Aeroflex Industries (AERIND)

ICICI Direct

CMP: ₹440 | Target ₹ 545 (24%) | Target Period: 12 months | **BUY**

July 28, 2026

Liquid cooling fuels the next leg of growth...

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

- FY26 revenue Mix: ~69% from exports, ~31% from domestic markets.
- Segmental Revenue Mix Q1FY27: SS Flexible Hoses (37%), Assemblies & Others (41%), Data Centre SFN Skid Assemblies (23%).

Q1FY27 performance: Aeroflex Industries reported healthy Q1FY27 performance, with consolidated revenue from operations increasing 72.4% YoY to ₹145.4 crore. EBITDA grew 116.4% YoY to ₹33.5 crore, while EBITDA margin expanded 468 bps YoY to 23.0%. PAT surged 162.2% YoY to ₹18.8 crore, with PAT margin improving 441 bps YoY to 12.9%. The liquid cooling solutions business continued its rapid scale-up, with skid assembly revenue rising to ₹32.4 crore, supported by the sale of 1,040 skids at an average realisation of ₹3.11 lakh per skid, compared with 571 skids and ₹18.9 crore revenue in Q4FY26.

Investment Rationale:

- **Liquid cooling business emerges as a key structural growth driver:** Aeroflex is strategically positioned to benefit from the global shift towards liquid cooling in AI-driven data centres. The liquid cooling skid business scaled rapidly, with revenue increasing to ₹32.4 crore (23% of revenue mix) in Q1FY27 from ₹18.9 crore in Q4FY26, while skid volumes increased to 1,040 units from 571 units sequentially. The company has expanded skid assembly capacity from 6,000 to 9,000 skids per annum and plans to further increase it to 15,000 skids by Q3FY27, with management expecting ~80% utilisation in FY28 and international skid assembly orders commencing during FY27. We, expect Skid Assemblies revenue mix to increase from 5% in FY26 to 37% over FY26-28E.
- **Capacity expansion and product diversification to support sustainable earnings growth:** Aeroflex continues to strengthen its manufacturing capabilities by expanding stainless-steel flexible hose capacity from 17.5 million metres to 20 million metres by Q3FY27, while increasing the contribution of high-margin value-added products. The company exports to 90+ countries, has 58 products under development (including 16 for liquid cooling). Management expects to achieve a 25% EBITDA margin over the next few years, supported by increasing contribution from skid assemblies, bellows and value-added assemblies, while the flexible hose business alone has a revenue potential of ₹650–675 crore at peak utilisation and liquid cooling revenue potential of ₹300-350 crores (FY29), providing significant headroom for long-term growth.
- **Rating and Target Price:** We expect the company to deliver a strong CAGR of 34.1% and 21.2% in revenues and PAT, respectively over FY26-FY28E. We value the company at **55x FY28E EPS** to arrive at a fair value of **Rs. 545 with a Buy Rating.**

AEROFLEX INDUSTRIES LIMITED

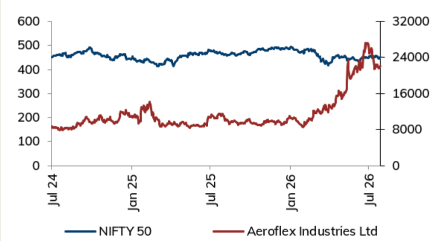
Particulars

Particulars	Rs. (in crore)
Market Capitalisation	5789
Total Debt (FY26)	8.90
Cash and Inv. (FY26)	70
Enterprise Value	5728
52-week H/L (Rs.)	522/158
Equity capital	25.86
Face value (Rs.)	2

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	67.0	67.0	65.5	65.5
FII	0.2	1.0	1.5	3.6
DII	3.4	3.6	3.8	1.5
Others	29.3	28.5	29.2	29.4

