ArihantCapital
Generating Wealth

Q2FY26 Result update
14th Nov 2025

Afcons Infrastructure Ltd

Execution is expected to ramp up in H2FY26E.

CMP: INR 415

Rating: BUY

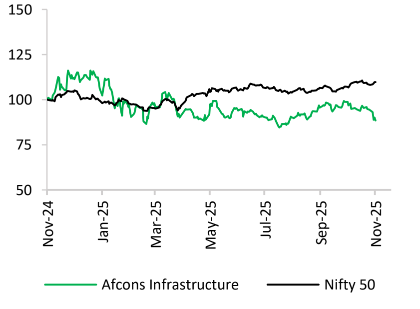
Target Price: INR 602

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)	1,52,629
52w H/L (INR)	570/382
Avg Yearly Volume (in 000')	1,451.7

Shareholding Pattern % *(As on Sep, 2025)*	
Promoters	50.17
DII	17.94
FII	12.81
Public & Others	19.06

Stock Performance (%)	3m	6m	12m*
Afcons Infrastructure	-1.8	-9.2	-11.6
NIFTY	5.1	5.3	9.8

Afcons Infrastructure vs NIFTY



Abhishek Jain
abhishek.jain@arihantcapital.com
022-67114871

Balasubramanian A
bala@arihantcapital.com
022-67114870

Afcons Infrastructure Ltd reported numbers, Q2FY26 revenue stood at INR 29,884mn (+1% YoY/-11.3% QoQ); below our estimates of INR 32,690mn Gross Profit stood at INR 10,284mn (+7.6% YoY/-10.7% QoQ); below our estimates of INR 10,551mn. Gross margins improved by 214bps YoY (up by 23bps QoQ) to 34.4% in Q2FY26. EBITDA stood at INR 3,286mn (-4.6% YoY/-24.5% QoQ); below our estimates of INR 3,493mn. EBITDA margin contracted by 64bps YoY (down by 192bps QoQ) to 11% in Q2FY26. PAT stood at INR 1,051mn (-22.4% YoY/-23.5% QoQ); below our estimates of INR 1,200mn. PAT margin contracted by 106bps YoY (down by 56bps QoQ) to 3.5% in Q2FY26.

Key Highlights

Strong order book shows business visibility: The order book stood at INR 326.81bn (~2.6x of FY26 revenue) as of Q2FY26, showing business visibility over the medium term. The order inflow stood at INR 12.68bn in H1FY26. The company is targeting order inflows of INR 200bn in FY26E. The company has an L1 order book of INR 230bn; out of this Croatian railway project (INR 67.71bn) and two Croatian road projects (INR 45.5bn) are expected to be formalized by Q3FY26. The order pipeline stood at INR 3,600bn; the breakup is urban infra (INR 1600bn), Underground (INR 940bn), Surface transport (INR 650bn), and maritime & industrial (INR 430bn). We anticipate that, upcoming L1 conversion and order pipeline will be a growth driver going forward.

Capex for TBM would ramp up the execution: The capex is expected to be INR 11bn in FY26E; however, some spillover is expected in FY27E. The cost for two TBM and their attachments is between INR 6-7bn; the remaining will be utilized for projects. The upcoming TBM machines will be deployed in the Mumbai-Ahmedabad High-Speed Rail project, and execution is expected to ramp up going forward.

Working capital is expected to reduce through mobilization advances: The company is facing delays in JJM project receivables. JJM projects receivables are around INR 4.5bn. The company demobilized from the project to protect its interests. The unexecuted order book is around INR 6-6.5bn. The international orders are expected to come with interest-free advances, which is expected to mitigate the impact of JJM receivables.

Outlook & Valuation: Afcons Infrastructure has an order book of INR 326.81bn (~2.6x of FY26 revenue) as of Q2FY26, showing business visibility over the medium term. The Croatia L1 orders of INR 113bn are expected to be formalized by Q3FY26E. The company is doing capex of INR 11bn for Tunnel Boring Machines (INR 6-7bn) and projects. The new TBM machines are expected to be deployed Mumbai-Ahmedabad High-Speed Rail project. The execution is expected to ramp up in H2FY26E; however, slower than anticipated due to the delay in JJM projects, TBM arrival and deployment. The JJM project has an impact on working capital; however, it's expected to normalize through interest-free advances from international projects. 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 13.6% for FY25-FY28E, and RoE is expected to improve from 11% (FY25) to 13.4% in FY28E. The stock is trading at an EV/EBITDA of 10.4x based on FY26E EBITDA. At the CMP of INR 415 per share, we are maintaining a "BUY" rating at a TP of INR 602 per share; valued at an EV/EBITDA of 10x (Historical median EV/EBITDA: 10.2x) and its FY28E EBITDA of INR 21,937mn; an upside of 45.0%.

