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Issue Detail	
Price Band	₹ 102 – ₹ 108
Face Value	₹ 2.00
Total Offer Size	Upto ₹ 3,510 million
Fresh Issue Size	Upto ₹ 1,620 million
Offer for Sale Size	Upto ₹ 1,890 million
Issue Type	Book Building
Minimum lot	130 Shares
Issue Opens for Anchor Investors	August 21, 2023
Issue Opens	August 22, 2023
Issue Closes	August 24, 2023
Listing on	BSE and NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	August 29, 2023
Unblocking of Funds	August 30, 2023
Credit of shares to Demat Account	August 31, 2023
Listing on exchange	September 01, 2023

Other Detail	
Book Running Lead Manager	Pantomath Capital Advisors Private Limited
Registrar	Link Intime India Private Limited

**Shareholding (%)**

Particulars	%
Promoters	91.09%
Mr. Asish Kacholia	2.03%
Bengal Finance & Investments	2.03%
Mr. Jagdish Master	1.14%
Carnelian Structural Shift Fund	1.10%
Rosy Blue India	1.00%
Others	1.61%
<b>Total</b>	<b>100.00%</b>

**Issue Structure**

Category	%
QIBs	50.00%
Non-Institutional Investors	15.00%
Retail	35.00%

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**Aeroflex Industries Limited**

**Company Background**

**Aeroflex Industries Limited (AIL)** was incorporated on 1993. It provides Environment-Friendly Metallic Flexible Flow Solutions to critical global industrial eco-system with its ultra-modern facility in Taloja, Navi Mumbai, India, under the strict supervision of an experienced and qualified team. The company's products include a wide range of metallic flexible hoses and assemblies, providing global specialized industries with products conforming to international quality standards.

AIL's manufacturing facility is equipped with mechanical and hydraulic corrugation machines, interlocking machines, braiding machines, bobbin machines and assembly equipment. Each product is subjected to stringent quality testing and assurance processes before being packed and dispatched to customers. Company's quality control and assurance team comprises 25 members. Based on the type of the product, the testing and quality team performs various tests on the finished products including Leakage Test, Ultrasonic Test, Vacuum Test, Leak Tightness Test, Pressure Resistance Test, Elongation Test, Burst Test, Pliable or Static Bend Test, Fatigue Tests or U-Bend Test, Cantilever Bend Test, Electrical Conductivity Test and Non-Volatile Residue Test. All these tests confirm to the requirements and standards of ISO 10380:2012.

The Company also has an in-house Design, Research and Development team of 7 members which assists in designing the products based on the technical specifications received from the customers, conducts research on existing and new materials, production processes improvement, emerging product types and end applications and develop new products.

**Issue Details**

Fresh Issue of upto ₹ 1,620 million and Offer for Sale of upto ₹ 1,890 million.

**Issue Objectives**

Objects of Fresh Issue	Amount (INR Mn)
1) Repayment / Prepayment of Debt	350
2) Working Capital	840
3) General Corporate Purpose and Unidentified Inorganic Acquisitions	[●]

## Company & Business Overview

**Aeroflex Industries Limited (AIL)** is the manufacturer and supplier of environment friendly metallic flexible flow solution products catering to global as well as domestic markets. The Company exports their products to more than 80 countries including Europe, USA and others. Its exports contributed to 80.60%, 84.53% and 80.90% of its revenue from operations, for the Fiscals 2023, 2022 and 2021, respectively. Their products are supplied to a wide spectrum of industries for controlled flow of all forms of substances including air, liquid and solid. During Fiscal 2023, the Company supplied their products to 723 customers.

Flexible flow solutions play a critical role in transfer of substances (air, liquid and solid) in any industrial or commercial ecosystem, connecting the origin and end points of various processes. For example, flow solution products are required in fire sprinklers, gas supply, flow of air (conditioned / controlled) in aircrafts, fueling and hydraulics in aircrafts. Company's capabilities to provide customized solutions up to the assembly's level enable them to tap flexible flow solutions value chain.

## Product Overview

**Category :** Its product categories include braided hoses, unbraided hoses, solar hoses, gas hoses, vacuum hoses, braiding, interlock hoses, composite hoses, hose assemblies, lancing hose assemblies, jacketed hose assemblies, exhaust connectors, exhaust gas recirculation (EGR) tubes, expansion bellows, compensators and related end fittings.

