

CMP: INR 1,187

Rating: BUY

Target Price: INR 1,596

Stock Info

BSE	532395
NSE	AXISCADES
Bloomberg	AXET IN
Reuters	AXIT.BO
Sector	Aerospace & Defence
Face Value (INR)	5
Equity Capital (INR mn)	213
Mkt Cap (INR mn)	50,481
52w H/L (INR)	1,506/421
Avg Yearly Volume (in 000')	159.2

Shareholding Pattern %

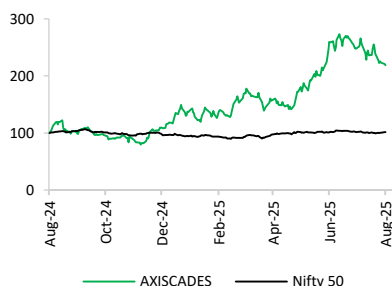
(As on Jun, 2025)

Promoters	58.20
DII	1.34
FII	1.62
Public & Others	38.85

Stock Performance (%)

	3m	6m	12m
AXISCADES	21.2	59.4	118.8
NIFTY	0.1	8.9	1.7

AXISCADES vs Nifty



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AXISCADES Technologies Ltd reported numbers, Q1FY26 revenue grew by 9% YoY (-9.1% QoQ) to INR 2,437mn; above our estimates of INR 2,405mn. Gross Profit stood at INR 2,059mn (+7.5% YoY/-2.3% QoQ); above our estimates of INR 1,939mn; Gross margins contracted by 120 bps YoY (up by 582 bps QoQ) to 84.5% vs 85.7% in Q1FY25. EBITDA stood at INR 341mn (+8.8% YoY/-3.9% QoQ); above our estimates of INR 330mn. EBITDA margin flat YoY (up by 75 bps QoQ) to 14.0% in Q1FY26. PAT stood at INR 209mn (+24.3% YoY/-33.8% QoQ); In-line with our estimates of INR 171mn, and PAT margin improved by 105 bps YoY (down by 320 bps QoQ) to 8.6% vs 7.5% in Q1FY25.

Key Highlights

Core areas remain key growth drivers: Core revenue is expected to grow 40% YoY in FY26E, supported by Defence, Aerospace, and ESAI. The growth is supported by an order book of INR 12.6bn for FY26E and INR 18.27bn for FY27E, totaling INR 30.87bn.

Defence and Aerospace pickup is expected from H2FY26E onwards: The company has partnerships with MBDA for missile systems and INDRA for radar technologies. The company is also actively involved in critical projects such as the Kusha long-range radar system and Brahmos missile components, strengthening its Defense portfolio. The company is expanding its capabilities beyond engineering services into tooling and manufacturing, targeting nonlinear growth. Collaborations with global OEMs like Airbus and Bombardier, along with new customer engagements, are expected to drive future revenue streams. We anticipate major execution is expected from H2FY26E onwards.

ESAI growth led by strategic partnerships: ESAI segment remains standout performer, fueled by partnerships with hyperscalers like Amazon and Apple. These relationships focus on application-oriented semiconductor solutions, including test boards and acoustic labs, positioning the company as a critical player in the AI and semiconductor ecosystem. The margins remain healthy at around 23%, which would improve overall profitability.

Outlook & Valuation: AXISCADES Technologies has an order book of INR 30.87bn, showing business visibility over the next 2 years. The defence segment is expected to accelerate from H2FY26E onwards, bolstered by strategic global partnerships that enhance both technological capabilities and annuity-like income streams. Aerospace is expected to improve from H2FY26E onwards, driven by a solid order backlog and expansion into higher-value manufacturing and tooling. The ESAI division remains a standout, with its high-growth momentum sustained through critical engagements in the semiconductor and AI value chains with leading global hyperscalers. The favourable mix of businesses and operational improvements is expected to improve EBITDA margins towards 19.5% over the medium term. The company is focused on the "Power-930" vision to achieve INR 90bn (~\$1bn) by FY30, supported by strategic infrastructure investments and global partnerships. We anticipate that the cost structure and business prospects will change over time. The company has potential based on the successful adoption and completion of upcoming defence and aerospace orders. The company is transitioning from Tech to defence and aerospace, and ESAI and re-rating would occur over time. At CMP of INR 1,187 per share, we maintain our "BUY" rating at a TP of INR 1,596 per share; valued at a PE multiple of 40x and its FY28E EPS of INR 39.9; an upside of 34.5%.

