# Azvirt: A Deep Analysis of a Major Infrastructure Contractor

### **Executive Summary**

Azvirt is a significant and multifaceted infrastructure contractor with a prominent presence in Azerbaijan and a growing, financially critical footprint in Southeastern Europe. The company, which originated as a state-backed German-Azerbaijani joint venture in 1995, has successfully transitioned into a key international player specializing in large-scale road and airport projects.1 Its operational model is characterized by a reliance on high-value, state-sponsored contracts, often secured through diplomatic and intergovernmental relationships.3 This approach has been particularly effective in the Republic of Serbia, where an overwhelming majority of its recent project advances are concentrated.4

The company's core strengths stem from its specialized technical expertise, which includes being a pioneer in the use of polymer and mastic asphalt in Azerbaijan, a technology for which its late founder held a patent.2 It has a proven capacity to execute complex projects, as evidenced by its work on Azerbaijan's Formula 1 track and its success in a European Union tender.3 However, this positive narrative is complicated by significant operational risks and a notable lack of corporate transparency. A stark case study is the Počitelj Bridge project in Bosnia and Herzegovina, where the company was part of a consortium that faced extensive delays, technical failures, contract breaches, and a subsequent two-year blacklisting from a key public investor.6

Furthermore, a significant corporate governance issue exists. The company has not publicly named a successor for its General Director since the death of its founder in 2016, despite a major shift to a fully private ownership structure. This creates a transparency vacuum that poses a substantial risk for prospective partners or investors.1 The company's future growth depends heavily on the continued success of its high-profile projects in Serbia and its pivotal role in the ongoing Karabakh reconstruction effort. This analysis concludes that while Azvirt provides unique access to strategic, state-backed ventures, it is essential for any stakeholder to conduct a thorough due diligence process to mitigate the identified governance, transparency, and operational risks.

### **1. Corporate Identity, History, and Business Model**

#### **1.1. Genesis and Founding Milestones**

“AzVirt” Limited Liability Company was established on June 29, 1995, as a German-Azerbaijani joint venture.1 The initial ownership structure was a public-private partnership, with the Azerbaijan Airlines State Concern holding 11% ownership, the Executive Power of Baku holding 40%, and Virtgen International GmbH holding 49%.1 The company's initial focus was on urban road reconstruction in Baku, but it rapidly expanded its capabilities and geographical reach.2

Over two decades, Azvirt transformed into an international company providing comprehensive services for road and airport infrastructure projects across multiple countries, including Serbia, Bosnia and Herzegovina, Ukraine, Kazakhstan, Kyrgyzstan, and Latvia.2 A notable milestone occurred in 2012 when the company won a tender for the modernization of the Bucharest Ring Motorway in an EU-held competition, achieving a perfect score of 100 out of 100 points.5 This victory signaled its technological capacity and a growing competitive performance in the international market.5

#### **1.2. Core Services and Technical Specialization**

Azvirt offers a full suite of services, including surveying, design, construction, and reconstruction of major infrastructure.2 Its expertise extends to a variety of project types, including highways, bridges, tunnels, underpasses, airport terminals, runways, and pedestrian passages.3 Beyond direct construction, the company also produces its own construction materials and provides comprehensive solutions from initial design to final execution.8 A key element of Azvirt’s professional identity is its commitment to technological innovation. The company was the first in Azerbaijan to adopt and utilize polymer and mastic asphalt for road pavement, a distinction it maintains as the "first and only company" in the country to do so.2 The specific activated mineral fillers used in this asphalt concrete were patented by the company's founder, Professor Ali Aliyev, which further highlights a proprietary technical advantage.5

#### **1.3. Geographical Presence and Operational Strategy**

The company’s strategic expansion has led to a significant international footprint.3 An examination of its financial reports reveals a profound strategic shift from its domestic roots to a business model almost entirely dependent on international projects.4 For the year ended December 31, 2022, Azvirt's total construction revenue was AZN 362,949 thousand, with 100% of this revenue derived from foreign construction contracts.4 This finding suggests that while the company's historical foundation is in Azerbaijan, its current operational and financial focus is primarily external. This makes the success of its foreign relationships and projects paramount to the company's overall financial health and stability. The company's business model is built on securing large, state-backed international contracts with significant upfront payments, a structure that effectively negates the need for traditional venture capital funding and explains its "unfunded" classification by certain market analysts.8

### **2. Project Portfolio: A Deep Dive into Strategic Assets**

#### **2.1. Signature Projects in Azerbaijan**

Within Azerbaijan, Azvirt has been a key contributor to the nation's transport infrastructure development. The company has completed approximately 400 kilometers of roads, 81 bridges, and 9 tunnels over the last decade.3 It has been entrusted with numerous projects of strategic importance, including five international airports and various highway networks.3 Notably, Azvirt constructed a new international airport in the Gabala region, completing the project in an impressive one-year timeframe.2 The company's portfolio also includes iconic projects in Baku, such as the Formula 1 Grand Prix Baku City Circuit, a 6-kilometer track designed for speeds up to 340 kilometers per hour, and the construction of the Baku Flag Square.3

