Aeroflex Industries (AERIND)

ICICI Direct

CMP: ₹ 187 | Target: ₹ 218 (17%) | Target Period: 12 months | BUY

October 29, 2025

Faring well even in challenging times...

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

- H1FY26 revenue Mix: ~73% from exports, ~27% from domestic markets
- Consolidated revenue of the company has grown by ~27% CAGR in the last 4 years during the period FY21-25 while EBITDA and PAT have grown by ~38% CAGR and ~72% CAGR respectively over the same period.

Q2FY26 performance: Aeroflex reported healthy Q2FY26 performance with revenue growth of 17% YoY to ₹111 crore led by recent Hyd-Air business acquisition which grew to ₹9 crore from ₹1.5 crore YoY and strong domestic order execution. Favourable product mix and forex movement helped EBITDA margins to improve 190 bps YoY to 23.3%, EBITDA grew 27% YoY to ₹26 crore. A 3-fold YoY rise in depreciation and interest cost, drop in Other Income led to PAT growth of mere 4% YoY to 14.2 crore, PAT Margins at 12.8%, a contraction of 144 bps YoY.

Investment Rationale:

- **Higher share of Assembly /Domestic revenues, Hyd-Air business drives growth:** Assembly segment business mix grew to 54% in H1FY26 from 48% in H1FY25 reiterating 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 business grew to 27% in H1FY26 from 17% in H1FY25 as execution related to domestic projects gained momentum in the quarter. Also, the recently acquired Hyd-Air business grew significantly to ₹15 crore in H1FY26 from ₹3 crore in H1FY25 coupled with turning profitable in Q2FY26. Thus, Aeroflex's revenue and EBITDA grew 17% and 27% YoY in Q2FY26. Going ahead, with increasing domestic sales, new product development (liquid cooling solution) and traction through Hyd-Air engineering we build in revenue growth at a CAGR of 18.5% over FY25-FY27E.
- **New capex to enhance visibility in the long run:** The company is undertaking capacity expansion to drive medium- to long-term growth. It plans to increase SS hose capacity from 16.5 mn m to 20 mn m, add 30 new assembly stations (total 70), and automate welding in FY26E at a cost of ₹54 crore. Additionally, it will invest ₹23 crore to expand a miniature metal bellows plant. Funded through internal accruals, these projects are expected to add over ₹100 crore in revenue by FY27–28 and improve margins, as bellows offer 30–35% margins vs 20–25% in assemblies.

Rating and Target Price

- We expect the company to deliver a strong CAGR of 18.5% and 19% in revenues and PAT, respectively over FY25-FY27E. The lean balance sheet and strong cash flow generation will improve ROCE to 23% in FY27E from 21.5% in FY25 which will ensure the company commands rich multiple.
- We value the company at 38x FY27E EPS to arrive at a fair value of **Rs. 218** with a **Buy** Rating.

AEROFLEX INDUSTRIES LIMITED

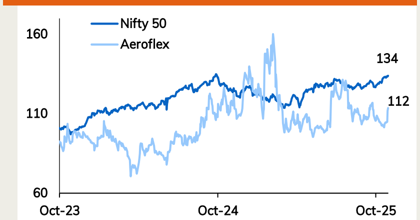
Particulars

Particular	Rs. (in crore)
Market Capitalisation	2423
Total Debt (H1FY26)	0.33
Cash and Inv (H1FY26)	151
Enterprise Value	2272
52 week H/L (Rs.)	271/145
Equity capital	25.86
Face value (Rs.)	2

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	67.0	67.0	67.0	67.0
FII	1.6	0.7	0.4	0.2
DII	5.7	5.9	3.9	3.4
Others	25.8	26.4	28.7	29.3

Price Chart



Key risks

(i) Global slowdown and significant reliance on exports

(ii) High working capital requirements

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Rs. in crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	241	269	318	376	16.0	431	528	18.5
EBITDA	47	53	62	79	19.2	90	118	22.1
EBITDA Margin (%)	19.4	19.6	19.4	21.0		21.0	22.3	
Net Profit	27	30	42	53	24.5	55	74	19.0
Diluted EPS (Rs)	2.1	2.3	3.2	4.1		4.3	5.7	
P/E (x)	87.9	80.2	57.9	46.1		43.7	32.2	
EV/EBITDA (x)	52.5	46.4	37.4	30.3		26.7	20.5	
RoCE (%)	39.8	33.5	20.5	21.5		19.8	23.1	
RoE (%)	31.5	26.4	14.2	15.3		14.2	16.6	

Source: Company, ICICI Direct Research

Earnings call highlights

- Revenue growth was led by a higher contribution from the recently acquired Hyd-Air business, which increased to ₹9 crore from ₹1.5 crore in Q2FY25 and buoyant domestic market which contributed 27% of overall revenue.

