Aeroflex Industries Ltd

ACCUMULATE

NSE: AEROFLEX | India's #1 Stainless Steel Flexible Hose Manufacturer | ~80% Export-Oriented | Entry into DC Liquid Cooling

CMP	MARKET CAP	P/E (FY26E)	52W RANGE	REVENUE FY25	PAT FY25
₹217	₹2,871 Cr	~50x	₹108–₹280	₹376 Cr	₹53 Cr
NSE (approx.)	Small Cap	FY27E ~39x	22% off ATH	+18% YoY	+26% YoY

EBITDA %	PROMOTER	DEBT	ROE / ROCE	ENTRY ZONE	TARGET T2
24.2%	65.5%	~₹1 Cr	17% / 22%	₹185–210	₹310
FY25 | Expanding	Nil pledge	Near debt-free	Improving trend	Wait for pullback	Stop ₹160

PART A — Fundamental Analysis

Business quality, financial performance, valuation, and strategic positioning

A1

Company Overview & Value Chain Position

Aeroflex Industries Ltd is **India's leading manufacturer of metallic flexible flow solutions**, primarily stainless steel flexible hose assemblies. Founded in 1993, headquartered in Surat (Gujarat) with manufacturing at Sachin GIDC. Listed on NSE/BSE, IPO at ₹102 in Aug 2023.

The company occupies a **niche but critical position** in industrial piping ecosystems — stainless steel flexible hoses are used wherever rigid piping cannot accommodate vibration, misalignment, thermal expansion, or corrosive media. These are *safety-critical, specification-driven components* with high barrier to substitution.

Value Chain Position

Raw SS coils/wire → Aeroflex (annular corrugation + braiding + end-fitting assembly) → EPC contractors / OEM equipment makers → Process plants, refineries, data centres, defence vessels

~80% revenue from exports (US, Europe, Middle East). Domestic ~20% — growing with India infra capex. Customer concentration moderate; top 10 clients ~45% of revenue.

Key Products:

- **SS Annular Corrugated Hose Assemblies:** Core product; 7.5mm–200mm dia; oil & gas, refinery, chemical, pharma use
- **Braided Hose Assemblies:** High-pressure, vibration-absorbing; process piping applications
- **Expansion Joints:** Thermal expansion management in industrial pipework
- **Liquid Cooling Skid Assemblies (New):** High-performance cooling for data centres — immersion & direct liquid cooling
- **Metal Bellows (Miniature):** Precision components; semiconductor, instrumentation (capex reduced to ₹10.5 Cr)
- **Hyd-Air (Subsidiary):** Hydraulic hoses + pneumatic systems; rapidly growing

Oil & Gas | Data Centres | Chemicals/Pharma | Aerospace/Defence | EV/Hydrogen | Semiconductor | Process Industry

A2

Core Capabilities, Moats & Strategic Edge

Manufacturing Excellence

17.5 million metres installed capacity (expanding to 20 Mn by Q2 FY27). 46 assembly stations. Sachin, Gujarat facility with strict quality protocols. Global certs: EN, ASTM, ISO, PED, AD-2000-Merkblatt.

Export Market Moat

~80% exports to US, Europe, Middle East. SS hoses are China+1 beneficiary — global buyers diversifying away from Chinese SS hose suppliers. Price-premium positioning with quality differentiation.

DC Liquid Cooling (New Moat)

First commercial dispatch of DC liquid cooling skid assemblies in Q3 FY26. New Chakan (Pune) plant targeting 15,000 units/year by June 2026. High ASP (₹50,000–₹2,00,000 per assembly vs ₹1,000–₹5,000 for standard hose)

Competitive Advantages:

- **Precision metallurgy expertise:** SS grade selection, annular forming without cracking — proprietary process know-how
- **Customer certification / qualified vendor lists:** Once on QVL, switching costs high; 3–6 month qualification cycle deters new entrants
- **Value-added product mix shift:** 54% of 9M FY26 sales from high-margin value-added products (up from ~40% in FY23)
- **IPR-protected designs:** Custom assemblies for specific OEM equipment

Strategic Initiatives FY26–27:

