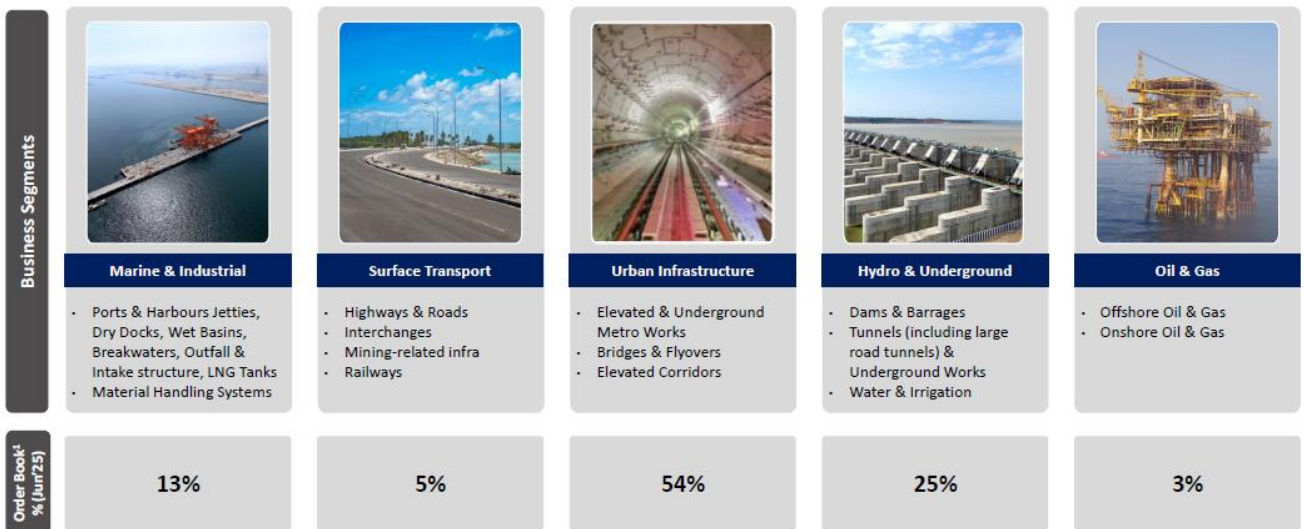
Source: Company reports, Aриhant Capital Research

In the international market, the company is focused on the Middle East, Africa, and South Asia, with a new strategic focus on Europe, as evidenced by the Croatia projects. The company is actively pursuing a large tunnel project in the UAE (Dubai). The company is continuously evaluating newer sectors such as green energy infrastructure, which aligns with their current work in tunnels, metros, and water projects.

Investment Rationale

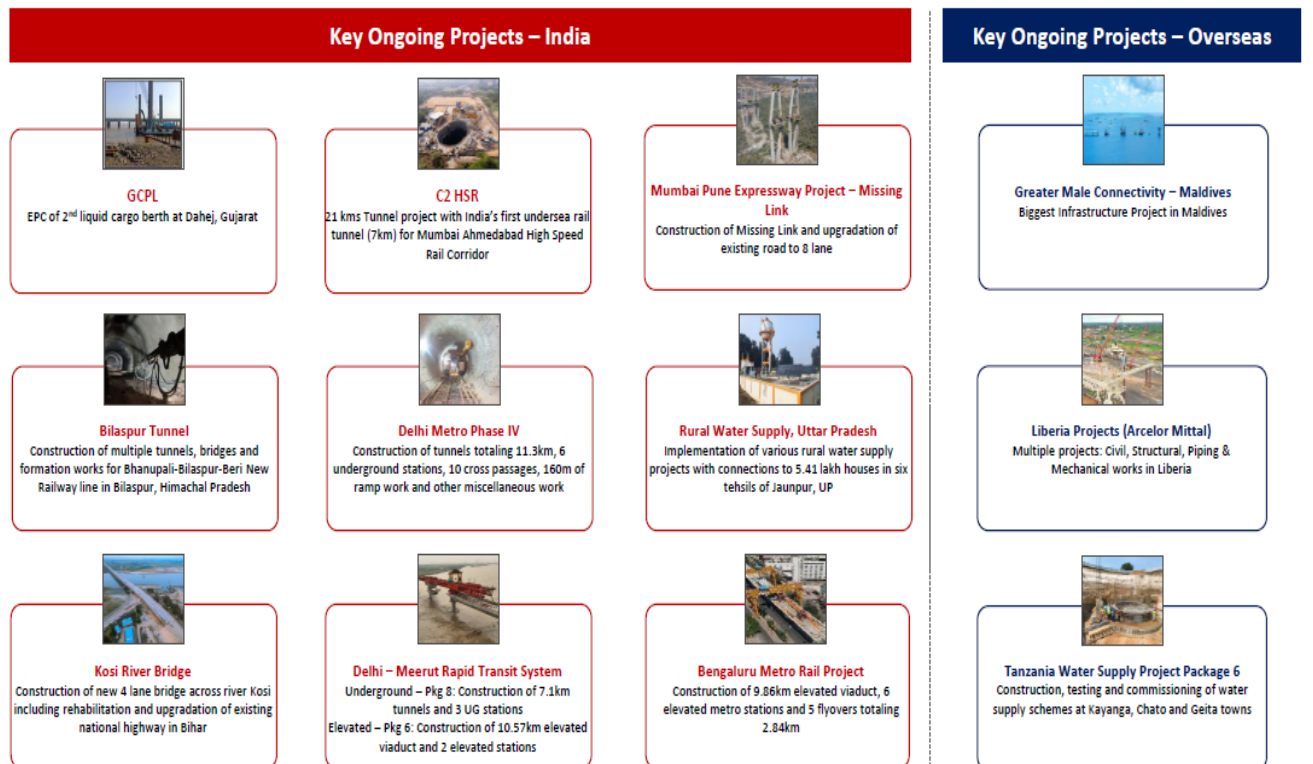
Project execution is expected to pick up from H2FY26E onwards: The company has ~64 active projects in the portfolio. The project execution is the core operational engine, which translates order book into revenue and profitability. In Q1FY26, execution impacted due to seasonal slowdown where government clients finalize annual budgets, coupled with broader liquidity constraints in the system affecting payment certifications. The company is targeting revenue growth of 20%-25% YoY in FY26E, which is heavily dependent on ramp-up of execution in H2FY26E. Further, the expected conversion of large L1 orders, such as the Pune Ring Road and the Croatia projects, will inject new, funded projects into the execution pipeline, further bolstering revenue visibility and growth momentum in the near to medium term.

Exhibit 9: The portfolio spreads across major infrastructure segments.



Source: Company reports, Arihant Capital Research

Exhibit 10: Ongoing projects in India and Overseas.



Source: Company reports, Arihant Capital Research

Investment Rationale

The Mumbai-Ahmedabad High Speed Rail (MAHSR) project, specifically C2 tunnel package which includes India's first undersea rail tunnel. The New Austrian Tunneling Method (NATM) works are progressing exceptionally well, with ~80-90% completion expected by Oct-25. However, a significant portion of the tunneling reliant on Tunnel Boring Machines (TBMs) has faced a major hurdle and is currently being resolved. One TBM has arrived, and assembly is underway. Another TBM is expected in the next couple of months. The company is involved in other ancillary works like shafts and drill-and-blast tunneling.

The largest international project in the Maldives, Greater Male Connectivity, is progressing as planned. The urban transit projects like the Delhi Metro Phase IV and the Delhi-Meerut Regional Rapid Transit System (RRTS) are on track. The water tunnel project in Maharashtra's Raigad district, where it set a national record by achieving 740 meters of monthly tunneling progress using a TBM, demonstrating its peak execution capabilities when supply chains and site conditions are favorable.

International projects would improve margins: The company has a strategic presence in over 30 countries across South Asia, the Middle East, Africa, and the Commonwealth of Independent States. The company aimed at diversifying revenue streams and leveraging its expertise in complex infrastructure projects outside of India. The order book is expected to increase from 15% to 30% over the medium term.

Exhibit 11: The company has project presence over 30 countries.

Middle East

- Bahrain | Iraq | Jordan | Kuwait
- Oman | Qatar | Yemen | UAE

Africa

- Benin¹ | Ethiopia | Gabon | Ghana
- Guinea | Ivory Coast¹ | Liberia¹ | Madagascar
- Mauritania | Mauritius¹ | Mozambique¹ | Rwanda¹
- Tanzania¹ | Zambia | Zimbabwe

Asia

- India¹ | Bangladesh¹ | Bhutan | Indonesia
- Kazakhstan | Maldives¹ | Sri Lanka



Source: Company reports, Arianth Capital Research

Greater Male Connectivity in the Maldives is recognized as the largest infrastructure project in the history of the Maldives. The project involves constructing a series of bridges and causeways connecting the capital, Male, with the islands of Villingili, Gulhifalhu, and Thilafushi. The execution is progressing as planned and stands as a flagship project enhancing the company's reputation for executing large-scale marine and connectivity infrastructure.

The company has engaged multiple projects in Africa. The Liberia Projects for Arcelor Mittal involve a suite of works including civil, structural, piping, and mechanical services. These projects are tied to mining infrastructure, a sector where the company has developed niche expertise. The Tanzania Water Supply Project Package 6 is focusing on the construction, testing, and commissioning of water supply schemes in the towns of Kayanga, Chato, and Geita. This project aligns with the company's strategic expansion into the water sector and demonstrates its ability to deliver critical social infrastructure that impacts local communities.

Investment Rationale

The company became an L1 bidder for three projects with a combined value of INR 113bn, marking a successful entry into the European market. It includes two projects in the roads segment and one railway project. The bids are well priced and came in significantly above the client's estimates. The projects are well-funded by European institutions and come with favorable terms, including interest-free mobilization advances. The formal Letter of Award and Notice to Proceed are expected within 120 days of being declared L1, and these projects are factored into the company's order inflow guidance for FY26E.

The criteria for selecting international projects are governed by a robust risk management framework led by the Chief Risk Officer. This process involves a multi-stage evaluation. In the pre-tendering phase, the company assesses country risk, client risk, project risk, and the risks associated with any potential joint ventures. During the tendering phase, teams thoroughly analyze the scope of work, construction methods, material estimates, equipment requirements, and all contractual aspects. This disciplined approach ensures that expansion decisions are aligned with the company's operational capabilities and financial discipline, avoiding undue exposure to high-risk markets or poorly structured contracts.

Water projects recovery will normalize working capital: The company has strategically expanded into the water sector, marking a significant diversification beyond its traditional strengths in metros, tunnels, and bridges. This foray includes large-scale water supply schemes, notably under the Indian government's flagship Jal Jeevan Mission, which aims to provide piped potable water to every rural household. A key project of 3.35 km long water tunnel in the Raigad district of Maharashtra, where the company demonstrated exceptional execution capability by setting a national record for monthly tunneling progress. This project highlights the company's ability to apply its tunneling expertise to the critical water infrastructure sector, a market with a substantial future pipeline estimated at around INR 800bn.

The working capital cycle in construction projects begins with the company incurring costs for materials, labor, and equipment. As work progresses, the company bills the client, typically a government entity, for the completed work. This billed amount first becomes "uncertified work," which then, upon the client's engineer's approval, turns into a "certified receivable." Only after certification does the payment clock start, leading to the actual receipt of cash. The company is facing issues in water projects, specifically Jal Jeevan Mission in Uttar Pradesh. The company is facing substantial delays in the certification of completed work and the subsequent release of payments by the client. The gross dues pending from the Uttar Pradesh Jal Jeevan Mission is around INR 4.22bn against advance of INR 870mn. The delay led to the company's own funds are effectively stuck, tied up in work done but not yet paid for, leading to a lengthening of the working capital cycle.

This strain on working capital has a direct and tangible impact on the company's debt levels. When payments from clients are delayed, the company is compelled to bridge the funding gap to continue project execution and meet its other operational expenses. The company drawing upon working capital loans from banks, leading to higher borrowings and, consequently, an increased finance cost. We anticipate that the payments are expected to improve from Q2FY26E onwards. The debt levels are expected to remain stable, and the average cost of debt is around 9%. The company is actively working on optimizing their cost of debt by issuing commercial papers to refinance more expensive working capital loans, taking advantage of interest rate arbitrage. Operationally, the company is engaging continuously with the client to expedite certification and payment.

