

May 5, 2025

Growth visibility intact...

About the stock: Aeroflex Industries Limited (AERIND), incorporated in 1993, is engaged in the business of manufacturing and supply of metallic flexible flow solutions made with stainless steel

- Product range includes stainless steel corrugation products (braided and non-braided) such as hose, double interlock flexible metal hoses, composite hose, stainless steel hose assemblies, teflon/PTFE hose, fittings
- FY25 revenue Mix: ~74% from exports, ~26% from domestic markets
- Consolidated revenue of the company has grown by ~30% CAGR in the last 3 years during the period FY21-24 while EBITDA and PAT have grown by ~40% CAGR and ~79% CAGR respectively over the same period

Investment Rationale:

- Higher share of Assembly /Domestic revenues drives topline growth:** The share of high margin assembly segment stood at 52% in Q4FY25 vs. 34% in Q4FY24. This reiterates the fact that the company is in the right direction to take the assembly segment share to 70% in next 2-3 years. More so the company is also incurring a capex of increasing the assembly stations from 40 to 70 by FY26E which will lead to better product mix and higher margins. On other hand, the share of domestic stood at 26% as execution related to domestic projects gained momentum in the quarter. Going ahead, with increasing domestic sales, new product development and traction through Hyd-Air engineering revenue is subject to grow at a CAGR of 21% over FY24-FY27E.
- New capex to enhance visibility in the long run:** The company in Q4FY25 announced new capex plans to enhance visibility in the medium to long term. In the SS hoses segment the company after augmenting the capacity to 16.5 m metre in FY25E has further planning to add another 3.5 m metre capacity by FY26E coupled with adding of 30 new assembly stations (taking the count to 70) and automation of welding process. This will require a capex of Rs 54 crore. In the new product segment, the company is planning to put a capacity for manufacturing miniature metal bellows at a capex of Rs 23 crore. All this capex will be funded from internal accruals and drive growth over FY26E-FY27E. This capex will add revenues of over| 110 crore (at peak utilisation by FY27) and will be margin accretive as miniature metal bellows command margins of 30-35% while assemblies have 20-25% margin profile.

Rating and Target Price

- We expect the company to deliver a strong CAGR of 22.4% and 30.4% in revenues and PAT, respectively over FY25-FY27E. The lean balance sheet and strong cash flow generation will improve ROCE to 25% in FY27E from 20.5% in FY25 which will ensure the company commands rich multiple.
- We value the company at 34x FY27E EPS to arrive at a fair value of Rs 235 with a Buy Rating.



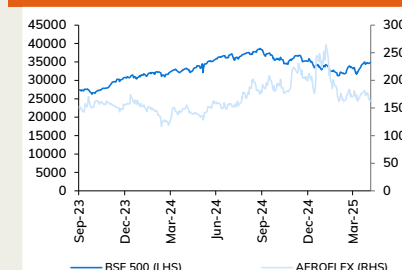
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	2,121
FY24 Debt (Rs Crore)	0
FY24 Cash (Rs Crore)	106
EV (Rs Crore)	2,015
52 Week H/L (Rs)	235 / 114
Equity Capital (Rs Crore)	25.9
Face Value	2

Shareholding pattern

	Mar-24	Jun-24	Dec-24	Mar-25
Promoter	67.0	67.0	67.0	67.0
FII	0.3	0.2	1.6	0.7
DII	6.2	5.9	5.7	5.9
Others	26.6	26.9	25.8	26.4

Price Chart



Key risks

- Global slowdown and significant reliance on exports
- High working capital requirements

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Key Financial Summary

(₹ crore)	FY21	FY22	FY23	FY24	3 year CAGR (FY21-24)	FY25	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	145	241	269	318	30.0	376	463	563	22.4
EBITDA	22	47	53	62	40.4	79	99	132	29.1
EBITDA Margin (%)	15.4	19.4	19.6	19.4		21.0	21.3	23.4	
Net Profit	7	27	30	42	79.4	53	68	89	30.4
Diluted EPS (Rs)	0.5	2.1	2.3	3.2		4.1	5.2	6.9	
P/E (x)	352.9	77.1	70.3	50.8		40.4	31.3	23.6	
EV/EBITDA (x)	97.2	46.1	40.8	32.6		26.1	21.3	15.9	
RoCE (%)	17.9	39.9	33.1	20.2		20.5	22.4	25.0	
RoE (%)	10.2	31.9	26.4	14.2		15.4	16.9	18.6	