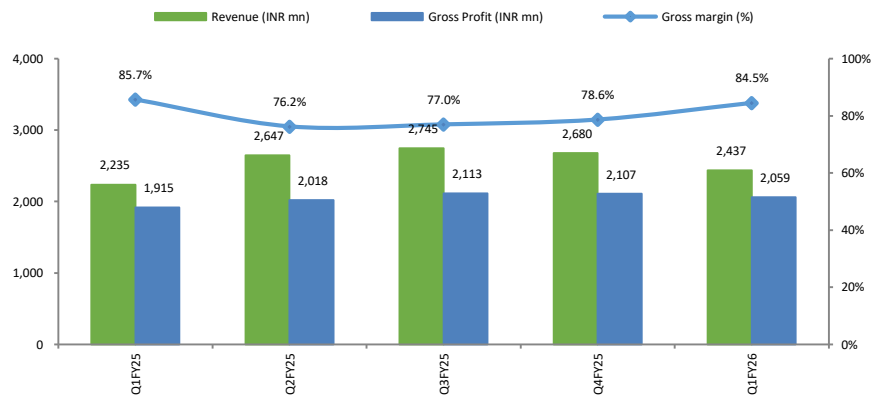
Q1FY26 Results

Income Statement Summary

Particular (INR mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	2,235	2,680	2,437	9.0%	-9.1%
Net Raw Materials	320	572	379	18.2%	-33.8%
Gross Profit	1,915	2,107	2,059	7.5%	-2.3%
Gross Margin (%)	85.7%	78.6%	84.5%	-120 bps	+582 bps
Employee Cost	1,234	1,293	1,292	4.7%	-0.1%
Other Expenses	368	460	426	15.9%	-7.3%
EBITDA	313	355	341	8.8%	-3.9%
EBITDA Margin (%)	14.0%	13.2%	14.0%	-3 bps	+75 bps
Depreciation	93	96	94		
Interest expense	81	64	73		
Other income	103	39	106		
Exceptional Items	-	(20)	-		
Share of profits associate & JV	(0)	0	(0)		
Profit before tax	242	214	280	15.5%	30.5%
Taxes	74	(101)	71		
Minorities and other					
PAT	168	315	209	24.3%	-33.8%
PAT Margin	7.5%	11.8%	8.6%	+105 bps	-320 bps
EPS (INR)	4.1	7.2	4.9		

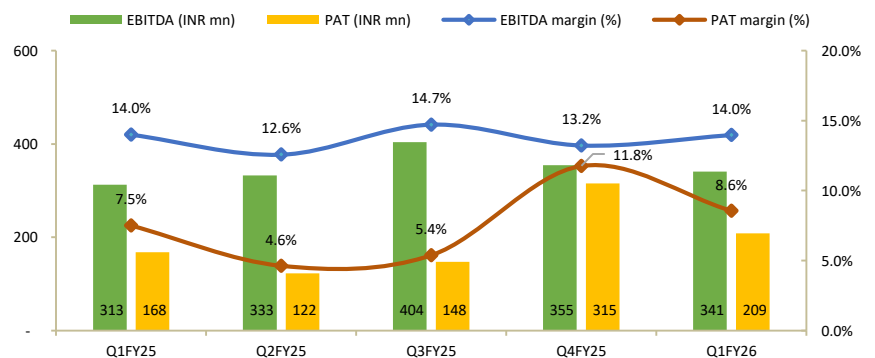
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins contracted by 120 bps YoY (up by 582 bps QoQ) to 84.5% in Q1FY26 due to higher RM costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin flat YoY (up by 75 bps QoQ) to 14% in Q1FY26. Attrition rate around 19% and company is working on upskilling programs and engagement activities.