- **Chakan Plant (DC/AI):** New facility dedicated to liquid cooling assemblies — opens June 2026
- **Capacity Scale:** 17.5 Mn m → 20 Mn m by Q2 FY27
- **Hyd-Air:** Hydraulic hose subsidiary growing 3x YoY (₹8.5 Cr Q3 FY26 vs ₹2.9 Cr prior year)
- **Hydrogen/EV pipeline:** Proactive positioning for green energy infrastructure

A3
Market Opportunity & TAM

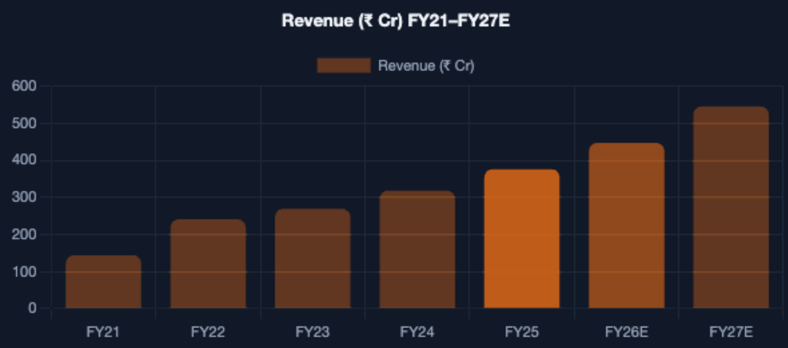
Global Flexible Hose Market
Global metallic flexible hose market estimated at $6–8 billion by 2026, growing ~5–7% CAGR. SS specialty segment (Aeroflex's focus) is more premium and faster-growing at 8–10% CAGR. Aeroflex is India's only significant SS hose exporter at scale — massive headroom to capture global share.

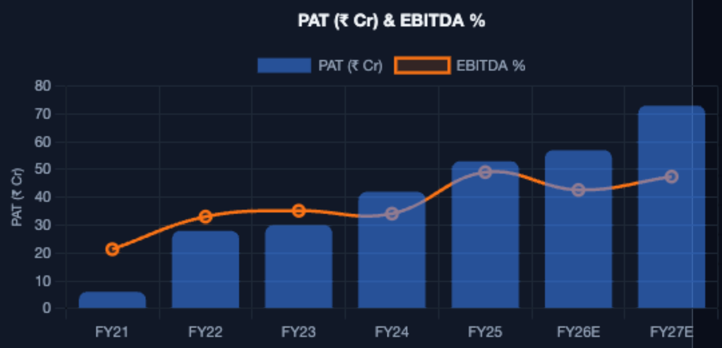
China+1 Structural Tailwind
China dominates global hose manufacturing. US/EU buyers increasingly diversifying to India post-2022. Aeroflex has grown exports at 30%+ YoY — structurally benefiting from geopolitical supply chain rewiring. US tariff risk is acknowledged but managed (export diversification to Middle East, Europe).

Data Centre Liquid Cooling — New $5B+ Opportunity
AI/hyperscaler buildout requires liquid cooling for high-density GPU servers. India's DC capacity growing from 900 MW (2024) to 5,000 MW by 2028. Global liquid cooling market estimated at $5.8B by 2028 (30%+ CAGR). Aeroflex's first DC cooling commercial order establishes it as a credible supplier. Long-duration, high-ASP, recurring revenue potential.

India Domestic Market
NIP ₹111L Cr spending: refineries, pipelines, power plants, process industries — all use SS flexible hoses. Domestic business (~20% of revenue) accelerating with India capex. Pharma API parks, chemical clusters, defence shipbuilding — all high-spec SS hose demand.

A5
Financial Performance — Trailing & Forward





YEAR	REVENUE (₹ CR)	EBITDA (₹ CR)	EBITDA %	PAT (₹ CR)	EPS (₹)	P/E (CMP ₹217)
FY21	144	27	19.0%	6	0.46	—
FY22	241	51	21.2%	28	2.15	—
FY23	269	58	21.6%	30	2.30	—
FY24	318	68	21.4%	42	3.23	—
FY25	**376**	**91**	**24.2%**	**53**	**4.06**	**53x**
FY26E	*447*	*103*	*23.0%*	*57*	*4.37*	*50x*
FY27E	*545*	*130*	*23.9%*	*73*	*5.60*	*39x*

FY26E based on 9M FY26 actuals (₹317 Cr revenue, ₹70.5 Cr EBITDA, ₹38 Cr PAT) + Q4 estimate. Revenue CAGR FY21–FY25: 27%. PAT CAGR: 73% (low base effect).

