

## Riding on multiple tailwinds...

**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
- FY24 revenue Mix : ~84% from exports, ~16% 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 ~91% CAGR respectively over the same period

### Investment Rationale

- Strong industry tailwinds favour long-term growth; focus on expanding reach to new-age industries:** AERIND, which generates ~84% of its revenue from international markets, is well positioned to benefit significantly from healthy global demand of flexible flow solutions, given that it is an integral part of key industries (like steel & metals, oil & gas, chemicals, port terminal handling, paper, pharma, residential & commercial etc). Moreover, company is expanding its presence to new age sectors like fire sprinklers, solar, robotics, semiconductors, aerospace & satellite and electric mobility. With distinctive manufacturing capabilities, led by strong R&D, state-of-the-art Infra, global presence & 2500+ SKUs, the company is poised well to capture sizable share of increasing demand from organised sector
- Expanding capacities across segments; Focus remains on increasing share of better-margin product segments:** Company has expanded its capacity of "SS flexible hoses" segment (60% of revenue) to 15 mn mtrs by adding 3.5 mn mtrs in phases over the last 12 months. The company is in process of further expanding this capacity to 16.5 mn mtrs by Dec-2024. Moreover, company is expanding its existing product offerings through better-margin products like metal bellows. In other segments too (composite hoses & assemblies/fittings), company is in process of expanding capacities and targets to increase the overall share of higher-margin products. Company is also focused on expanding its product portfolio across existing & new materials too including SS, bronze, inconel, monel, PTFE etc

### Rating and Target Price

- With capacity expansions across existing segments & venturing into new product segment (metal bellows), company remains focused on improving profitability through increasing overall share of better-margin products
- We estimate revenue CAGR of ~25% over FY24-26E while EBITDA & PAT CAGR of ~34% & ~37% respectively over the same period. We assign **BUY rating** on the stock with a target price at ₹ 230 (valued at 38x P/E on FY26E)

### Key Financial Summary

(₹ crore)	FY21	FY22	FY23	FY24	3 year CAGR (FY21-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Revenue	145	241	269	318	30.0	398	499	25.2
EBITDA	22	47	53	62	40.4	86	111	33.8
EBITDA Margin (%)	15.4	19.4	19.6	19.4		21.7	22.2	
Net Profit	7	27	30	42	79.4	61	78	36.6
Diluted EPS (Rs)	0.5	2.1	2.3	3.2		4.7	6.0	
P/E (x)	383.0	83.7	76.3	55.2		37.9	29.6	
EV/EBITDA (x)	105.3	50.0	44.2	35.5		26.2	20.5	
RoCE (%)	17.9	39.9	33.1	20.2		23.3	24.8	
RoE (%)	10.2	31.9	26.4	14.2		17.4	18.5	

Source: Company, ICICI Direct Research



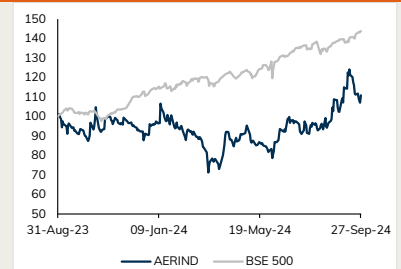
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	2,302
FY24 Debt (Rs Crore)	0
FY24 Cash (Rs Crore)	106
EV (Rs Crore)	2,196
52 Week H/L (Rs)	210 / 114
Equity Capital (Rs Crore)	25.9
Face Value	2

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	67.0	67.0	67.0	67.0
FII	1.1	0.4	0.3	0.2
DII	6.8	5.8	6.2	5.9
Others	25.1	26.8	26.6	26.9

### Price Chart



### Key risks

Key Risk: i) Global slowdown and significant reliance on exports ii) Dependence on Chinese-raw material suppliers iii) High working capital requirements

### Research Analyst

Chirag Shah  
shah.chirag@icicisecurities.com

Vijay Goel  
vijay.goel@icicisecurities.com

Kush Bhandari  
kush.bhandari@icicisecurities.com

## Company Background

Aeroflex Industries (AERIND), incorporated in 1993, is engaged in the business of manufacturing and supply of metallic flexible flow solutions made with stainless steel. Certified by RWTUV (Rheinisch Westfälischer Technischer Überwachungs Verein) Germany, the company has a manufacturing facility at Taloja, Navi Mumbai with a production capacity of 15 million meters (mn mtrs)