Source: Company Reports, Aриhant Capital Research

Q1FY26 Concall Highlights**Revenue**

- The revenue growth is expected to be 40% YoY in the core domain of ESAI. The order book stood at INR 12.6bn and is expected to reach INR 18.27bn in FY26E.
- Power 930 plan aims to reach INR 90bn (~\$1bn) by FY30, supported by strategic infrastructure investments and global partnerships.

Margins

- EBITDA margins are expected to reach 19.5% by FY28E, driven by higher-margin defense and ESAI projects.
- ESAI margins are around 22%-23%, supported by high-value projects in ADAS (Advanced Driver Assistance Systems) and AI chip development.

Order book

- The order book of INR 12.6bn for FY26E and INR 18.27bn for FY27E. Total forecasted order book is around INR 30.87bn.
- Defence – INR 5.4bn, Aerospace – INR 4.5bn, ESAI – INR 2.1bn, and remaining from others for FY26E.

Defence

- In Defense, the company is involved in projects such as the Kusha long-range radar system, Brahmos missile components, and counter-drone systems.
- The Brahmos missile wiring harness and electronic systems are expected to contribute significantly from FY27E onwards.
- The company is expanding its role in missile systems, radar technologies, and electronic warfare.
- Defence and Aerospace is expected to pickup from H2FY26E onwards, driven by defense deliveries and new customer acquisitions, including Boeing and other tier-1 players.

Aerospace

- In Aerospace, the company is transitioning from a tier-2/3 supplier to a manufacturer, focusing on tooling, component repair, and MRO (Maintenance, Repair, and Overhaul) services.

Non-core segments

- Non-core segments, including Heavy Engineering, Automotive, and Energy, witnessed pressure due to the automotive sector and timing-related order shifts in energy.
- Non-core segments become profitable in Q1FY26, supported by cost optimization and strategic restructuring.

Capex

- The company is doing capex of INR 15bn. The funding is expected through strategic partners.
- A new facility under Axis Aerospace Infrastructure Private Ltd is expected to be operational by Oct-25, contributing 30% of revenues in FY27E and 50% in FY28E.

Q1FY26 Concall Highlights**Partnerships and clients**

- The company has secured partnerships with MBDA and INDRA, which are expected to provide annuity revenues and technological advancements.
- New customer acquisitions in Aerospace, including Boeing and tier-1 suppliers, are expected to contribute from Q3FY26E onwards.
- The company is collaborating with hyperscalers like Amazon and Apple, focusing on application-oriented chip manufacturing, test boards, and acoustic labs.

AI-powered engineering solutions

- The company is working on AI-powered engineering solutions, aiming to reduce design cycles and improve efficiency.

Working capital and interest

- Defence working capital cycle is around 120 days, with payment terms ranging from 90 to 180 days.
- The weighted average interest rate is 8.5%. The working capital debt stood at INR 480mn, and Long term debt stood at INR 1,010mn. Additional working capital is expected from FY27E onwards to support growth.

Other highlights

- The company's focus on indigenization, coupled with partnerships with global OEMs, strengthens its market position.
- The defense sector's budget allocations and procurement plans, such as the INR 670bn approval, shows significant opportunities.
- Employee attrition rate at 19%, and the company is addressing this through upskilling programs and engagement initiatives.
- The key drivers include missile systems, radar technologies, and electronic warfare solutions.