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)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenue	318	376	442	17.9	598	794	34.1
EBITDA	62	79	100	27.0	138	191	38.4
EBITDA Margin (%)	19.4	21.0	22.6		23.1	24.1	
Net Profit	42	53	56	15.4	88	129	52.2
Diluted EPS (Rs)	3.2	4.1	6.8		6.8	9.9	
P/E (x)	136.3	108.4	102.5		64.5	43.7	
EV/EBITDA (x)	90.4	71.7	56.4		41.1	29.5	
RoCE (%)	20.5	21.5	17.4		25.9	31.3	
RoE (%)	14.2	15.3	12.4		18.9	22.5	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- **Financial Performance**:
  - Aeroflex Industries reported healthy Q1FY27 performance, with consolidated revenue from operations increasing 72.4% YoY to ₹145.4 crore. EBITDA grew 116.4% YoY to ₹33.5 crore, while EBITDA margin expanded 468 bps YoY to 23.0%.
  - PAT surged 162.2% YoY to ₹18.8 crore, with PAT margin improving 441 bps YoY to 12.9%.
- **Operational Performance:**
  - Core stainless-steel flexible hoses business grew 40.5% YoY, while assemblies and other value-added products increased 33.60% YoY, supported by healthy demand from both domestic and export markets.
  - Exports contributed 58% of consolidated revenue in Q1FY27, while the share of high-value liquid cooling skid assemblies increased to 23% of the product mix, reflecting the company's strategic shift towards value-added solutions.
- **Liquid Cooling Solutions:**
  - The liquid cooling business continued its strong ramp-up, with skid assembly revenue increasing to ₹32.4 crore in Q1FY27 from ₹18.9 crore in Q4FY26. Volumes increased to 1,040 skids from 571 skids, driven by rising AI-led data centre deployments globally.
  - Management expects India's announced 9+ GW data-centre development pipeline and accelerating global AI infrastructure investments to drive sustained demand for liquid cooling solutions over the medium to long term.
  - The global liquid cooling market and direct-to-chip cooling market are expected to grow at 33.2% CAGR and 35.0% CAGR, respectively, during CY25–CY32, providing a significant long-term opportunity for the company.
- **Capacity Expansion & Growth:**
  - The company expanded liquid cooling skid assembly capacity from 6,000 to 9,000 skids per annum and remains on track to increase capacity to 15,000 skids per annum by Q3FY27. Management expects the expanded facility to operate at around 80% utilisation in FY28, while further capacity expansion will be evaluated based on customer demand.
  - Stainless-steel flexible hose capacity will also increase from 17.5 million metres to 20 million metres by Q3FY27 to cater to growing demand.
  - Management expects international skid assembly orders to commence during FY27, while discussions with global customers continue for customised skid solutions across Europe and the US. The company is also developing fire hose assemblies for international data centre customers, with commercialisation expected by the end of Q2FY27 or early Q3FY27.
  - The company continues to strengthen its innovation pipeline with 58 products under development, including 16 products related to liquid cooling applications.
- **Margin Outlook:**
  - Management reiterated its long-term target of achieving ~25% EBITDA margin, supported by an improving product mix, higher contribution from value-added products and operating leverage.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year- end March)	FY25	FY26	FY27E	FY28E
Net Sales	**376.2**	**441.9**	**598.1**	**794.3**