Investment Rationale

Capex and new segments are additional growth drivers: The company is strategically doing capex, which is geared towards owning and maintaining a fleet of specialized equipment that provides a significant competitive advantage. The capex is expected to be INR 11bn in FY26E, and they have already spent INR 500mn in Q1FY26. The company's major focus is on Tunnel Boring Machines (TBM). The company currently owns 17 TBMS, with an additional 3 pending delivery, making it one of the largest owners of TBM among peers in India. TBMs are highly sophisticated, capital-intensive machines used for excavating tunnels with a circular cross-section through a variety of soil and rock strata. They are essential for modern urban mobility and water tunnel projects, as they allow for faster, safer, and more precise tunneling compared to conventional methods. Recently, the company has achieved a national record, boring 740 meters in a single month on a water tunnel project in Raigad, Maharashtra, using a 3.2-meter diameter TBM. This proficiency gives Afcons Infrastructure a technological edge in bidding and executing large, complex tunneling projects. However, reliance on specialized technology led to risk, as evidenced by the delays in the Mumbai-Ahmedabad High Speed Rail project. The holdup in TBM deliveries from the china has impacted the scheduled execution of a major portion of the work.

The company's equipment portfolio is diversified across its core segments. It includes 14 marine barges with capacities ranging from 200 to 1,200 tonnes. Its crucial for port and marine construction projects both in India and internationally, such as the Greater Male Connectivity Project in the Maldives. The fleet also comprises 8 large-capacity jack-up platforms and 145 cranes, enabling heavy-lift operations, particularly in the offshore oil and gas sector where it installed a process platform using float-over technology. This strategic ownership of equipment reduces reliance on volatile rental markets and ensures availability for achieving critical project milestones.

The company is continuously exploring new segments such as water tunnels, green energy infrastructure, and urban mobility projects. The Raigad water tunnel project is a direct manifestation of this, transferring their TBM expertise from urban metro tunnels to critical water conveyance infrastructure. This aligns with the Indian government's massive push for water security and irrigation under schemes like the Jal Jeevan Mission.

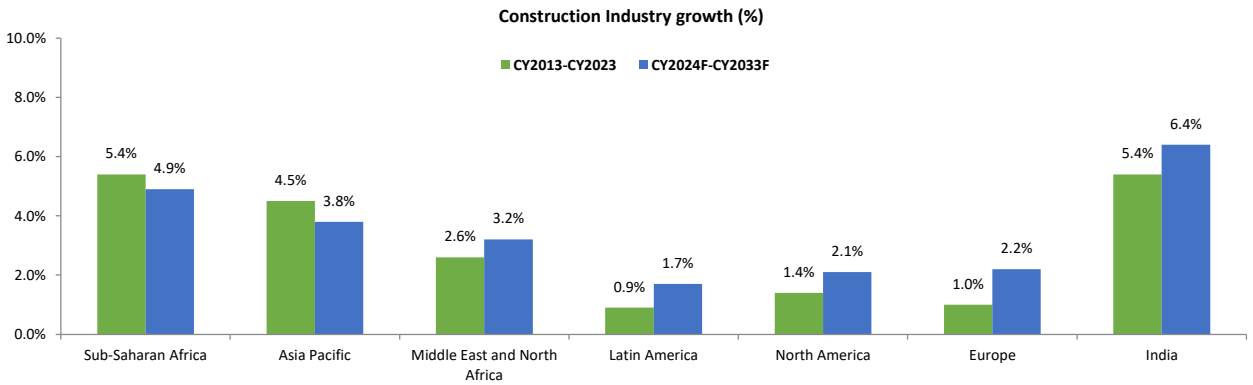
The company's potential entry into green energy shows extension of its EPC capabilities. The scope of work would involve the construction of foundations and infrastructure for solar or wind farms, or potentially even civil works for green hydrogen facilities.

The company continues its involvement in urban mobility projects. It includes the construction of elevated and underground metro systems, regional rapid rail transit systems, and the associated bridges, viaducts, and stations. Projects like the Delhi Metro Phase IV, the Delhi-Meerut RRTS, and the Bengaluru Metro Rail Project are complex, multi-year undertakings that showcase the company's ability to manage large-scale urban infrastructure development. The recent inauguration of key packages, such as the Nagpur-Mumbai Samruddhi Mahamarg, which included India's widest road tunnels shows the execution capabilities.

Industry

India’s construction Industry is growing faster than global: The Asia-Pacific region is expected to be the primary driver of global construction industry growth, owing to its large market size and robust expansion, led by strong growth in Southeast Asia and India. In contrast, Sub-Saharan Africa is forecast to be the fastest-growing region globally. Meanwhile, Latin America is projected to see a contraction in construction activity in the near term, while North America and Europe are anticipated to experience more modest growth. India is the world's fastest-growing large construction market.

Exhibit 12: India’s construction industry growth is higher than global construction Industry.

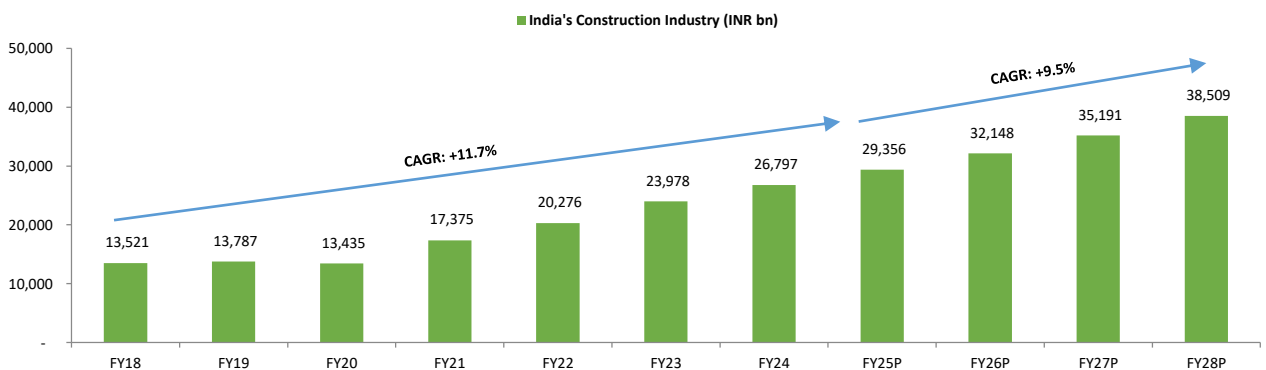


Source: Company reports, Arianth Capital Research

Indian Construction Industry: Indian Construction Industry has grown at a CAGR of 11.7% to INR 29,356bn in FY18-FY25P and expected to grow at a CAGR of 9.5% to INR 38,509 over the period of FY25P-28P. The growth is supported by high levels of urbanization, an expanding middle class, rising infrastructure investments, surging power demand and strong industrial growth.

- **Strong Government Investment:** A substantial and increased budgetary allocation for infrastructure, particularly in roads and railways, provides a solid foundation for growth. The government's continued emphasis on capex, supported by initiatives like the National Infrastructure Pipeline, Gati Shakti, and the Smart Cities Mission, ensures sustained demand for construction activity.
- **Rising Private and Foreign Investment:** The sector is witnessing a rebound in private capex, bolstered by strong FDI that has nearly doubled year-on-year. Recent reforms relaxing FDI regulations across various sub-sectors, including construction and real estate. Its making the market more attractive, bringing in much-needed capital and technical expertise.
- **Accelerated Urbanization:** Rapid urban population growth is fuelling demand for new housing, commercial real estate, and urban infrastructure. The increasing number of large cities creates a continuous need for construction projects, a trend actively supported by government urban development missions.

Exhibit 13: India’s construction industry is expected to grow at a CAGR of 9.5% over the period of FY25P-28P.

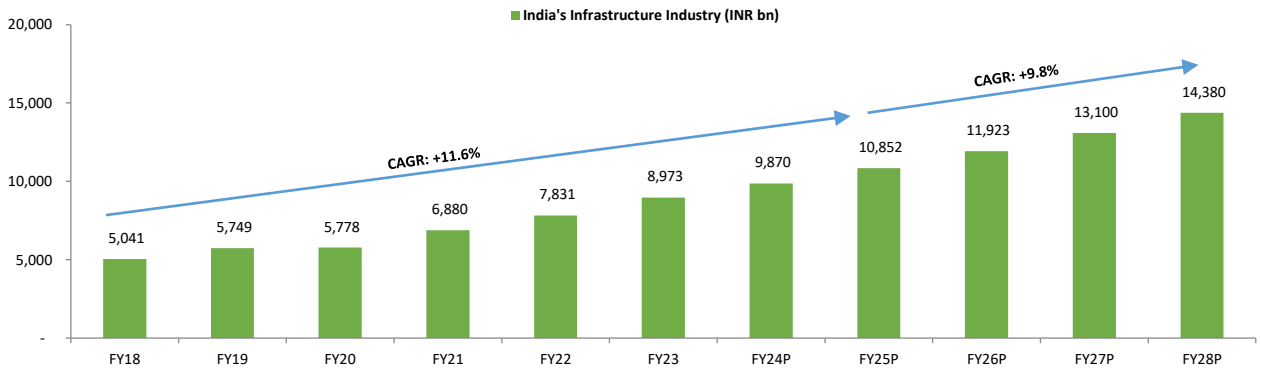


Source: Company reports, Arianth Capital Research

Industry

Indian Infrastructure Industry: Indian Infrastructure Industry has grown at a CAGR of 11.6% to INR 10,852bn in FY18-FY25P and expected to grow at a CAGR of 9.8% to INR 14,380bn over the period of FY25P-28P. This expansion will be fueled by consistent investment and by regulatory reforms under the "Make in India" initiative. These reforms are facilitating increased foreign and private sector participation, which in turn is expected to enhance financing options and operational efficiencies. The investment landscape is strengthening, supported by improved capacity utilization, a recovery in credit demand, and positive business sentiment.

Exhibit 14: India's Infrastructure Industry is expected to grow at a CAGR of 9.8% over the period of FY25P-28P.



Source: Company reports, Arianth Capital Research

Exhibit 15: Opportunities in Infrastructure sector

Sector	Subsector	No. of opportunities	Value of opportunities (\$bn)	Mode of implementation (No. of projects)
Roads & Highways		3824	409.9	EPC - 3040, PPP - 566, Private - 7, Not disclosed - 65, To be finalised - 113, Others - 33.
Railways	Railway Track	732	205.1	EPC - 578, PPP - 29, Private - 17, To be finalised - 76, Others - 32.
	Railway Terminal Infra	39	2.5	EPC - 21, PPP - 4, Private - 1, To be finalised - 3, Others - 10.
	Railway rolling Stock	75	46.2	EPC - 65, PPP - 6, Private - 0, To be finalised - 2, Others - 2.
Urban Infra	Metro	65	70.2	EPC - 50, PPP - 3, To be finalised - 11, Others - 1.
	Bus Terminals	61	2.6	EPC - 37, PPP - 17, To be finalised - 5, Others - 2.
	Regional Rapid Transport System	3	8.5	EPC - 3
	Integrated Transport Hub	13	9.8	EPC - 10, PPP - 3.
Energy	Energy Generation (Renewable)	450	214.6	EPC - 224, PPP - 51, Private - 25, To be finalised - 20, Others - 130.
	Energy Generation (Non-Renewable)	182	124.7	EPC - 100, PPP - 6, Private - 36, Others - 35.
Water	Water treatment plants	1522	68.6	EPC - 1415, PPP - 58, To be finalised - 31, Others - 18.
	Irrigation	673	158.2	EPC - 626, PPP - 4, To be finalised - 6, Others - 37.

Source: Company reports, Arianth Capital Research

Industry

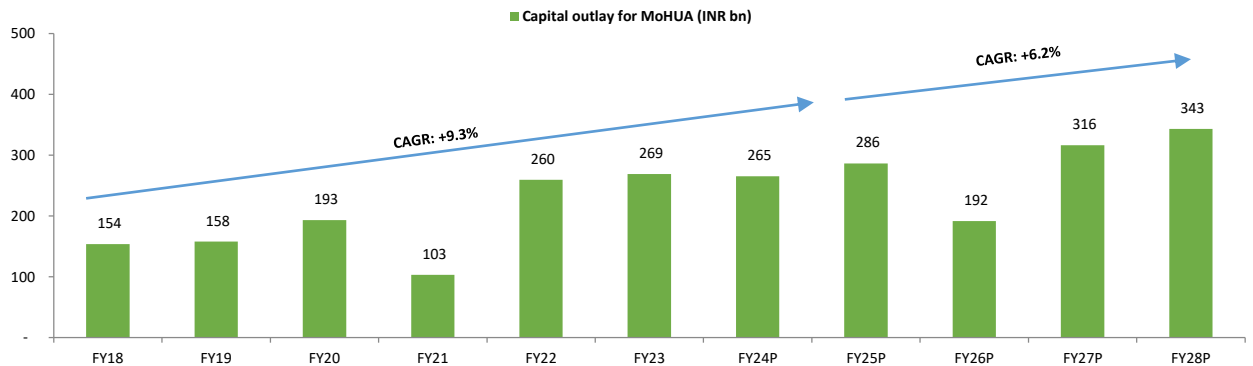
Exhibit 16: Capital Outlay of Core Infrastructure Ministries in India

Segments	Name of the Ministry	FY23A	FY24RE	FY25BE	FY26P	FY27P	FY28P	CAGR (FY23A-28P)
Infrastructure	Roads	2,060	2,645	2,722	2,276	2,504	2,754	6.0%
	Railways	1,593	2,400	2,520	1,760	1,936	2,129	6.0%
	Urban Infra	269	265	286	292	316	343	5.0%
	Ports	7	12	11	7	8	9	4.6%
	Power	0	1	11	0	0	0	8.4%
	Irrigation	2	3	4	2	2	2	3.3%
Industrial	Oil & Gas	-	0	11	12	12	13	4.0%
	Metals & Minig	1	1	1	1	1	1	3.1%
Total Capital Outlay of Core Infrastructure Ministries (INR bn)		3,931	5,328	5,566	4,349	4,779	5,251	6.0%

Source: Company reports, Arianth Capital Research

Indian Urban Infrastructure Industry: Urban Infrastructure consists of Metro, Smart City, Water Supply and Sanitation (WSS) projects and others. Urban Infrastructure capital outlay has grown at a CAGR of 9.3% to INR 286bn in FY18-FY25P and expected to grow at a CAGR of 6.2% to INR 343bn over the period of FY25P-28P.