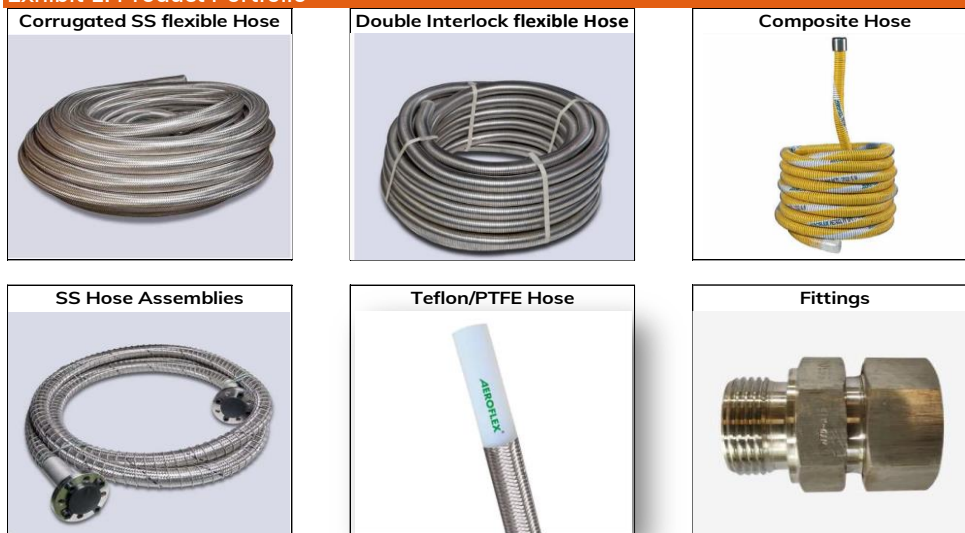
The company's product range includes stainless steel corrugation products (braided and non-braided) such as hose, double interlock flexible metal hoses, composite hose, stainless steel hose assemblies, teflon/PTFE hose, fittings. AERIND has a diverse product catalogue with over 2500+ Stock Keeping Units (SKUs), of more than 240 products and 100 designs

During FY24, Stainless Steel (SS) flexible hoses (with or without braiding) contributed ~60% to the total revenues followed by ~34% from Assemblies & Fittings and ~6% from Composite Hoses

AERIND derives ~85% of its revenues from exports while balance ~15% from domestic markets. The company exports to 89 countries across Asia, Americas, Europe and Africa. At present, company's products are mainly used across industries like Steel & Metal, Oil & Gas, Chemicals, Port Terminal Handling, Paper & Pulp, Pharma

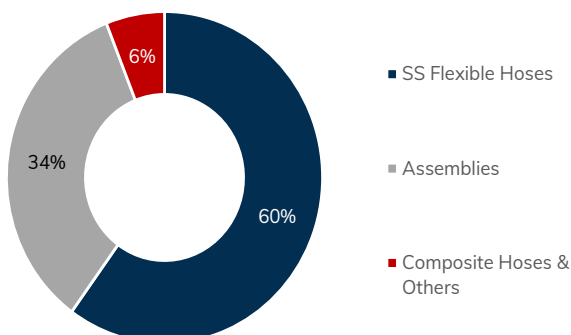
Consolidated revenue of the company has grown by ~30% CAGR in the last 3 years during the period FY21-24 while EBITDA and PAT have grown by ~40% CAGR and ~91% CAGR respectively over the same period. During FY24, company reported revenues of ₹ 317.9 crore which increased by ~18% YoY while EBITDA grew by ~17% YoY to ₹ 61.8 crore. PAT in FY24 stood at ₹ 41.7 crore, which increased by ~38% YoY

### Exhibit 1: Product Portfolio



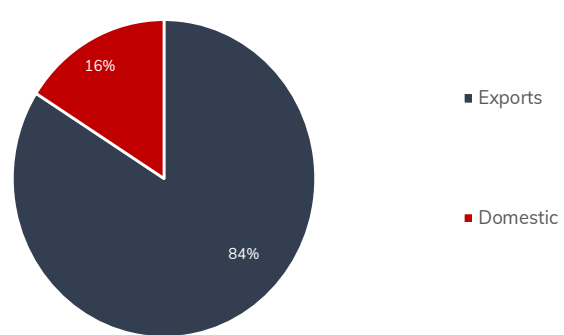
Source: Company, ICICI Direct Research

### Exhibit 2: Revenue Mix – FY24 (Product wise)



Source: Company, ICICI Direct Research

### Exhibit 3: Revenue Mix – FY24 (Region Wise) SS flexible



Source: Company, ICICI Direct Research

## Investment Rationale

### **Strong industry tailwinds favour long-term growth**

Flexible flow solutions are an integral part of any industrial process along with finding applications in residential and commercial fields. A non-rigid flow solution is increasingly becoming the preferred choice in industrial, residential, and commercial segments given the requirement of complex piping system

It is made from a wide range of materials, including rubber, PTFE (Poly-tetra-fluoro-ethylene), polymer, and metal. Although each material has its own advantage, it is metal flexible flow solutions, that is gaining widespread acceptance due to its superior technical attributes. Stainless steel (SS) is the most commonly used metal for manufacturing flexible flow solutions and emerging as a popular hose in a 'hose assembly'. Stainless steel corrugation assembly comprise of the actual hose, braid and the fittings used to connect the hose ends with the machinery/applications

Flexible flow solutions made with stainless steel corrugation are commonly used in manufacturing plants, such as those that produce chemicals, petrochemicals, pharmaceuticals, food and beverages, steel, and pulp and paper. They are also widely used in power plants and the oil and gas industry. In residential and commercial settings, these solutions are primarily used in HVAC (Heating, Ventilation, and Air Conditioning) systems. Therefore, the demand for stainless steel corrugated flexible flow solutions is closely tied to the demand and investment plans of these end-user industries and the overall health of the industrial sector

