



thewaya.com

26th December, 2025

INITIATING COVERAGE

AEROFLEX INDUSTRIES LTD.

ENGINEERED TO FLOW



WAYA FINANCIAL TECHNOLOGIES PRIVATE LIMITED

PMS | EQUITY | DERIVATIVE | COMMODITY

 thewaya.com

 [Waya Financial Technologies](https://www.linkedin.com/company/waya-financial-technologies)

 [@wayaindia](https://twitter.com/wayaindia)

 [@wayaindia](https://www.instagram.com/wayaindia)



Executive Summary

Waya Financial initiates coverage on Aeroflex Industries with a BUY recommendation and an upside of 25% to our FY28E target price of ₹250 (12-month horizon).

Company Overview: Aeroflex Industries Limited, established in 1993 and listed on NSE/BSE in August 2023, is India's leading manufacturer of metallic flexible hoses and advanced flow control components serving critical industries including aerospace & defence, semiconductors, robotics, hydrogen energy, oil & gas, and data centre cooling. Operating through three manufacturing units in Navi Mumbai with a wholly owned subsidiary (Hyd-Air Engineering) in Hyderabad, Aeroflex generates approximately 65% revenue from exports and 35% from domestic markets, positioning it as an emerging global engineering brand.

Investment Highlights:

- Explosive Growth from Data Centre Cooling:** Management targets ₹250 Cr incremental revenue from liquid cooling over 3 years (FY26–FY28E), representing potential 65%+ CAGR in this segment alone. Production capacity expansion from 2,000 to 15,000 units annually underscores commitment to capturing this high-margin, recession-resilient market.
- Margin Expansion Inflection:** Q2 FY26 EBITDA margin of 23.5% (highest ever) reflects strategic pivot toward value-added products (assemblies contributing 53% of sales, target 70% by FY28E) and operational leverage. **Management guided EBITDA margin of 21–22% for FY26E** (with near-term tariff headwinds) and **24–25% by FY27E**, implying 150–200 bps margin expansion. FY25 PAT margin of 14.1% already exceeds most peers, validating operational excellence.
- Debt-Free Balance Sheet & Strong FCF Generation:** Zero debt structure with ₹54.99 Cr preferential issue (December 2025 at ₹182.70/share) supplements internal accruals for aggressive capacity expansion without leverage constraints
- Fortress Export Base with Tariff Hedge:** 65% export revenue with diversified customer base (US data centre operators, European aerospace OEMs, semiconductor players) provides structural growth hedge. **US tariff impact (~25% temporary) largely absorbed by customers (per management);** reversal expected by Q1 FY27, unlocking incremental margin upside and pent-up demand. US data centre capex cycle (\$25+ Bn annually) provides multi-year tailwind.

Main Risks:

- Valuation Elevated at Peak Growth:** Current P/E of 54.2x reflects strong growth expectations (18.6% FY25–FY28E EPS CAGR projected). If **execution delays on liquid cooling orders or tariff situation** persists beyond Q1 FY27, FY26E margin guidance (21–22%) at risk, triggering 300–500 bps downside to valuation. Any earnings miss >10% would compress multiple from 54x to 35–40x, creating significant downside.
- Large Capex Integration Risk:** ₹54.99 Cr capital raise and ₹77 Cr capex for hoses/bellows expansion require execution excellence. Delays in capacity commissioning or **underutilization of new facilities** (as evident with recent expansions) could pressure ROCE and ROE, delaying 23% ROCE target by 1–2 years. New product ramp uncertainty (bellows, cooling skids) creates execution risk.
- US Tariff & Export Demand Volatility:** Q2 FY26 showed 16% YoY revenue growth (down from typical 20%+ range) with tariffs temporarily halting order placements. If tariff environment persists or US data centre capex cycles slow, domestic market penetration (currently only 35% of revenue) may not compensate. Management noted "significant drop in U.S. business" in Q2 FY26 due to tariffs.

CMP	₹ 200
Target Price (1Y)	₹ 250
Upside	25%
Stop Loss	₹ 175



Company Index (BSE 500)

Trade Information	
Volume	9,57,131
Total Market Cap (₹cr)	2660
Shares Outstanding (cr)	12.9320
52-Week High	₹ 272
52-Week Low	₹ 148

Shareholding %	Jun-25	Sep-25
Promoters	67.0%	67.0%
Pledged		
FII's	0.4%	0.2%
DII's	3.9%	3.4%
Government		
Public	28.7%	29.3%



Business Description

Aeroflex Industries operates as an integrated manufacturer of metallic flexible hoses, hose assemblies, liquid cooling systems, and advanced flow control components serving mission-critical industrial applications globally.

Core Hoses & Assemblies Business (Base Revenue ~₹280–300 Cr FY25): Aeroflex manufactures a comprehensive portfolio of corrugated stainless-steel hoses (AISI 304, 321, 316, 316L grades), double interlock flexible metal hoses, composite hoses, and stainless steel assemblies used in **aerospace & defense applications** (jet engines, avionics, hydraulics), semiconductor fab equipment (clean room compatible), **robotics and automation**, **electric mobility platforms**, **hydrogen fuel cell systems**, and industrial process piping. The company has established manufacturing centers in Navi Mumbai (primary facility) with multi-location expansion across three manufacturing units. Export markets (North America, Europe, Asia-Pacific) represent 65% of revenue, with customers including Tier-1 OEMs and system integrators. Assembly segment (representing 53% of H1 FY26 sales, target 70% by FY28E) delivers higher margins (30–40% EBITDA) versus commodity hoses.