Exhibit 17: India's Infrastructure Industry is expected to grow at a CAGR of 6.2% over the period of FY25P-28P.



Source: Company reports, Arianth Capital Research

The Union Budget 2024-25 outlines a multi-pronged strategy to bolster India's infrastructure, combining sustained central spending with mechanisms to catalyze private and state-level investment.

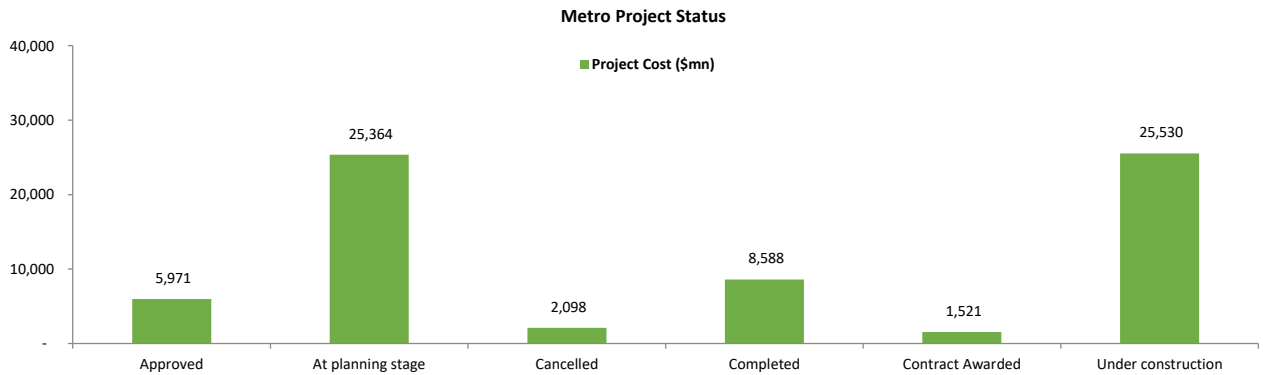
- **Sustained Central Expenditure:** A significant capital outlay of INR 11.1 trn (~3.4% of GDP) underscores the government's continued fiscal commitment to infrastructure development.
- **Catalyzing State & Private Investment:** The budget allocates INR 1.5 trn in interest-free loans to spur state-level infrastructure projects. To attract private capital, it promotes viability gap funding and a new market-based financing framework.
- **Major Urban Initiatives:** Two key announcements include:
 - **Urban Housing:** The PM Awas Yojana Urban 2.0 aims to build 10 mn homes with a total investment of INR 10 trn, supported by a central assistance of INR 2.2 trn and interest subsidies.
 - **Urban Services:** A focused program for 100 large cities will develop bankable projects for water supply, sewage treatment, and solid waste management in partnership with states and multilateral banks.

Industry

Metros: Rapid urbanization and increasing population density in Indian cities have challenges like traffic congestion and environmental pollution. The metro rail system has become a vital solution, offering a reliable, efficient, and sustainable mode of public transportation.

- **Pre-2014:** Only 5 cities had a metro, with a total of 248 km of network. Construction progressed at a slow pace of ~600 meters per month.
- **Present Day:** An additional 700 km has been commissioned, bringing the total operational length to 945 km across 21 cities. This remarkable growth has propelled India to possess the third-longest metro network in the world, after China and the United States, and it is on course to secure the second position globally.

Exhibit 18: The metro project cost is estimated around \$67bn.



Source: Company reports, Arianth Capital Research

Underground Metro: A Deeper Solution

The underground metro is a critical component of metro network, specifically engineered for dense, historic urban cores where narrow roads and sharp turns make elevated alignments impractical without significant demolition.

- **Higher Energy Consumption:** Energy consumption 10x more power than elevated systems, primarily for the Environmental Control System (ECS) and Tunnel Ventilation System (TVS).
- **Urban Space Preservation:** The primary advantage is the minimal visual and physical intrusion on the cityscape. This preserves the character of historic areas and avoids further congestion at street level.
- **Enhanced Livability:** By operating unseen, underground metros free up surface space for beautification, green cover, and reduced traffic, significantly improving the overall quality of urban life.

Sagarmala Program: The Sagarmala Program encompasses a robust pipeline of 839 projects, representing a combined investment of INR 5.8 trn, all slated for implementation by 2035. These initiatives are being advanced through a variety of funding mechanisms, including public-private partnerships (PPP), equity, and grants-in-aid. Around 262 projects with a cumulative value of INR 1.4 trn have been successfully completed, while the remainder are currently in various stages of development and execution.

Exhibit 19: Summary of projects under Sagarmala Program

Pillar	Completed		Under Implementation		Under Development		Grand total	
	No of Projects	Total Project Cost (INR bn)	No of Projects	Total Project Cost (INR bn)	No of Projects	Total Project Cost (INR bn)	No of Projects	Total Project Cost (INR bn)
Port Modernization	98	321	62	757	74	1,827	234	2,904
Port Connectivity	91	580	57	680	131	804	279	2,064
Port led Industrialization	9	459	3	93	2	8	14	559
Coastal Community Development	21	16	32	62	28	39	81	116
Coastal Shipping & IWT	43	30	63	47	125	70	231	146
Total	262	1,405	217	1,638	360	2,746	839	5,788

Source: Ministry of Ports, Company Reports, Arianth Capital Research

Industry

Hydro Power expansion for grid stability: The government has planned as significant expansion for hydropower by 2030. This initiative involves the development of 69 hydro schemes, which will contribute an aggregate installed capacity of ~55.65GW. Its also included 31 Pumped Storage Projects (PSP) representing 42.92GW of this total capacity, which focused on enhancing energy storage and grid balancing capabilities.

India's infrastructure development is underpinned by a extensive network of tunnels. The country has over 1,470 completed and operational tunnels spanning more than 3,400 km. The hydropower sector dominates with over 1,100 km, followed by metro rail (>840 km), and irrigation with over 550 km. The tunnel pipeline of over 1,140 tunnels covering ~1,750km, which are currently in planning or bidding stages.

Exhibit 20: Summary of Hydro (MW)

Particular (MW)	Central	State	IPPs	Total
FY25	800	320	-	1,120
FY26P	396	1,434	390	2,220
FY27P	4,918	490	-	5,408
FY28P	1,040	48	-	1,088
FY29P	1,022	300	-	1,322
FY30P	2,880	-	-	2,880
Total	11,056	2,592	390	14,038

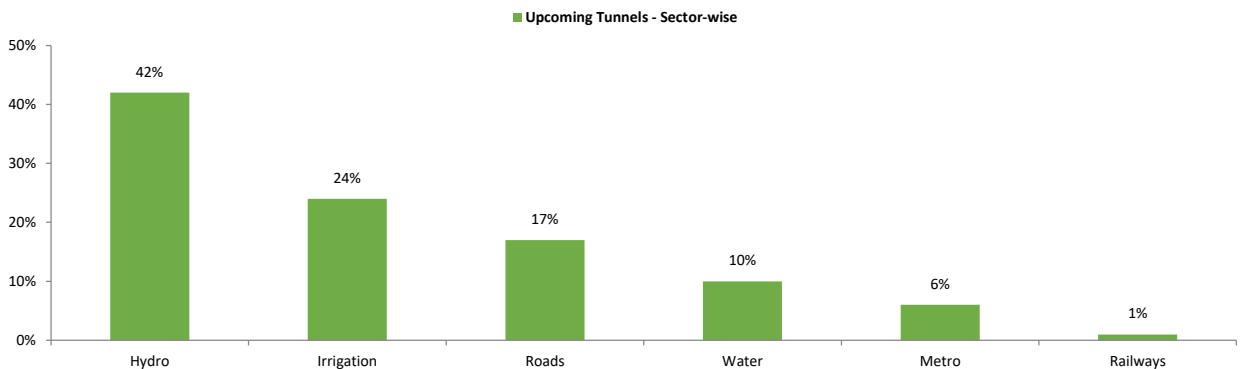
Source: MOP, Company reports, Arihant Capital Research

Exhibit 21: Summary of PSP (MW)

Particular (MW)	Central	State	IPPs	Total
FY25	1,000	-	1,200	2,200
FY26P	-	500	-	500
Total	1,000	500	1,200	2,700

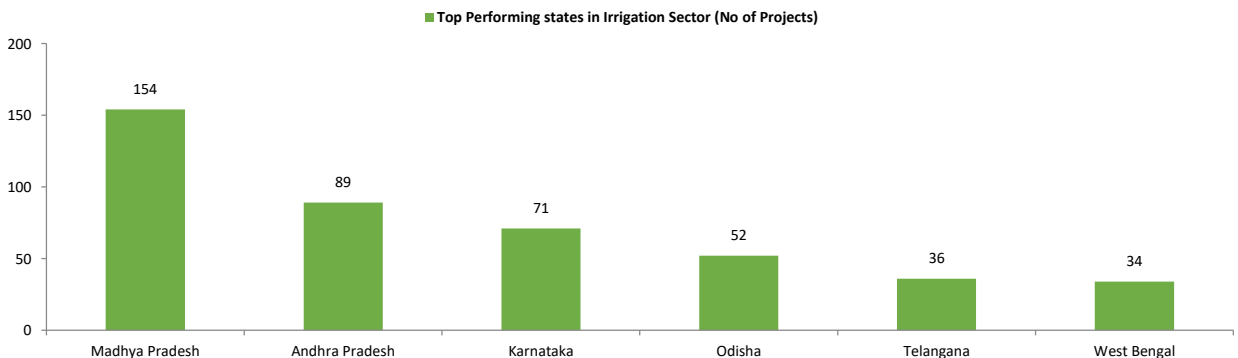
Source: MOP, Company reports, Arihant Capital Research

Exhibit 22: Hydro and Irrigation has the highest share of upcoming tunnels.



Source: Company reports, Arihant Capital Research

Exhibit 23: Madhya Pradesh has higher projects in the Irrigation sector.

