

July 18, 2025

Afcons Infrastructure Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)^	Rating Action
Fund-based – Term loan	890.0	0.0	[ICRA]A+(Stable); reaffirmed and withdrawn
	80.0	80.0	[ICRA]A+(Stable); reaffirmed
Long-term – Fund-based facilities	1,750.0	0.0	[ICRA]A+(Stable); reaffirmed and withdrawn
	150.0	150.0	[ICRA]A+(Stable); reaffirmed
Long-term – Non-fund based facilities	16,310.0	0.0	[ICRA]A+(Stable); reaffirmed and withdrawn
	1,180.0	1,180.0	[ICRA]A+(Stable); reaffirmed
Short-term – Non-fund based facilities	1,595.0	0.0	[ICRA]A1; reaffirmed and withdrawn
	5.0	5.0	[ICRA]A1; reaffirmed
Total	21,960.0	1,415.0	

*Instrument details are provided in Annexure I, **The ratings for limits from all lenders other than Bank of Baroda have been withdrawn in line with ICRA's withdrawal policy. The company has requested for withdrawal of the bank-loan ratings from Bank of Baroda. On completion of the requisite documentation, ICRA will withdraw the rating in line with ICRA's policy on withdrawal.

Rationale

ICRA has withdrawn the ratings assigned to the bank facilities of Afcons Infrastructure Limited (AIL) at the request of the company and based on the no-objection certificates (NOCs) received from the bankers (except from Bank of Baroda), in accordance with ICRA's policy on withdrawal of credit ratings.

The reaffirmation of ratings for Afcons Infrastructure Limited (AIL) continues to favourably factor in its long operational track record in executing complex infrastructure projects, large scale of operations, a diversified order book across segments, clientele and geographies as well as its healthy order book position of ~Rs. 36,869 crore (excluding L1) as on March 31, 2025 (2.9 times of FY2025 revenues) providing medium-term revenue visibility. The operating income (OI) of the company has grown at a CAGR of 7.54% over the last five years ending FY2025 to Rs. 12,548.4 crore backed by healthy pick-up in execution, which ICRA expects it to sustain in the medium term. AIL has a diversified order book across segments (metro & urban infrastructure works, tunnelling and hydro projects, surface transport, special projects marine and industrial, and oil and gas), geographies (domestic orders spread across 15 states, accounting for 86% in terms of revenue and international orders constituting 14% of the order book) and clientele (top-three clients contributing 30% to the total unexecuted order book as on March 31, 2025). The ratings are, however, constrained due to the company's moderately leveraged capital structure and moderate coverage indicators. The company has back-to-back arrangement with its sub-contractors for few projects and consequently, part of the current assets (viz., contractual variations along with high amount of arbitration receivables) is funded by creditors. This, along with sizeable mobilisation advances, resulted in adjusted¹ TOL/TNW of 2.1 times as on March 31, 2025, compared to 3.4 times as on March 31, 2024 (driven by the expansion in the company's net worth base following the IPO in October 2024). Further, an increase in interest expenses due to greater reliance on working capital borrowings and interest-bearing mobilisation advances resulted in a moderate interest cover of 2.2 times as on March 31, 2025. As on March 31, 2025, 33.8% of AIL's total receivables (excluding retention money) are arbitration receivables, which have been awarded but are yet to be received,

¹Adjusted for arbitration receivables realised against submission of bank guarantees which the company has classified as 'advances due to customers' pending final settlement of the claim. Reported TOL/TNW stands at 2.3 times as on March 31, 2025.

while 22% of unbilled revenue is towards contractual variations. Timely realisation of unbilled revenue and arbitration receivables would be crucial. The company is also exposed to refinancing risk because of asset liability mismatch (ALM). Notwithstanding the contingencies built-in, the fixed-price nature of contracts for international orders exposes AIL's profitability to any sharp movement in input prices. The increasing focus on executing overseas projects also exposes the company to geopolitical risks. AIL's ability to execute the projects within the budgeted costs would remain important to maintain its profitability. Although AIL's order book comprises technically complex projects, the operating margins remained moderate at 8.8% in FY2022, although the same improved sequentially thereafter and stood at 10.8% in FY2025. Going forward, the improvement in profit margins, leverage and return indicators remains a key rating sensitivity.

ICRA notes that AIL has recovered advances of ~Rs. 270 crore from its parent company, Shapoorji Pallonji and Company Private Limited (SPCPL), and the management has guided that there won't be any incremental advances to an SP Group entity. Further, ICRA notes that out of the total promoter shareholding of 50.17%, 43.46% remains pledged as on March 31, 2025, limiting financial flexibility at promoter level.