Financial Statements

Income Statement

Y/E March (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	8,216	9,551	10,307	11,165	13,695	17,228
Change (%)	34.6%	16.2%	7.9%	8.3%	22.7%	25.8%
Raw materials	1,792	1,855	2,154	2,275	2,666	3,196
Employee costs	3,609	5,001	5,164	5,523	6,763	8,421
Other expenses	1,360	1,362	1,585	1,739	2,119	2,578
Total Expenses	6,761	8,219	8,903	9,537	11,548	14,195
EBITDA	1,456	1,332	1,404	1,628	2,147	3,033
EBITDA Margin	17.7%	14.0%	13.6%	14.6%	15.7%	17.6%
Depreciation	133	338	396	502	613	731
EBIT	1323	995	1,008	1,126	1,534	2,302
EBIT margin %	16.1%	10.4%	9.8%	10.1%	11.2%	13.4%
Other Income	60	99	208	220	269	338
Interest	359	564	303	324	342	325
PBT	891	530	914	1,022	1,462	2,315
Extra-ordinary	(680)	-	(39)	-	-	-
PBT after ext-ord.	210	530	875	1,022	1,462	2,315
Tax	258	196	122	270	402	619
Rate (%)	122.8%	37.0%	14.0%	26.4%	27.5%	26.7%
PAT	-48	334	753	752	1,060	1,697
MI & Associates	-0.4	-6	0	0	0	0
Adjusted PAT	-53	334	786	752	1,060	1,697
EPS (INR)	-1.4	8.0	18.5	17.7	24.9	39.9

Source: Company reports, Aриhant Capital Research

Balance Sheet

Y/E March (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds							
Share Capital	190	191	210	213	213	213	213
Reserves & Surplus	3,176	3,247	5,708	6,345	7,097	8,157	9,854
Net Worth	3,366	3,439	5,918	6,558	7,310	8,370	10,067
Loan Funds	488	3,140	2,385	1,895	1,800	1,710	1,625
Deferred Tax & other liabilities	0	0	208	88	99	111	126
Total Liabilities	4,578	5,605	5,473	4,713	4,834	5,144	5,579
Capital Employed	7,944	9,044	11,391	11,271	12,144	13,514	15,646
Application of Funds							
Property, plant and equipment	578	568	686	816	1,320	1,955	2,623
CWIP	0	0	0	2	2	2	2
Other non current assets	987	1,299	1,695	1,557	1,697	1,732	1,786
Deferred tax assets	427	395	385	533	533	533	533
Net fixed assets	1,984	1,965	2,613	2,677	3,108	3,682	4,287
Investments	192	335	366	596	596	596	596
Debtors	1,452	1,790	2,341	3,018	3,059	3,602	4,248
Inventories	516	659	693	609	643	760	919
Cash & bank balance	1,054	996	1,529	893	986	939	1,440
Loans & advances & other CA	1,150	1,645	1,778	1,389	1,521	1,669	1,835
Total current assets	4,324	5,380	6,629	6,432	6,732	7,493	8,965
Current liabilities	4,357	3,573	3,447	2,903	3,016	3,308	3,714
Provisions	237	267	307	439	457	476	495
Net current assets	-33	1,808	3,182	3,529	3,716	4,185	5,251
Total Assets	7,944	9,044	11,391	11,271	12,144	13,514	15,646

Source: Company reports, Aриhant Capital Research

Financial Statements

Cash Flow Statement

Y/E March (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PAT	227	(48)	334	753	752	1,060	1,697
Depreciation	251	265	338	396	502	613	731
Interest & others	299	464	94	104	73	(13)	0
Cash flow before WC changes	544	517	1,136	1,243	1,358	1,745	2,415
(Inc)/dec in working capital	149	(1,772)	(850)	(973)	(110)	(532)	(583)
Operating CF after WC changes	693	(1,255)	287	271	1,247	1,213	1,832
Less: Taxes	6	129	23	(129)	0	0	0
Operating cash flow	694	(1,223)	335	121	1,247	1,213	1,832
(Inc)/dec in F.A + CWIP	(234)	(534)	(1,410)	(328)	(1,073)	(1,221)	(1,389)
(Pur)/sale of investment	307.19	(142.84)	(31.60)	(229.65)	-	-	-
Cash flow from investing	172	(418)	(1,345)	(353)	(854)	(953)	(1,052)
Free cash flow (FCF)	(5)	385	(1,479)	(121)	(404)	242	(34)
Loan raised/(repaid)	(203.74)	1,704.60	(650.27)	35.02	(54.69)	(51.96)	(49.36)
Equity raised	0.77	1.43	18.74	2.75	-	-	-
Interest & others	(441)	199	2,800	(343)	63	70	78
Dividend	(3.00)	(2.00)	(1.00)	-	-	-	-
Cash flow from financing activities	(659)	1,584	1,542	(405)	(300)	(308)	(279)
Net inc /(dec) in cash	206	(57)	532	(636)	93	(47)	501
Opening balance of cash	848	1,054	996	1,529	893	986	939
Closing balance of cash	1,054	996	1,529	893	986	939	1,440