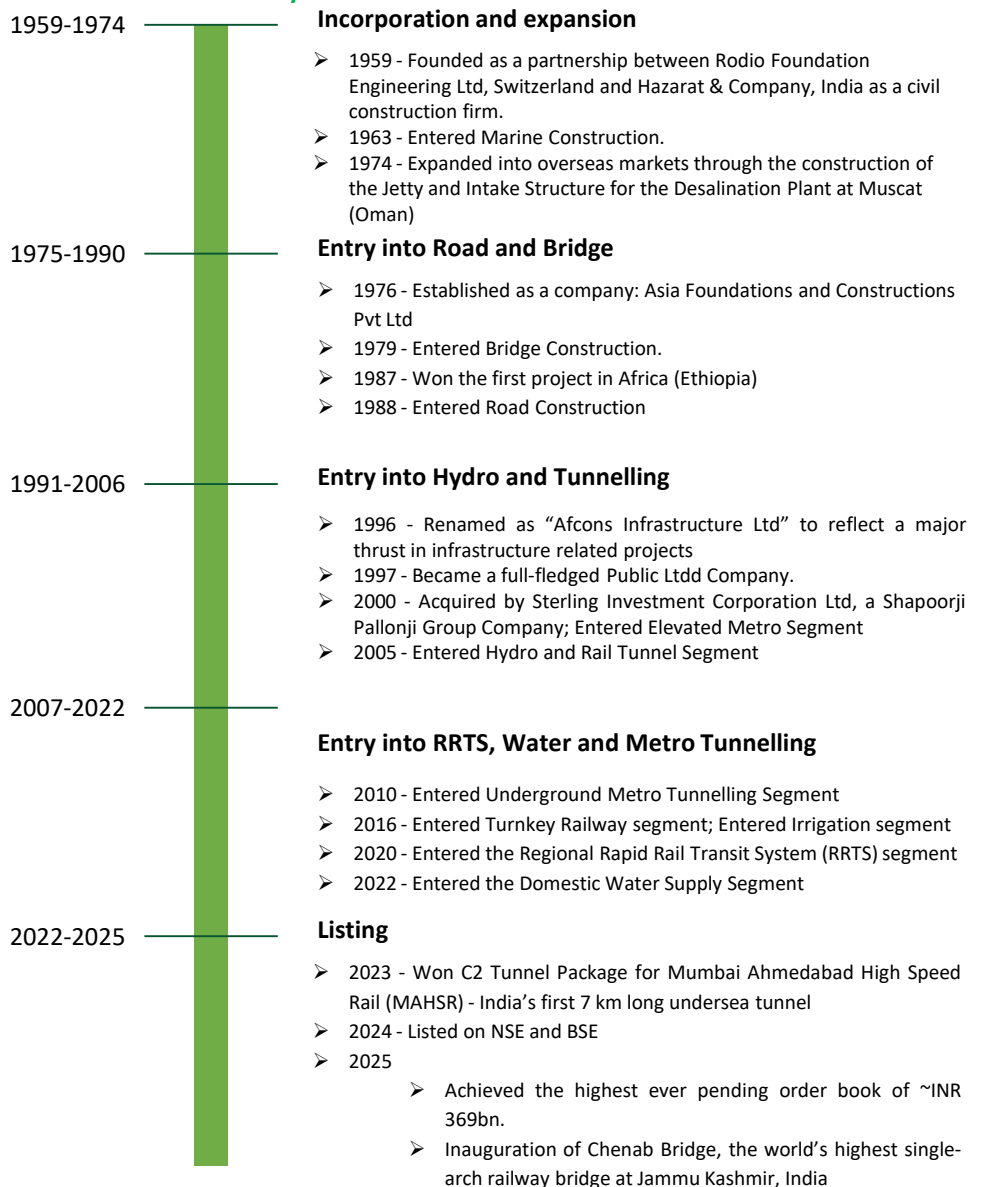


Source: Company reports, Arihant Capital Research

Business Overview

Afcons Infrastructure Ltd is a leading global EPC company and a flagship firm of the Shapoorji Pallonji Group. The company has a proven track record of executing large, complex projects across diverse infrastructure segments including marine, urban transport, hydro, surface transport, and oil & gas. The company has a significant international presence, with projects delivered in over 30 countries. The company is renowned for its extreme engineering capabilities, demonstrated by iconic projects like the Chenab Bridge, the world's tallest single-arch railway bridge, and India's first undersea rail tunnel for the Mumbai-Ahmedabad High Speed Rail. The order book stood at INR 353.1bn and an additional pipeline of INR 215.6bn, including new projects in Europe. The order book split stood at domestic (85%) and international (15%), aiming to increase international share to 30% over the medium term. The company strategy focuses on sustainable growth through selective bidding, operational excellence, and diversification into adjacent sectors like water tunnels and green energy, supported by its owned fleet of specialized equipment like Tunnel Boring Machines.

Afcons Infrastructure Journey



Projects Portfolio

Exhibit 24: The project portfolio includes Industrial, Institutional, Government & Government residential and Residential projects.

First of Its Kind Infrastructure Projects – World



Chenab Bridge
World's tallest single-arch railway bridge



Atal Tunnel
World's longest highway tunnel 3,000m above sea level



Sohar Jetty
One of World's deepest ports in Oman



Annaram Barrage
Part of World's largest multi-stage lift irrigation project



New Owendo International Port, Gabon
Fastest completion of port project in West Africa



Lusaka City Decongestion Project, Zambia
First city decongestion project in Africa



Ghana Rail
Ghana's largest railway project and the longest railway bridge in the country
First Bridge in Africa with raker pile foundations

First of Its Kind Infrastructure Projects – India



Kolkata Metro
India's 1st underwater tunnel; Howrah metro station is India's deepest metro station



Chennai Metro
One of India's largest underground metro station



JNPT, Mumbai
India's largest container port; Constructed 1 suspended deck wharf and 5 approach trestles



Nagpur Metro
India's 1st 4-layer transportation system at Gaddigodam Railway Crossing



MG Setu
1st time in India – replaced existing concrete superstructure with new steel superstructure



Kanpur Metro
Constructed in record time of less than 2 years despite the Covid-19 pandemic



Package 14, Igatpuri
India's widest and Maharashtra's longest road tunnel at Nagpur Mumbai Expressway



Jammu Udhampur
Fastest hill-road project completion in NHA's history



Heera Redevelopment Process Platform
1st Indian EPC contractor to install an offshore process platform using floatover technology

Key Ongoing Projects – India



GCPL
EPC of 2nd liquid cargo berth at Dahej, Gujarat



C2 HSR
21 kms Tunnel project with India's first undersea rail tunnel (7km) for Mumbai Ahmedabad High Speed Rail Corridor



Mumbai Pune Expressway Project – Missing Link
Construction of Missing Link and upgradation of existing road to 8 lane



Bilaspur Tunnel
Construction of multiple tunnels, bridges and formation works for Bhanupali-Bilaspur-Beri New Railway line in Bilaspur, Himachal Pradesh



Delhi Metro Phase IV
Construction of tunnels totaling 11.3km, 6 underground stations, 10 cross passages, 160m of ramp work and other miscellaneous work



Rural Water Supply, Uttar Pradesh
Implementation of various rural water supply projects with connections to 5.41 lakh houses in six tehsils of Jaunpur, UP



Kosi River Bridge
Construction of new 4 lane bridge across river Kosi including rehabilitation and upgradation of existing national highway in Bihar



Delhi – Meerut Rapid Transit System
Underground – Pkg 8: Construction of 7.1km tunnels and 3 UG stations
Elevated – Pkg 6: Construction of 10.57km elevated viaduct and 2 elevated stations



Bengaluru Metro Rail Project
Construction of 9.86km elevated viaduct, 6 elevated metro stations and 5 flyovers totaling 2.84km

Key Ongoing Projects – Overseas



Greater Male Connectivity – Maldives
Biggest Infrastructure Project in Maldives



Liberia Projects (Arcelor Mittal)
Multiple projects: Civil, Structural, Piping & Mechanical works in Liberia



Tanzania Water Supply Project Package 6
Construction, testing and commissioning of water supply schemes at Kayanga, Chato and Geita towns

Source: Company reports, Arianth Capital Research

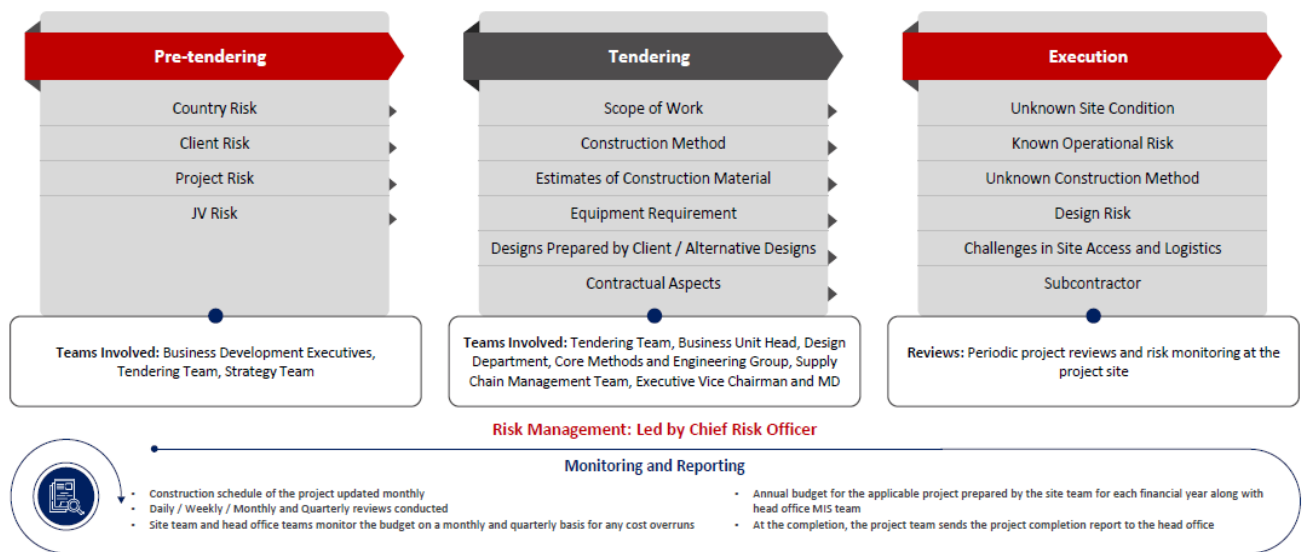
Key Projects

Exhibit 25: The company is doing capex of INR 11bn in FY26E for TBM and other strategic equipment's.

				
14 Marine Barges (200 – 1,200 tonne)	17 Tunnel Boring Machines (TBMs) +3 Pending Delivery	8 Large-capacity Jack ups (200–750 tonne)	145 Cranes	24 Jumbo drills

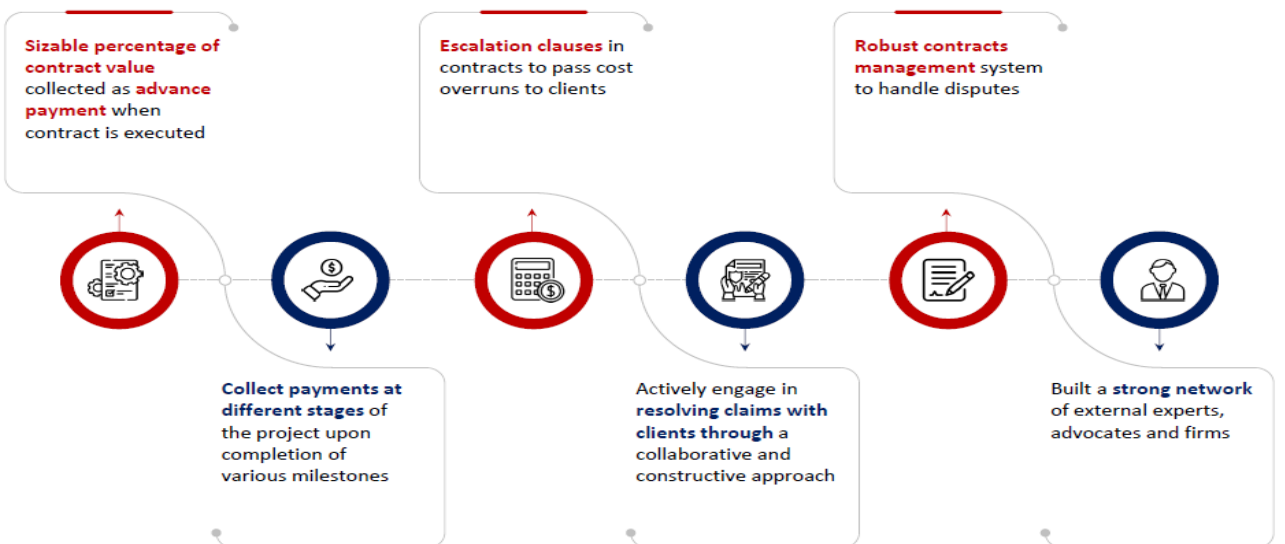
Source: Company reports, Arianth Capital Research