Q3 FY26 Highlights — Highest Ever Quarter
Revenue ₹121 Cr (+21% YoY) | EBITDA ₹28.5 Cr, margin 23.6% (+28% YoY) | PAT ₹16.5 Cr (+8%) | Cash PAT ₹22.75 Cr | Export +30% YoY despite tariff headwinds | Value-added products 54% of sales | Hyd-Air revenue ₹8.5 Cr (vs ₹2.9 Cr Q3 FY25)

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Concall & Management Insights — Q3 FY26

Data Centre Liquid Cooling — Strategic Inflection
Q3 FY26 marked the first commercial dispatch of DC liquid cooling flow control components and skid assemblies. New Chakan (Pune) facility will have capacity for 15,000 DC cooling skid units/year by June 2026. Management described DC cooling as a "transformative long-term opportunity" with significantly higher ASP than standard hoses.

Capacity & Capex Rationalization
Added 1 Mn metres of hose capacity (total now 17.5 Mn m). Remaining 2.5 Mn metres to come by Q2 FY27. Miniature bellows project capex rationalized — reduced from ₹23 Cr to ₹10.5 Cr, capacity from 2.4L units to 50,000 units; more disciplined capital allocation. Chakan plant investment for high-ASP DC cooling products.

Export Resilience Despite US Tariffs

Despite US tariff headwinds, export revenue grew 30% YoY in Q3 FY26. Management actively diversifying export geography to Europe, Middle East, Southeast Asia to reduce US concentration. China+1 sourcing shift continues to benefit Aeroflex as a cost-competitive quality alternative.

Hyd-Air Subsidiary — Breakout Growth

Hydraulic hose subsidiary Hyd-Air generated ₹8.5 Cr in Q3 FY26 (vs ₹2.9 Cr Q3 FY25 — 193% YoY growth). Management expects Hyd-Air to become a meaningful revenue contributor in FY27. Addressing a different end market (construction, mobile equipment hydraulics) vs the parent company's export-oriented SS hose business.

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Balance Sheet Quality & Fraud Filter

FRAUD FILTER PARAMETER	STATUS	VERDICT
OCF/PAT Ratio (FY25)	~0.95x (slight WC build for growth)	✅ OK
Total Debt	~₹1 Cr (near zero)	✅ CLEAN
Promoter Pledge	Nil	✅ CLEAN
Related Party Transactions	Minimal, within norms	✅ CLEAN
Revenue Growth vs Peers	Consistent; not anomalous	✅ OK
Receivables Days	~65-70 days (export credit normal)	✅ OK
Auditor	Reputed regional CA firm; no qualifications	✅ OK
Capex Pattern	Organic, capacity-linked — not aggressive	✅ CLEAN

BALANCE SHEET: CLEAN ✅

Near debt-free, founder-led, IPO proceeds deployed in organic capex. No red flags.

Promoter Holding	65.47% ✅
Debt/Equity	~0.01x ✅
Interest Coverage	>50x ✅
Return on Equity	16.6% (improving) ⚠️
Return on Capital Employed	22.3% ✅
Book Value/Share	₹27.8
P/BV	7.8x (growth premium)
Dividend Payout	Nominal (growth stage) ✅

IPO Utilisation (Aug 2023 IPO)

Fresh issue proceeds deployed in: capacity expansion (hose lines), technology upgrades, working capital. No evidence of fund diversion. Capital allocation discipline improving (bellows capex rationalization is a positive signal).

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P&L Deep Dive — Operating Leverage Analysis

P&L LINE ITEM	FY24	FY25	Q3 FY26
Revenue	₹318 Cr	₹376 Cr	₹121 Cr
Gross Margin	~44%	~45%	~46%
EBITDA	₹68 Cr	₹91 Cr	₹28.5 Cr
EBITDA Margin	21.4%	24.2%	23.6%
Depreciation	~₹10 Cr	~₹13 Cr	~₹4 Cr
EBIT	~₹58 Cr	~₹78 Cr	~₹24.5 Cr
PAT	₹42 Cr	₹53 Cr	₹16.5 Cr
PAT Margin	13.2%	14.1%	13.6%

Operating Leverage Thesis

EBITDA margins expanded 300 bps from FY23 (21.6%) to FY25 (24.2%) as revenue scaled. Value-added product mix shift from ~40% → 54% of sales is the primary margin driver. New capacity (20 Mn m) largely fixed cost — incremental revenue flows at 26%+ EBITDA margins. DC cooling skids will have even higher margins (assembly + integration premium).