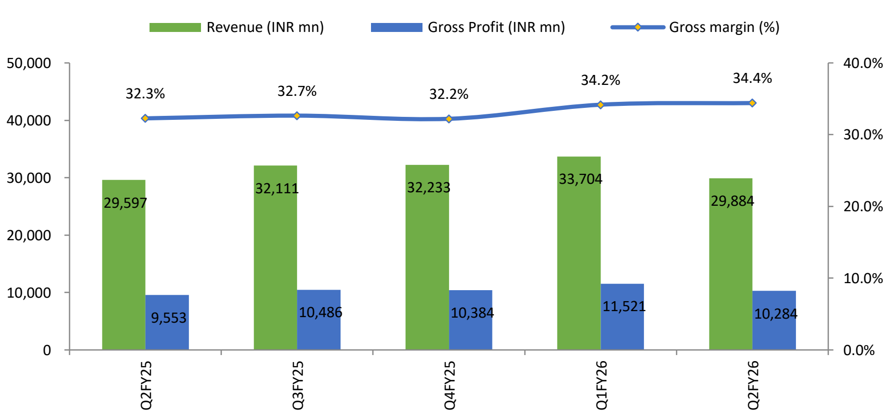
Q2FY26 Results

Income statement summary

Particular (INR mn)	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Revenue	**29,597**	**33,704**	**29,884**	**1.0%**	**-11.3%**
Net Raw Materials	8,769	6,801	9,152	4.4%	34.6%
Construction expenses	11,275	15,382	10,449	-7.3%	-32.1%
Gross profit	**9,553**	**11,521**	**10,284**	**7.6%**	**-10.7%**
Gross margin (%)	**32.3%**	**34.2%**	**34.4%**	**+214 bps**	**+23 bps**
Employee Cost	3,551	3,775	3,487	-1.8%	-7.6%
Other Expenses	2,558	3,393	3,510	37.2%	3.5%
EBITDA	**3,444**	**4,353**	**3,286**	**-4.6%**	**-24.5%**
EBITDA Margin (%)	**11.6%**	**12.9%**	**11.0%**	**-64 bps**	**-192 bps**
Depreciation	1,198	1,388	1,221		
Interest expense	1,638	1,618	1,698		
Other income	1,298.9	486.7	1,125.4		
Profit before tax	**1,907**	**1,834**	**1,492**	**-21.7%**	**-18.6%**
Taxes	553	460	442		
PAT	**1,354**	**1,374**	**1,051**	**-22.4%**	**-23.5%**
PAT Margin (%)	**4.6%**	**4.1%**	**3.5%**	**-106 bps**	**-56 bps**
EPS (INR)	**3.7**	**3.7**	**2.9**		

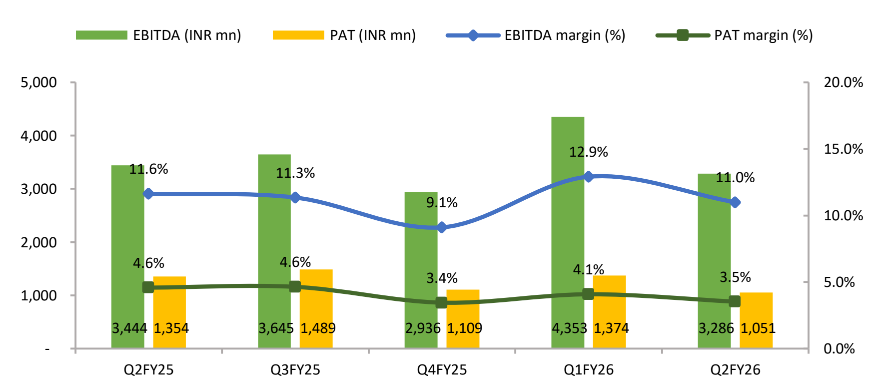
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 214 bps YoY (up by 23 bps QoQ) to 34.4% in Q2FY26 due to lower construction costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 64 bps YoY (down by 192 bps QoQ) to 11% in Q2FY26 due to higher other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q2FY26 Concall Highlights

Revenue
- The company is targeting revenue growth of 10% YoY (earlier guidance: 20% YoY) in FY26E, due to delays in converting L1 orders and payment issues in specific projects like JJM.
- Revenue growth is expected to be 15% YoY in FY27E.