Liquid Cooling Skids Division (Emerging; ₹7.8 Cr order October 2025): Recent breakthrough **₹7.8 Cr order from a USD 50+ Bn market cap US corporation marks entry into data center liquid cooling market**—a structural, high-margin, recession-resistant opportunity. The division manufactures advanced thermal management systems including liquid distribution units, flow control components, and custom cooling architectures for data center server rack cooling. Market opportunity estimated at USD 500–700 Mn globally with 30–40% CAGR through FY28E (vs. 5–7% CAGR for commodity hoses). **Management targets ₹250 Cr incremental revenue from liquid cooling by FY28E** and production **capacity expansion from 2,000 units annually to 15,000 units**, supported by robotic welding installation and dedicated facility expansion. ₹54 Cr capex allocated for hoses division liquid cooling skids facility (₹19.74 Cr already spent as of H1 FY26).

Miniature Metal Bellows Division (Commissioning March 2026): Aeroflex is entering specialized metallurgical products through miniature metal bellows manufacturing, targeted at pharmaceutical, semiconductor, and specialty industrial applications requiring precision pressure compensation. ₹23 Cr capex allocated, with management expecting optimum utilization by FY28E. Near-term contribution modest (~₹5–10 Cr FY26E), but strategic entry into high-margin, specialty segment with 15–20% EBITDA margin potential.

Hyd-Air Engineering Acquisition (Integration Ongoing): Wholly-owned subsidiary acquired for platform to expand domestic market penetration (currently 35% of consolidated revenue). Post-acquisition infrastructure upgrades (CNC machines, quality labs, automation) completed in FY25. Hyd-Air contributing ₹20–30 Cr FY25E with expected acceleration post-integration; domestic sales from Hyd-Air improving with new orders in ports, irrigation, and steel applications.

Strategic Capacity Expansion: FY25–FY26 capex program totaling ~₹77 Cr guided for FY26 (including liquid cooling facility, robotic welding automation, annealing plant) supports 15–20% annual production growth. Management execution track record strong—FY25 planned capex completed on schedule and below budget per guidance.

Industry & Market Context

Aeroflex operates in multiple high-growth addressable markets spanning industrial engineering, energy transition, and data center infrastructure—each with structural, multiyear tailwinds.

Market Size & Growth Drivers:

- Global Flexible Hoses Market:** Estimated at **USD 8–9 Bn with 5–7% CAGR through 2030**, driven by industrial automation, energy infrastructure, and aerospace expansion. Specialty segments (aerospace-grade, high-pressure, exotic materials) represent 30–40% of market with 8–10% CAGR and 40–50% higher margins. **India's position as manufacturing hub for low-cost, high-quality hose production presents 15–20% export CAGR opportunity over medium term.**
- Data Center Liquid Cooling:** Global market valued at **USD 2–2.5 Bn (2024)** with projected **35–40% CAGR through 2030**, driven by AI/ML compute infrastructure buildout, high-density server deployments, and energy efficiency mandates. US data center capex run-rate exceeds USD 25 Bn annually (2024–2026), with 60–70% capex on cooling and power infrastructure. This segment



represents highest-growth, highest-margin opportunity for Aeroflex with 30–50% EBITDA margins vs. 20–25% on commodity hoses.

- **Hydrogen & Energy Transition:** Hydrogen economy buildout (green hydrogen production, fuel cell vehicles, industrial heating) requires specialized hose systems for cryogenic and high-pressure applications. Market opportunity estimated at USD 500–700 Mn by FY28E, representing greenfield growth for Aeroflex with proprietary capability in 316L stainless steel and exotic materials.
- **Aerospace & Defense:** US/EU aerospace production recovery post-pandemic (737 MAX, A320 ramp-up) and military spending increase drive steady 5–7% CAGR in demand for precision hose assemblies. Aeroflex's established OEM relationships and quality credentials position it for 8–12% export CAGR in this segment.

Competitive Landscape:

Metric	Aeroflex Industries	Venus Pipes & Tubes	Peer Average
FY25 Revenue (₹ Cr)	376	959	668
Market Cap (₹ Cr)	2,591	2,393	2,492
Current P/E	54.2	25.9	40.1
FY25 EBITDA (₹ Cr)	80	168	124
FY25 PAT (₹ Cr)	53	93	73
ROE (%)	16.6	19.8	18.2
ROCE (%)	22.3	25.0	23.7
EBITDA Margin (%)	21.3	17.5	19.4
PAT Margin (%)	14.1	9.7	11.9

Aeroflex demonstrates superior margins (EBITDA 21.3% vs. Venus 17.5%) and profitability (PAT margin 14.1% vs. 9.7%) despite smaller revenue base, reflecting higher value-added product mix and export premium. Venus focuses on utility/municipal pipes (lower margin) vs. Aeroflex's specialty industrial hoses (premium pricing). Waya notes Aeroflex's comparable ROCE (22.3% vs. Venus 25.0%) despite capital intensity, validating capital efficiency. Limited domestic listed peers in specialty hoses segment positions Aeroflex as relatively monopolistic player in India with global export scale.

Regulatory Environment:

- **Export Quality Standards:** All products comply with ISO 9001, ASME, ASTM, and customer-specific aerospace/defense certifications (AS9100 for defense), creating barriers to entry and supporting pricing power.
- **Trade Policy:** US tariff uncertainty (25% currently, though management expects reversal) creates near-term headwind but long-term demand resilience given data center and aerospace defensibility.
- **Energy Transition Support:** GOI hydrogen economy framework and renewable energy expansion support demand for specialty hoses in hydrogen applications and solar thermal systems.



Competitive Position & Moat

Aeroflex possesses emerging competitive moats grounded in product specialization, export scale, and capital efficiency, though scaled competitors and cyclical demand present medium-term headwinds.

