

October 29, 2026

Strong growth outlook; capacity expansion to support scale up...

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.

- FY26 revenue Mix: ~69% from exports, ~31% from domestic markets.
- Segmental Revenue Mix Q2FY27: SS Flexible Hoses (34%), Assemblies & Others (41%), Data Centre SFN Skid Assemblies (25%).

Q2FY27 performance: Aeroflex Industries reported strong quarterly performance in Q2FY27, with consolidated revenue from operations increasing 87.0% YoY to ₹207.4 crore. EBITDA grew 94.5% YoY to ₹50.3 crore, with EBITDA margin expanding 93 bps YoY to 24.3%. PAT surged 156.9% YoY to ₹36.6 crore, with PAT margin improving to 17.6% from 12.8% in Q2FY26. PAT growth was partly supported by lower depreciation following the change from WDV to SLM, which reduced depreciation expense by ₹8.4 crore in Q2FY27.

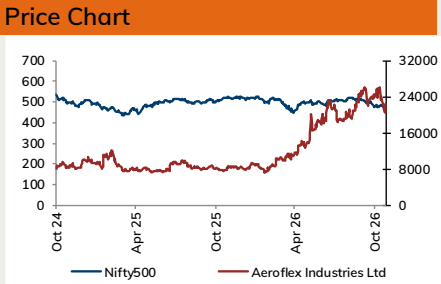
Investment Rationale:

- Strong growth in liquid cooling solutions and value-added products to drive revenue expansion:** Aeroflex Industries is increasingly positioning itself as a supplier of integrated flow-control and liquid cooling solutions, beyond its core stainless-steel flexible hose business. Liquid cooling skid assembly revenue is targeted at ₹150–200 crore in FY27, up from the initial target of ₹125 crore, reflecting faster-than-expected business ramp-up. With global liquid cooling markets estimated by management at US\$4–5 billion and growing at over 30% annually, rising AI-led data-centre investments provide a structural growth opportunity. Aeroflex is also exploring international skid supplies through discussions with existing and new global customers, which could create an additional growth avenue beyond domestic demand.
- Capacity expansion and operating leverage to support earnings growth and margin sustainability:** Aeroflex has expanded stainless-steel hose capacity to 20 million metres per annum and plans to increase it to 30 million metres, alongside liquid cooling skid capacity expansion to 30,000 units per annum by March 2028, through a planned investment of ₹202 crore. Management expects the incremental capacity to offer annual revenue potential of ₹500–550 crore at peak utilisation, with the expanded facilities expected to reach peak utilisation in FY30. The company targets FY27 revenue of ₹715–725 crore, implying approximately 60% growth, and has outlined a longer-term revenue ambition of around ₹1,500 crore by FY30, while targeting EBITDA margins of approximately 25% or higher. Higher utilisation, a richer product mix could support profitability as the business scales.
- Rating and Target Price:** We expect the company to deliver a strong CAGR of 40.6% and 52.7% in revenues and PAT, respectively over FY26-FY29E. We value the company at **50x FY29E EPS** to arrive at a fair value of **Rs. 765 with a Buy Rating.**



Particulars	Rs. (in crore)
Market Capitalisation	7349
Total Debt (FY26)	8.90
Cash and Inv. (FY26)	70
Enterprise Value	7288
52-week H/L (Rs.)	614/158
Equity capital	25.86
Face value (Rs.)	2

Shareholding pattern				
%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	67.0	65.5	65.5	65.5
FII	1.0	1.5	3.6	3.9
DII	3.6	3.8	1.5	1.4
Others	28.5	29.2	29.4	29.2



- Key risks**
- (i) Global slowdown and significant reliance on exports
 - (ii) High working capital requirements

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Key Financial Summary

(Rs. in crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Revenue	318	376	442	17.9	708	911	1,228	40.6
EBITDA	62	79	100	27.0	168	219	292	43.1
EBITDA Margin (%)	19.4	21.0	22.6		23.7	24.0	23.8	
Net Profit	42	53	56	15.4	113	145	198	52.7
Diluted EPS (Rs)	3.2	4.1	8.8		8.8	11.2	15.3	
P/E (x)	176.6	140.4	132.7		64.7	50.2	36.9	
EV/EBITDA (x)	117.6	92.9	73.3		43.7	33.9	25.1	
RoCE (%)	20.5	21.5	17.4		28.9	29.1	31.0	
RoE (%)	14.2	15.3	12.4		20.9	21.8	23.0	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