Margins
- EBITDA margins are expected to be 11% in FY26E.

Order book
- The order book stood at INR 326.81bn as of Q2FY26.
- The order flow stood at INR 12.68bn in H1FY26. The order inflow guidance is around INR 200bn in FY26E. The order flow guidance excludes the large L1 positions in Maharashtra.

L1 Projects
- The L1 projects are INR 230bn. The breakups are the Croatian railway project – INR 67.71bn, and two Croatian road projects – INR 45.5bn. The domestic L1 projects are Nagpur-Gondia Expressway and Pune Ring Road packages, facing delays due to land acquisition issues.
- The Croatia orders are expected to be formalized by Q3FY26E.

Order pipeline
- The order pipeline is around INR 3600bn. The breakup is urban infra – INR 1600bn, Underground – INR 940bn, Surface transport – INR 650bn, and maritime & industrial – INR 430bn.
- The order pipeline geographic mix is: domestic – 75%; international – 25%.

Projects
- The Mumbai-Ahmedabad High-Speed Rail (C2 package) has achieved 15% physical progress, with the 4.82 km NATM tunnel excavation completed. TBM tunneling has been delayed as the second consignment of the Tunnel Boring Machine is stuck at the port awaiting clearance. The railway authority has accepted this delay, making the company eligible for compensation.
- The technical bid opened for Vadhvan port, and the award for EPC breakwater is estimated at INR 51.2bn. The award is expected by the end of Q3FY26E or early Q4FY26E.
- The underground works for the Kanpur and Delhi MRTS projects are progressing well.

Capex
- The capex stands at INR 2bn in H1FY26.
- The capex is expected to be INR 11bn in FY26E; however, some spillover is expected in FY27E. The cost for two TBM and their attachments is between INR 6-7bn; the remaining will be utilized for projects.
- The upcoming TBM machines will be deployed in the Mumbai-Ahmedabad High-Speed Rail project.

Q2FY26 Concall Highlights

JJM

- JJM projects receivables are around INR 4.5bn. The company demobilized from the project to protect its interests. The unexecuted order book is around INR 6-6.5bn.

International

- The international order book is expected to increase to 30% going forward. The company is re-engaging in the Middle East market with favorable contract terms.

- The global infrastructure pipeline remains healthy in regions like Africa, the Middle East, and Eastern Europe.

Working capital

- The working capital increased due to delays in certification and payments from clients.

Debt

- Gross debt and net debt stood at INR 34.72bn and INR 27.14bn, respectively.

- Finance costs increased due to an increase in interest-bearing advances to 40% (earlier 20%).

- The international orders come with interest-free advances.

Other highlights

- Depreciation is around 4% of revenue, of which 1.5% is attributed to the accelerated depreciation on TBMs.

- Other operating income stood at INR 1.61bn in H1FY26. The forex gain stood at INR 590mn in Q2FY26. The company also made a provision of INR 1bn for one of its projects in Q2FY26.

Outlook & Valuation: **Afcons Infrastructure has an order book of INR 326.81bn (~2.6x of FY26 revenue) as of Q2FY26, showing business visibility over the medium term. The Croatia L1 orders of INR 113bn are expected to be formalized by Q3FY26E. The company is doing capex of INR 11bn for Tunnel Boring Machines (INR 6-7bn) and projects. The new TBM machines are expected to be deployed Mumbai-Ahmedabad High-Speed Rail project. The execution is expected to ramp up in H2FY26E; however, slower than anticipated due to the delay in JJM projects, TBM arrival and deployment. The JJM project has an impact on working capital; however, it's expected to normalize through interest-free advances from international projects. 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 13.6% for FY25- FY28E, and RoE is expected to improve from 11% (FY25) to 13.4% in FY28E. The stock is trading at an EV/EBITDA of 10.4x based on FY26E EBITDA. At the CMP of INR 415 per share, we are maintaining a "BUY" rating at a TP of INR 602 per share; valued at an EV/EBITDA of 10x (Historical median EV/EBITDA: 10.2x) and its FY28E EBITDA of INR 21,937mn; an upside of 45.0%.**