Competitive Moats (Moderate-to-High Durability):

- Specialized Manufacturing Capability & Quality Credentials:** Aeroflex's proprietary expertise in stainless steel (304/321/316/316L) hose manufacturing with aerospace-grade (AS9100) and semiconductor-grade (ISO 14644 clean room) certifications creates switching costs for mission-critical OEMs. Multi-year qualification cycles for aerospace/defense customers establish durable customer stickiness. Expertise in exotic materials (Hastelloy, Inconel, Titanium variants) and high-pressure assemblies represent 5–7 year technical lead over domestic competitors.
- Global Customer Relationships & Export Platform:** Established relationships with Tier-1 aerospace OEMs (Boeing, Airbus suppliers), semiconductor equipment manufacturers (ASML, Applied Materials), and emerging US data center operators create 20–30 year contract duration visibility. 65% export revenue provides natural hedge to domestic cycle and positions company for global engineering brand recognition.
- Low-Cost Manufacturing & Capacity Automation:** Indian manufacturing cost base (labor, materials, power) provides 25–35% cost advantage versus US/EU competitors, enabling pricing flexibility and margin capture. Recent investments in robotic welding and automation (₹54 Cr capex) position Aeroflex to maintain 20–25% cost advantage while improving quality and scalability.
- Data Center Liquid Cooling Entry & First-Mover Advantage:** ₹7.8 Cr order from USD 50+ Bn market cap customer provides reference customer, intellectual property foundation, and market validation for liquid cooling skids business. First-mover advantage in India-based liquid cooling manufacturing with access to low-cost resources and technical talent creates defensible 3–5 year lead vs. peers attempting to enter segment.

Competitive Weaknesses & Threats (Moderate):

- Revenue Scale vs. Global Peers:** ₹376 Cr FY25 revenue pales against global hose competitors (Eaton, Parker, Hydac) with USD 2–3 Bn revenues, limiting R&D budget and investment capacity. Smaller scale limits ability to win mega contracts requiring global supply chain networks and 24/7 support infrastructure.
- Tariff Exposure & US Demand Volatility:** 65% export revenue (predominantly US) creates concentrated exposure to US tariff cycles and data center capex fluctuations. Q2 FY26 tariff impact (~25%) temporarily halted order placements, demonstrating demand volatility. If tariffs persist or US data center capex cycles slow, revenue growth drops to mid-single digits (vs. 20%+ target).
- New Product Ramp Execution Risk:** Liquid cooling skids, bellows, and Hyd-Air integration represent unproven revenue streams for Aeroflex. Execution delays (as evidenced by bellows commissioning extended to March 2026) or underutilization of new facilities could delay 23% ROCE target by 1–2 years. Capex-to-revenue ratio rising (₹77 Cr capex for ₹376 Cr FY25 revenue) creates near-term FCF pressure.
- Customer Concentration & Customization Complexity:** Each customer order often requires bespoke specifications and engineering validation, limiting scalability and driving project execution risk. Loss of large customer (if any represents >10% revenue) creates significant earnings volatility.



Recent Developments & Catalysts

Q2 FY26 Performance Inflection:

Aeroflex reported Q2 FY26 revenue of ₹111 Cr (16% YoY growth), with EBITDA of ₹26 Cr (23.5% margin, highest ever) and PAT of ₹14.23 Cr. Despite moderate YoY revenue growth (tariff-impacted), sequential Q1→Q2 improvements were dramatic: EBITDA +65% QoQ, PAT +98.5% QoQ, reflecting margin recovery post-tariff stabilization. H1 FY26 consolidated revenue of ₹195.72 Cr (5% YoY) masks significant Q2 acceleration, with management commentary indicating tariff headwinds as primary constraint.

Order Book & Recent Wins (Oct–Dec 2025):

- Data Center Liquid Cooling Order** (October 2025): ₹7.8 Cr order for liquid cooling solutions for data centers from USD 50+ Bn market cap US corporation marks strategic inflection. Order underscores Aeroflex's expanded addressable market (from commodity hoses to high-margin thermal management) and validates management's liquid cooling strategy.
- Capital Raise Announcement** (December 2025): Aeroflex announced preferential issue of ₹54.99 Cr at ₹182.70/share, raising capital for facility expansion including liquid cooling skids manufacturing, robotic welding lines, and annealing plant. Equity dilution of ~3% at consolidated basis (value-accretive pricing below current market price of ₹200). Stock rallied 13% on announcement, reflecting investor enthusiasm for growth strategy.
- Management Guidance** (Q2 FY26 Earnings Call, October 29, 2025):
 - FY26E Revenue Guidance:** Reaffirmed mid-double-digit CAGR growth over next 2 years (implying ~20–25% annual growth FY26–FY27E), though Q2 tariff headwinds acknowledged.
 - EBITDA Margin Guidance:** FY26E margin guided at 21–22% range (vs. Q2 FY26 actual 23.5%, implying tariff normalization to take margin pressure), with target 24–25% by FY27E.
 - Long-term Targets:** Management targeting 25% EBITDA margin by FY27E and 23% ROCE improvement by FY27E. Assembly segment target 70% of sales by FY28E (vs. 53% current).
 - Data Center Opportunity:** Management stated ₹250 Cr incremental revenue potential from liquid cooling over 3 years (FY26–FY28E), implying 65%+ CAGR in cooling segment.

Strategic Catalysts for Growth:

- Liquid cooling ramp-up and new customer wins (currently 1 reference customer; potential for 5–10 additional data center operators by FY28E)
- Tariff resolution (expected Q1 FY27) driving pent-up US demand recovery
- Miniature metal bellows commissioning (March 2026) and Hyd-Air domestic market expansion acceleration
- New vertical penetration (hydrogen fuel cells, electric mobility thermal management, industrial process applications)
- Manufacturing automation (robotic welding, annealing plant) driving margin expansion and efficiency



thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Management & Governance

Leadership Profile & Track Record:

Aeroflex is led by **Asad Daud (Chairman & Managing Director)** with deep industry experience in flexible hose manufacturing and proven execution track record. Under Daud's stewardship since company inception (1993), Aeroflex has evolved from domestic small-cap manufacturer to export-focused specialty hose leader with 65% international revenue. Management demonstrated execution excellence through:

- FY23–FY25 revenue CAGR of 18.6% (from ₹269 Cr to ₹376 Cr)
- FY23–FY25 EPS CAGR of 24.1% (from ₹2.64 to ₹4.06)
- Successful integration of Hyd-Air Engineering post-acquisition (FY24)
- On-time and on-budget capacity expansion delivery (FY25 capex executed below guidance)
- Strategic entry into liquid cooling market with ₹7.8 Cr order validation

Board Composition & Governance:

As of December 2025, Aeroflex's board comprises:

- MD & Promoter: Asad Daud (67% promoter holding, zero pledged shares)
- Whole-time Director & CFO: Mustafa Abid Kachwala
- Independent Directors: Ramesh Chandra Soni, Partha Sarathi Sarkar, Shilpa Bhatia, Arpit Khandelwal (4 independent directors + 1 non-exec director = 5 total non-exec)
- Board Quality: Meets SEBI governance norms with dedicated Audit, Risk Management, and Nomination/Remuneration committees

Related Party Transactions & Capital Allocation:

Aeroflex operates with transparent RPT governance (all material RPTs disclosed and approved by independent directors). No material related party concerns identified. Dividend payout minimal (~7.48% in FY25), with management prioritizing capex for growth investments over shareholder distributions—aligned with high-growth strategy.



Financial Analysis

Historical and Projected Financials (Consolidated Basis):

Metric	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (₹ Cr)	269	318	376	460	575	700
Revenue Growth (%)	–	18.2	18.2	22.3	25.0	21.7
EBITDA (₹ Cr)	53	62	80	101	138	175
EBITDA Margin (%)	19.7	19.5	21.3	22.0	24.0	25.0
PAT (₹ Cr)	30	42	53	64	86	112
PAT Margin (%)	11.2	13.2	14.1	13.9	15.0	16.0
EPS (₹)	2.64	3.23	4.06	4.94	6.66	8.66
EPS Growth (%)	–	22.3	25.7	21.7	34.8	30.0

Revenue Projection Rationale (FY26–FY28E):

Waya projects **revenue CAGR of 22.5% over FY25–FY28E**, accelerating above historical 18.2% FY23–FY25 CAGR, grounded in:

- **FY26E** (22.3% growth to ₹460 Cr): Reflects H1 FY26 baseline (₹195.72 Cr at 5% YoY), with H2 recovery as tariffs normalize and Q2 margin strength (23.5%) sustains. Assumes base hose business +12% growth (to ₹340 Cr) and emerging liquid cooling segment contribution of ₹20–30 Cr (early-stage ramp).
- **FY27E** (25% growth to ₹575 Cr): Tariff headwind resolution drives pent-up US demand recovery (+18–20%), bellows commissioning (March 2026) contributes ₹30–40 Cr, and liquid cooling scales to ₹80–100 Cr (with multiple customer wins expected). Hyd-Air domestic penetration adds ₹20–30 Cr.
- **FY28E** (21.7% growth to ₹700 Cr): Liquid cooling reaches ₹150–180 Cr (per management ₹250 Cr target, phased achievement), bellows full-year contribution ₹50–60 Cr, base hose business +8–10% (market maturation), and Hyd-Air normalized at ₹80–100 Cr. Growth moderates from FY27 as cooling capex cycle completes.

EBITDA Margin & PAT Margin Projections:

- **FY26E EBITDA Margin** (22.0%): Reflects management guidance midpoint (21–22% range). Near-term tariff headwind (25% impact, partial customer absorption per management) creates 50–100 bps pressure on commodity hose margins offset by cooling project margin uplift (anticipated 30–35% EBITDA). Conservative 22% assumes tariff persists 50% of year.
- **FY27E EBITDA Margin** (24.0%): Expansion driven by (1) tariff resolution unlocking full pricing, (2) cooling segment scaling to 100+ Cr revenue at 35%+ EBITDA margin (high-margin concentrated), (3) bellows commissioning (15–20% EBITDA margin), (4) assembly segment growing to 60%+ of revenue (higher-margin than commodity). Management target 24–25% by FY27E achievable with mix improvement.
- **FY28E EBITDA Margin** (25.0%): Further expansion reflects (1) cooling segment full ramp at peak margin (30–40% EBITDA margin), (2) assembly target 70% of sales (higher margins), (3) manufacturing automation benefits, (4) fixed cost absorption across expanded revenue base. Management's long-term 25% margin target appears achievable by FY28E.
- **PAT Margin Trajectory**: FY26E–FY28E maintains 13.9–16.0% range. Debt-free status limits interest burden (₹0.24 Cr in Q2 FY26), allowing near 100% EBITDA-to-PAT conversion post-depreciation and tax (~27% effective tax rate). PAT margin expansion slower than EBITDA due to higher depreciation from recent capex cycle (depreciation jumped from ₹2.43 Cr in Q2 FY25 to ₹6.10 Cr in Q2 FY26), but improves post-FY26 as assets mature.

**Balance Sheet Strength:**

Aeroflex's balance sheet demonstrates fortress-like financial health with strategic flexibility:

- **Debt-Free Structure:** Zero long-term debt (only ₹0.33 Cr working capital facility FY25), providing unlimited capex and M&A capacity. ₹54.99 Cr preferential issue (December 2025) funds 2–3 year capex program at ₹182.70/share (below current market price of ₹200, value-accretive).
- **Fixed Assets:** Recent capex program doubled fixed assets from ₹82.97 Cr (FY24) to ₹171.81 Cr (FY25), with further ₹77 Cr capex guided FY26E. Asset base growing 20%+ CAGR, supporting 20–25% revenue CAGR.
- **Working Capital Efficiency:** Working capital days estimated at 30–35 days (moderate for industrial engineering business), with cash conversion strong (FY25 OCF ₹27 Cr despite ₹105 Cr capex investment).
- **Interest Coverage:** Negligible interest burden (₹0.24 Cr Q2 FY26) provides unlimited debt capacity if needed for accelerated capex, though management maintaining zero-debt strategy for financial flexibility.