Exhibit 26: Risk management Architecture



Source: Company reports, Arianth Capital Research

Exhibit 27: Contract Management System



Source: Company reports, Arianth Capital Research

Board of Directors

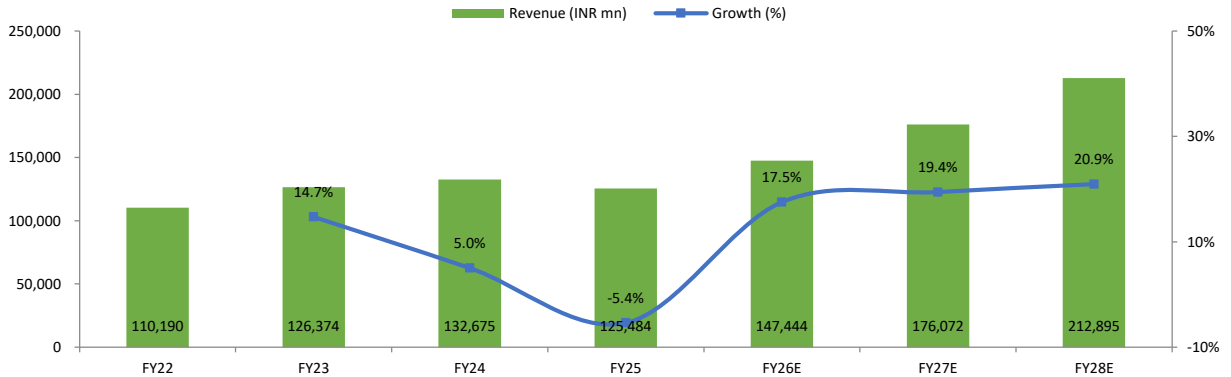
Personnel	Designation	Description
Mr. Shapoorji Pallonji Mistry	Chairman Emeritus	Part of the promoter group. On the board of Shapoorji Pallonji & Company Private Ltd and Forjatt Investment Corporation Private Ltd. He brings over 35 years of experience across construction, real estate, infrastructure, water, oil & gas, and renewable energy sectors.
Mr. Subramanian Krishnamurthy	Executive Chairman	An industry veteran with over 42 years in the construction and engineering sector. Expertise includes Project Planning, Execution, Budget Management, Contract Management, and Corporate Planning. Serves on the boards and academic councils of premier institutions like NICMAR, IIM Mumbai, and ITM Hyderabad.
Mr. Srinivasan Paramasivan	Managing Director	An alumnus of the University of Kolkata and a certified Associate of the Indian Institute of Bankers. A Fellow Member of ICM and ICSI. He plays a key role in finance, secretarial, and legal affairs, with over 40 years of experience. Also serves as Co-Chairperson of FICCI's Infrastructure Committee.
Mr. Giridhar Rajagopalan	Deputy Managing Director	He has an extensive career spanning 46 years in methods and technology sectors. He leads the Design, Methods, Quality, Safety, ISO, Technical Training, and Knowledge Management departments. A member of the Board of Institute of Lean Construction Excellence (ILCE).
Mr. Pallon S. Mistry	Non-Executive Director	He has completed Master's degree in strategic marketing from imperial College, London. He joined the SP group in 2015, and focused on building an agile organization keeping the SP group future-ready by leveraging the latest global developments in business for sustainable growth.
Mr. Firoz Cyrus Mistry	Non-Executive Director (Additional Director)	He has completed Liberal Arts degree from Yale University, USA. He has expertise in strategy, governance frameworks, capital allocation, and risk oversight. He also sits on the boards of group holding companies and is a designated partner in venture LLPs.
Mr. Umesh Narain Khanna	Non-Executive Director	He has 42 years of experience. His prior roles include CEO and Director on the Board of Bharat Forge-NTPC Energy Systems Ltd, a joint venture between NTPC Ltd. and Bharat Forge Ltd.
Mr. Santosh Balachandran Nayar	Independent Director (Additional Director)	He has 40 years of experience in project finance, banking, and insurance. He was Former Deputy Managing Director & Group Executive (Corporate Banking) at State Bank of India. He was Former MD & CEO of IFCI Ltd and CMD of India Infrastructure Finance Company Ltd. He serves as an independent director on several boards in power, finance, and infrastructure.
Mr. Anurag Kumar Sachan	Independent Director	He has a strong track record of 37 years in Project & Contract Management, Bidding, Arbitration, Freight Operation, Maintenance, and Human Resource Development. A Fellow of Technical Arbitrators and a member of the Chartered Institute of Logistics & Transport – India.
Mr. Sitaram Janardan Kunte	Independent Director	He is the Governor of the National Institute of Securities Markets (NISM), created by SEBI, and a member of the Academic Council, IIM Mumbai. Empaneled as an Administrator by the Hon. Bombay High Court and NHPC. A retired IAS officer previously associated with the Government of Maharashtra.
Ms. Rukhshana Jina Mistry	Independent Director	She brings over 34 years of experience as a practicing Chartered Accountant.
Mr. Atul Sobti	Independent Director	He brings 45 years of expertise in Corporate Governance, Marketing & Business Development, Project Management, Engineering, and R&D. He has prior experience as Chairman & Managing Director of Bharat Heavy Electricals Ltd (BHEL).
Mr. Cherag Sarosh Balsara	Independent Director	He has 32 years of experience, and handles commercial and corporate disputes, arbitration matters, and numerous redevelopment projects in Mumbai. A practicing Counsel specializing in civil litigation in the Bombay High Court, Supreme Court, and the National Company Law Tribunal (NCLT).

Source: Company, Arihant Capital Research

Financial Analysis

Revenue is expected to grow at a CAGR of 19.3% over the period of FY25-28E: The company is targeting revenue growth of 20%-25% YoY in FY26E, while Q1FY26 revenue growth stood at 6.8% YoY, however execution is expected to accelerate in the remaining three quarters. The substantial pickup is expected from H2FY26E, driven by fast-track orders with short execution timelines that were secured during the year. The company has diversified portfolio of projects, allowing it to ramp up execution in one area if another faces temporary headwinds. The expected conversion of its large L1 pipeline of INR 215.6bn, will inject new executable projects. We anticipate, revenue growth of 17.5% YoY in FY26E due to challenges, such as delayed TBM deliveries for the High-Speed Rail project and payment delays in the water segment.

Exhibit 28: Revenue is expected to grow at a CAGR of 19.3% over the period of FY25-28E.



Source: Company reports, Arianth Capital Research

Exhibit 29: L1 Pipeline and Status

Project	Segment	Geography	Estimated Value (INR bn)	Status
Nagpur-Gondia (2 road packages)	Surface Transport (Roads)	India (Maharashtra)	~52	L1 since Sept 2024. Awaiting land acquisition to reach 90% threshold.
Pune Ring Road (2 tunneling packages)	Urban Infrastructure (Tunnels)	India (Maharashtra)	~48	L1 since Jan 2025. Land acquisition ~100% complete. Award expected imminently.
Croatia Projects (2 road & tunnel packages)	Surface Transport	Europe (Croatia)	~45	L1. Marks Afcons' entry into Europe. Formal award expected within 120 days.
Croatia Railway Project	Surface Transport (Railways)	Europe (Croatia)	~68	L1. Formal award expected within 120 days.
Total L1 Pipeline			~215	

Source: Company reports, Arianth Capital Research

Exhibit 30: The company has bidding pipeline of INR 3,350bn over the next 2 years.

Segment	Pipeline Value (INR bn)	Key Project Types in Pipeline
Urban Infrastructure	1,400	Metros (elevated & underground), Bridges, Elevated Corridors
Hydro & Underground	800	Dams, Barrages, Tunnels (road & rail), Water Supply Projects
Surface Transport	700	Highways, Roads, Railway Projects
Marine & Industrial	450	Ports, Harbours, Jetties, Dry Docks, LNG Tanks
Total Pipeline	3,350	

Geographical Split	Pipeline Value (INR bn)	Key Project Types in Pipeline
Domestic (India)	~2,233 (2/3)	Projects across all segments, driven by government capex.
International (Overseas)	~1,117 (1/3)	Focus on Middle East, Africa, and new geographies like Europe.

Source: Company reports, Arianth Capital Research

Financial Analysis

Total expenditure in terms of sales is expected to reduce going forward: The raw materials that are physically incorporated into the projects, such as cement, steel, aggregates, and other construction materials. The cost here is subject to market fluctuations in commodity prices. The company has improved profitability in Q1FY26, due to optimization of material costs in certain projects, indicating active procurement and cost optimization strategies to mitigate price volatility. The company is investing significantly in training, with over 359,775 man-hours of training in FY25. The increase in employee costs are reflection both annual appraisals and the company's growth, requiring more personnel to manage its expanding order book. The company is successfully optimizing expenses through better project management, strategic procurement, and value engineering, even as it navigates challenges like commodity price swings and working capital pressures.

Exhibit 31: Raw material costs are reduced from 31.5% (FY22) to 29.4% in FY25; Construction cost also reduced from 49% (FY22) to 46.9% (FY25), while employee costs elevated over the period of FY20-25.

Particular (INR mn)	FY22	FY23	FY24	FY25
Raw Material Cost	31,763	38,517	40,125	32,901
Construction expenses	49,396	52,007	52,940	52,461
Employee Cost	10,850	12,982	13,834	14,351
Insurance charges	1,122	1,461	1,698	1,566
legal and professional charges	2,045	1,901	2,926	1,586
Security charges	635	826	992	1,006
Rent/hire charges	424	583	771	816
Repairs and Maintenance	490	753	811	701
Water and electricity	113	184	230	213
Payments to auditors	16	16	26	76
CSR	-	-	2	28
Donations and contributions	4	64	10	12
rates and taxes	839	887	967	860
Miscellaneous Expenses	686	939	744	785
Other Expenses	2,446	2,148	2,948	4,561
Total Expenditure	100,829	113,268	119,025	111,925

Expenses as a % of sales	FY22	FY23	FY24	FY25
Raw Material Cost	31.5%	34.0%	33.7%	29.4%
Construction expenses	49.0%	45.9%	44.5%	46.9%
Employee Cost	10.8%	11.5%	11.6%	12.8%
Insurance charges	1.1%	1.3%	1.4%	1.4%
legal and professional charges	2.0%	1.7%	2.5%	1.4%
Security charges	0.6%	0.7%	0.8%	0.9%
Rent/hire charges	0.4%	0.5%	0.6%	0.7%
Repairs and Maintenance	0.5%	0.7%	0.7%	0.6%
Water and electricity	0.1%	0.2%	0.2%	0.2%
Payments to auditors	0.0%	0.0%	0.0%	0.1%
CSR	0.0%	0.0%	0.0%	0.0%
Donations and contributions	0.0%	0.1%	0.0%	0.0%
rates and taxes	0.8%	0.8%	0.8%	0.8%
Miscellaneous Expenses	0.7%	0.8%	0.6%	0.7%
Other Expenses	2.4%	1.9%	2.5%	4.1%
Total Expenditure	100.0%	100.0%	100.0%	100.0%

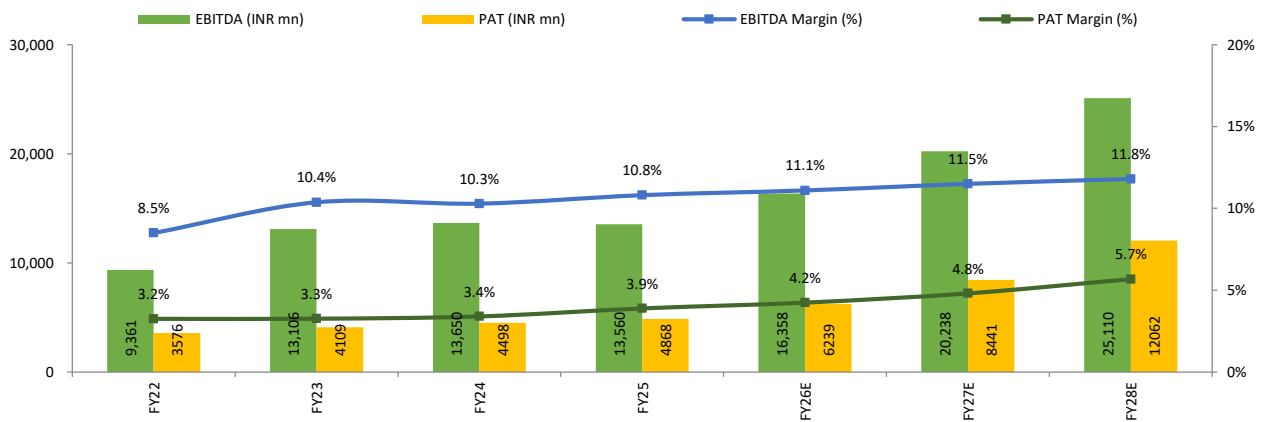
Source: Company Reports, Arihant Capital Research

Financial Analysis

Improvement expected in margin levels: The company is leveraging complex, technically challenging and high margin projects where few competitors can bid, reducing price-based competition. The projects include long and difficult tunnels, such as the undersea section for the Mumbai-Ahmedabad High Speed Rail, or specialized marine works like the Greater Male Connectivity Project. The company can command a premium for its unique expertise and owned equipment, such as its fleet of Tunnel Boring Machines. In international projects, particularly those funded by multilateral agencies like the recent Croatia contracts, offer healthier margins due to better contractual terms, interest-free mobilization advances, and clearer dispute resolution mechanisms. The company also benefits from margin expansion in existing projects through value engineering and recent GST reductions.