Valuation based on EV/EBITDA - FY28E	
EBITDA (INR mn)	21,937
EV/EBITDA (x)	10
EV (INR mn)	2,19,366
Debt (INR mn)	25,795
Cash (INR mn)	23,825
Market Cap (INR mn)	2,21,336
Shares (mn)	368
Target Price (INR)	**602**
CMP (INR)	**415**
Upside/Downside (%)	**45.0%**

Source: Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**1,26,374**	**1,32,675**	**1,25,484**	**1,37,521**	**1,57,801**	**1,83,739**
Net Raw Materials	90,524	93,065	85,362	91,553	1,04,879	1,21,843
Employee Cost	12,982	13,834	14,351	15,189	17,271	20,018
Other Expenses	9,762	12,126	12,212	15,132	17,205	19,941
EBITDA	**13,106**	**13,650**	**13,560**	**15,647**	**18,445**	**21,937**
EBITDA Margin (%)	**10.4%**	**10.3%**	**10.8%**	**11.4%**	**11.7%**	**11.9%**
Depreciation	(4,716)	(4,945)	(4,911)	(6,174)	(7,544)	(8,232)
Interest expense	(4,467)	(5,773)	(6,292)	(6,359)	(6,031)	(5,967)
Other income	2,067	3,794	4,744	4,091	4,142	4,502
Profit before tax	**5,991**	**6,726**	**7,100**	**7,206**	**9,013**	**12,239**
Taxes	(1,882)	(2,229)	(2,232)	(1,918)	(2,271)	(3,084)
PAT	**4,109**	**4,498**	**4,868**	**5,288**	**6,741**	**9,155**
PAT Margin (%)	**3.3%**	**3.4%**	**3.9%**	**3.8%**	**4.3%**	**5.0%**
Other Comprehensive income	637	(7)	(98)	-	-	-
Total comprehensive income	**4,745**	**4,491**	**4,770**	**5,288**	**6,741**	**9,155**
EPS (INR)	65.9	13.2	13.0	14.4	18.3	24.9

Source: Company Reports, Arihant 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	53,903	60,245	68,858
Net worth	**31,757**	**35,960**	**52,605**	**57,580**	**63,923**	**72,536**
Minority Interest	16	16	15	15	15	15
Provisions	1,589	2,365	1,720	1,925	2,051	2,205
Debt	21,315	29,196	26,645	26,345	26,095	25,795
Total Liabilities	**70,910**	**83,086**	**1,04,343**	**1,05,119**	**1,14,177**	**1,26,275**
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	4,813	5,523	6,431
Other non current assets	16,756	15,834	19,772	21,316	24,459	28,480
Net working capital	**16,401**	**23,799**	**43,701**	**32,582**	**36,048**	**40,471**
Inventories	15,858	16,266	10,102	15,802	17,528	19,361
Sundry debtors	28,479	36,202	34,582	37,300	42,368	48,829
Loans & Advances	534	618	572	688	789	919
Other current assets	43,634	49,963	65,294	52,748	59,662	68,462
Sundry creditors	(39,813)	(47,566)	(39,751)	(45,077)	(51,161)	(58,515)
Other current liabilities & Prov	(32,289)	(31,684)	(27,098)	(28,879)	(33,138)	(38,585)
Cash	3,774	6,663	7,706	11,845	13,845	17,394
Other Financial Assets	3,983	5,013	2,093	2,750	3,156	3,675
Total Assets	**70,910**	**83,086**	**1,04,343**	**1,05,119**	**1,14,177**	**1,26,275**

Source: Company Reports, Arihant 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	0.8	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.0	0.9	0.8	0.8	0.9	0.9
Financial leverage (x)	4.4	4.2	3.6	3.0	3.0	2.9
RoE (%)	**14.0%**	**13.3%**	**11.0%**	**9.6%**	**11.1%**	**13.4%**