Source: Company reports, Arianth Capital Research

Key Ratios

Y/E March (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per share (INR)						
EPS	-1.4	8.0	18.5	17.7	24.9	39.9
CEPS	5.6	15.9	27.0	29.5	39.3	57.1
BVPS	89.9	141.0	154.2	171.9	196.8	236.7
DPS	-	-	-	-	-	-
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation (x)						
P/E	-866.4	149.1	64.2	67.1	47.6	29.7
P/CEPS	213.6	74.8	43.9	40.3	30.2	20.8
P/BV	13.2	8.4	7.7	6.9	6.0	5.0
EV/EBITDA	32.6	38.0	36.7	31.5	23.9	16.7
Dividend Yield (%)	-	-	-	-	-	-
Return Ratio (%)						
EBIDTA Margin	17.7%	14.0%	13.6%	14.6%	15.7%	17.6%
PAT Margin	-0.6%	3.4%	7.3%	6.7%	7.7%	9.8%
ROE	-1.5%	5.5%	11.5%	10.3%	12.7%	16.9%
ROCE	21.8%	12.5%	12.1%	12.3%	15.0%	19.3%
Leverage Ratio (%)						
Total D/E	0.91	0.40	0.29	0.25	0.20	0.16
Net D/E	0.6	0.1	0.2	0.1	0.1	0.0
Turnover Ratios						
Asset Turnover (x)	0.9	0.8	0.9	0.9	1.0	1.1
Inventory Days	134	136	103	103	104	105
Receivable Days	80	89	107	100	96	90
Payable days	33	24	21	22	24	26

Source: Company reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 18.7% over the period of FY25-28E.

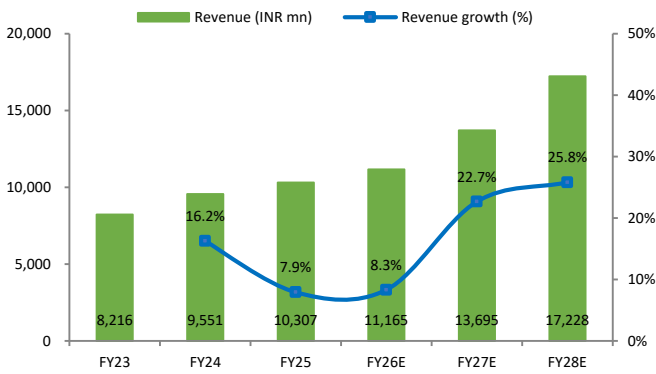


Exhibit 4: Operating leverage and high margin orders will improve gross margins. The cost structure would change due to Aerospace and Defence.

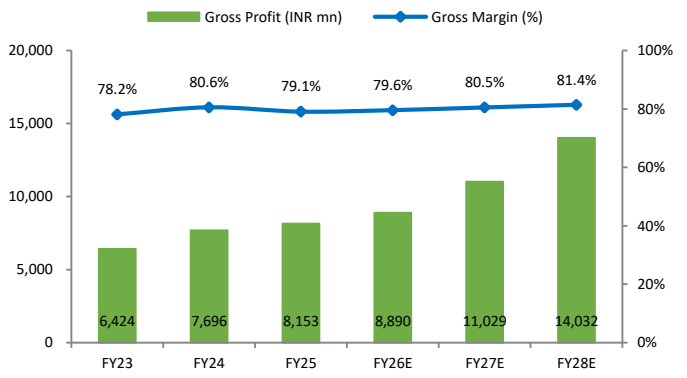


Exhibit 5: EBITDA and PAT margin is expected to improve going forward.