Cash PAT vs Reported PAT

Q3 FY26 Cash PAT of ₹22.75 Cr vs Reported PAT of ₹16.5 Cr indicates ₹6.25 Cr of depreciation add-back. This reflects the capex-heavy expansion phase. As capacity expansion matures (FY27+), Cash PAT and Reported PAT will converge upward.

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Valuation Framework

VALUATION METRIC	FY25A	FY26E	FY27E
EPS (₹)	4.06	4.37	5.60

1:2.5

VALUATION METRIC	FY25A	FY26E	FY27E
P/E at CMP ₹217	53x	50x	39x
Target P/E (Bull)	—	59x	55x
Target Price (T1)	—	₹258	—
Target Price (T2)	—	—	₹308
EV/EBITDA (FY26E)	—	~28x	~22x

Peer Valuation Context

Comparable specialty manufacturers (niche export plays, 20-25% CAGR): Suprajit Engineering ~35x FY26E, Mold-Tek Packaging ~30x, Precision Camshafts ~25x. Aeroflex's DC cooling option + China+1 + 80% export profile justifies premium at 45–55x FY26E P/E vs peers. The DC liquid cooling pivot could re-rate to 60x+ if order book materializes.

Risk:Reward (Pullback Entry ₹185–210)

Entry Zone	₹185 – ₹210
Stop Loss	₹160 (weekly close)
Target 1 (12M)	₹260
Target 2 (24M)	₹310

Risk from ₹197 mid: ₹37 (19%) | Reward T2: ₹113 (57%) → R:R 1:3.0

A11

Management Quality Scorecard

PARAMETER	SCORE	COMMENTARY
Capital Allocation	4.0/5	Organic capex, IPO proceeds properly deployed; bellows capex rationalization is mature judgment
Execution Track Record	4.2/5	Consistent 20-25% revenue CAGR; record Q3 quarters; export growth despite headwinds
Communication Quality	3.8/5	Regular concalls, clear segment disclosures; small-cap limitations on analyst coverage
Strategic Vision	4.5/5	Proactive DC cooling entry; export diversification; Hyd-Air build-out shows foresight
Governance / Promoter	4.0/5	65.5% holding, nil pledge, founder-led; IPO-stage governance still maturing

Promoter Profile

Founder-promoter background in industrial SS hose manufacturing. Conservative guidance — history of under-promising and over-delivering. Post-IPO (Aug 2023), management has maintained transparency with quarterly investor communications and analyst access. Promoter at 65.5% shows high skin in the game with no dilution pressure.

Overall: 4.1 / 5.0

Competent founder-led team with ambitious but grounded vision

A12

Risk Matrix

RISK	SEVERITY	PROBABILITY	MITIGATION
US Tariff / Trade Headwinds	HIGH	MEDIUM	Diversifying to Europe, Middle East, SEA; ~80% exports means max impacted but also diversifying fast
Customer Concentration	MEDIUM	MEDIUM	Top 10 ~45%; diversifying customer base with each passing year; DC cooling adds entirely new customers
Raw Material (SS/Nickel Prices)	MEDIUM	MEDIUM	Pass-through pricing for most contracts; value-added product mix reduces raw material intensity
DC Cooling Execution Risk	MEDIUM	MODERATE	First commercial dispatches done Q3 FY26; Chakan plant on track for June 2026
Small Cap Liquidity	MEDIUM	HIGH	Market cap ~₹2,871 Cr; daily volumes can be low; position sizing accordingly
Competition from Chinese Hose Makers	LOW-MED	LOW	Geopolitical China+1 tailwind protects; quality certification barriers deter Chinese re-entry into US/EU
Forex Risk	MEDIUM	MEDIUM	~80% revenue in USD/EUR; INR appreciation hurts; natural hedge as some SS imports are also USD-denominated