- Consequently, EBITDA grew on better topline and EBITDA Margin expansion which was aided by favourable forex environment and operating leverage, signalling improved efficiency and scale benefits.

- The liquid cooling solution business is gaining traction as it secured a follow-on order worth ₹7.8 crore for supply Indian data centre of a US listed entity. Repeat order highlights the growing adoption of cooling solution by Aeroflex. Aeroflex believes this business to evolve into a major business segment over the medium to longer term, driving growth and profitability.

- Aeroflex has received two liquid cooling system orders from its US client, totalling around ₹16 crore, with the first order from July set to be executed late in Q3FY26 and the repeat order secured in September to be executed in early Q4FY26.

- Aeroflex has entered into agreement with the US client to supply and is looking at capacity expansion plans for liquid cooling solution which it aims to finalise by Q3FY26. This expansion is aimed at meeting demand from large data centre capacity planned to be set up in India by the US client.

- On US tariff, the company has clarified that none of its orders have been cancelled, only few have been deferred from Q2FY26 to Q3FY26. This is despite a 50% total tariff levied on exports from India. Factors responsible for this are – non-availability of immediate substitute of Aeroflex's product for US customers and healthy customer relationship maintained by Aeroflex.

- Value of orders deferred from Q2 to Q3 by US clients is ~₹5-6 crore.

- Management has guided EBITDA margin in range of 21-22% for FY26 for this they are focusing on high margin, value added products, especially in assemblies and metal bellows.

- The company has a planned capital expenditure of ₹77 crore in hoses and bellows, allocating ₹54 crore for hoses (with ₹19.74 crore already spent) and ₹23 crore for miniature metal bellows (with ₹6.08 crore already spent).

- Aeroflex is confident of Hyd-Air business to sustain at current levels over remaining H2FY26E. Company will plan capacity expansion for its Hyd Air division with further details to be announced by the management. With current run rate with optimal capacity utilisation the revenue potential for Hyd Air is around ₹33 – 35 crore.

- The company is ambitiously focusing on its assembly business to grow it to form 70% of revenue in the coming 2-3 years. This currently formed 53% of revenue.

- Aeroflex has grown at 27% CAGR over FY21-25, going ahead, it aims to continue to grow business at similar growth rates YoY over the next 4-5 years. Aeroflex is confident of delivering growth on the back of shift in focus towards value-add products, new age industries and buoyant demand from domestic markets.

- Aeroflex has guided EBITDA for FY26E to be in range of 21-22%. Focus on high margin, value added products, especially in assemblies and metal bellows to keep margins in healthy double digits.

Exhibit 1: Q2FY26 result snapshot (Rs. in crore)

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Operating Income	110.9	95.0	16.7	84.3	31.5	Led by domestic & Hyd Air business
Other income	0.2	0.8		0.3		
Total Revenue	111.1	95.8		84.7		
Raw materials costs	62.3	55.8		49.4		
Employees Expenses	10.8	8.8		9.1		
Other Expenses	11.9	10.0		10.4		
Total Expenditure	85.0	74.6		68.9		
EBITDA	25.9	20.4	27.1	15.5	67.2	
EBITDA margins (%)	23.3	21.4	190 bps	18.4	499 bps	margin expanded on value add products & favorable forex environment
Interest	0.2	0.1		0.2		
Depreciation	6.1	2.4		5.9		
Tax	5.5	5.0		2.5		
PAT	14.2	13.7	4.2	7.2	98.6	Higher depreciation from capacity expansion being undertaken impacted PAT growth
PAT margins (%)	12.8	14.4	-155 bps	8.5	434 bps	