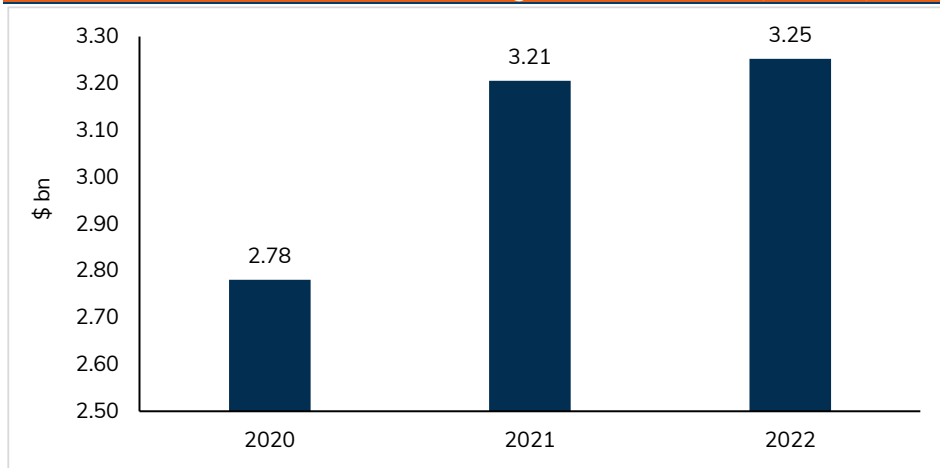
### Exhibit 4: Usage of flexible flow solutions in key sectors

Industry	Application
Chemicals	Process piping, steam lines, chlorine transfer, cryogenic transfer line, dry bulk pneumatic transfer, loading / unloading trucks / tanks
Oil Refining	Transfer hydrocarbons, steam and by-products & additives associated with the refining process. Some of the application areas include hydrocarbon drain hoses, steam lines, lube oil & grease plant process lines, gas burner connections, process line connections etc
Steel	Blast furnaces, BOF furnaces, coke over & coke by-product transfer, boiler & generation units, high temperature lubricating lines, cooling water hoses, and vacuum degasser, among others
Pulp & Paper	Boiler water pre-treatment lines, steam connections, lubricating lines, compressed gas lines, and connections for black/ white liquor
Petroleum Systems/ Fuel retailing stations	Underground piping solutions, due to its flexibility in tight environment/limited space
Utilities & Power Plants	Steam piping systems and fuel delivery lines for thermal power generation plants. Also finds application in hydropower plants as well as nuclear plants
Petrochemicals	Process piping, transfer of plastic resins, and steam lines, among others
Bulk Material Handling	Used in low-pressure or vacuum pneumatic conveying system, primarily due to its abrasion resistance property
Natural Gas Transfer	LNG is transferred at very low temperature, automatically ruling out many of the traditional hoses (rubber / polymer etc.). SS metal Flexible Flow Solutions with its temperature resistance property is an ideal choice
Water Treatment	Chlorine transfer in water treatment plants
HVAC Systems	Ability to avoid thermal expansion caused by temperature fluctuations as well as avoid vibration
Renewable Energy	Solar heating systems, where it is used to transfer hot and cold water between thermal panels and storage tank

Source: Company, ICICI Direct Research

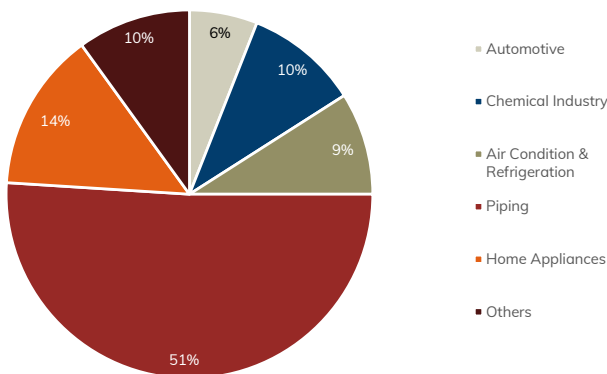
As per the industry reports, global market for SS flexible hose has grown at a CAGR of 8.2% to ~USD 3.3 bn in CY22. Given the increasing preference for flexible flow solutions made with SS Corrugation, in place of rubber/PTFE/polymer hoses, the demand for the former from the industrial sector is expected to remain healthy. Key demand drivers would be increasing demand of HVAC system, large scale industrialization, modernization in agriculture, govt initiative to curb carbon emission, demand from new edge industries like aerospace, satellite, solar and robotics

Exhibit 5: Global SS flexible hose market has grown at 8.2% CAGR (CY20-22)



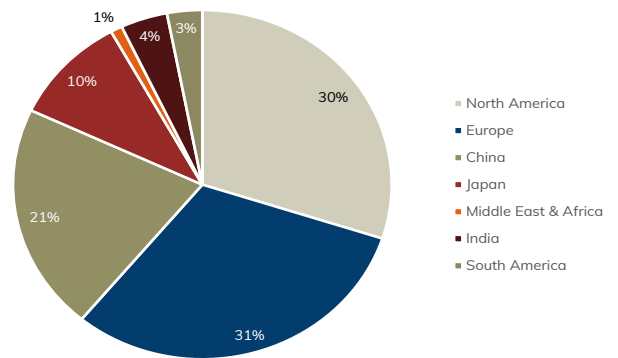
Source: Company, ICICI Direct Research

Exhibit 6: Global SS flexible hose market share by application



Source: Company, ICICI Direct Research

Exhibit 7: Global SS flexible hose market share by regions



Source: Company, ICICI Direct Research

**Distinctive manufacturing capabilities; focus on expanding reach higher-growth new age industries**

Aeroflex Industries, one of the leading manufacturers of metallic flexible flow solutions, shows distinctive manufacturing capabilities led by multiple factors like strong innovation & R&D led approach, state of the art Infrastructure, global customers accreditations, 2500+ SKUs