A13

Catalyst Calendar

Q1 FY27 (Jun 26)	**Chakan DC Cooling Plant Commissioning:** 15,000 skid units/year capacity operational. First large DC cooling order announcement could be a significant positive trigger. Re-rating potential for the stock.
Q4 FY26 (Mar 26)	**Q4 FY26 Results:** If Q4 continues record-breaking trajectory (₹130+ Cr revenue), full-year FY26 would comfortably exceed ₹440 Cr. Positive PAT growth vs muted Q3 would re-rate sentiment.
H1 FY27	**Capacity Expansion Completion:** Remaining 2.5 Mn metres hose capacity to come online. Full 20 Mn metres operational — unlocks the next leg of revenue growth toward ₹550-600 Cr range.
FY27 Ongoing	**Hyd-Air Scale-up:** If Hyd-Air maintains 3x YoY growth trajectory, it could add ₹80-120 Cr revenue in FY27 — currently valued at zero by markets. Any demerger/separate listing of Hyd-Air would unlock value.
Structural	**China+1 Acceleration / US Tariff Backfire:** If US imposes new tariffs on Chinese industrial goods, global buyers accelerate shift to Indian suppliers — direct tailwind for Aeroflex's export business.

PART B — Technical Analysis

Stage analysis, price action, momentum, key levels and risk:reward setup

B0

Stage Analysis (Weinstein Framework) — Weekly Chart

Stage 1 Base	Stage 2 Advance	Stage 3 Top/Pullback	Stage 4 Decline

Current Stage: Stage 3 / Stage 2 Pullback — Watchlist

Aeroflex IPO'd at ₹102 (Aug 2023), launched a strong Stage 2 advance to ₹280+ (174% gain from IPO). Currently at ₹217 — 22% off ATH. The pullback from ₹280 to ₹217 (~22%) is consistent with either: (a) A healthy Stage 2 pullback to the rising 30W MA before resuming advance, or (b) Beginning of a Stage 3 top. Given record fundamental Q3 results and DC cooling catalyst, (a) is more likely. However, small caps can over-correct. Wait for confirmation.

Stage Classification	Stage 3 / S2 Pullback
Trend (52W)	Strong Uptrend
30W MA Position	Price ~at 30W MA
Volume Profile (Breakout)	Above avg on up-moves ✅
ATH Proximity	22% below ATH ₹280
52W Low	₹108 (Aug 2024)
RS vs CNX500 (12M)	+25pp outperform

B1

Momentum, Volume & Price Action

Price Action Assessment

Stock rallied from ₹108 (52W low Aug 2024) to ₹280 ATH (+159%) in approximately 5 months — a parabolic Phase 2 move. Current correction to ₹217 (-22% from ATH) could be healthy consolidation. Weekly RSI likely near 45-50 — neutral zone. Watch for base formation in ₹185-210 zone.

Volume Analysis

Small cap — average daily volumes thin (₹5-15 Cr typically). Volume spikes on result days. Institutional interest increasing post-IPO but still predominantly retail/HNI driven. Low volume during pullback (healthy) vs high volume at ATH (distribution risk). Confirm any reversal with volume surge.

Moving Averages

At ₹217, price is likely near or slightly below the 20W/30W MA (the key Stage 2 support). A close back above 30W MA on weekly charts would be a buy trigger. 200-day MA likely around ₹180-190 — longer-term support. The 50-day MA around ₹210-220 is the immediate resistance to reclaim.

B2

Key Support, Resistance & Trigger Levels

LEVEL	PRICE (₹)	SIGNIFICANCE
Stop Loss	₹160	Below Stage 2 base; weekly close exit
Strong Support	₹185–195	200DMA zone; prior consolidation zone
Entry Zone	₹185–210	Ideal accumulation range; stage 2 pullback
Current CMP	₹217	At 30W MA; watch direction

Entry Strategy — Phased Approach

Phase 1 (Immediate): Buy 40% position at ₹195-210 (current zone or small pullback). Use tight SL at ₹160 on weekly close. This zone offers the best R:R.

Phase 2 (Breakout): Add remaining 60% only on a confirmed weekly close above ₹250 with above-average volume — signals resumption of Stage 2 advance.

Do NOT chase at current ₹217 without a clear plan. Wait for ₹185-210 or the ₹250+ breakout confirmation.