Standardized projects, such as straightforward road construction or building segments of elevated corridors, are highly competitive and margins are lower. The company is also facing payment delays in domestic water projects, specifically the Jal Jeevan Mission in Uttar Pradesh. The delays in client payments may not impact EBITDA margins, but an increase in finance cost required to fund the working capital gap would reduce PAT margins. The company is focused on balanced portfolio of complex projects that carry higher margins to subsidize the more competitive, low margin projects that provides steady revenues. We anticipate, EBITDA margins would in the range of 11%-12% going forward.

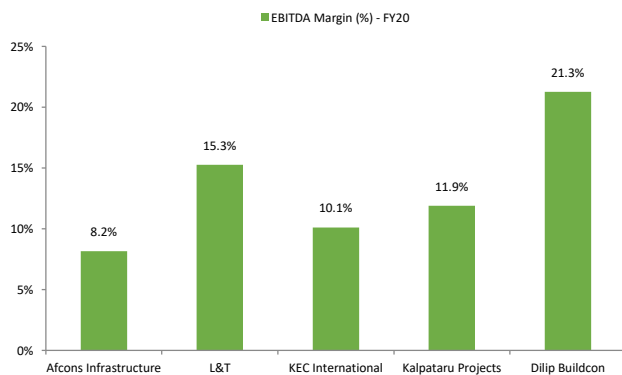
Exhibit 32: EBITDA and PAT margins are expected to 11.1% in FY26E and further improvement expected gradually.



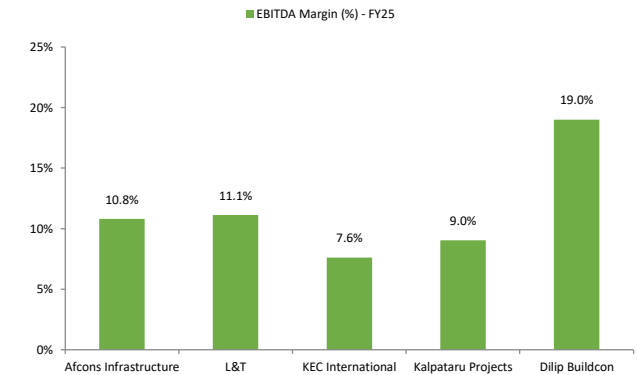
Source: Company reports, Arianth Capital Research

Exhibit 34: Afcons margins increased to 10.8% in FY25, due to balancing complex high margin projects and faster executable low margin projects.

Exhibit 33: Afcons margins were lower in FY20.



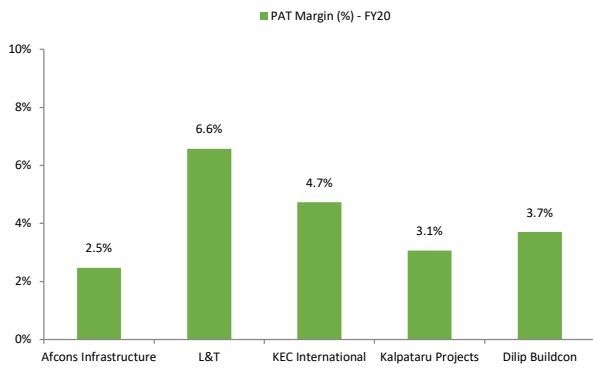
Source: Company reports, Arianth Capital Research



Source: Company reports, Arianth Capital Research

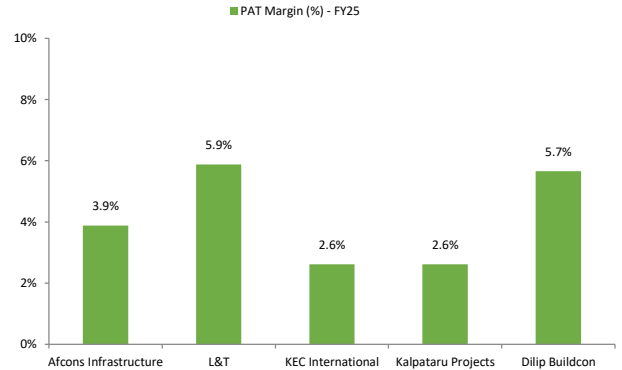
Financial Analysis

Exhibit 35: Afcons margins were lower in FY20.



Source: Company reports, Arihant Capital Research

Exhibit 36: Afcons PAT margins improved significantly to 3.9% in FY25.

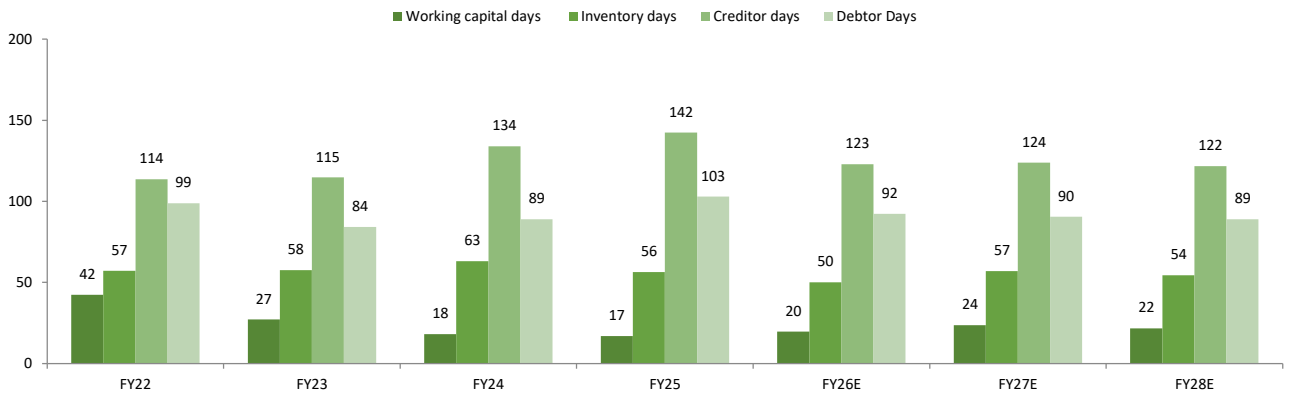


Source: Company reports, Arihant Capital Research

Working Capital Cycle to Improve: The working capital elongated due to delays in Uttar Pradesh Jal Jeevan Mission, where there are significant delays in the certification of completed work and the subsequent release of payments. Around INR 4.22bn in gross receivables were stuck and unable to be recycled to fund new materials or other projects. The company was forced to bridge this funding gap by drawing on working capital loans from banks, which leads to higher debt levels and increased finance costs.

The company is actively engaged with clients to expedite certification and payments. The company also strategically manages front-end of the cycle by negotiating favorable contract terms, such as seeking sizable mobilization advances. The Croatia projects which come with interest-free mobilization advances, providing cash at the start of the cycle. We anticipate, working capital would improve from Q2FY26E due to water project payments and the receipt of sizable advances from new projects.

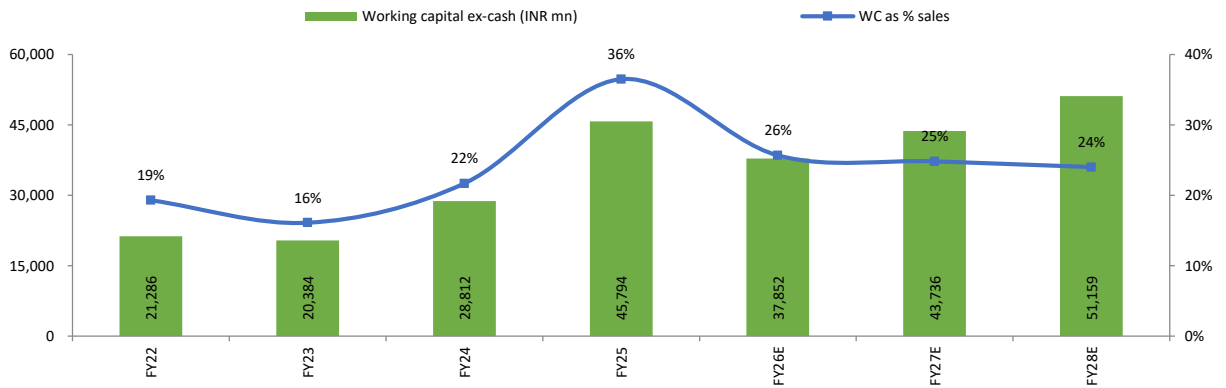
Exhibit 37: Working Capital cycle to be improve going forward.



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit 38: Working capital in-terms of sales are expected to be around 25% or less going forward.

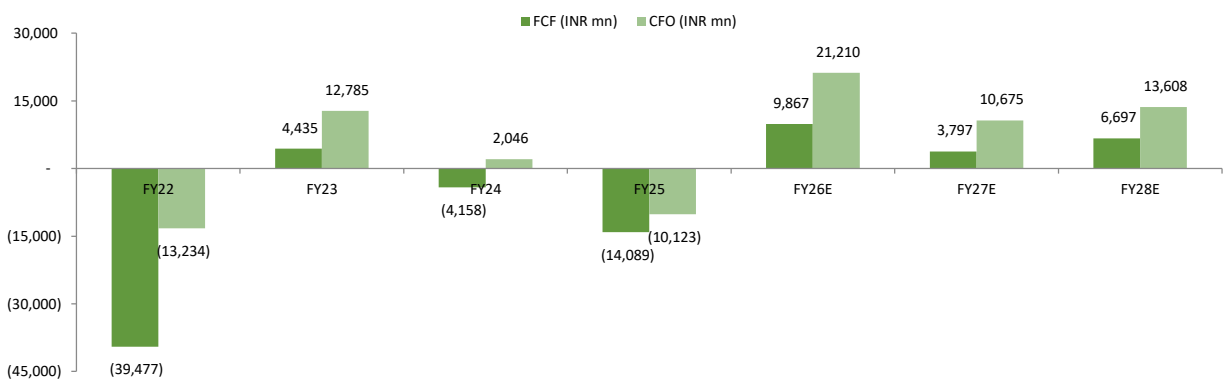


Source: Company reports, Arihant Capital Research

Improvement of Cash flow generation: The capex is expected INR 11bn in FY26E, to acquire specialized equipment like Tunnel Boring Machines (TBMs). The upfront cash outflow would be capitalized and depreciated over time. These assets provide a competitive advantage and reduces long-term operational costs, but it requires substantial initial funding. The mobilization advance received from international projects, majorly interest free advances provide cheap funding. The value of work completed and eligible to be billed, but yet to be certified by client’s engineers leads to unbilled revenue which happened in Jal Jeevan Mission projects. We anticipate, the certification is expected to happen from Q2FY26E and receivables would flow gradually going forward.

The contract asset stood at INR 54.49bn and Trade receivables stood at INR 27.79bn shows, the business consumed more cash than the business is generating from its profits. The cash trapped in unbilled-to-receivable, must be funded. The company has to bridge the gap through working capital loans which increases finance cost and reduced bottom-line. The company is focused on resolving certification bottlenecks, securing new projects with better payment terms like the Croatia projects which will improve future cash flow cycles.

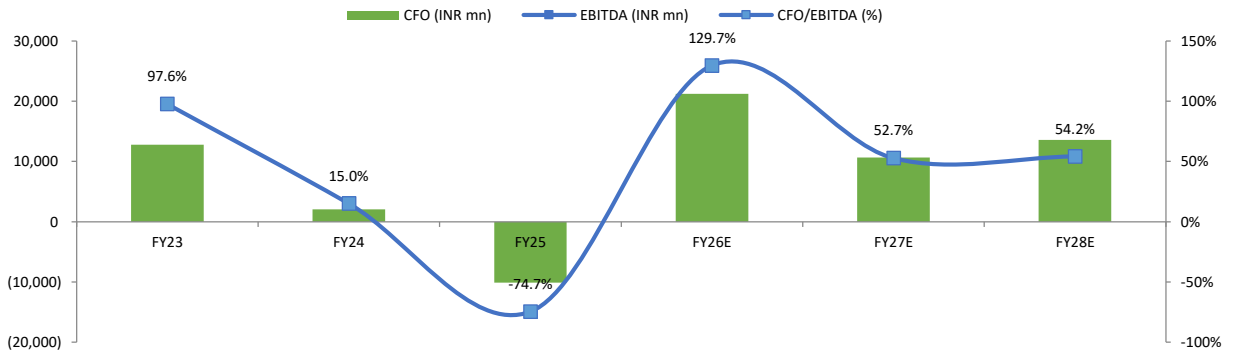
Exhibit 39: Jal Jeevan Mission projects payments are expected to release from Q2FY26E onwards and cash flows are expected to improve from FY26E onwards.



Source: Company reports, Arihant Capital Research

Financial Analysis

Exhibit 40: The payments from water-related projects is expected from Q2FY26E onwards and new international projects has better contract terms, that are expected to improve the cash flow going forward.