Company’s manufacturing facility (located in Talaja, Navi Mumbai spans over 3.59 lakh square feet) with 80+ machine lines and production capacity of 15 million meters, has an in-house design and R&D laboratory, product testing department, dedicated finished product storage area, for raw materials, spares and consumables. The facility is also strategically located near JNPT Port, giving an advantage in terms of on-time delivery of products and overall supply chain. Company also has an NABL accredited laboratory at its manufacturing facility with analytical instruments to ensure quality control

With this strong manufacturing capabilities, company been able to serve a diverse range of industries across the globe and cater to the demand of increasing number of customers year on year. Currently, company exports to 89 countries across Asia, Americas, Europe and Africa

With 72+ products across various stages of research and development, company is focused on expanding its product portfolio across existing and new materials including SS, Bronze, Inconel, Monel, PTFE, among others

Exhibit 8: Expanding reach to new age industries

Current Major Industries			New Age Industries		
 Steel & Metal	 Oil & Gas	 Chemicals	 Semiconductors	 Aerospace and Satellite	 Electric Mobility
 Sea Port Terminal Handling	 Paper and Pulp	 Pharmaceutical	 Solar	 Fire Sprinklers	 Robotics

Key Properties of our Products	
✓ Close substitute of rubber and polymers	✓ Abrasion Resistance & Flexibility in fitting
✓ Perfect fit for extreme environment conditions	✓ Absorb High Pressure
✓ Temperature Resistant	✓ High replacement creates demand
✓ Available in different sizes	✓ Chemical Compatible

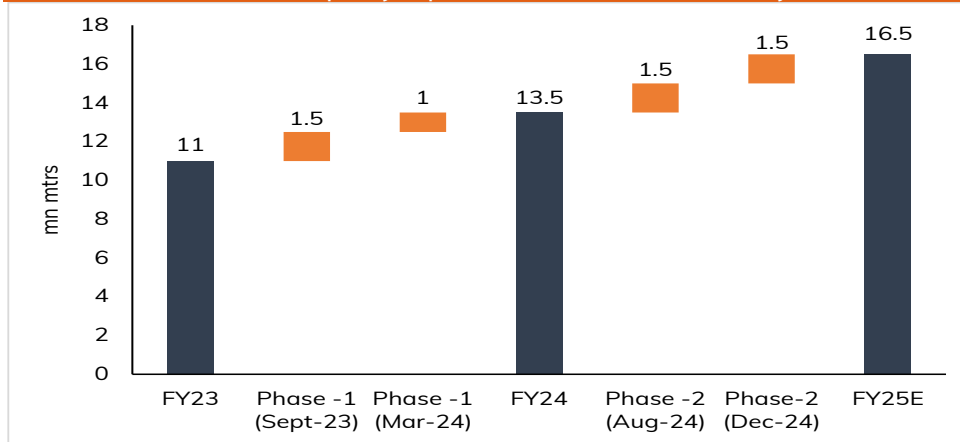
Source: Company, ICICI Direct Research

Company is well positioned to benefit significantly from healthy global demand of flexible flow solutions, given that it is an integral part of key industries (like steel & metals, oil & gas, chemicals, port terminal handling, paper, pharma, residential & commercial etc). Moreover, company is expanding its presence to new age sectors like fire sprinklers, solar, robotics, semiconductors, aerospace & satellite and electric mobility

**Expanding capacities across segments with focus on increasing share of better-margin segments**

The company is in process of expanding its capacity of “SS flexible hoses with & without braiding segment” to 16.5 million meters (mn mtrs) by Dec-2024 (from 15 mn mtrs at present). Company has recently expanded this capacity by 1.5 mn mtrs in Aug 2024 (to 15 mn mtrs at present) under phase-2 expansion plan. During FY24 also, the capacity was expanded by 2.5 mn mtrs under the phase -1 of expansion plan (shown in Exhibit 8). The expansion will enable them to produce a wider range of hoses and braids to cater to diverse customer needs

Exhibit 9: SS flexible hose capacity expected to reach 16.5 mn mtrs by FY25E



Source: Company, ICICI Direct Research

In composite hoses segment, company plans to add 3 more lines (for sizes up-to 20 inches) by Q2FY25 to reach 6 operational lines. Currently, the three existing lines are capable of producing hoses up to 14 inches. This expansion is targeted to position the company as a leading supplier of high-quality composite hoses

In Assembly & Fittings segment, the company has added 5 new assembly stations in Aug 2024 to gradually implement automated and robotic assembly lines as part of

its future plans. With the addition of 5 new assembly stations, the company has 34 operational assembly stations

Company has also made significant investments in expanding welding capabilities. In FY24, it added eight new welding stations, bringing the total number of welding stations to 29. Each welding station represents an investment of approximately 25-27 lakhs, which is in line with industry standards. This expansion will enhance ability to produce high-quality products that meet the stringent requirements of customers