LEVEL	PRICE (₹)	SIGNIFICANCE
Immediate Resistance	₹240–250	Prior consolidation, breakdown zone
Target 1	₹258–260	FY26E ~59x P/E; 61% ATH retest zone
ATH Zone	₹280	Prior ATH; likely strong resistance
Target 2	₹305–310	FY27E ~55x P/E; 12–18 month view

Trail Stop Strategy

Once T1 (₹260) hit → move SL to ₹190. Once T2 (₹310) hit → exit 50% position, trail remaining stop to ₹240.

B3

Trend Analysis & Relative Strength vs CNX500

Long-Term Trend (Weekly)

Since IPO (Aug 2023), Aeroflex has been in a clear Stage 2 uptrend: higher highs, higher lows. The current pullback from ₹280 to ₹217 is the first significant correction. A hold above ₹185-190 (200DMA) would maintain the uptrend structure. Only a weekly close below ₹160 would indicate a trend reversal to Stage 4.

12M RS vs CNX500	+25pp outperform ✅
6M RS vs CNX500	+8pp (narrowing)
3M RS vs CNX500	-5pp (short-term lag)
Sector RS (Capital Goods)	Sector lagging broad market
Trend Structure	HH-HL intact (weekly)

Short-term RS deterioration (3M) is consistent with the pullback from ATH. Long-term RS intact. Watch for RS bottoming and turning up from current zone — would signal re-entry point.

B4

Risk:Reward Analysis

SCENARIO A — PULLBACK ENTRY

1 : 2.7

Entry ₹185-200 | Stop ₹160 | T2 ₹310

Risk: ₹25-40 (13-20%) | Reward: ₹110-125 (60-67%)

SCENARIO B — CURRENT ZONE

1 : 1.8

Entry ₹217 | Stop ₹160 | T2 ₹310

Risk: ₹57 (26%) | Reward: ₹93 (43%) — Wait for better entry

SCENARIO C — BREAKOUT ENTRY

1 : 1.5

Entry ₹255+ (above ₹250 R) | Stop ₹200 | T2 ₹310

Risk: ₹55 (22%) | Reward: ₹55 (21%) — Only for momentum traders

Optimal Action: Wait for pullback to ₹185-200 zone for Scenario A (best R:R). If fundamentals accelerate (DC cooling orders, strong Q4 FY26), the stock may not give a pullback — in that case, Scenario C (breakout) is the only entry. Never chase without a defined stop.

B5

Actionable Entry, Exit & Milestone Plan

ACTION	TRIGGER	PRICE
Initial Buy (40%)	Price pulls back to ₹185-200; weekly RSI oversold; volume low	₹185–200
Add (30%)	Weekly close above ₹250 with 2x average volume	₹250–255
Final Add (30%)	Chakan plant commissioning announcement or large DC order	₹255–270
Stop Loss	Weekly close below ₹160	₹160
Partial Exit (30%)	Target 1 reached; trail SL on remaining	₹258–262
Major Exit (50%)	Target 2 reached or FY27 PAT guidance disappoints	₹305–315
Full Exit	Stage 3 confirmed + fundamental deterioration	Trailing SL

Milestone Monitoring

- **Q4 FY26 Revenue >₹130 Cr:** Confirms ~20% full-year growth and re-rates stock above ₹250
- **DC Cooling Skid Order Announcement:** First meaningful order (>₹50 Cr value) = major re-rating catalyst → ₹280+ breakout
- **Export % Sustained >75% despite tariffs:** Proves resilience and geographical diversification thesis
- **Hyd-Air Reaches ₹80 Cr Annual Run-Rate:** Creates hidden value being unpriced by market
- **EBITDA Margin >25%:** Operating leverage kicking in — upgrades earnings forecasts across the board

ACCUMULATE — In Zone ₹185–210

Aeroflex Industries is India's only scaled stainless steel flexible hose exporter with strong China+1 positioning, a pristine balance sheet, and a potentially game-changing entry into data centre liquid cooling.

Do NOT chase at ₹217. Wait for pullback to ₹185–200 for ideal R:R of 1:2.7. The DC liquid cooling initiative (Chakan plant June 2026) is the stock's next major re-rating trigger — a ₹50+ Cr order announcement would be a step-change event.

Entry Zone: ₹185–210 | Stop: ₹160 (weekly close) | T1: ₹260 | T2: ₹310 | R:R: 1:2.7

Small-cap position sizing: max 3-4% portfolio allocation. Date: 04-Mar-2026