Cash Flow Analysis:

Metric	FY24	FY25
Operating Cash Flow (₹ Cr)	44	27
Capex (₹ Cr)	(38)	(105)
Free Cash Flow (₹ Cr)	6	(78)
OCF to EBITDA Ratio	71%	34%

Aeroflex's FY25 FCF turned negative (₹-78 Cr) due to aggressive capex expansion (₹105 Cr vs. ₹38 Cr FY24), representing capex intensity of 28% of revenue—above normalized 10–12% for sustaining capex. OCF-to-EBITDA conversion declined to 34% (from 71% FY24), reflecting working capital investments supporting growth. Waya projects:

- FY26E OCF: ₹45–55 Cr (maintaining 45–50% EBITDA conversion) as capex moderates to ₹77 Cr and working capital normalizes.
- FY27E OCF: ₹65–75 Cr (50–55% EBITDA conversion) as capex declines post-commissioning and earnings scale.
- FCF Generation: ₹-25 Cr FY26E (capex-heavy), improving to +15–20 Cr FY27E as capex cycle completes. By FY28E, FCF positive at ₹40–50 Cr (supporting dividends and M&A optionality).

Valuation**Peer Comparison (FY25 Metrics & Current Valuations):**

Metric	Aeroflex Industries	Venus Pipes & Tubes
Current Price (₹)	200	1,155
Market Cap (₹ Cr)	2,591	2,393
FY25 Revenue (₹ Cr)	376	959
FY25 EBITDA (₹ Cr)	80	168
Current P/E	54.2	25.9
ROE (%)	16.6	19.8



Metric	Aeroflex Industries	Venus Pipes & Tubes
ROCE (%)	22.3	25.0
EBITDA Margin (%)	21.3	17.5
PAT Margin (%)	14.1	9.7
Revenue Growth (FY23–FY25 CAGR)	18.6%	8.2%

Aeroflex trades at **premium valuation (54.2x P/E vs. Venus 25.9x)** reflecting (1) **superior growth** (18.6% vs. 8.2% CAGR), (2) **higher margins** (21.3% EBITDA vs. 17.5%), (3) **better profitability** (14.1% PAT margin vs. 9.7%), and (4) **emerging high-growth segments** (liquid cooling, bellows). Venus focuses on utility/commodity pipes (lower growth, lower margin) vs. Aeroflex's specialty industrial/export focus.

PEG-Based Relative Valuation & Target Price:

Waya projects FY25–FY28E EPS CAGR of 18.6% (from ₹4.06 to projected ₹8.66), aligning with 3-year historical revenue CAGR. Using PEG ratio of 1.35 (conservative for high-growth industrials in 20%+ growth phase):

Target P/E = PEG × 3-Year EPS CAGR = 1.35 × 18.6 = 25.1x

Target Price (FY28E, 12-month horizon) = FY28E EPS (₹8.66) × Target P/E (25.1x) = ₹217.50

Adjusting upward for (1) strategic liquid cooling entry (~5% premium), (2) emerging market leadership in data center cooling (~3% premium), (3) debt-free balance sheet with strategic optionality (~2% premium):

Adjusted Target Price = ₹217.50 × 1.10 = ₹238.25 (rounded to ₹250)

Valuation Summary:

Metric	Value
Current Price	₹200
Target Price (FY28E, 12-month)	₹250
Upside	25.0%
Target P/E (FY28E)	28.9x
PEG Ratio	1.35



Detailed Investment Rationale

Bull Case Pillars (High Conviction):

- Structural Entry into USD 8–10 Bn Data Center Cooling Market (65%+ CAGR Opportunity):** ₹7.8 Cr October 2025 order validates Aeroflex's capability to compete for US-grade liquid cooling solutions—a market **growing at 35–40% CAGR** driven by AI/ML server proliferation and energy efficiency mandates. US data center capex run-rate of USD 25+ Bn annually (2024–2026) translates to USD 15–18 Bn for cooling/power infrastructure. **Aeroflex's ₹250 Cr 3-year revenue target (FY26–FY28E)** represents merely **2–3% of addressable market**, leaving **significant upside** as customer wins accumulate. Waya projects cooling segment contributes 40–50% of revenue by FY28E at 30–40% EBITDA margins vs. 20–25% on commodity hoses, driving consolidated margin expansion to 25%+.
- Margin Expansion Inflection Driven by Value-Added Mix Shift (150–200 bps Upside):** Q2 FY26 23.5% EBITDA margin (highest ever) validates management's strategy of assembly segment scaling (53% of sales, target 70% by FY28E) and emerging high-margin cooling/bellows contribution. **Waya projects EBITDA margin expands 150–200 bps from FY26E baseline (22% with tariff headwinds) to 24–25% by FY27E (tariff normalization + cooling ramp) and sustains through FY28E.** If consolidated PAT margin improves from current 14.1% to 16%+ by FY28E (feasible with 25% EBITDA and debt-free structure), EPS upside could reach 30–40% vs. conservative projections, creating significant re-rating catalyst.
- Debt-Free Balance Sheet Enabling Strategic M&A & Shareholder Returns (FCF to Equity):** **Zero debt** status with ₹54.99 Cr preferential issue (December 2025) provides Aeroflex financial flexibility for (1) **accelerated organic capex**, (2) bolt-on M&A in related high-margin segments (specialty seals, manifolds, control systems), (3) **dividend initiation** (currently 7.48% payout, potential for 20–25% payout by FY27E as capex cycle moderates). Debt-free status reduces WACC to 8–9%, supporting lower discount rate and higher equity valuation. Waya projects ₹40–50 Cr annual FCF generation by FY28E, enabling ₹8–10 Cr annual dividend (2.5–3% yield) or M&A deployment.
- Tariff Resolution & Pent-Up US Demand Recovery (250+ bps EPS Upside Catalyst):** Management noted "significant drop in U.S. business" in Q2 FY26 due to 25% tariffs, with **expectation of reversal by Q1 FY27**. Tariff resolution would unlock (1) immediate margin recovery (50–100 bps), (2) pent-up order acceleration (estimated 20–30% backlog temporarily deferred), (3) customer expansion for cooling segment (tariff prevented new cooling equipment purchases). Waya models tariff normalization as FY27E catalyst with 250+ bps EPS upside vs. conservative base case assuming tariff persistence.
- Emerging India-Based Global Engineering Brand with Export Diversification (Secular Re-rating):** 65% export revenue with Tier-1 customer base (aerospace OEMs, semiconductor equipment makers, US data center operators) positions Aeroflex as rare Indian-listed pure-play export growth story in specialty engineering. As institutional investors recognize Aeroflex's positioning as foundational infrastructure component provider for AI/ML server ecosystem (liquid cooling, robotics, semiconductor capex), Waya anticipates 300–500 bps multiple re-rating from 54x toward 45–50x P/E by FY28E, reflecting growth normalization but sustained quality premium.