**Portfolio:** The Company's product portfolio comprised Stainless Steel Corrugated Flexible Hoses (with and without braiding), SS Braiding, Interlock Hoses and Assemblies catering to a diverse range of end user industries, including steel, oil and gas fire sprinklers, refineries aerospace & defence, fire sprinklers & fire fighting, metals & mining, solar and other flexible flow solution, for flow of all forms of substances including air, liquid and solid. As on March 31, 2023, AIL had more than 1,700 Product SKUs (Stock Keeping Units) in their product portfolio. The Company is into metallic flexible flow solutions made of Stainless Steel (SS). The Company has recently developed products made of bronze as well. Its products replace flow solutions made of rubber and polymers.

Company offer a range of metallic flexible corrugated hoses with diameters starting from ¼ inch to 14 inches. Its solutions are capable to handle varied environmental and work conditions and are designed to handle temperatures levels from negative 196 degrees celsius to 982 degrees celsius and pressure handling capacity of upto 300 bars. In addition to certifications, our customers specially the Original Equipment Manufacturers (OEMs), who use company's products as a component in their own end products, perform detailed evaluation procedures on its product quality, processes, manufacturing facility and operations before approving them as their supplier. The stringent customer protocols act as a natural quality benchmarking and at the same time poses meaningful trade barriers.