The ratings also note the stiff competition in the construction sector and the company's exposure to sizeable contingent liabilities in the form of bank guarantees (BG), mainly for contractual performance, mobilisation advance and security deposits. The ratings are also constrained by execution risks as ~50% of the order book as on March 31, 2025 is in preliminary/early stage of execution with less than 10% progress, and 17% of projects are yet to commence construction. ICRA takes comfort from the history of extension of project deadlines from the clients/authorities for most of the projects due to delays for reasons beyond the company's control. Notwithstanding AIL's strong execution capabilities, any sizeable invocation of BGs would affect the company's liquidity and financial risk profile.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company would continue to benefit from the healthy and well diversified order book position, strong execution capabilities and established relationships with reputed clientele.

Key rating drivers and their description

Credit strengths

Healthy order book position providing medium-term revenue visibility – The company has a healthy order book position of ~Rs. 36,869 crore (excluding L1) as on March 31, 2025 (2.9 times of FY2025 revenues) providing strong medium-term revenue visibility. The OI has increased at a CAGR of 7.54% over the last five years ending FY2025 to Rs. 12,548.4 crore, backed by healthy pick-up in execution.

Diversified order book – The order book is well diversified across segments like metro and urban infrastructure (55%), tunnelling and hydro projects (24%), marine and industrial (12%), surface transport (rail, road, and bridges –5%) as well as oil and gas (4%). Further, the order book is geographically diversified with domestic orders (spread across 15 states) constituting 86% and international order contributing to 14% of the unexecuted order book as on March 31, 2025. The order book is fairly diversified in terms of projects and clients, with the top three clients contributing 30% and the top 10 orders accounting for 54% of the unexecuted order book as on March 31, 2025.

Established track record and strong execution capabilities – AIL has a long track record of operations spanning over six decades, supported by an experienced management and demonstrated capabilities in executing complex infrastructure projects. The expertise of its managerial and technical personnel heading the key business verticals support its order execution.

Credit challenges

Moderately leveraged capital structure and moderate coverage indicators – High creditors (which funded part of the current assets viz., contractual variations and high amount of arbitration receivables) along with sizeable mobilisation advances resulted in adjusted TOL/TNW of 2.1 times and moderate interest cover of 2.2 times as on March 31, 2025. As on March 31, 2025, 33.8% of AIL's total receivables (excluding retention money) are arbitration receivables, which have been awarded but

yet to be received, while 22% of unbilled revenue is towards contractual variations. Timely realisation of unbilled revenue and arbitration receivables would be crucial.

Execution risk as about 50% of order book is in early stages of execution – AIL’s revenue remains exposed to inherent time and cost overrun risks, given the complex nature of the projects being executed. As on March 31, 2025, around 46% of the order book is in early stages of execution (with less than 10% progress) and 17% of projects are yet to commence construction. Given AIL’s strong execution capabilities, the projects are expected to be completed on time and the risk of BG invocation is low.

Profitability susceptible to variation in input prices, as overseas contracts are on fixed-price basis – Notwithstanding the contingencies built-in, the fixed-price international contracts expose AIL’s profitability to any sharp movement in input prices. Its ability to execute the projects within the budgeted costs would remain important to maintain its profitability. Although AIL’s order book comprises technically complex projects, the operating margins remained moderate at 8.8% in FY2022, although the same improved sequentially thereafter and stood at 10.8% in FY2025. Going forward, the improvement in profitability margins, leverage and return indicators remains a key rating sensitivity.

Environment and social risks

Environmental considerations: The company operates at multiple project sites simultaneously, spread over various states in the country and globally such as Africa, which mitigates the risk of business disruptions on account of adverse climate conditions. Given that construction activities tend to cause air pollution, the company remains exposed to the risk of temporary bans on operations in cities that are more sensitive to deteriorating air quality.

Social considerations: Construction entities also face social risks stemming from the health and safety concerns of workers, manifestation of which could result in regulatory or legal action, besides reputational harm. The company has a track record of maintaining cordial relationships with its employees/workers, including contractual labour with no material incidents of a slowdown in execution on account of workforce management issues.

Liquidity position: Adequate

AIL’s liquidity profile remains adequate with unencumbered cash and bank balance of ~Rs. 770 crore as on March 31, 2025. The average fund-based utilisation for the 12-month period ending March 31, 2025 stood at 70% with cushion of ~Rs. 700 crore as on March 31, 2025. The company has debt repayment of Rs. 247 crore in FY2026, which can be serviced comfortably from its estimated cash flow from operations. It has capex plans of Rs. 1,100 crore in FY2026 for purchase of plant and machinery, which are expected to be funded through both debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is a sustained improvement in profitability margins, along with reduction in working capital intensity, thereby resulting in material improvement in leverage and coverage metrics.