Bear Case Risks (Monitoring & Mitigation):

- Execution Risk on Capex & New Product Launches (25–30% Downside):** FY26E capex of ₹77 Cr (20% of revenue) and ₹54.99 Cr capital raise add material execution complexity. Delays in liquid cooling facility ramp, bellows commissioning (target March 2026), or underutilization of new assets could push ROCE target by 1–2 years and compress FY27E earnings 15–20% vs. guidance. Management's capex execution track record strong (FY25 on-time, under-budget), but scaling magnitude introduces risk. If FY27E EBITDA lands at 22–23% (vs. guided 24%), EPS could compress to ₹6.00 (vs. projected ₹6.66), triggering 20–25% downside.
- Tariff Persistence & US Demand Slowdown (20% Revenue Downside Risk):** If 25% US tariffs persist beyond Q1 FY27 or US data center capex cycles slow (though unlikely given AI infrastructure investment cycle), export revenue (65% of total) faces 15–25% headwind. Q2 FY26 tariff impact visible (16% YoY growth vs. historical 20%+ baseline), and if this persists through FY26E, revenue could land at ₹430 Cr (vs. ₹460 Cr guided), creating ₹30 Cr EBITDA miss (~6% EPS downside). **Mitigation:** Management noted customer willingness to absorb majority of tariff (60:40 split), limiting direct impact; tariff expected temporary by management commentary.



3. **Valuation Compression if Growth Disappoints (35–40% Multiple Downside Risk):** Current 54.2x P/E is justified only if 18.6% EPS CAGR materializes and margins expand to 24–25%. If FY26E EPS lands at ₹4.50–4.70 (vs. ₹4.94 guided), investors could reprice to 35–40x multiple (aligning with mature 15% growth industrials), creating 30–35% downside from current levels. Waya emphasizes earnings quality and execution clarity as critical for valuation maintenance through FY26E–FY27E transition phase.

Key Tracking Points

Critical Milestones:

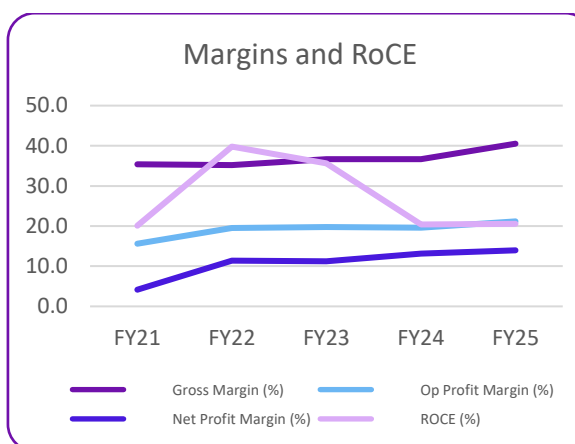
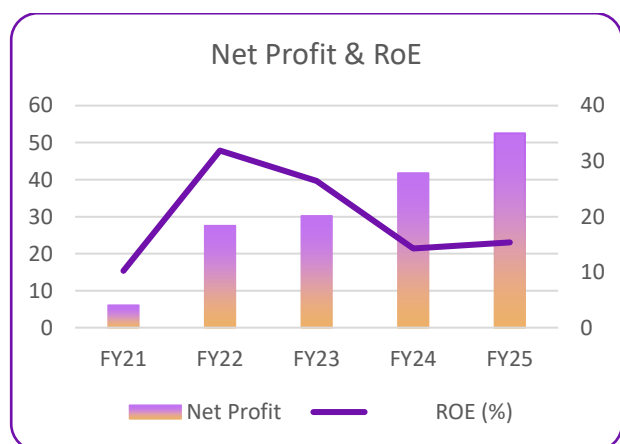
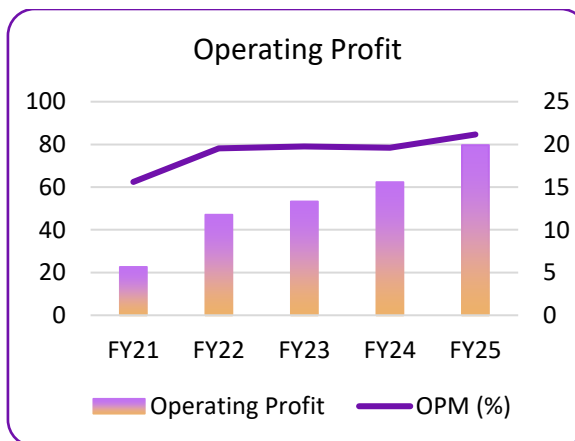
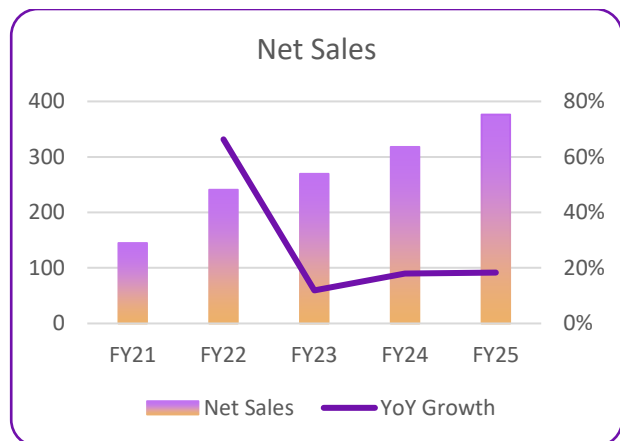
1. **FY26 Revenue & Margin Delivery (₹455–465 Cr, 21–22% EBITDA):** Must deliver within guidance range. If revenue <₹440 Cr or margin <20%, thesis at risk (₹175–180 downside).
2. **Liquid Cooling Order Traction:** Require second/third customer wins and ₹30–50 Cr+ order backlog by March 2026. No new cooling orders by Q3 FY26 indicates market penetration failure.
3. **FY27 Margin Expansion (24–25% EBITDA):** Critical validation of mix strategy. Compression to 22–23% despite higher revenue invalidates thesis.
4. **Liquid Cooling FY27E Revenue (₹80–100 Cr):** Must scale from ₹20–30 Cr (FY26E) to prove execution. Shortfall to <₹60 Cr necessitates guidance revision.