Source: Company, ICICI Direct Research

Q4FY25 and FY25 Result Summary

- Revenue increased by 16.1% YoY (-8.5% QoQ) to ₹ 91.8 crore in Q4FY25
- EBITDA margin during the quarter stands at 20.6% (+203 bps YoY, -114 bps QoQ). EBITDA was up 30.8% YoY to ₹ 18.9 crore
- PAT was up 12% YoY to ₹ 11.2 crore (vs ₹ 10 crores in Q4FY24)
- The FY25 revenue is up 17.7% YoY to ₹ 378.8 crore while EBITDA margin stands at 21% (vs 19.4% in FY24). FY25 PAT increased by 25.8% YoY to ₹ 52.5 crore (vs ₹ 41.7 crores in FY24)

Q4FY25 Earnings call highlights

- Management has guided FY26E bottom-line revenue growth at 20-25%+ YoY, as orders from assembly segment (higher margin product) have gradually increased (52% of FY25 v/s 34% in FY24) its share in the revenue
- The management has completed and integrated the planned capacity expansion (3 million meters for SS flexible hose, 6 assembly stations and 1,20,000 pieces per annum for metal bellows) for the year ahead of its schedule and at lower costs than the estimated.
- The company has commenced production for its metal bellows segment and are targeting a ₹ 85-90 crore revenue and for its miniature metal bellows a topline of Rs 25-30 crore at a margin of 25% once the capacity reaches its optimum level which is expected by FY27E and FY28E respectively. This business is set to produce 25-30% revenue 4-5 years down the line
- In terms of Hyd-air Engineering, the company has installed CNC machines, set-up a control lab and upgraded its infrastructure. Post this management expects robust growth for its upcoming years
- In terms of new market opportunities, the company is now collaborating with a US multi-billion-dollar technology company for cooling down its AI data centres by providing flow solutions for the same.
- The metal bellows division has completed its 1st phase capex and is now capable for 10000 pieces per month. In Q4FY25, the revenues from this segment stood at ₹ 1.5 crore. The domestic sales and enquiry for the division have already begun from the quarter while the international order is currently on testing stage awaiting some remaining certifications
- The company is also seeing traction from energy, oil and gas, railway, metals and chemicals industries for its metal bellows and miniature metal bellows offerings
- The current capacity utilisation is at 75% with plans to reach to 90% upon complete integration of manufacturing. The return on equity and capital employed is at 16.5% and 24% respectively
- With regards to Qualified Institutional Placement (QIP) the management expects it to roll out in a few quarters, with major amounts to be used for inorganic growth while some would be set against working capital requirements
- The management is currently not experiencing any major shifts from US markets regarding the current global dynamics and are expecting a positive impact from a medium to long term perspective
- Regarding the domestic business the company is increasing its share by tapping into new segments as products are seeing demand in agriculture and ports.
- The company targets its assembly business to contribute 70% in revenue as of 50% currently in the coming 2-3 years.
- The management is currently in early stages of talk for collaboration in US presence which is planned to be finalised in 2-3 years. The plan is to setup a last mile assembly in the US with initial production in India.
- For FY26E the company plans to add a further 3.5 million meters in SS hose capacity (taking it to 20 million meters), 30 additional lines in assembly

stations, and a 2,40,000 pieces per annum capacity for miniature metal bellows.

- The EBITDA for FY26E is projected to be at 25% with at least a 100-basis point margin improvement for this they are focusing on high margin, value added products, especially in assemblies and metal bellows
- The management is also actively seeking partnership opportunities for organic growth both in domestic and international business.

Exhibit 1: Q4FY25 and FY25 result snapshot (₹ crore)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY(%)
Operating Income	91.8	79.1	16.1	100.4	-8.5	378.8	321.8	17.7
Other income	0.1	1.3		0.6		2.5	3.8	
Total Revenue	91.9	80.4		100.9		381.30	325.59	
Raw materials costs	53.7	49.0		60.0		223.8	201.4	
Employees Expenses	9.2	6.8		9.2		35.3	26.2	
Other Expenses	9.9	7.5		8.9		38.1	28.5	
Total Expenditure	72.8	63.3		78.1		297.2	256.1	16.0
EBITDA	18.9	14.4	30.8	21.7	-12.9	79.0	61.8	27.9
EBITDA margins (%)	20.6	18.6	203 bps	21.7	-114 bps	21.0	19.4	157 bps
Interest	0.1	0.1		0.1		0.4	2.1	
Depreciation	4.0	1.7		2.5		11.3	6.3	
Tax	3.7	3.9		4.5		17.4	15.5	
PAT	11.2	10.0	12.0	15.2	-26.2	52.5	41.7	25.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	317.9	376.2	462.6	563.2
% Growth	18.0	18.3	23.0	21.7
Other income	3.8	2.5	3.0	3.6
Total Revenue	321.8	378.8	465.7	566.9
Employee Expenses	26.2	35.3	40.6	46.7
Other expenses	28.5	38.1	45.7	52.6
Total Operating Expenditure	256.1	297.2	363.9	431.5
Operating Profit (EBITDA)	61.8	79.0	98.8	131.7
% Growth	16.8	27.9	24.9	33.3
Interest	2.1	0.4	0.4	1.4
PBDT	63.5	81.2	101.4	133.9
Depreciation	6.3	11.3	11.1	13.5
PBT before Exceptional Items	57.3	69.9	90.3	120.4
Total Tax	15.5	17.4	22.6	30.1
PAT before MI	41.7	52.5	67.7	90.3
PAT	41.7	52.5	67.7	89.3
% Growth	38.4	25.8	29.0	31.9
Diluted EPS	3.2	4.1	5.2	6.9