#### **2.2. The Strategic Focus on Serbia**

Azvirt's presence in the Republic of Serbia represents a cornerstone of its current business strategy. The company’s work there includes the construction of 40.3 kilometers of the modern highway from Ljig to Preljina, a section of the Corridor "Milos the Great".3 This project involved navigating difficult terrain and constructing four tunnels and 66 bridges.3 The company is also actively engaged in the construction of sections 4, 5, and 6 of the Belgrade Bypass and the Ruma–Šabac–Loznica highway, which includes a major bridge over the Sava River.3

The company's financial records confirm the importance of these relationships. In 2022, advances from customers totaled AZN 101,767 thousand.4 Of this amount, AZN 75,422 thousand, or approximately 74%, was attributed to projects in Serbia.4 This high concentration of financial activity in a single foreign market underscores a deep strategic and financial reliance on its partnership with the Serbian government. The company’s self-description as an "international but also Serbian company" and public praise from Serbian officials, such as Prime Minister Aleksandar Vučić, indicate that this is not merely a commercial relationship but a politically backed partnership that serves as a primary engine for Azvirt's growth.3

#### **2.3. Role in Karabakh Reconstruction (The "Great Return")**

Azvirt is a key participant in Azerbaijan’s state-sponsored "Great Return" program, a multi-billion-dollar effort to reconstruct the liberated Karabakh region following the 2020 conflict.5 This national mandate provides the company with a guaranteed and substantial project pipeline.5 The company's involvement includes active participation in the restoration and construction of infrastructure in these areas.5 Specifically, Azvirt was involved in laying the foundation for the Lachin International Airport and accelerating the construction of the Fuzuli International Airport.12 The construction of Lachin International Airport, situated at an altitude of 1,800 meters, required extensive excavation and land-leveling to adapt the rugged terrain for aviation use.13

Azvirt’s role in this effort places it at the center of a national, state-led initiative. This provides a strong competitive advantage against other firms for domestic work, as the company is viewed as a strategic state asset. This also means, however, that the company’s performance is intertwined with the highly sensitive and geopolitically charged reconstruction efforts, making any operational failures a matter of national significance.

### **3. Financial Analysis and Health Assessment**

#### **3.1. Revenue and Profitability**

An analysis of the company’s 2022 IFRS consolidated financial statements reveals that its total construction revenue was AZN 362,949 thousand.4 All of this revenue was generated from foreign contracts, highlighting the company’s strategic pivot to international markets.4 While the provided financial documents do not offer a consolidated statement of profit or loss, other data points offer a glimpse into the company’s financial health and operational model.4

#### **3.2. Liquidity and Capital Structure**

The company's financial model is heavily reliant on customer advances to fund its projects. In 2022, total advances from customers amounted to AZN 101,767 thousand, with the majority (AZN 75,422 thousand) coming from projects in Serbia, followed by Azerbaijan (AZN 21,368 thousand), Kyrgyzstan (AZN 3,575 thousand), and Ukraine (AZN 1,402 thousand).4 This reliance on upfront payments for project funding is critical to its operations.

The company's balance sheet also shows other key figures. In 2022, total borrowings were AZN 50,447 thousand, while total trade and other payables amounted to AZN 118,343 thousand.4 This suggests a greater reliance on credit from subcontractors and vendors than on traditional bank borrowings. The designation of Azvirt as "unfunded" by some market analysts 8 is a misnomer; it simply indicates that the company has not raised traditional venture capital or private equity funding. Its financial model is instead based on securing large, state-backed contracts with significant advances, which effectively provides the necessary capital for its operations.

#### **Table 1: Key Financial Data (2021-2022)**

| Metric | Year Ended December 31, 2022 (AZN thousands) | Year Ended December 31, 2021 (AZN thousands) |
| --- | --- | --- |
| **Total Construction Revenue** | 362,949 | N/A |
| **Total Advances from Customers** | 101,767 | N/A |
| **- Serbia** | 75,422 | N/A |
| **- Azerbaijan** | 21,368 | N/A |
| **- Kyrgyzstan** | 3,575 | N/A |
| **- Ukraine** | 1,402 | N/A |
| **Total Borrowings** | 50,447 | 48,496 |
| **Total Trade and Other Payables** | 118,343 | 95,909 |
| **Total General and Admin Expenses** | 30,991 | N/A |
| **Total Other Expenses** | 563 | N/A |
| **Total Other Income** | 1,387 | N/A |

### **4. Leadership, Corporate Governance, and Ownership**

#### **4.1. Founding and Historical Leadership**

Azvirt was founded by Professor Aliyev Ali Musa, a prominent scientist in Azerbaijan's road industry who held a doctorate in technical sciences.7 He served as the General Director of the company from December 1999 until his death on April 23, 2016.7 He was the patent holder for the activated mineral filler technology used in the company’s pioneering asphalt mixes.5 The biography of Professor Aliyev on the company's website is a central component of its self-narrative, but it concludes with his passing in 2016, offering no information on a successor.7

#### **4.2. Current Ownership and the Governance Gap**

Since its founding as a state-backed joint venture, the company has transitioned to a fully private ownership structure.1 As of December 31, 2022, Azvirt is owned by four private entities: Martin Beteiligungs GmbH & Co KG (30%), Falcom Holding s.a.r.l (25%), Mr. Elnur Aliyev (25%), and Walz GmbH & Co KG (20%).1 A significant finding from the available public information is the complete absence of any public record regarding who has led the company since the death of its founder.7 This lack of publicly available information on the current executive leadership represents a critical corporate governance and transparency risk. The apparent "leadership vacuum" makes it challenging for any external party to assess the company's current strategic vision, management continuity, or accountability. This suggests a non-traditional governance model that operates outside the norms of most major international contractors, which would be a significant point of concern for investors and partners.