**Venturing into new high-margin product – Metal Bellows:** In order to further expand their product offerings which, provide them with better margins, the company is planning a significant organic growth by introducing a plant for metal bellows capacity, aiming to increase annual production to 300,000 pieces. This expansion will be implemented in two phases (the first phase will create capacity of 120,000 pieces and the second phase will further increase capacity by 180,000 pieces)

To accommodate this expansion, the company has acquired a land area of 68,459 square feet in Ambernath from Lodha Industrial on a lease basis. The project is progressing well and the first phase of capacity is expected to be completed by December 2024. The capital expenditure for phase 1 of the expansion is estimated at ₹ 45 crores

The company anticipates that the capital expenditure for phase 2 will be comparatively lower as the machines used would be the ones erected in phase 1. The expanded capacity will enable the company to supply metal bellows with diameters ranging from 25 mm to 600 mm. The company plans on targeting industries like power plants, process industries, the automobile industry, water treatment plants, HVAC industries, gensets, and exhaust systems

**Acquisition of Hyd-Air Engineering:** Company has successfully acquired “Hyd-Air Engineering” for a total consideration of ₹ 17.21 crores. Following the acquisition, have plans are to invest ₹ 18 crores in upgrades to the acquired company's facilities. It is anticipated that these upgrades will be completed by March 2025 and will have a full impact on their financial performance in FY26. The acquisition will provide a direct advantage by integrating their products into its existing offerings. This backward integration for assemblies will partially allow the company to offer a more comprehensive range of solutions to its customers. By combining current capabilities with those of Hyd-Air Engineering, the company will be able to provide end-to-end solutions to customers, enhancing the value proposition

**Exhibit 10: Expanding product portfolio with better-margin products**

Value Added Product Segment	Inorganic Acquisition
<b>Metal Bellows</b>	<b>Hyd-Air Engineering Pvt Ltd</b>
<p><b>DETAILS</b> Aeroflex now entered into manufacturing of expansion joints (expansion bellows or flexible joints) for piping systems. Made from stainless steel, nickel alloys, inconal they absorb vibrations, heat, and misalignment, reducing strain and extending system lifespan. These joints enhance flexibility and cut costs, ideal for industries prone to thermal expansion.</p> <p><b>UPDATE</b> The Installation of Machinery equipment and auxillary parts is in process and shall be completed on time. Manufacturing of first phase will start <b>before Dec-24</b></p> <p><b>BENEFITS</b></p> <ul style="list-style-type: none"> <li>▪ Increase in existing product offerings</li> <li>▪ Higher ticket size /Margin expansion</li> <li>▪ Expanding clientele via new segments</li> </ul> <p><b>INDUSTRIES</b> Power plant , Process Industries , Automobile Industry, Water Treatment plants, HVAC industries, Gensets and Exhaust systems</p>	<p>The acquisition of Hyd-Air Engineering gave Aeroflex a direct advantage by integrating the acquired company's products into its fluid control assemblies, facilitating expansion into the assembly product segment.</p> <p>The quality lab installation is currently underway, and orders for new machinery installations have been placed, with completion <b>expected by Mar-25</b></p> <ul style="list-style-type: none"> <li>▪ End to end solution/ vertical integration</li> <li>▪ Operational efficiency</li> <li>▪ Entry into new industries - Railways, Shipbuilding, Heavy industries</li> <li>▪ Access to new clients - Mazgaon Dockyard, SAIL, BHEL, JSW, Arcelor Mittal</li> </ul> <p>Railways, Ship building , Heavy Industries</p>
	

Source: Company, ICICI Direct Research

With the Hyd-Air acquisition, Company has ambitious plans to expand the reach of their products globally (as against the domestic focus earlier) and to successfully penetrate new international markets and capture significant growth opportunities

In terms of total capital expenditure outlay, company plans to incur total capex of ~₹90 crores for FY25E (which includes capex for hoses, metal bellows and Hyd-air) to further strengthen the its market position and capabilities

We believe that the company's share of higher-margin products would increase in the coming period, led by increasing capacity of assembly & fittings segment and venturing into new product segment "metal bellows". Company highlights that the revenue contribution from new-age sectors (like fire sprinklers, solar, robotics, semiconductors, aerospace & satellite and electric mobility) would increase significantly in the coming period. Also, the margins are relatively better in these new-age sectors as compared to the traditional sectors

The company currently has ~36% of its sales from Assembly segment, which is a relatively higher-margin segment. However, company highlights that the revenues in assembly segment have been impacted on account of delays in the container availability (due to the ongoing crisis in the Middle East) and also due to some capacity constraints in the segment. Going ahead, the company believes that the revenue from this segment to pick-up led by improvement in supply chain issues and increase in segment's capacity. Company targets to increase the share of assembly segment sales to ~60% over the next 3-4 years

Moreover, the "metal bellows" segment is expected to have much better margins in the range of 26-30% (as compared to overall EBITDA margin level of ~20% at present for the company). Also, management highlighted that margins are expected to be even higher after Phase 2, depending on the size of the bellows. The company's R&D team is currently working on the development of 70 new metal bellows products