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**	**430.5**	**528.2**
% Growth	18.0	18.3	14.4	22.7
Other income	3.8	2.5	3.0	3.6
Total Revenue	**321.8**	**378.8**	**433.6**	**531.8**
Employee Expenses	26.2	35.3	40.6	46.7
Other expenses	28.5	38.1	47.6	54.8
Total Operating Expenditure	256.1	297.2	340.1	410.4
Operating Profit (EBITDA)	**61.8**	**79.0**	**90.5**	**117.8**
% Growth	16.8	27.9	14.4	30.2
Interest	2.1	0.4	0.4	1.4
PBDT	63.5	81.2	93.1	120.0
Depreciation	6.3	11.3	19.4	19.5
PBT before Exceptional Items	57.3	69.9	73.7	100.5
Total Tax	15.5	17.4	18.4	25.1
PAT before MI	41.7	52.5	55.3	75.3
PAT	**41.7**	**52.5**	**55.3**	**74.3**
% Growth	38.4	25.8	5.3	34.5
Dilued EPS	**3.2**	**4.1**	**4.3**	**5.7**

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	41.7	52.5	55.3	74.3
Depreciation	6.3	11.3	19.4	19.5
Interest	2.1	0.4	0.4	1.4
Cash Flow before WC changes	50.1	64.1	75.1	95.3
Changes in inventory	(2.9)	(7.7)	(12.9)	(19.5)
Changes in debtors	(27.8)	(21.8)	(10.6)	(30.3)
Other current assets	1.7	(8.1)	(4.5)	(5.1)
Net Increase in Current Assets	(29.0)	(37.6)	(28.0)	(54.8)
Changes in creditors	18.5	1.7	16.8	18.1
Other current liabilities	8.9	(0.7)	4.4	8.2
Net Increase in Current Liabilities	27.4	1.0	21.2	26.3
Net CF from Operating activities	**48.5**	**27.5**	**68.2**	**66.8**
(Purchase)/Sale of Fixed Assets	(37.7)	(103.1)	(85.0)	(50.0)
Others	(0.6)	1.0	-	-
Net CF from Investing activities	**(38.3)**	**(103.4)**	**(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	(79.1)	(24.6)	4.0
Opening Cash/Cash Equivalent	6.2	105.9	26.8	2.2
Closing Cash/ Cash Equivalent	105.9	26.8	2.2	6.2

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	363.1	426.1
Total Shareholders funds	293.2	342.4	389.0	452.0
Total Debt	0.1	0.6	0.6	0.6
Total Liabilities	**294**	**345**	**391**	**454**
Gross Block	159.5	258.1	343.0	393.0
Acc: Depreciation	77.2	88.5	107.8	127.4
Net Block	82.3	169.7	235.1	265.6
Capital WIP	5.4	9.8	10.0	10.0
Total Fixed Assets	87.7	179.5	245.1	275.6
Non Current Assets	3.7	3.6	3.6	3.6
Inventory	58.9	66.7	79.6	99.1
Debtors	94.7	116.5	127.1	157.4
Other Current Assets	20.7	29.5	34.1	39.2
Cash	105.9	26.8	2.2	6.2
Total Current Assets	283.7	242.3	245.7	304.6
Current Liabilities	55.1	56.8	73.6	91.8
Net Current Assets (Ex Cash)	96.8	133.5	140.3	-
Total Assets	**294**	**345**	**391**	**454**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data				
EPS	3.2	4.1	4.3	5.7
Cash per Share	8.2	2.1	0.2	0.5
BV	22.7	26.5	30.1	35.0
Dividend per share	0.2	0.4	0.5	0.8
Dvidend payout ratio	8%	9%	12%	14%
Operating Ratios				
EBITDA Margin	19.4	21.0	21.0	22.3
PAT Margin	13.1	14.0	12.8	14.1
Return Ratios				
RoE	14.2	15.3	14.2	16.6
RoCE	20.5	21.5	19.8	23.1
Valuation Ratios				
EV / EBITDA	37.4	30.3	26.7	20.5
P/E	57.9	46.1	43.7	32.2
EV / Net Sales	7.2	6.3	5.6	4.5
Sales / Equity	1.1	1.1	1.1	1.2
Market Cap / Sales	7.5	6.4	5.6	4.5
Price to Book Value	8.2	7.1	6.2	5.4
Workin 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	1.3	1.4
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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