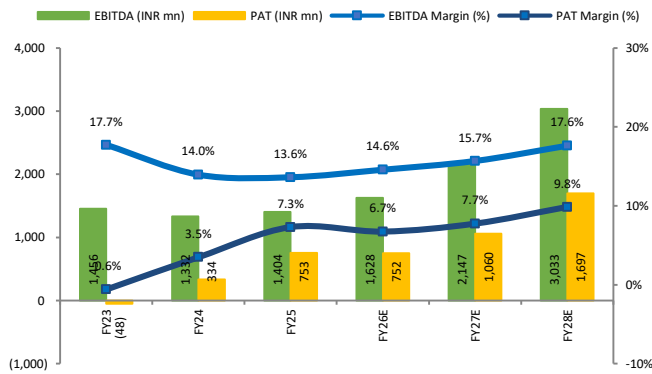


Exhibit 6: Return ratios is expected to improve from FY26E onwards.

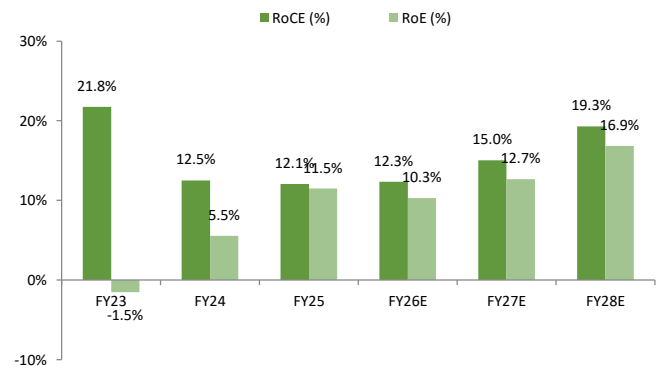


Exhibit 7: Working capital days is expected to be less than 180 days going forward.

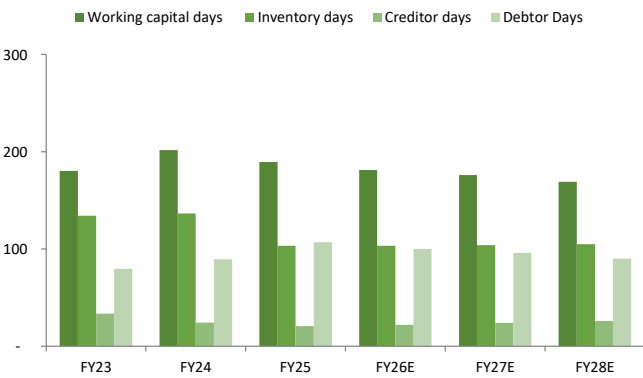
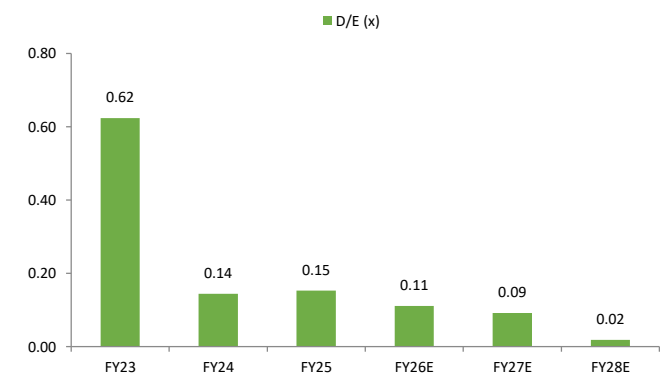


Exhibit 8: Debt to Equity is expected to be lower levels going forward.



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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