Source: Company Reports, Arihant 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	7,206	9,013	12,239
Depreciation	4,716	4,945	4,911	6,174	7,544	8,232
Tax paid	(1,882)	(2,229)	(2,232)	(1,918)	(2,271)	(3,084)
Working capital Δ	3,961	(7,397)	(19,902)	11,119	(3,466)	(4,423)
Operating cashflow	**12,785**	**2,046**	**(10,123)**	**22,581**	**10,820**	**12,964**
Capital expenditure	(8,350)	(6,204)	(3,966)	(11,343)	(6,877)	(6,912)
Free cash flow	**4,435**	**(4,158)**	**(14,089)**	**11,238**	**3,943**	**6,052**
Equity raised	636	(7)	12,066	(0)	-	-
Investments	(566)	(523)	(240)	(386)	(710)	(908)
Others	(1,592)	(109)	(1,017)	(2,201)	(3,549)	(4,539)
Debt financing/disposal	(1,746)	7,881	(2,551)	(300)	(250)	(300)
Dividends paid	-	(288)	(288)	(313)	(399)	(541)
Other items	(2,657)	93	7,162	(3,899)	2,965	3,785
Net Δ in cash	**(1,490)**	**2,888**	**1,043**	**4,139**	**2,000**	**3,549**
Opening Cash Flow	**5,264**	**3,774**	**6,663**	**7,706**	**11,845**	**13,845**
Closing Cash Flow	**3,774**	**6,663**	**7,706**	**11,845**	**13,845**	**17,394**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)						
Revenue growth	14.7%	5.0%	-5.4%	9.6%	14.7%	16.4%
Op profit growth	40.0%	4.2%	-0.7%	15.4%	17.9%	18.9%
Profitability ratios (%)						
OPM	10.4%	10.3%	10.8%	11.4%	11.7%	11.9%
Net profit margin	3.3%	3.4%	3.9%	3.8%	4.3%	5.0%
RoCE	13.5%	13.7%	12.4%	11.9%	12.6%	14.1%
RoNW	14.0%	13.3%	11.0%	9.6%	11.1%	13.4%
RoA	5.8%	5.4%	4.7%	5.0%	5.9%	7.2%
Per share ratios (INR)						
EPS	65.9	13.2	13.0	14.4	18.3	24.9
Dividend per share	-	0.8	0.8	0.9	1.1	1.5
Cash EPS	122.6	27.7	26.6	31.2	38.8	47.3
Book value per share	441.3	105.5	143.0	156.6	173.8	197.2
Valuation ratios (x)						
P/E	6.3	31.5	32.0	28.9	22.6	16.7
P/CEPS	3.4	15.0	15.6	13.3	10.7	8.8
P/B	0.9	3.9	2.9	2.7	2.4	2.1
EV/EBITDA	3.3	11.7	12.3	10.4	8.6	7.0
Payout (%)						
Dividend payout	0.0%	6.4%	5.9%	5.9%	5.9%	5.9%
Tax payout	31.4%	33.1%	31.4%	26.6%	25.2%	25.2%
Liquidity ratios						
Debtor days	84	89	103	95	92	91
Inventory days	58	63	56	52	58	55
Creditor days	115	134	142	127	126	124
WC Days	27	18	17	20	24	22
Leverage ratios (x)						
Interest coverage	1.9	1.5	1.4	1.5	1.8	2.3
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	0.9	0.7	0.4

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 13.6% over the period of FY25-28E.

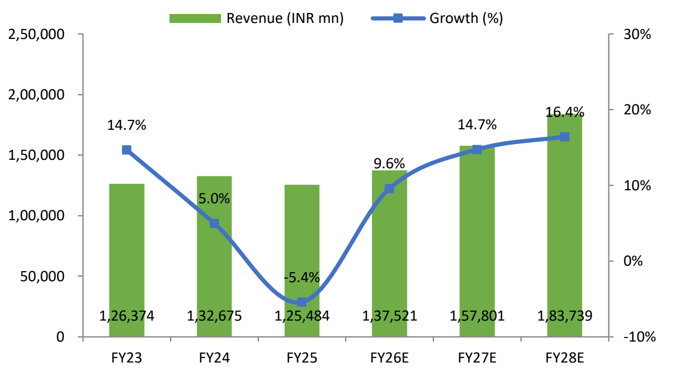


Exhibit 4: Gross margins are expected to improve going forward.