- **Financial Performance:**

- Aeroflex Industries reported strong quarterly performance in Q2FY27, with consolidated revenue from operations increasing 87.0% YoY to ₹207.4 crore. EBITDA grew 94.5% YoY to ₹50.3 crore, with EBITDA margin expanding 93 bps YoY to 24.3%.
- PAT surged 156.9% YoY to ₹36.6 crore, with PAT margin improving to 17.6% from 12.8% in Q2FY26. Reported profitability also benefited from a change in depreciation method from WDV to SLM, which reduced depreciation expense by ₹8.4 crore during the quarter. The change has been applied prospectively from April 1, 2026.

- **Operational Performance:**

- During H1FY27, revenue from the metal flexible hose business increased 40% YoY, while assemblies and other value-added products grew 44%. Management attributed the performance to healthy demand across end-user industries and the company's established international customer base.
- Liquid cooling solutions contributed 24% of H1FY27 revenue, marking a meaningful shift towards integrated flow-control and cooling solutions beyond the traditional flexible hose business. Management also highlighted increasing demand for hose assemblies from data-centre customers.
- Exports contributed 60% of revenue in Q2FY27 versus 74% in Q2FY26, while the domestic contribution increased to 40% from 26%.
- Within exports, the Americas accounted for 68% of export revenue in Q2FY27 versus 60% in Q2FY26, while Europe contributed 25% versus 24%. The contribution from other markets declined to 7% from 16%.