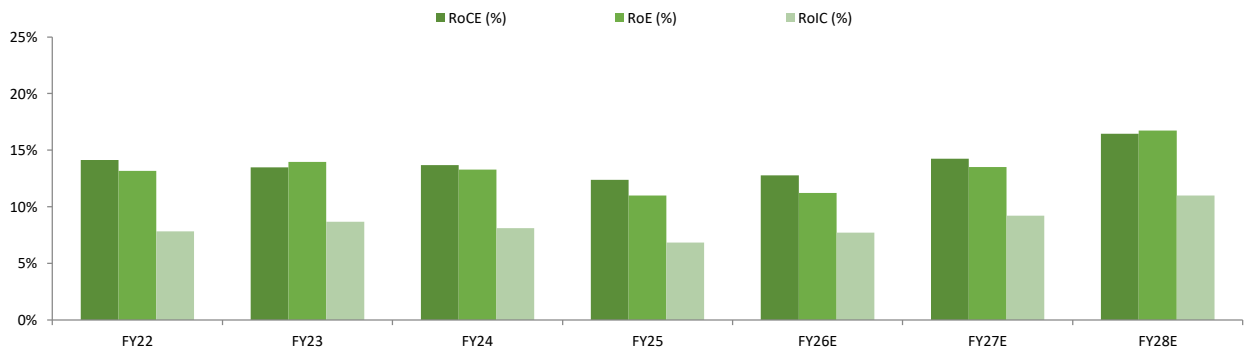


Source: Company reports, Arianth Capital Research

Return ratios to Improve: In comparison to revenue growth of 19.3%, and EBIT growth of 25%, capital employed is expected to grow by 9.4% over the period of FY25-FY28E.

Due to the healthy EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly going forward. We estimate RoCE to expand from 12.4% in FY25 to 16.5% in FY28E. RoIC to improve from 6.9% in FY25 to 11% in FY28E and RoE to improve from 11% in FY25 to 16.7% in FY28E.

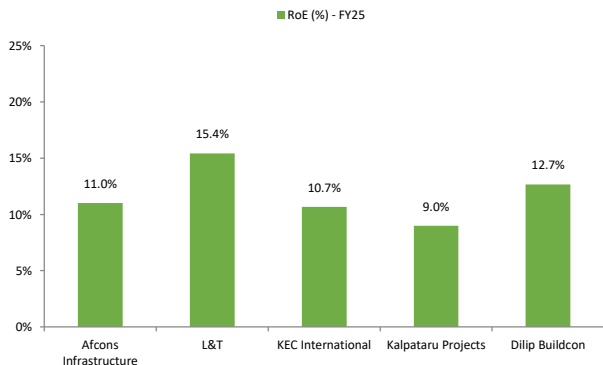
Exhibit 41: Working capital improvement, execution efficiency and recovery in margins would improve the return ratios going forward.



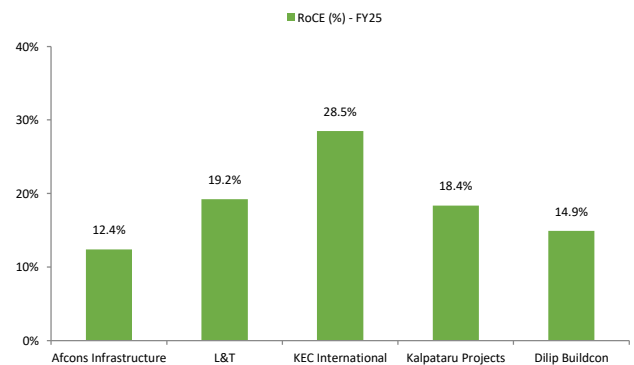
Source: Company reports, Arianth Capital Research

Exhibit 42: Afcons RoE was slightly lower in FY25, however execution efficiency will improve profitability and RoE going forward.

Exhibit 43: The delay in collections and cost overruns impacted working capital & profitability, and expected to recover gradually.



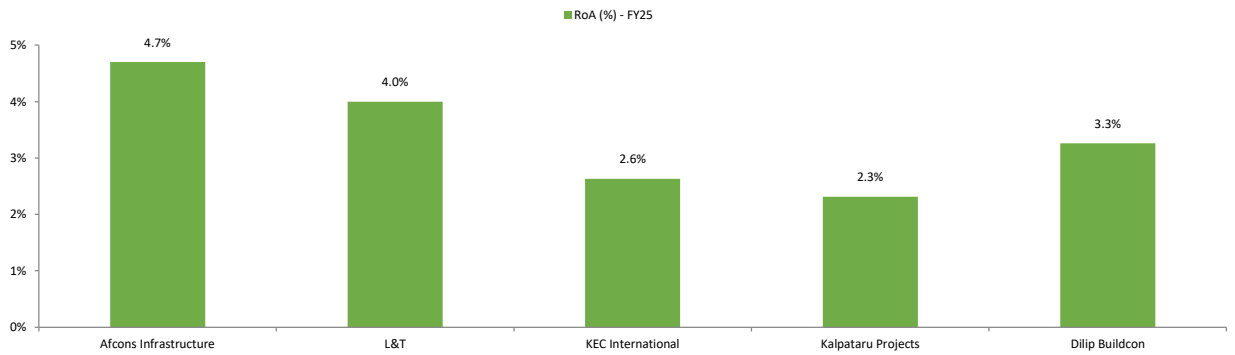
Source: Company reports, Arianth Capital Research



Source: Company reports, Arianth Capital Research

Financial Analysis

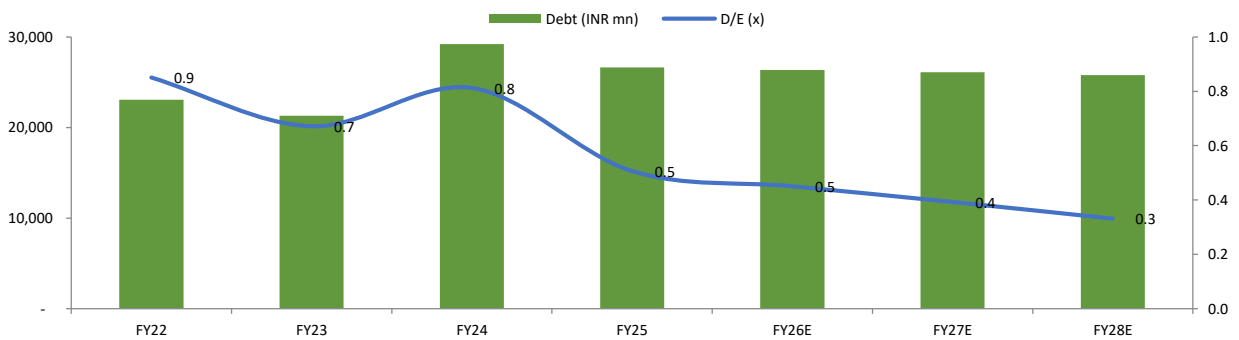
Exhibit 44: Afcons Infrastructure has better RoA compared to competitors.



Source: Company reports, Arianth Capital Research

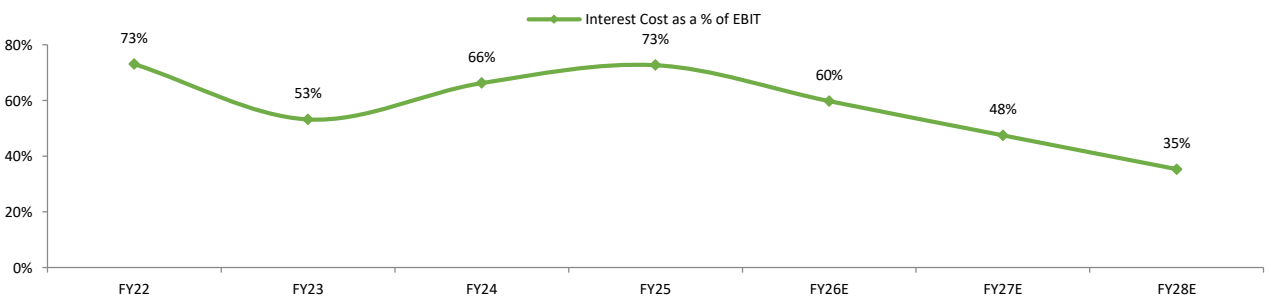
Maintaining debt levels through cash flows: The gross debt stood at INR 32.21bn and net-debt stood at INR 25bn as of Q1FY26. The debt funding is for strategic capex and bridging the gap created by its project execution cycle. The company is in investment phase, allocating funds towards new equipment’s and funding working capital for its expanding order book. International projects, such as the newly secured contracts in Croatia and the ongoing Greater Male Connectivity Project in the Maldives, are typically characterized by healthier financial terms. These projects come with interest-free mobilization advances, which provide cash at the start of the project cycle without incurring interest costs. This improves cash flow and keeps finance costs down. Historically, domestic projects about 75% of mobilization advances were interest-free. Recently, this composition has reversed for new domestic awards, with about 37% of advances now being interest-bearing. This inefficient structure, coupled with payment delays in projects like the Uttar Pradesh Jal Jeevan Mission, forces the company to take on more working capital debt, thereby increasing the overall finance cost. The cost of funds are around 9%. The company is working on issuing commercial papers to refinance more expensive working capital loans, taking advantage of lower short-term interest rates. The company is focused to maintain debt-to-equity at manageable levels, optimize the cost of existing debt through refinancing, and gradually improve the situation by securing more projects with favorable, international-style payment terms that inherently reduce the need for expensive working capital borrowing.

Exhibit 45: Afcons Infrastructure’s Debt to Equity is expected to maintain going forward.



Source: Company reports, Arianth Capital Research

Exhibit 46: Interest cost as a % of EBIT is expected to reduce going forward.



Source: Company reports, Arianth Capital Research

Key Risks

Risk	Impact	Mitigation
Industry & Economic	Exposure to inherent risks of the global infrastructure sector.	The company is implementing a systematic, company-wide risk management system to ensure all decisions are risk-informed.
Project Bidding	Failure to win new contracts, impacting growth and financial results.	A specialized team evaluates all new bids for risks throughout the entire project lifecycle to maintain a high-quality project portfolio.
Execution & Safety	Operational hazards (accidents, equipment failure, natural disasters) causing injury or damage.	The company is maintaining comprehensive insurance coverage for assets, operations, and third-party liabilities.
Foreign Currency	Financial loss from fluctuations in foreign exchange rates.	The company is forecasting foreign currency cash flows and hedging exposure.
Interest Rate	Increased financing costs from borrowings at floating interest rates.	The company is using interest rate swaps and other hedging transactions to manage exposure.
Counterparty Default	Customers or partners failing to meet their financial obligations.	The company is assessing and managing risk through a robust internal credit evaluation system.
Disputed Claims	Inability to recover revenues from disputed customer claims.	The company is using technical and legal experts to assess recoverability and pursue settlements or legal resolution.
Liquidity	Difficulty in meeting financial obligations when they are due.	The company is maintaining adequate cash reserves and banking facilities, and continuously monitoring cash flow maturity profiles.
Cost Overruns	Rising material costs on fixed-price contracts with no escalation clauses.	The company is focusing on cost management via an "asset-right" equipment strategy and accurate initial project pricing.

Source: Company reports, Arianth Capital Research

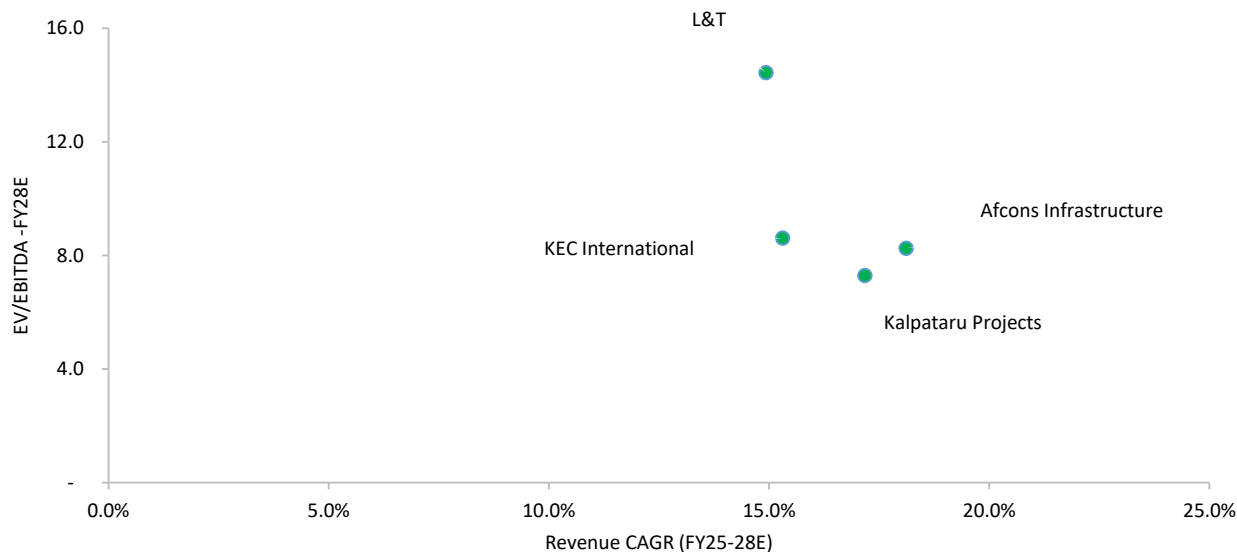
Peer Comparison

Exhibit 47: Peer comparison based on Area of operation and Geographical presence.