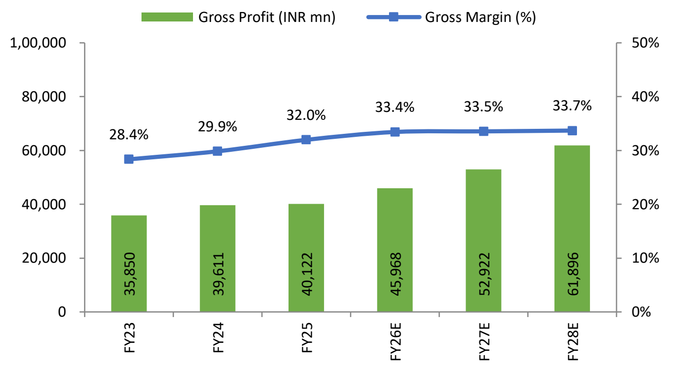


Exhibit 5: Growth in EBITDA & PAT levels

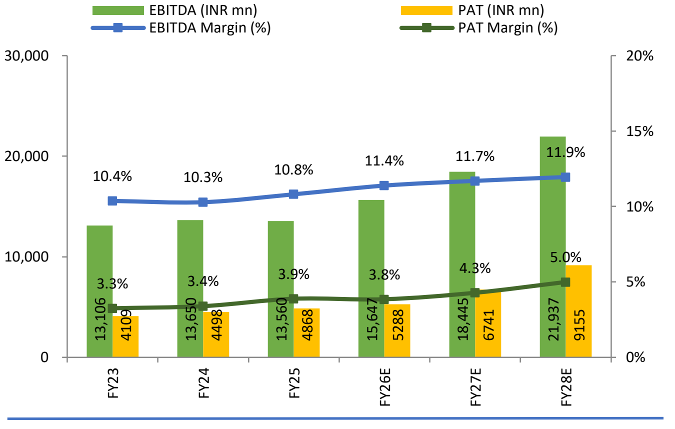


Exhibit 6: Return ratios to be improve

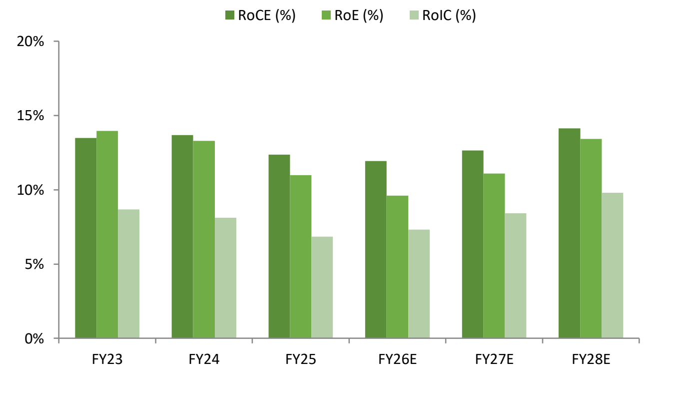


Exhibit 7: Working capital days to be improve.

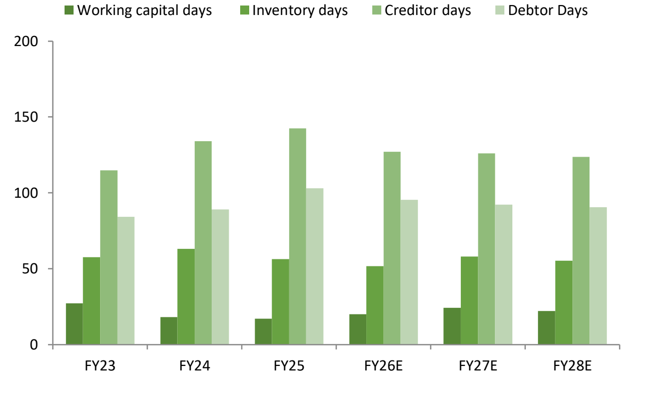
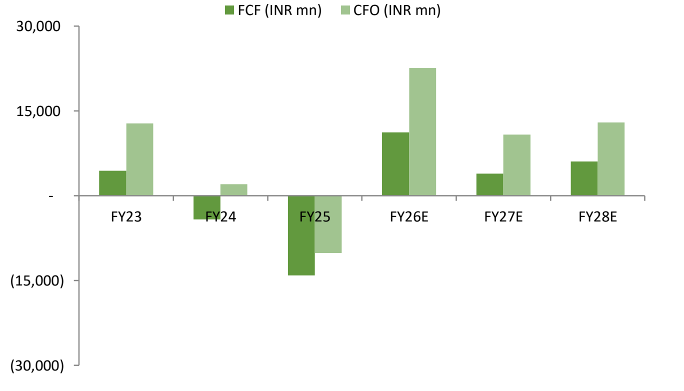


Exhibit 8: Cash flows to be improve.



Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800