

Rating: Subscribe

Issue Offer

Fresh Issue of 65,07,000 equity shares amounting to INR 911 Mn.

Issue Summary

Price Band INR	133-140
Face Value INR	10
Implied Market Cap INR Mn.	4626.2
Market Lot	1000
Issue Opens on	Sept 11, 2025
Issue Close on	Sept 15, 2025
No. of share pre-issue	1,74,62,954
No. of share post issue	2,39,69,954
Listing	NSE SME

Issue Break-up %

QIB Portion	47.44 %
Retail Portion	33.26 %
NII Portion	14.29 %

Registrar

Kfin Technologies Ltd.

Book Running Lead Managers

GYR Capital Advisors Pvt. Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	74.40%	54.20%
Public & Others	25.60%	45.80%

Objects of the issue

- To fund business expansion and growth initiatives.
- To repay or pre-pay existing debt, which will strengthen the company's balance sheet and reduce its financial costs.
- General Corporate Purposes

Airfloa Rail Technology was incorporated in 1998 in Chennai. It is primarily engaged in the manufacturing of components for rolling stock used by Indian Railways, with a focus on working with production units like Integral Coach Factory and other coach factories. The company also specializes in executing turnkey interior furnishing projects for Indian Railways. Its expertise extends to the aerospace and defense sectors, where it manufactures intricate, highly engineered components, including AMCA ground simulators for HAL and body manufacturing for artillery tanks and body armor. The company has two manufacturing units located in Chennai and Kancheepuram.

Investment Rationale

Market Diversification : The company plans to grow by both attracting new customers in India and abroad and expanding its share of business with existing clients. This will be achieved by introducing new product lines and actively working with customers early in the product development phase. The goal is to evolve from a component supplier to a holistic engineering solutions provider.

Enhanced Manufacturing Capabilities : A key part of the strategy is to expand manufacturing capacity. The company intends to use INR 136.7 Mn from the IPO proceeds to acquire new machinery and equipment. These investments will increase production output, improve precision, and reduce lead times, reinforcing the company's reputation as a reliable and high-quality partner..

Operational Efficiency: The company is committed to optimizing its financial health and operational processes. It will focus on adopting lean manufacturing, automation, and process engineering to enhance efficiency and manage costs. Furthermore, INR 60 Mn from the net proceeds will be used to repay existing borrowings, which will lower interest costs and strengthen its balance sheet.

Valuation and View: Company has shown a strong and consistent upward trend in both its revenue and profits over the past few years. Its financial stability has also improved significantly, with a notable reduction in its debt. The company has a robust order book that provides a strong sense of future revenue visibility. The company sources its raw materials from both domestic and foreign suppliers. While the company has successfully diversified its revenue streams, it still relies heavily on a small number of major clients. The company has expanded its work to include highly engineered components for the aerospace and defense sectors, such as ground simulators and body armor. The company's railway product line is extensive and includes various components for different types of trains, such as seating, climate control systems, safety features, and interior design elements. They have been involved in several high-profile railway projects like the Vande Bharat Express and various metro systems.

At the upper band of INR 140, the issue is valued at a P/E ratio of 13.14x, based on FY25 EPS of INR 10.66 . We are recommending a "Subscribe" rating for this issue currently.

Financial Performance

Particulars (INR Mn.)	FY23	FY24	FY25
Revenue	950	1190	1920
Growth Rate YoY %	(30.8%)	25.4%	61.3%
EBITDA	165	318	483
EBITDA %	17.4%	26.7%	25.1%
PAT	15	142	255
PAT %	1.6%	11.6%	13.3%
Debt Short+Long	600	640	600

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Stock Rating Scale

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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