Company Name	Area of operation	Geographical presence
Afcons Infrastructure	Marine and Industrial, Surface Transport, Urban Infrastructure, Oil & Gas, Hydro and Underground.	30 countries across South Asia, Africa, Middle East and CIS
L&T	Infra Projects (Buildings and Factories, Transportation Infrastructure, Heavy Civil Infrastructure, Water and Effluent Treatment, Power Transmission and Distribution, Minerals & Metals), Energy Projects, Hi-Tech Manufacturing and Others. The Others segment comprises Realty, Construction & Mining Machinery, Rubber Processing Machinery, Smart World & Communication and E-commerce/Digital Platforms and Data Centers.	Over 30 countries around the world.
KEC International	Transmission and Distribution, Railways, Civil, Urban Infrastructure, Oil & Gas Pipelines, Cables and Solar.	Across 6 continents in over 110 countries.
Kalpataru Projects International	Power Transmission and Distribution, Water, Buildings and Factories, Railways, Urban Infrastructure, Oil & Gas and Biomass.	Across 5 continents in 73 countries.
Dilip Buildcon	Roads and Highways, Rails and Metro, Airport, Mining, Irrigation, Special Bridges, Urban Development.	Present in 19 states and 1 union territory of India.

Source: Company reports, Aриhant Capital Research

Exhibit 48: Afcons Infrastructure has attractive valuation based on Revenue growth and EV/EBITDA.



Source: Bloomberg, Aриhant Capital Research

Outlook & Valuation: Afcons Infrastructure has a strong order book of INR 353.1bn (~2.8x of FY25 revenue), which provides revenue visibility over the medium term. The order book is well diversified across segments such as urban infrastructure (54%), hydro & underground (25%), marine & industrial (13%), surface transport (5%), and oil & gas (3%). Geographically, 85% of the order book is domestic, with the remaining 15% from international projects. The company aims to increase the share of its international order book to 30% over the medium term, which should de-risk the business and enhance profitability. The company secured new orders worth INR 10.93bn in Q1FY26 and currently holds L1 status for projects valued at INR 215.6bn, which includes significant contracts in Maharashtra and new ventures in Croatia. The Croatia projects were bid at attractive margins, are backed by European funding institutions, and come with favorable contractual terms, including interest-free mobilization advances.

The order inflows are expected to be INR 200-250bn in FY26E, with potential upside from the conversion of L1 positions and new bids. The pipeline of addressable projects estimated at INR 3,350bn over the next two years, spanning both domestic and international markets. This pipeline is spread across the company's core segments, including urban infra (INR 1,400bn), hydro & underground (INR 800bn), surface transport (INR 700bn), and marine & industrial (INR 450bn). The conversion of the current L1 pipeline of INR 215.6bn, which includes the Croatia projects and key domestic packages like the Pune Ring Road tunnels, is anticipated to inject fresh, executable projects into the system, further bolstering business visibility.

The company has a planned capex of INR 11bn in FY26E. The capex for strategic equipment, including tunnel boring machines (TBMs), barges, and cranes. The ownership strategy provides a significant technological and execution edge. It also reduces reliance on the volatile rental market and ensures availability for critical project milestones, thereby enhancing operational efficiency and bidding competitiveness.

The company faces near-term challenges, including working capital pressures, primarily from payment delays in specific state projects like the Uttar Pradesh Jal Jeevan Mission, where receivables of INR 4.22bn are pending. The company is engaged in resolving certification and payment bottlenecks, and an improvement is expected from Q2FY26E onwards. The new international projects with superior payment terms will inherently improve the working capital cycle going forward. The company's debt levels are manageable, and the average cost of debt stood at 9%. The company is proactively working on optimizing its cost of debt through instruments like commercial papers to refinance more expensive working capital loans. The promoter group (SP group) is addressing the promoter pledging and debt issue by planning the monetization of assets. They are also in talks with Tata Sons for a settlement, which would help with debt reduction.

The company is targeting revenue growth of 20%-25% in FY26E, driven by acceleration in project execution starting in the H2FY26E, supported by the conversion of its large L1 pipeline and the resolution of pending issues in key projects like the Mumbai-Ahmedabad High Speed Rail. EBITDA margins are expected to stabilize and gradually improve to around 11%-12%, aided by a favorable project mix, cost optimization efforts, and the contribution from the higher-margin international contracts. The company is continuously exploring new segments such as water tunnels, green energy infrastructure, and urban mobility projects. We are estimating, revenue CAGR of 19.3% for FY25-FY28E, and RoE is expected to improve from 11% (FY25) to 16.7% in FY28E. The stock is trading at an EV/EBITDA of 10.7x based on FY26E EBITDA. At the CMP of INR 440 per share, we initiate a "BUY" rating at a TP of INR 693 per share; valued at an EV/EBITDA of 10x (Historical median EV/EBITDA: 10.1x) and its FY28E EBITDA of INR 25,110mn; an upside of 57.5%.

Valuation based on EV/EBITDA - FY28E

EBITDA (INR mn)	25,110
EV/EBITDA (x)	10
EV (INR mn)	251,098
Debt (INR mn)	25,795
Cash (INR mn)	21,954
Market Cap (INR mn)	254,939
Shares (mn)	368
Target Price (INR)	693
CMP (INR)	440
Upside/Downside (%)	57.5%

Source: Arianant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	126,374	132,675	125,484	147,444	176,072	212,895
Net Raw Materials	90,524	93,065	85,362	98,885	117,732	141,929
Employee Cost	12,982	13,834	14,351	16,911	20,019	24,099
Other Expenses	9,762	12,126	12,212	15,290	18,082	21,758
EBITDA	13,106	13,650	13,560	16,358	20,238	25,110
EBITDA Margin (%)	10.4%	10.3%	10.8%	11.1%	11.5%	11.8%
Depreciation	(4,716)	(4,945)	(4,911)	(6,174)	(7,544)	(8,232)
Interest expense	(4,467)	(5,773)	(6,292)	(6,094)	(6,031)	(5,967)
Other income	2,067	3,794	4,744	4,386	4,622	5,216
Profit before tax	5,991	6,726	7,100	8,477	11,285	16,126
Taxes	(1,882)	(2,229)	(2,232)	(2,238)	(2,844)	(4,064)
PAT	4,109	4,498	4,868	6,239	8,441	12,062
PAT Margin (%)	3.3%	3.4%	3.9%	4.2%	4.8%	5.7%
Other Comprehensive income	637	(7)	(98)	-	-	-
Total comprehensive income	4,745	4,491	4,770	6,239	8,441	12,062
EPS (INR)	65.9	13.2	13.0	17.0	23.0	32.8

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	720	3,407	3,678	3,678	3,678	3,678
Reserves	31,037	32,552	48,927	54,797	62,739	74,088
Net worth	31,757	35,960	52,605	58,475	66,417	77,766
Minority Interest	16	16	15	15	15	15
Provisions	1,589	2,365	1,720	2,064	2,289	2,555
Debt	21,315	29,196	26,645	26,345	26,095	25,795
Total Liabilities	70,910	83,086	104,343	107,542	119,466	135,937
Fixed assets	24,487	27,151	26,309	31,463	30,762	29,407
Capital Work In Progress	1,836	431	329	343	377	412
Other Intangible assets	6	6	6	6	6	6
Investments	3,664	4,188	4,427	5,161	6,163	7,451
Other non current assets	16,756	15,834	19,772	22,854	27,291	32,999
Net working capital	16,401	23,799	43,701	34,904	40,215	46,901
Inventories	15,858	16,266	10,102	17,068	19,676	22,553
Sundry debtors	28,479	36,202	34,582	39,992	47,274	56,578
Loans & Advances	534	618	572	737	880	1,064
Other current assets	43,634	49,963	65,294	56,554	66,570	79,325
Sundry creditors	(39,813)	(47,566)	(39,751)	(48,484)	(57,210)	(67,911)
Other current liabilities & Prov	(32,289)	(31,684)	(27,098)	(30,963)	(36,975)	(44,708)
Cash	3,774	6,663	7,706	9,862	11,131	14,502
Other Financial Assets	3,983	5,013	2,093	2,949	3,521	4,258
Total Assets	70,910	83,086	104,343	107,542	119,466	135,937

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.7	0.8	0.8	0.8	0.9	1.0
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.0	0.9	0.8	0.9	0.9	1.0
Financial leverage (x)	4.4	4.2	3.6	3.1	3.1	3.0
RoE (%)	14.0%	13.3%	11.0%	11.2%	13.5%	16.7%

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	5,991	6,726	7,100	8,477	11,285	16,126
Depreciation	4,716	4,945	4,911	6,174	7,544	8,232
Tax paid	(1,882)	(2,229)	(2,232)	(2,238)	(2,844)	(4,064)
Working capital Δ	3,961	(7,397)	(19,902)	8,797	(5,311)	(6,686)
Operating cashflow	12,785	2,046	(10,123)	21,210	10,675	13,608
Capital expenditure	(8,350)	(6,204)	(3,966)	(11,343)	(6,877)	(6,912)
Free cash flow	4,435	(4,158)	(14,089)	9,867	3,797	6,697
Equity raised	636	(7)	12,066	0	(0)	-
Investments	(566)	(523)	(240)	(733)	(1,002)	(1,289)
Others	(1,592)	(109)	(1,017)	(3,937)	(5,010)	(6,444)
Debt financing/disposal	(1,746)	7,881	(2,551)	(300)	(250)	(300)
Dividends paid	-	(288)	(288)	(369)	(499)	(713)
Other items	(2,657)	93	7,162	(2,371)	4,233	5,421
Net Δ in cash	(1,490)	2,888	1,043	2,157	1,269	3,371
Opening Cash Flow	5,264	3,774	6,663	7,706	9,862	11,131
Closing Cash Flow	3,774	6,663	7,706	9,862	11,131	14,502

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)						
Revenue growth	14.7%	5.0%	-5.4%	17.5%	19.4%	20.9%
Op profit growth	40.0%	4.2%	-0.7%	20.6%	23.7%	24.1%
Profitability ratios (%)						
OPM	10.4%	10.3%	10.8%	11.1%	11.5%	11.8%
Net profit margin	3.3%	3.4%	3.9%	4.2%	4.8%	5.7%
RoCE	13.5%	13.7%	12.4%	12.8%	14.3%	16.5%
RoNW	14.0%	13.3%	11.0%	11.2%	13.5%	16.7%
RoA	5.8%	5.4%	4.7%	5.8%	7.1%	8.9%
Per share ratios (INR)						
EPS	65.9	13.2	13.0	17.0	23.0	32.8
Dividend per share	-	0.8	0.8	1.0	1.4	1.9
Cash EPS	122.6	27.7	26.6	33.8	43.5	55.2
Book value per share	441.3	105.5	143.0	159.0	180.6	211.4
Valuation ratios (x)						
P/E	6.7	33.4	33.9	25.9	19.2	13.4
P/CEPS	3.6	15.9	16.5	13.0	10.1	8.0
P/B	1.0	4.2	3.1	2.8	2.4	2.1
EV/EBITDA	3.5	12.3	13.0	10.6	8.4	6.6
Payout (%)						
Dividend payout	0.0%	6.4%	5.9%	5.9%	5.9%	5.9%
Tax payout	31.4%	33.1%	31.4%	26.4%	25.2%	25.2%
Liquidity ratios						
Debtor days	84	89	103	92	90	89
Inventory days	58	63	56	50	57	54
Creditor days	115	134	142	123	124	122
WC Days	27	18	17	20	24	22
Leverage ratios (x)						
Interest coverage	1.9	1.5	1.4	1.7	2.1	2.8
Net debt / equity	0.6	0.6	0.4	0.3	0.2	0.1
Net debt / op. profit	1.3	1.7	1.4	1.0	0.7	0.4

Source: Company Reports, Arianth Capital Research

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NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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