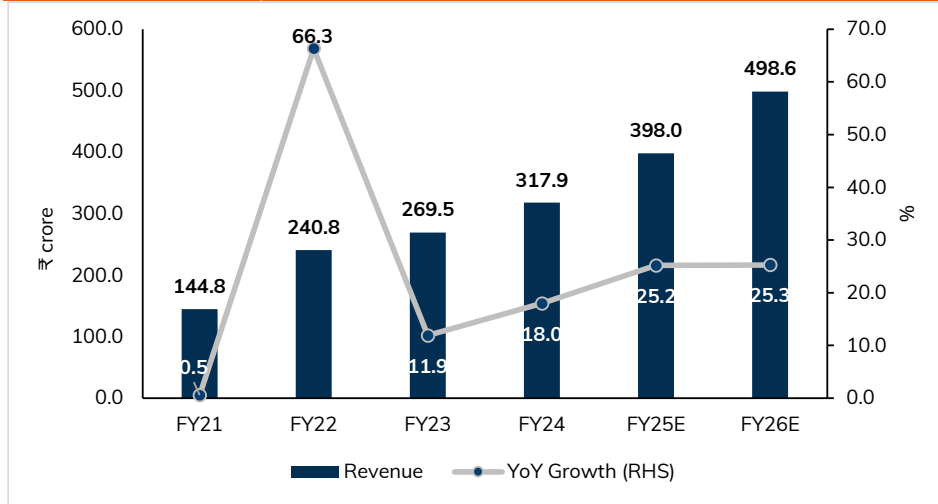
## Key Financial Summary

### Revenue expected to grow ~25% CAGR over FY24-26E

AERIND has reported healthy topline growth of ~30% CAGR in the last 3 years (FY21-24), led by healthy demand from key sectors like Oil & Gas, Petrochemicals, Steel and new age sectors like solar, fire sprinklers etc. Also, increase in hoses capacity in FY24 and demand shift towards organised hoses market have also helped the company in strong revenue growth

Going forward, we estimate revenue CAGR of ~25% over FY24-26E, led by further demand pick-up in organised segment, further increase in capacities across segments (flexible hoses, composite hoses, assemblies & fittings) and venturing into new product segment (metal bellows)

Exhibit 11: Trend in Topline



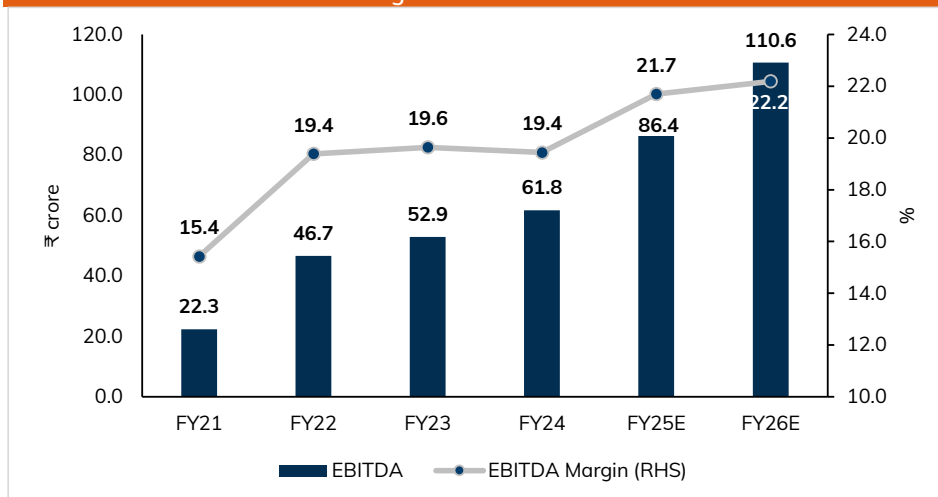
Source: Company, ICICI Direct Research

### EBITDA expected to grow ~34% CAGR over FY24-26E

With operational efficiencies kicked in (led by improvement in overall capacity utilisation levels) and favourable product mix, EBITDA margin improved substantially over FY21-24, leading to EBITDA CAGR of ~40% over the same period.

Going ahead, we estimate EBITDA margin to improve further gradually to 22.2% by FY26E from 19.4% in FY24, led by increase in share of better-margin segments (assemblies, fittings and metal bellows). Subsequently, EBITDA is expected at ~34% CAGR over FY24-26E

Exhibit 12: Trend in EBITDA & Margins

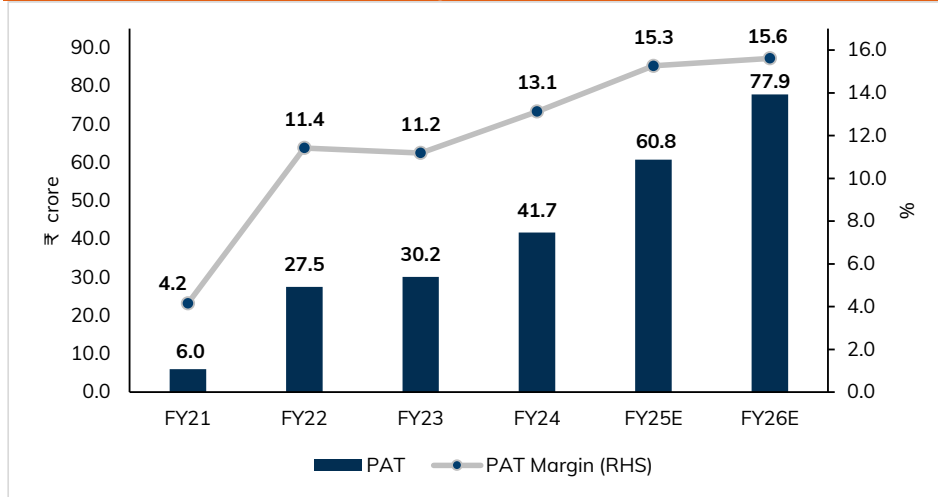


Source: Company, ICICI Direct Research



**PAT expected to grow ~37% CAGR over FY24-26E**

With healthy growth in EBITDA, we expect PAT to grow at a CAGR of ~37% over FY24-26E to ₹ 77.9 crore by FY26E from ₹ 41.7 crore in FY24