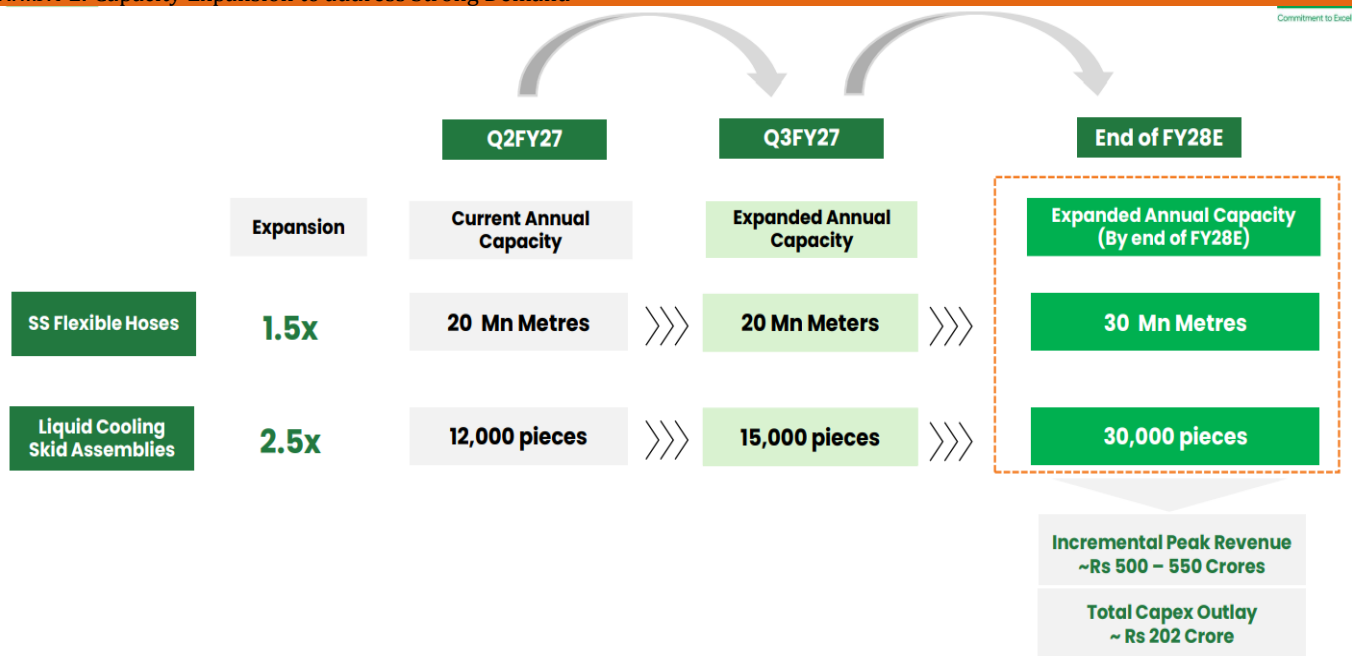
- **Liquid Cooling Solutions:**

- Liquid cooling skid assembly sales increased to ₹50.03 crore in Q2FY27 from ₹32.39 crore in Q1FY27, with volumes rising to 1,475 skids from 1,040 skids. The sequential ramp-up highlights the growing contribution of this higher-value business to the company's revenue mix.
- Aeroflex is in advanced discussions with its existing US multinational customer for international liquid cooling skid supplies, while preliminary discussions have commenced with other global customers. The exclusivity arrangement applies to the Indian market, allowing the company to explore export opportunities using its additional capacity, subject to demand.
- The company expects its liquid cooling business to benefit from the global market, which management estimates at US\$4–5 billion and growing at more than 30% annually. Aeroflex is engaging with international customers for liquid cooling supplies, although commercialisation timelines will depend on customer discussions and finalisation of arrangements.

- **Capacity Expansion & Growth:**

- The company has completed expansion of stainless-steel flexible hose and braiding capacity to 20 million metres per annum and commissioned liquid cooling skid assembly capacity of 12,000 units per annum. Skid assembly capacity is expected to reach 15,000 units per annum by December 2026.

- The next phase involves a total investment of ₹202 crore, comprising ₹124 crore towards increasing hose capacity from 20 million to 30 million metres per annum and ₹78 crore towards increasing skid assembly capacity from 15,000 to 30,000 units per annum. Both expansions are targeted for completion by March 2028.
- At peak utilisation, the incremental capacities are expected to generate annual revenue potential of ₹500–550 crore. Management expects the expanded capacities to reach peak utilisation in FY30, supported by demand from data centres and other high-growth industries.
- Current utilisation of the stainless-steel hose business is approximately 80%. At peak utilisation, the expanded hose business could generate revenue of ₹850–900 crore, assuming 70–75% of capacity is used for hose assemblies.

Exhibit 1: Capacity Expansion to address Strong Demand


Source: Company, ICICI Direct Research

Guidance & Outlook:

- Management expects FY27 revenue growth of approximately 60%, with full-year revenue targeted at ₹715–725 crore. Management expects the healthy growth momentum in the core business to continue through H2FY27.
- Liquid cooling skid assembly revenue is targeted at ₹150–200 crore in FY27, compared with the initial target of approximately ₹125 crore. Management indicated that the original target would be achieved during Q3FY27 itself, prompting an increase in the full-year target range.
- The company now expects revenue of approximately ₹1,500 crore in FY30, with the expanded capacity expected to reach peak utilisation during that year. Management expects EBITDA margin to remain around 25% or slightly higher, balancing economies of scale against pricing pressures as the business expands.

Financial summary

Exhibit 2: Profit and loss statement

₹ crore

(Year- end March)	FY26	FY27E	FY28E	FY29E
Net Sales	441.9	707.8	910.6	1,228.4
% Growth	17.5	60.2	28.7	34.9
Other income	1.4	3.0	3.0	3.6
Total Revenue	443.3	710.8	913.6	1,232.0
Employee Expenses	41.3	65.8	83.8	115.5
Other expenses	50.0	74.3	89.2	120.4
Total Operating Expenditure	342.2	540.0	692.0	936.1
Operating Profit (EBITDA)	99.7	167.7	218.5	292.4
% Growth	26.2	68.2	30.3	33.8
Interest	0.4	0.9	2.2	4.0
PBDT	100.2	168.6	217.5	292.0
Depreciation	26.1	16.3	20.9	24.6
PBT before Exceptional Items	74.1	152.3	196.6	267.4
Total Tax	18.6	38.1	49.1	66.8
PAT before MI	55.5	114.2	147.4	200.5
PAT	55.5	113.2	145.4	197.5
% Growth	5.8	103.9	28.5	35.8
Diluted EPS	4.3	8.8	11.2	15.3