### **5. Competitive Landscape and Market Position**

#### **5.1. The Discrepancy in Ranking**

According to one market analysis, Azvirt is ranked 308th out of 308 competitors in a global index.8 Its top competitors are listed as Reliance Infrastructure, Jaypee Infratech, and Granite Construction.8 This ranking is a consequence of its classification as an "unfunded" and private company, as the metrics used by the index likely favor publicly traded, capital-intensive firms with traditional funding models. The company's actual competitive position cannot be accurately assessed by this ranking alone. The market analysis also incorrectly includes data on "Virtu Financial," a finance company, which has no relevance to Azvirt's business.15

Azvirt’s competitive strength is not derived from a high market capitalization or a top rank on a financial index. Its real advantage is its capacity to secure large, politically strategic contracts through diplomatic ties, particularly with the governments of Azerbaijan and Serbia, and to leverage its technical expertise to execute them.3 The company's true competitors are other large, state-backed or politically connected civil engineering firms in emerging markets, such as Akkord Industry Construction Investment Corporation, a major domestic competitor also involved in heavy civil construction and materials production with an international footprint.17 Another notable domestic rival is the BCC Group, an established EPC contractor with a strong reputation in the energy and oil & gas sectors within Azerbaijan and the Caspian region.19

### **6. Operational Risks and Public Controversies**

#### **6.1. The Počitelj Bridge Case Study**

Despite its successes, Azvirt's operational integrity has faced public challenges. The most significant case is the Počitelj Bridge project in Bosnia and Herzegovina, where Azvirt was a part of a consortium with two Chinese firms.6 The project is two years behind its original schedule and a crack appeared in the structure during construction due to improperly positioned cable pipes, a technical failure that required a Slovenian design firm to provide a solution.6

Further compounding the issue, the consortium was found to have violated its contract by engaging an unauthorized local subcontractor, Hering, to perform works on the bridge span structure.6 As a direct consequence of these issues and unjustified delays, the public company Autoceste FBiH imposed a penalty of €3.3 million on the consortium, which represents the maximum 10% of the contract amount.6 Following these violations, all four firms in the consortium were placed on a two-year "blacklist," disqualifying them from future projects with the public investor.6 The company's choice to omit the Počitelj Bridge from its public-facing project portfolio, despite claiming a presence in Bosnia and Herzegovina on its website, signals a strategic decision to control its public narrative.3 This non-disclosure of a major public failure is a direct contradiction of the company's espoused core values of "quality, safety, trust, innovation, teamwork, social responsibility and continuous learning".2

#### **6.2. Broader Macroeconomic and Geopolitical Risks**

The company's reliance on large, state-backed international projects exposes it to significant macroeconomic and geopolitical risks. Its financial reports acknowledge the negative impact of factors such as inflation and economic slowdowns in its key operating countries, particularly Azerbaijan and Serbia.1 Such macroeconomic pressures can increase project costs, impact funding availability, and reduce demand for new infrastructure.1 Moreover, the company’s business model is highly sensitive to shifts in political leadership, regulatory environments, and fiscal policies in its foreign markets.1 The legal and fiscal difficulties mentioned in the Kyrgyz Republic financial report illustrate the kind of political and regulatory instability that could affect operations in other regions.1

### **7. Conclusion and Strategic Outlook**

Azvirt is a company defined by its contradictions. It possesses significant technical expertise and a demonstrable track record of completing high-profile projects, yet its operational integrity has been publicly and severely challenged by the Počitelj Bridge controversy and subsequent blacklisting.6 While it is a private company with international ownership, its business model is fundamentally linked to state-backed projects and diplomatic relationships between Azerbaijan and the countries in which it operates.1 Its financial position appears sound, but it is heavily dependent on a small number of large projects and its high-value relationship with the Serbian government.4

The company's future hinges on its ability to successfully execute its long-term, high-stakes projects in Azerbaijan's Karabakh region and to sustain its symbiotic relationship with the Serbian government.3 The Počitelj Bridge scandal, if not addressed transparently, poses a long-term reputational risk that could harm its ability to win future international tenders.6 For any party considering a partnership, investment, or contract with Azvirt, a thorough due diligence process is critical. This analysis suggests that such an assessment must go beyond the company's promotional materials and include a detailed review of its operational and financial performance on all projects, with particular attention to how it handles disputes, technical failures, and contract breaches. The report concludes that while Azvirt offers access to lucrative, state-driven markets, this opportunity comes with a significant risk premium due to a lack of transparency and a documented history of operational failure.

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