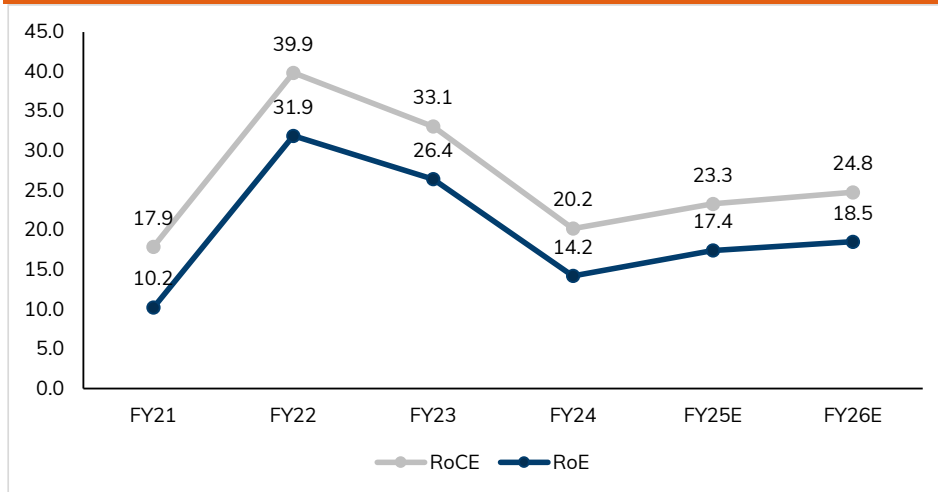
**Exhibit 13: Trend in PAT and PAT Margin**

Source: Company, ICICI Direct Research

**Return ratios to improve substantially over FY24-26E**

Return ratios declined during FY23, mainly on account of some contraction in operating margins and increase in inventory levels (led by supply chain issues). In FY24, return ratios declined, due to higher equity base (as the company raised ₹ 162 crore in IPO through fresh issue).

Going ahead, we expect return ratios to improve, led by substantial improvement in operational efficiency & increase in profitability

**Exhibit 14: Trend in Return Ratios**

Source: Company, ICICI Direct Research

## Risk and Concerns

### Global slowdown and significant reliance on exports

The company's significant share of revenue comes from exports (~84% in FY24), particularly regions like the United States and Europe. We believe that any slowdown in global capex in industries like steel, petrochemicals, Oil & Gas etc would pose a risk on earnings of the company.

High dependence on exports also exposes the company to potential risks associated with import duties and restrictions in various jurisdictions. The imposition of higher tariffs or trade barriers in these markets could adversely impact the company's profitability and competitiveness

### Dependence on Chinese-raw material suppliers

The company's reliance on China for a significant portion (~40%) of its raw material suppliers exposes it to several risks. Disruptions in supply chains, such as the loss of major suppliers or increases in raw material costs, could have a significant negative impact on the company's business and financial performance. Additionally, any shortfall in the availability or quality of raw materials could hinder production, leading to delays in orders and potential revenue loss

### High working capital requirements

The company's operations require significant amounts of working capital, which is primarily tied up in trade receivables and inventories. These assets represent a substantial portion of the company's working capital and are essential for its day-to-day operations. Any failure to realize receivables or inventories in a timely manner could lead to cash flow shortages, impacting the company's ability to meet its financial obligations and invest in future growth.

Furthermore, prolonged delays in collecting receivables or disposing of inventories could result in increased costs, such as interest expenses or write-downs, which could negatively affect the company's profitability. Therefore, the company's reliance on working capital is a critical factor in its overall financial health and sustainability

### Dependency on key products

The company's revenue is primarily derived from the sale of stainless steel corrugated flexible hoses, with and without braiding. While the company also sells other products, such as stainless-steel braiding, interlock hoses, and assemblies, these products contribute less significantly to its overall revenue. Any decline in the sales of stainless steel corrugated flexible hoses could have a substantial adverse impact on the company's business, cash flows, financial condition, and results of operations

## Financial Summary

Exhibit 15: Profit and loss statement

	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>269.5</b>	<b>317.9</b>	<b>398.0</b>	<b>498.6</b>
% Growth	11.9	18.0	25.2	25.3
Other income	0.0	3.8	4.6	5.5
<b>Total Revenue</b>	<b>269.5</b>	<b>321.8</b>	<b>402.6</b>	<b>504.1</b>
Employee Expenses	23.2	26.2	30.1	34.7
Other expenses	22.7	28.5	32.8	36.7
Total Operating Expenditure	216.5	256.1	311.7	388.0
<b>Operating Profit (EBITDA)</b>	<b>52.9</b>	<b>61.8</b>	<b>86.4</b>	<b>110.6</b>
% Growth	13.3	16.8	39.7	28.1
Interest	3.4	2.1	0.4	0.4
PBDT	49.5	63.5	90.6	115.8
Depreciation	5.2	6.3	9.6	12.0
PBT before Exceptional Items	44.3	57.3	81.0	103.8
Total Tax	11.1	15.5	20.3	26.0
PAT before MI	33.2	41.7	60.8	77.9
<b>PAT</b>	<b>30.2</b>	<b>41.7</b>	<b>60.8</b>	<b>77.9</b>
% Growth	9.6	38.4	45.6	28.1
<b>Diluted EPS</b>	<b>2.6</b>	<b>3.2</b>	<b>4.7</b>	<b>6.0</b>