Negative factors – Negative pressure on AIL’s ratings could emerge if the cash accruals materially decline or deterioration in working capital intensity adversely impacts its liquidity position or debt protection metrics. The ratings may be downgraded if there is a material increase in financial support extended to the SP Group (including significantly higher-than-anticipated dividend payouts).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered consolidated financials of ALL. The list of companies that are consolidated to arrive at the ratings are given in Annexure II.

About the company

ALL, incorporated in 1976 as Asia Foundations and Constructions Limited, is a reputed construction entity and is a part of the SP Group, which holds the majority stake of 50.17% in the company. It operates in diverse segments such as marine works (including construction of jetties and dry docks), offshore oil and gas, bridges and flyovers, road construction, hydro and tunnelling, pipe laying and general civil engineering works. ALL commenced operations as a civil construction firm in 1959 and was involved in constructing specialised foundation activities, such as pile foundations, diaphragm walls, geotechnical investigations, drilling and grouting. It entered the marine segment in 1963 and subsequently undertook design and build contracts. Over the years, ALL has increased its presence geographically and has executed projects across 15 Indian states, in addition to overseas projects in 14 countries.

Key financial indicators (Audited)

AIL – Consolidated	FY2024	FY2025
Operating income	13,277.2	12,548.4
PAT	449.8	486.8
OPBDIT/OI	10.4%	10.8%
PAT/OI	3.4%	3.9%
Total outside liabilities/Tangible net worth (times)	3.5	2.3
Total debt/OPBDIT (times)	1.8	1.7
Interest coverage (times)	2.4	2.2

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 18, 2025	Jun 30, 2025	FY2025		FY2024		FY2023	
					Date	Rating	Date	Rating	Date	Rating
NCD	Long Term	-	-	-	-	-	Mar 27, 2024	[ICRA]A+ (Stable); reaffirmed and withdrawn	Sep 1, 2022	[ICRA]A+ (Stable)
							Sep 29, 2023	[ICRA]A+ (Stable)		
Term loan	Long Term	890.0	[ICRA]A+ (Stable); reaffirmed & withdrawn	[ICRA]A+ (Stable)	Mar 31, 2025	[ICRA]A+ (Stable)	Mar 27, 2024	[ICRA]A+ (Stable)	Sep 1, 2022	[ICRA]A+ (Stable)
		80.0	[ICRA]A+ (Stable); reaffirmed				Sep 29, 2023	[ICRA]A+ (Stable)		

Instrument	Current (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 18, 2025	Jun 30, 2025	FY2025		FY2024		FY2023	
					Date	Rating	Date	Rating	Date	Rating
Cash credit	Long Term	1,750.0	[ICRA]A+ (Stable); reaffirmed & withdrawn	[ICRA]A+ (Stable)	Mar 31, 2025	[ICRA]A+ (Stable)	Mar 27, 2024	[ICRA]A+ (Stable)	Sep 1, 2022	[ICRA]A+ (Stable)
		150.0	[ICRA]A+ (Stable); reaffirmed				Sep 29, 2023	[ICRA]A+ (Stable)		
Non-fund based (BG/LC)	Long Term	16,310.0	[ICRA]A+ (Stable); reaffirmed & withdrawn	[ICRA]A+ (Stable)	Mar 31, 2025	[ICRA]A+ (Stable)	Mar 27, 2024	[ICRA]A+ (Stable)	Sep 1, 2022	[ICRA]A+ (Stable)
		1,180.0	[ICRA]A+ (Stable); reaffirmed				Sep 29, 2023	[ICRA]A+ (Stable)		
Short-term loans	Short Term	-	-	-	-	-	-	-	Sep 1, 2022	[ICRA]A1
								Sep 29, 2023		
Non-fund based (BG/LC)	Short Term	1,595.0	[ICRA]A1; reaffirmed & withdrawn	[ICRA]A1	Mar 31, 2025	[ICRA]A1	Mar 27, 2024	[ICRA]A1	Sep 1, 2022	[ICRA]A1
		5.0	[ICRA]A1; reaffirmed				Sep 29, 2023	[ICRA]A1		
Commercial paper	Short Term	-	-	-	Mar 31, 2025	[ICRA]A1, withdrawn	Mar 27, 2024	[ICRA]A1	Sep 1, 2022	[ICRA]A1
							Sep 29, 2023	[ICRA]A1		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Long-term – Fund-based facilities	Simple
Long-term – Non-fund based facilities	Very Simple
Short-term – Non-fund based facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Term loan	February 2017	NA	April 2029	890.0	[ICRA]A+ (Stable); reaffirmed & withdrawn
		February 2017	NA	April 2029	80.0	[ICRA]A+ (Stable)
NA	Long-term – Fund-based facilities	NA	NA	NA	1,750.0	[ICRA]A+ (Stable); reaffirmed & withdrawn
		NA	NA	NA	150.0	[ICRA]A+ (Stable)
NA	Long-term – Non-fund-based facilities	NA	NA	NA	16310.0	[ICRA]A+ (Stable); reaffirmed & withdrawn
		NA	NA	NA	1180.0	[ICRA]A+ (Stable)
NA	Short-term – Non-fund-based facilities	NA	NA	NA	1,595.0	[ICRA]A1; reaffirmed & withdrawn
		NA	NA	NA	5.0	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Hazarat and Company Private Limited	100%	Full consolidation
Afcons Corrosion Protection Private Limited	100%	Full consolidation
Afcons Hydrocarbons Engineering Private Limited	100%	Full consolidation
Afcons Oil & Gas Services Private Limited	100%	Full consolidation
Afcons Infrastructures Kuwait for Building, Road and Marine Contracting WLL	49%	Full consolidation
Afcons Construction Mideast LLC	100%	Full consolidation
Afcons Gulf International Projects Services FZE	100%	Full consolidation
Afcons Mauritius Infrastructure Limited	100%	Full consolidation
Afcons Overseas Singapore Pte Limited	100%	Full consolidation
Afcons Infra Projects Kazakhstan LLP	100%	Full consolidation
Afcons Overseas Project Gabon SARL	100%	Full consolidation
Afcons Contracting Company	100%	Full consolidation