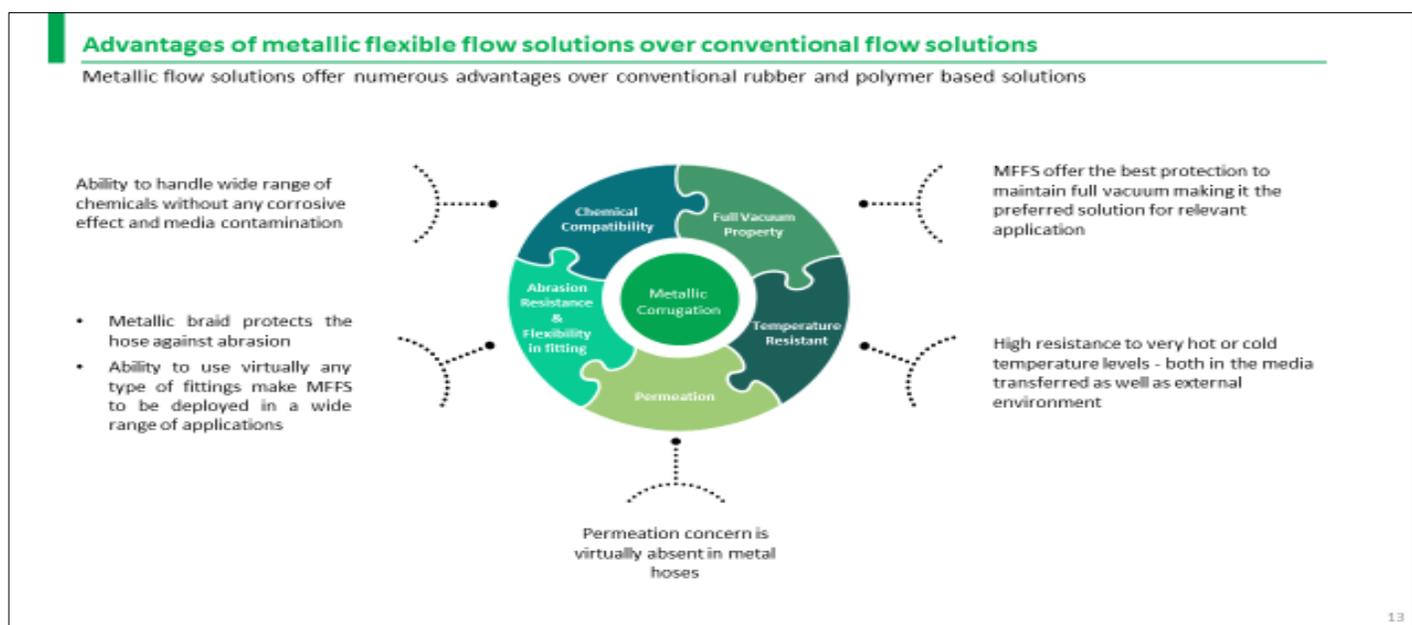
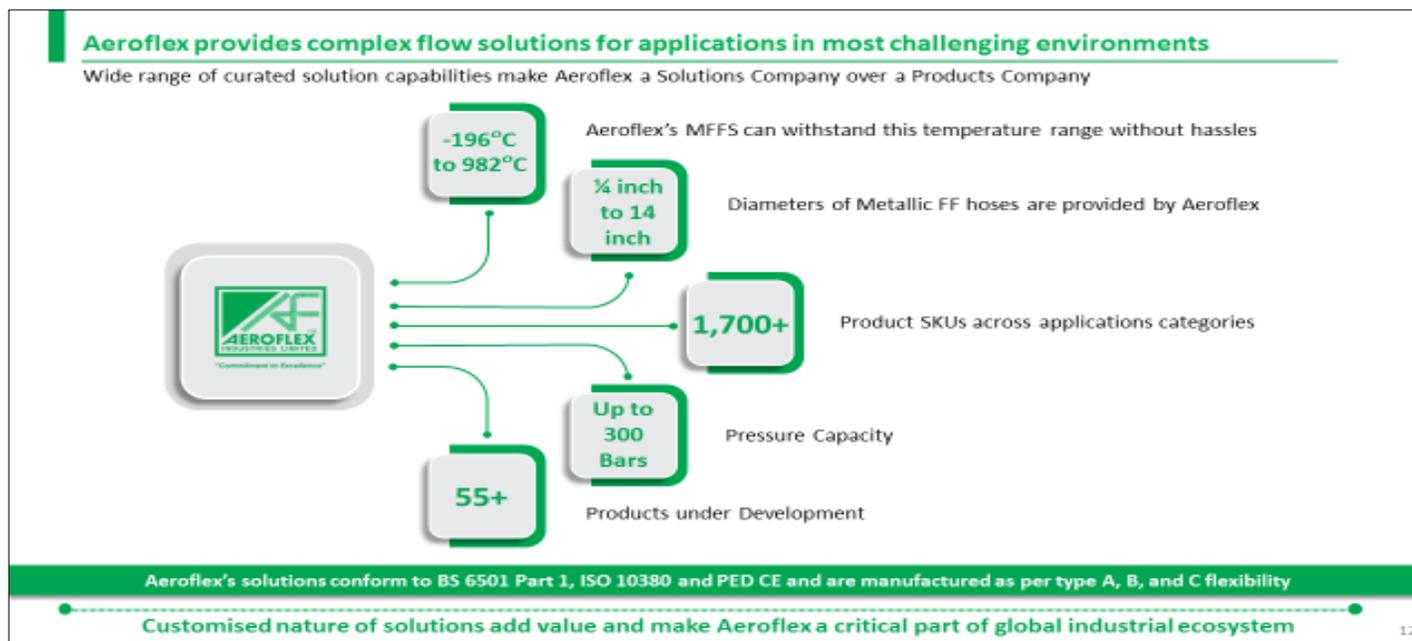
**Characteristics:** Flexible flow solutions made with stainless steel corrugation are becoming a preferred solution because of their numerous advantages. The technical characteristics of SS is the basic attribute that imparts flexible flow solutions made with stainless steel corrugation with its advantages including resistance to external elements, maintaining the quality of media transferred, resistance to abrasion and corrosion, low probability of catastrophic failure, resistance to temperature, maintenance of full vacuum, compatibility to chemicals, among others.

The Company's SS flow solutions are meant to work for a specific lifespan specified by its customers which generates significant replacement demand for their products from existing customers. AIL's flexible flow solutions made with stainless steel corrugation conform to BS 6501 Part 1, ISO 10380 and PED CE and are manufactured as per type A, B, and C flexibility.

**Environmental Friendly:** Metallic flexible flow solutions made with stainless steel produce significantly lower carbon emissions than those made with synthetic rubber making their products environment-friendly and business model green & sustainable.