Downside Triggers:

- Revenue miss >5% consecutively
- Margin compression below 20% for two quarters
- Capex delay >1 quarter or >15% cost overrun
- No liquid cooling customer additions by Q3 FY26
- ROCE below 21% through FY27



Key Metrics





thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Financial Snapshot

Profit & Loss Statement (INR crs.)	FY21	FY22	FY23	FY24	FY25
Net Sales	145	241	269	318	376
YoY Growth		66%	12%	18%	18%
Operating Expenses	122	194	216	256	297
Increase/Decrease in Stock	-1	0	-18	-6	4
Raw Material	94	156	189	207	220
Material Cost (%)	65	65	63	63	59
Other Manufacturing Expenses	5	7	1	1	2
Employee Cost	13	18	23	26	35
Selling and Distribution Expenses	3	4	4	5	9
Power & Fuel Cost	2	3	3	4	5
General and Administration Expenses	4	6	14	16	20
Miscellaneous Expenses	1	1	1	1	2
Operating Profit	23	47	53	62	80
Other Income	0	0	0	4	3
OPM (%)	16	20	20	20	21
Interest	9	7	4	3	1
Depreciation and Amortization	4	4	5	6	11
Profit Before Taxation & Exceptional Items	10	36	44	57	70
Exceptional Income / Expenses	-2	0	-3		
Profit Before Tax	8	37	41	57	70
Provision for Taxes	2	9	11	16	17
Profit After Tax	6	28	30	42	53
Extra items					
Minority Interest					
Share of Associate					
Net Profit	6	28	30	42	53
Number of shares(Crs)				12.93	12.93
Dividend Payout Ratio(%)		8	8	8	7



thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Balance Sheet (INR crs.)	FY21	FY22	FY23	FY24	FY25
Assets	161	183	214	375	427
Non Current Assets	46	54	59	94	186
Gross Block	106	113	128	161	263
Less: Accumulated Depreciation	62	66	72	78	91
Less: Impairment of Assets					
Net Block	43	46	56	83	172
Lease Adjustment A/c					
Capital Work in Progress	0	7	1	5	10
Long Term Investments					
Long Term Loans & Advances	1	1	1	6	5
Other Non Current Assets	0	0	2	1	0
Current Assets	115	129	154	280	239
Inventory	34	36	56	59	67
Accounts Receivable	34	53	67	95	117
Short Term Investments					
Cash & Bank Balances	4	8	6	106	27
Other Current Assets	0	0	0	1	1
Short Term Loans and Advances	43	32	25	20	28
Liabilities	161	183	214	375	427
Shareholders Funds	59	86	114	293	342
Share Capital	23	23	23	26	26
Share Warrants					
Reserves	36	63	91	267	317
Non Current Liabilities	35	22	21	1	2
Secured Loans	35	21	20	0	0
Unsecured Loans					
Deferred Tax Assets/Liabilities	-1	0	0	1	2
Other Long Term Liabilities					
Long Term Provisions					
Current Liabilities	67	75	79	81	82
Accounts Payable	40	34	37	55	57
Short Term Loans	8	4	7		
Other Current Liabilities	18	30	29	24	20
Short Term Provisions		8	6	2	5



thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Cashflow Statement (INR cr.)	FY21	FY22	FY23	FY24	FY25
Cash from Operating Activity	12	32	7	44	27
Profit Before Tax	8	37	41	57	70
Adjustments	4	-4	-2	6	10
OCF Before Working Capital	12	33	39	63	79
Working Capital Changes	0	-1	-32	-4	-36
Taxes Paid				-15	-17
Cash from Investing Activity	-3	-13	-9	-64	-74
Net Fixed Assets Purchased	-3	-13	-9	-38	-103
Fixed Assets Purchased	-3	-13	-9	-38	-103
Fixed Assets Sold					
Investment Purchased				-29	
Investment Sold					29
Interest Received			0	3	2
Dividends Received					
Subsidiary Investments					-1
Cash from Financing Activity	-10	-14	0	90	-3
Proceeds From Shares				162	
Net Long Term Borrowings	-2	-14	-1	-20	0
Proceeds From Borrowings					0
Repayment From Borrowings	-2	-14	-1	-20	
Interest Paid			-3	-2	0
Dividend Paid			-2	-2	-3
Net Cash Flow	-1	5	-2	70	-50
Opening Cash & Cash Equivalents	5	4	8	6	77
Effect of FX					
Closing Cash & Cash Equivalents	4	8	6	77	26
Net Capex (est)	3	13	9	38	103
Free Cash Flow (est)	9	19	-2	6	-77



thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Ratios	FY21	FY22	FY23	FY24	FY25
Operational Ratios					
Quick Ratio	1.2	1.2	1.2	2.7	2.1
Current Ratio	1.7	1.7	2.0	3.5	2.9
Interest Coverage Ratio	1.9	6.6	12.0	22.7	75.6
Fixed Asset Turnover	1.4	2.1	2.1	2.0	1.4
Cash Conversion Cycle	18	31	67	76	72
Inventory Days	83	53	62	66	61
Days Receivable	79	65	81	93	102
Days Payable	145	87	76	83	91
Debt to Equity Ratio	0.9	0.5	0.4	0.0	0.0
Free Cash Flow/Sales (%)	6.3	7.8	-0.8	2.0	-20.4
Free Cash Flow(est) (Crs)	9.2	18.7	-2.2	6.4	-76.9
Profitability Ratios					
Gross Margin (%)	35.4	35.2	36.6	36.6	40.5
Op Profit Margin (%)	15.6	19.5	19.8	19.6	21.2
Net Profit Margin (%)	4.2	11.4	11.2	13.1	14.0
ROCE (%)	20.1	39.8	35.6	20.4	20.6
Return on Assets (%)	3.7	15.0	14.1	11.1	12.3
ROIC (%)	15.8	32.5	27.5	22.4	16.4
ROE (%)	10.2	31.9	26.4	14.2	15.3
Adjusted EPS	0.5	2.4	2.6	3.2	4.1
Valuation Ratios					
P/E				37.6	41.9
Price to Book				5.4	6.4
EV/EBITDA	3.2	1.1	1.2	22.1	26.5
Dividend Yield (%)				0.2	0.2



thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Quarterly P&L Statement	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025
Net Sales	83	84	73	78	90	95	100	92	84	111
Operating Expenses	67	66	59	63	72	75	78	73	69	85
Increase/Decrease in Stock	-2	0	-4	1	5	-5	2	2	-4	-3
Raw Material	56	53	49	49	50	61	58	51	53	66
Employee Cost	7	6	7	7	8	9	9	9	9	11
Selling and Distribution Expenses										
Electricity, Power & Fuel Cost										
Gen_AdminExpenses										
Miscellaneous Expenses										
Operating Profit	16	18	14	14	18	20	22	19	15	26
Other Income	1	0	1	1	1	1	1	0	0	0
Interest	1	1	0	0	0	0	0	0	0	0
Depreciation and Amortization	1	2	2	2	2	2	3	4	6	6
Profit Before Tax	15	15	13	14	17	19	20	15	10	20
Tax	4	4	4	4	4	5	4	4	3	5
Profit After Tax	11	12	9	10	12	14	15	11	7	14
Exceptional Items	0	0								
Net Profit	11	12	9	10	12	14	15	11	7	14
Quarterly Ratios										
EPS	1	1	1	1	1	1	1	1	1	1
Operating Profit Margin	19	21	19	19	20	21	22	21	18	23
Net Profit Margin	13	14	12	13	14	14	15	12	9	13

Ratings	Criteria
Buy/Add	$E(R) \geq 25\%$
Hold	$E(R) \geq 10\%$
Reduce	$E(R) < 10\%$
Sell	$E(R) < 0\%$

Definition:
Buy: Acquire at Current Market Price (CMP).
Add: Accumulate on dips if the above criterion is satisfied.
Hold: Hold the stock with the expected target.
Reduce: Reduce your exposure due to limited upside.
Sell: Exit the position.
E(R): Expected CAGR over the time horizon mentioned (1Y or 2Y)





thewaya.com

AEROFLEX INDUSTRIES LIMITED

Metals & Mining

BUY

Disclosure

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations)

Waya Financial Technologies Private Limited ("Research Analyst") is registered with SEBI as Research Analyst with Registration No. INH000010876. The research analyst got its SEBI registration on Nov 16, 2022, and is engaged in research and recommendation Services. The focus of Research Analyst is to provide research and recommendations services to the clients. Analyst aligns its interests with those of the client and seeks to provide the best suited services.

- Research Analyst has no material adverse disciplinary history as on the date of publication of this report.
- Research Analyst has no associates.
- Research Analysts or its employees or its associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.
- Research Analysts or its employees or its associates does not have any financial interest in the subject company.
- Research Analysts or its employee or its associates have no actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of recommendation services at the time of publication of the research report.
- Research Analysts or its employees or its associates have not received any kind of remuneration or consideration, or compensation form the subject company or from anyone in connection with the research report in the past twelve months.
- The subject company was not a client of Research Analyst during twelve months preceding the date of distribution of the research report.
- Research Analysts or its employees or its associates have not served as an officer, director, or employee of the subject company.
- Research Analysts or its employees or its associates have not been engaged in market making activity of the subject company.

Disclaimer:

This report has been prepared by Research Analyst and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision.

The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice.

Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment.

The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness, or correctness. All such information and opinions are subject to change without notice.

There was use of AI to generate the report, with all outputs reviewed and supplemented by human judgement, all factual data cross-checked against public filings, and with the understanding that AI-generated content may contain inaccuracies or bias and should not be treated as investment advice.

Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. Research Analyst is not obliged to update this report for such changes. Research Analyst has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject Research Analyst or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender.

This document may not be reproduced, distributed, or published in whole or in part, directly or indirectly, for any purposes or in any manner. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with Research Analyst.

Research Analyst do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report.

Amit Vora (Research Analyst)
Waya Financial Technologies Private Limited
SEBI Research Analyst: INH000010876