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	41.7	52.5	67.7	89.3
Depreciation	6.3	11.3	11.1	13.5
Interest	2.1	0.4	0.4	1.4
Cash Flow before WC changes	50.1	64.1	79.2	104.2
Changes in inventory	(2.9)	(7.7)	(18.8)	(20.1)
Changes in debtors	(27.8)	(21.8)	(20.0)	(31.2)
Other current assets	1.7	(8.1)	(7.1)	(5.1)
Net Increase in Current Assets	(29.0)	(37.6)	(45.9)	(56.5)
Changes in creditors	18.5	1.7	22.3	18.7
Other current liabilities	8.9	(0.7)	6.2	8.5
Net Increase in Current Liabilities	27.4	1.0	28.5	27.3
Net CF from Operating activities	48.5	27.5	61.8	75.0
(Purchase)/Sale of Fixed Assets	(37.7)	(100.9)	(85.0)	(50.0)
Others	(0.6)	1.0	-	-
Net CF from Investing activities	(38.3)	(101.2)	(83.7)	(50.0)
Dividend and Dividend Tax	(3.2)	(4.5)	(6.5)	(10.3)
Others	93.6	1.3	(2.6)	(1.4)
Net CF from Financing Activities	89.5	(3.2)	(9.1)	(12.7)
Net Cash flow	99.7	(76.8)	(31.0)	12.3
Opening Cash/Cash Equivalent	6.2	105.9	29.1	(2.0)
Closing Cash/ Cash Equivalent	105.9	29.1	(2.0)	10.3

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	25.9	25.9	25.9	25.9
Reserve and Surplus	267.3	316.5	375.6	453.5
Total Shareholders funds	293.2	342.4	401.4	479.4
Total Debt	0.1	0.6	0.6	0.6
Total Liabilities	294	345	404	482
Gross Block	159.5	255.9	340.7	390.7
Acc: Depreciation	77.2	88.5	99.6	113.1
Net Block	82.3	167.4	241.1	277.6
Capital WIP	5.4	9.8	10.0	10.0
Total Fixed Assets	87.7	177.2	251.1	287.6
Non Current Assets	3.7	3.6	3.6	3.6
Inventory	58.9	66.7	85.5	105.6
Debtors	94.7	116.5	136.5	167.7
Other Current Assets	20.7	29.5	36.6	41.7
Cash	105.9	29.1	(2.0)	10.3
Total Current Assets	283.7	244.5	259.3	328.1
Current Liabilities	55.1	56.8	79.1	97.8
Net Current Assets (Ex Cash)	96.8	133.5	150.9	-
Total Assets	294	345	404	482

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data				
EPS	3.2	4.1	5.2	6.9
Cash per Share	8.2	2.2	(0.2)	0.8
BV	22.7	26.5	31.0	37.1
Dividend per share	0.2	0.4	0.5	0.8
Dividend payout ratio	8%	9%	10%	12%
Operating Ratios				
EBITDA Margin	19.4	21.0	21.3	23.4
PAT Margin	13.1	14.0	14.6	15.9
Return Ratios				
RoE	14.2	15.3	16.9	18.8
RoCE	20.2	20.5	23.5	26.0
Valuation Ratios				
EV / EBITDA	32.6	26.5	21.5	16.0
P/E	50.8	40.4	31.3	23.6
EV / Net Sales	6.3	5.5	4.6	3.7
Sales / Equity	1.1	1.1	1.2	1.2
Market Cap / Sales	6.6	5.6	4.6	3.7
Price to Book Value	7.2	6.2	5.3	4.4
Working Capital Management Ratios				
Inventory Days	67	64	67	68
Debtors Days	107	112	107	108
Creditors Days	63	55	62	63
Asset turnover	2.0	1.5	1.4	1.5
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.7	2.9	2.6	2.6
Quick Ratio	1.7	1.9	1.6	1.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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