Source: Company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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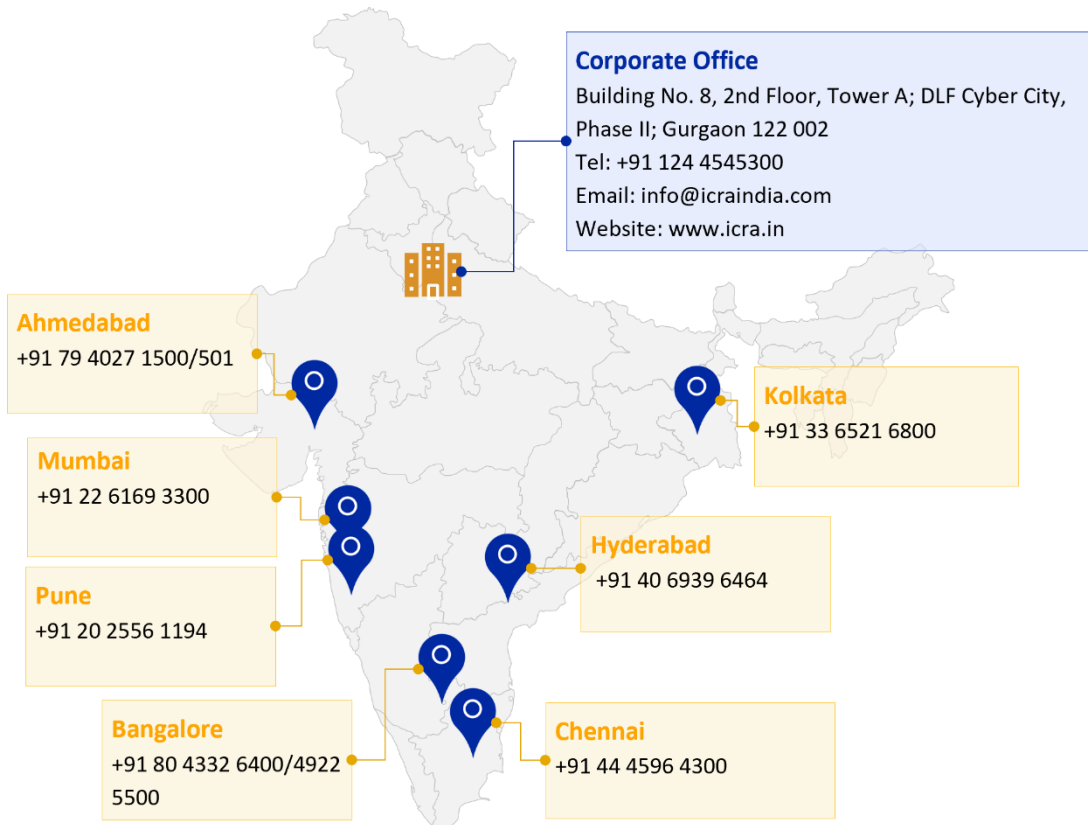


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