% Growth	18.3	17.5	35.3	32.8
Other income	2.5	1.4	3.0	3.0
Total Revenue	**378.8**	**443.3**	**601.1**	**797.3**
Employee Expenses	35.3	41.3	55.6	73.1
Other expenses	38.1	50.0	57.4	67.8
Total Operating Expenditure	297.2	342.2	460.0	603.2
Operating Profit (EBITDA)	**79.0**	**99.7**	**138.1**	**191.2**
% Growth	49.4	26.2	38.5	38.4
Interest	0.4	0.4	0.9	1.0
PBDT	81.2	100.2	140.1	193.2
Depreciation	11.3	26.1	22.1	19.1
PBT before Exceptional Items	69.9	74.1	118.0	174.1
Total Tax	17.4	18.6	29.5	43.5
PAT before MI	52.5	55.5	88.5	130.6
PAT	**52.5**	**55.5**	**87.5**	**128.6**
% Growth	74.1	5.8	57.6	46.9
Diluted EPS	**4.1**	**4.3**	**6.8**	**9.9**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	52.5	55.5	87.5	128.6
Depreciation	11.3	26.1	22.1	19.1
Interest	0.4	0.9	1.0	1.0
Cash Flow before wc changes	64.1	82.5	110.6	148.6
(Increase)/Decrease in inventory	(7.7)	(17.0)	(28.3)	(38.7)
(Increase)/Decrease in debtors	(21.8)	(13.3)	(48.1)	(58.1)
(Inc)/Dec. in other CA	(8.1)	(10.4)	(6.9)	(18.5)
Net Increase in Current Assets	(37.6)	(40.7)	(83.2)	(115.3)
Changes in creditors	1.7	23.9	23.0	33.9
Other current liabilities	8.9	(0.7)	2.1	13.6
Net Increase in Current Liabilities	1.0	26.0	36.7	41.0
Net CF from Operating activities	**27.5**	**67.8**	**64.1**	**74.3**
(Purchase)/Sale of Fixed Assets	(103.1)	(70.0)	(40.0)	(20.0)
Others	0.3	(0.7)	-	-
Net CF from Investing activities	**(104.1)**	**(70.7)**	**(38.7)**	**(20.0)**
Dividend and Dividend Tax	(4.5)	(5.2)	(10.3)	(15.5)
Others	1.3	61.8	(57.1)	(1.0)
Net CF from Financing Activities	**(3.2)**	**46.5**	**(68.4)**	**(18.5)**
Net Cash flow	(79.8)	43.5	(43.1)	35.8
Opening Cash/Cash Equivalent	105.9	26.1	69.7	26.6
Closing Cash/ Cash Equivalent	26.1	69.7	26.6	62.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	25.9	26.5	26.5	26.5
Reserve and Surplus	316.5	420.8	440.8	551.9
Total Shareholders' funds	342.4	447.2	467.3	578.4
Total Debt	0.6	8.9	8.9	8.9
Total Liabilities	**345**	**457**	**477**	**588**
Gross Block	258.1	325.8	378.9	398.9
Acc: Depreciation	88.5	114.5	136.7	155.7
Net Block	169.7	211.2	242.2	243.1
Capital WIP	9.8	23.1	10.0	10.0
Total Fixed Assets	179.5	234.3	252.2	253.1
Non-Current Assets	3.6	3.6	3.6	3.6
Inventory	66.7	83.7	112.0	150.7
Debtors	116.5	129.8	177.9	235.9
Other Current Assets	29.5	39.5	46.4	64.9
Cash	26.1	69.7	26.6	62.4
Total Current Assets	241.6	325.9	366.0	517.1
Current Liabilities	56.8	80.7	103.8	137.6
Net Current Assets (Ex Cash)	133.5	148.3	-	-
Total Assets	**344**	**457**	**477**	**588**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	4.1	4.3	6.8	9.9
Cash per Share	2.0	5.4	2.1	4.8
BV	26.5	34.6	36.1	44.7
Dividend per share	0.4	0.4	0.8	1.2
Dividend payout ratio	9%	9%	12%	12%
Operating Ratios				
EBITDA Margin	21.0	22.6	23.1	24.1
PAT Margin	14.0	12.6	14.6	16.2
Return Ratios				
RoE	15.3	12.4	18.9	22.5
RoCE	21.5	17.4	25.9	31.3
Valuation Ratios				
EV / EBITDA	71.7	56.4	41.1	29.5
P/E	108	102	64.5	43.7
EV / Net Sales	15.0	12.7	9.4	7.1
Sales / Equity	1.1	1.0	1.3	1.4
Market Cap / Sales	15.0	12.8	9.5	7.1
Price to Book Value	16.6	12.7	12.2	9.8
Working Capital Management Ratios				
Inventory Days	64	69	68	69
Debtors Days	112	107	108	108
Creditors Days	55	66	63	63
Asset turnover	1.5	1.4	1.6	2.0
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.9	2.5	2.6	2.7
Quick Ratio	1.9	1.5	1.6	1.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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