**Replacement Demand:** Despite of being highly durable over other non-metallic materials for a constant flow of substances, Company's products require replacements due to reasons including operational efficiency, regulatory requirements and zero

waste and leakage requirements (for example usage location within the plant or setup, external temperature and ambience conditions, vibrations and movement frequency), after a certain period of time as per the customers' policies or applicable regulatory requirements. These make its solutions an integral part of the lifecycle of an industrial ecosystem and create a continuous demand for their products.



### Investment Rationale

- ✓ The company is expected to grow in terms of Revenue at a CAGR of 35-40% by FY26
- ✓ Serves to critical requirement of conventional and new-age industries with global clientele
- ✓ Significant barrier to entry and exit
- ✓ Continuous investment in new product development and design
- ✓ Environmental friendly products and EHS Compliant organisation
- ✓ Strong financial performance with robust margins and returns
- ✓ Strategic Corporate Promoter with experience of scaling up multiple diverse businesses

### Competitive Strengths

## Global flexible flow solutions provider operating in huge addressable market, catering to diverse industry segments and poised to benefit from mega industrial trends

AIL is a global flexible flow solutions company developing and manufacturing metallic flexible corrugated hoses, assemblies and fittings for a diverse range of industrial sectors, which are used on an ongoing basis for efficient flow of varied types of materials and substances including liquid, air and solid from one point to another. This makes these solutions critical to the substance, process, and the entire ecosystem. Company's manufacturing facility and certified processes, global footprint and exposure in over 80 countries, track record of commercializing and scaling up new products and research and development capabilities, position them advantageously to capture requirements of diverse end user industrial sectors.

### Export oriented business model

The Company has exported their products to 47 countries. Over the period, it have been able to establish significant presence in the exports markets through providing specified SS flexible flow solutions across industries. AIL's capabilities to manufacture diverse range of products along with quality consistency have been key in establishing global markets. To serve the export markets better and real-time basis, the Company has incorporated a wholly-owned subsidiary in the United Kingdom (UK) in the name of "Aeroflex Industries Limited" in 2019. The Company has also appointed exclusive distributors in the United States and Brazil.

(₹ in million)

Name of Country	Revenue from export for Fiscal 2023	Fiscal 2023	Revenue from export for Fiscal 2022	Fiscal 2022	Revenue from export for Fiscal 2021	Fiscal 2021
USA	763.21	28%	775.49	32%	382.71	26%
UAE	187.39	7%	146.65	6%	49.59	3%
Italy	119.34	4%	121.06	5%	103.82	7%
Spain	118.72	4%	142.52	6%	72.06	5%
Canada	92.24	3%	58.30	2%	26.65	2%
Belgium	79.75	3%	64.83	3%	72.89	5%
Brazil	68.10	3%	66.28	3%	45.72	3%
UK	70.22	3%	102.47	4%	34.29	2%
Russia	62.44	2%	10.05	0%	14.51	1%
South Africa	62.41	2%	25.48	1%	10.50	1%
Other Countries	547.96	20% (41 countries)	522.47	22% (39 countries)	358.40	25%
<b>Total</b>	<b>2,171.80</b>	<b>81%</b>	<b>2,035.59</b>	<b>85%</b>	<b>1,171.15</b>	<b>81%</b>

### Primary Manufacturer of flexible flow solutions (Make-in-India, Make-For-World) with no listed peers with advanced manufacturing facility and R&D infrastructure

AIL is the manufacturer of metallic flexible flow solutions in the country (Make-in-India, Make-For-World) with an installed capacity of 11 million meters per annum. The Company's manufacturing facility, located at Taloja, Navi Mumbai, Maharashtra, is spread across 3,59,528 square feet of area and is equipped with mechanical and hydraulic corrugation machines, interlocking machines, braiding machines, bobbin machines and assemblies equipment's capable to manufacture range of customized hoses, braiding, assemblies and fittings. It also have 34 mechanical corrugation machines, 20 hydraulic corrugation machines, 4 interlocking machines and 28 braiding machines.