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement

	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Profit after Tax	30.2	41.7	60.8	77.9
Depreciation	5.2	6.3	9.6	12.0
Interest	3.4	2.1	0.4	0.4
Cash Flow before WC changes	38.8	50.1	70.7	90.2
Changes in inventory	(20.2)	(2.9)	(15.0)	(18.6)
Changes in debtors	(14.4)	(27.8)	(23.3)	(29.8)
Other current assets	6.4	1.7	(18.2)	(3.9)
Net Increase in Current Assets	(28.2)	(29.0)	(56.4)	(52.3)
Changes in creditors	2.4	18.5	13.2	17.2
Other current liabilities	(5.9)	8.9	0.0	5.3
Net Increase in Current Liabilities	(3.5)	27.4	13.3	22.6
<b>Net CF from Operating activities</b>	<b>7.2</b>	<b>48.5</b>	<b>27.5</b>	<b>60.5</b>
(Purchase)/Sale of Fixed Assets	(9.3)	(37.7)	(90.0)	(60.0)
Others	0.2	(1.4)	-	-
<b>Net CF from Investing activities</b>	<b>(9.0)</b>	<b>(39.1)</b>	<b>(90.0)</b>	<b>(60.0)</b>
Dividend and Dividend Tax	(2.3)	(3.2)	(4.5)	(6.5)
Others	2.4	93.6	(1.4)	(0.4)
<b>Net CF from Financing Activities</b>	<b>(0.2)</b>	<b>90.3</b>	<b>(5.9)</b>	<b>(6.9)</b>
Net Cash flow	(2.1)	99.7	(68.4)	(6.3)
Opening Cash/Cash Equivalent	8.3	6.2	105.9	37.5
Closing Cash/ Cash Equivalent	6.2	105.9	37.5	31.1

Source: Company, ICICI Direct Research

Exhibit 17: Balance sheet

	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Equity Capital	22.9	25.9	25.9	25.9
Reserve and Surplus	91.2	267.3	322.6	393.9
Total Shareholders funds	114.1	293.2	348.4	419.8
Total Debt	45.0	0.1	0.1	0.1
<b>Total Liabilities</b>	<b>160</b>	<b>294</b>	<b>349</b>	<b>421</b>
Gross Block	126.5	159.5	244.9	304.9
Acc: Depreciation	70.9	77.2	86.7	98.7
Net Block	55.6	82.3	158.1	206.1
Capital WIP	0.6	5.4	10.0	10.0
Total Fixed Assets	56.2	87.7	168.1	216.1
Non Current Assets	2.8	3.7	3.7	3.7
Inventory	56.0	58.9	73.9	92.5
Debtors	67.0	94.7	118.0	147.8
Other Current Assets	25.2	20.7	38.9	42.7
Cash	6.2	105.9	37.5	31.1
Total Current Assets	155.0	283.7	271.7	317.7
Current Liabilities	36.6	55.1	68.4	85.6
Net Current Assets (Ex Cash)	95.2	96.8	140.0	169.7
<b>Total Assets</b>	<b>160</b>	<b>294</b>	<b>349</b>	<b>421</b>

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
<b>Per Share Data</b>				
EPS	2.6	3.2	4.7	6.0
Cash per Share	0.5	8.2	2.9	2.4
BV	10.0	22.7	26.9	32.5
Dividend per share	0.2	0.2	0.4	0.5
Dividend payout ratio	8%	8%	7%	8%
<b>Operating Ratios</b>				
EBITDA Margin	19.6	19.4	21.7	22.2
PAT Margin	11.2	13.1	15.3	15.6
<b>Return Ratios</b>				
RoE	26.4	14.2	17.4	18.5
RoCE	33.1	20.2	23.3	24.8
<b>Valuation Ratios</b>				
EV / EBITDA	44.2	35.5	26.2	20.5
P/E	67.5	55.2	37.9	29.6
EV / Net Sales	8.7	6.8	5.6	4.5
Sales / Equity	2.4	1.1	1.2	1.2
Market Cap / Sales	8.5	7.2	5.7	4.6
Price to Book Value	17.8	7.9	6.6	5.5
<b>Workin Capital Management Ratios</b>				
Inventory Days	76	67	67	67
Debtors Days	91	107	107	107
Creditors Days	50	63	62	62
Asset turnover	2.1	2.0	1.6	1.7
<b>Solvency Ratios</b>				
Debt / Equity	0.4	0.0	0.0	0.0
Current Ratio	2.9	2.7	2.7	2.7
Quick Ratio	1.6	1.7	1.7	1.7

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

## ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, Vijay Goel, PGDBM, Kush Bhandari, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

## Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservation@icicidirect.com](mailto:headservation@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.