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Equity Capital	26.5	26.5	26.5	26.5
Reserve and Surplus	420.8	519.2	647.1	841.6
Total Shareholders' funds	447.2	545.6	673.6	868.1
Total Debt	8.9	8.9	48.9	48.9
Total Liabilities	457	555	723	918
Gross Block	326.2	389.3	539.3	579.3
Acc: Depreciation	114.5	130.8	151.7	176.3
Net Block	211.7	258.5	387.6	403.0
Capital WIP	23.1	10.0	10.0	10.0
Total Fixed Assets	234.8	268.5	397.6	413.0
Non-Current Assets	3.6	3.6	3.6	3.6
Inventory	83.7	132.4	172.7	236.3
Debtors	129.8	210.3	270.3	367.9
Other Current Assets	39.5	54.8	74.4	101.7
Cash	68.5	51.9	12.9	79.1
Total Current Assets	324.7	452.6	533.4	788.1
Current Liabilities	80.7	122.7	157.7	216.0
Net Current Assets (Ex Cash)	148.3	-	-	-
Total Assets	456	555	723	917

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement

₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit/(Loss) after taxation	55.5	113.2	145.4	197.5
Depreciation	26.1	16.3	20.9	24.6
Interest	0.9	2.2	4.0	4.0
Cash Flow before wc changes	82.5	131.7	170.4	226.1
(Increase)/Decrease in inventory	(17.0)	(48.7)	(40.3)	(63.6)
(Increase)/Decrease in debtors	(13.3)	(80.5)	(60.0)	(97.6)
(Inc)/Dec. in other CA	(10.4)	(15.3)	(19.6)	(27.3)
Net Increase in Current Assets	(40.7)	(144.5)	(119.8)	(188.5)
Changes in creditors	23.9	42.0	35.0	58.3
Other current liabilities	(0.7)	2.1	20.0	6.9
Net Increase in Current Liabilities	26.0	62.0	41.9	75.6
Net CF from Operating activities	67.8	49.1	92.5	113.2
(Purchase)/Sale of Fixed Assets	(81.4)	(50.0)	(150.0)	(40.0)
Others	(0.7)	-	-	-
Net CF from Investing activities	(82.0)	(48.7)	(150.0)	(40.0)
Dividend and Dividend Tax	(5.2)	(10.3)	(15.5)	-
Others	61.8	(5.7)	36.0	(4.0)
Net CF from Financing Activities	56.7	(17.0)	18.5	(7.0)
Net Cash flow	42.4	(16.6)	(39.0)	66.2
Opening Cash/Cash Equivalent	26.1	68.5	51.9	12.9
Closing Cash/ Cash Equivalent	68.5	51.9	12.9	79.1

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per Share Data				
EPS	4.3	8.8	11.2	15.3
Cash per Share	5.3	4.0	1.0	6.1
BV	34.6	42.2	52.1	67.1
Dividend per share	0.4	0.8	1.2	-
Dividend payout ratio	9%	9%	11%	0%
Operating Ratios				
EBITDA Margin	22.6	23.7	24.0	23.8
PAT Margin	12.6	16.0	16.0	16.1
Return Ratios				
RoE	12.4	20.9	21.8	23.0
RoCE	17.4	28.9	29.1	31.0
Valuation Ratios				
EV / EBITDA	73.3	43.7	33.9	25.1
P/E	132.7	64.7	50.2	36.9
EV / Net Sales	16.5	10.3	8.1	6.0
Sales / Equity	1.0	1.3	1.4	1.4
Market Cap / Sales	16.6	10.4	8.1	6.0
Price to Book Value	16.5	13.5	10.9	8.5
Working capital ratio				
Inventory Days	69	68	69	70
Debtors Days	107	108	108	109
Creditors Days	66	63	63	64
Asset turnover	1.4	1.8	1.7	2.1
Solvency Ratios				
Debt / Equity	0.0	0.0	0.1	0.1
Current Ratio	2.5	2.7	2.7	2.7
Quick Ratio	1.5	1.6	1.7	1.7

Source: Company, ICICI Direct Research

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