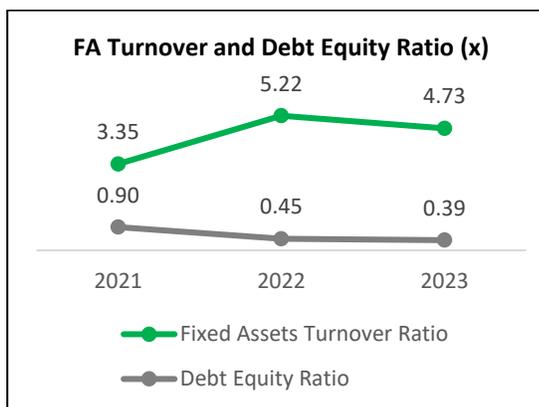
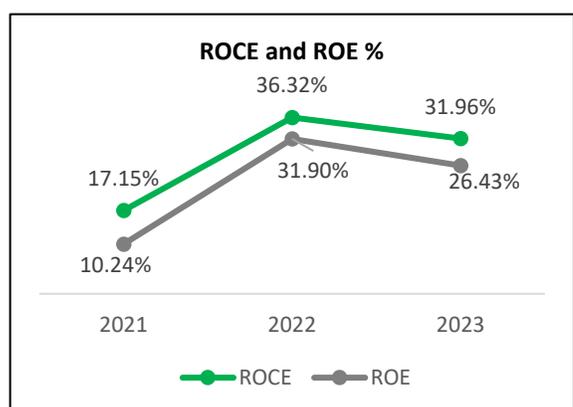
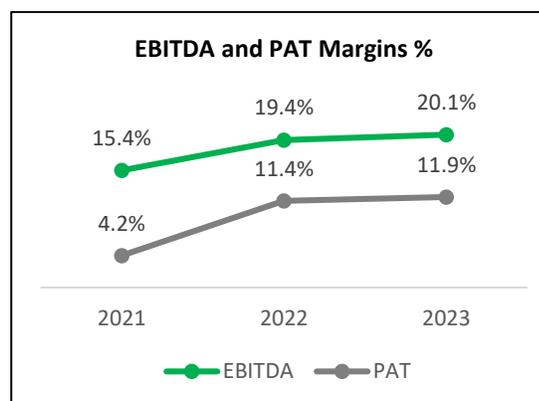
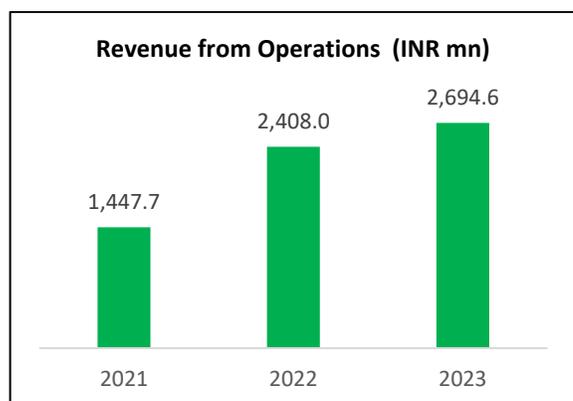
### High entry and exit barriers

Given the critical nature of the applications, Company's solutions are subject to, and measured against quality standards (at both customer level as well as at the regulatory authority level governing the end user industry) and rigorous product approval systems with stringent design, engineering and use specifications, which act as significant entry barriers for new players. Also, where the Company supply their products to OEMs, the end products of those OEMs are typically subject to stringent regulatory and

industry standards where any change in the vendor of the product may require significant time and expense on part of the OEMs, which acts as an exit barrier and disincentivates any such changes for them also.

### Robust financial performance

AIL's existing capabilities to provide value added solutions, consistent efforts to move up in the flow solutions value chain and operational and functional excellence have contributed to their track record of healthy financial performance and growth. Management believe that this aids them in strengthening its trust and engagement with their customers and which further enhances its ability to retain these customers and extend their engagement across products and geographies.



### Experienced and dedicated senior team across key functions with strategic corporate promoter

The Company's professional team has experience in production, R&D, quality control and sales & marketing. The knowledge and experience of its management and its team of dedicated personnel provide with a competitive advantage as they seek to grow their existing markets and enter new geographical markets. AIL also have a dedicated team of engineers along with other skilled workforce. The Company is continuously strengthening their engineering expertise by providing in-house training to their workforce, in order to diversify and update their skill sets and keep them updated with the latest changes in manufacturing technologies and processes. AIL's Promoter i.e. Sat Industries Limited, has track record of scaling up of multiple diverse businesses backed by acquisition-led strategy. Since acquisition of the Company in 2018, its Promoter has been contributing significantly in determining AIL's strategic direction and future growth path.

### Key Business Strategies

#### Expand its portfolio of solutions to capitalize on large opportunities across industrial segments

The Management believe growth in end-use industries such as oil & gas, refineries, chemicals & petrochemicals, paper & pulp, steel, power, semiconductors, electric vehicles, robotics and automation, aerospace and aviation, hydrogen fuel, solar, HVAC, among others, will lead to exponential increase in demand for high end flexible flow solutions made with stainless steel and other high end materials. (Source: Flexible Flow Solutions Market in India Report March 2023). AIL believe that expansion of

their solutions portfolio through advanced and complex assemblies and solutions and multi-materials offerings will lead to a further increase in its operational margin, which was 20.05%, 19.39% and 15.43% for the Fiscals ended 2023, 2022 and 2021, respectively.

### Scale up of In-house Design and R&D efforts

AIL has an in-house team of Design and R&D professionals focusing on developing complex and advanced flow solutions based on the global industrial trends and standards, research on existing and new high-end materials and optimize its manufacturing processes. Currently, its Design and R&D department is housed in the premises of their manufacturing facilities itself, with a team size of 7 members. The Company intend to further scale up its Design and R&D efforts and add resources and technically competent manpower to undertake complex research, development and innovations on other high-end materials, new product applications and design complex products in-house for varied applications across industrial segments.

### Research and Development Capabilities

Over the years, we have strengthened our R&D capabilities to develop and commercialise new products across materials

**Our R&D efforts are focused on expanding our product portfolio across existing and new materials including SS, Bronze, Inconel, Monel, PTFE, among others**

  
**NABL Accredited Lab**

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55+

Products across various stages of Research and Development

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7

Qualified Team Members

Key Products developed recently / under research and development	
Braided braiding	Made of metals for superior strengths suitable for high pressure applications lance/loading/ unloading
Large Diameter Hoses	For applications including ship loading/unloading
Bronze Metal Flexible Flow Solutions	Bronze hoses for HVAC (Heat Ventilation and Air-conditioning)
A-704 Hoses	Higher thickness hose and longer lengths without joint (Mechanical Formed)
Inconel 625 and 825 Hoses and Assemblies	Hoses made of Inconel 625 & Inconel 825 for higher temperature application – feed gas hose for blast furnace
Monel Hoses	Hose for highly corrosive environment. shipping and sub-marine
Complex Turbine Assemblies with precise welding at tube bending angle	Hose assemblies with high precision for higher pressure application
Windmill Assemblies	Oil cooling hoses
Railways Assemblies	Complex & short assemblies for Hydraulic & HVAC, Cable Conduit applications
Aviation Assemblies	For Engine Cooling applications
Semiconductor Assemblies	For transfer of various gases and energies with ultimate precision
Cryogenic Application Assemblies	Hose assemblies with copper /brass fittings are used for Oxygen , Argon, Nitrogen loading & unloading
Super Insulation Vacuum Hose Assemblies	Hose assemblies with supper insulation & vacuum insulation for Cryogenic application such as LNG transfer
Fire Sprinkler Hose Spiral Hose	Hose assemblies with Sprinkler Nozzle & end fittings for Fire Hydrant System
Solar Hoses with Fitting Kit	Hose assemblies for Solar Application, used for Water Heating System.
Boiler Hose Assemblies	Specific Hose made for Higher heat transfer rate (helically wound around the boiler setup for cooling)

### Increase focus on global markets and enhance the international presence

AIL is an export-oriented Company and it has exported their products to 51 countries in Fiscal 2023. The top 10 countries by export volumes in Fiscal 2023 included USA, UAE, Italy, Spain, Canada, Belgium, Brazil, UK, Russia, South Africa, among others. The Company intends to leverage their diversified and global delivery model by continuing to focus on tailor-made flexible flow solutions designed to suit their customers’ preferences. Its existing relationships and the ability to deliver flexible flow solutions on a timely basis, enable it to follow the existing customers to newer geographical locations and to establish a presence in such locations.

### Expand the domestic business to leverage the opportunities across industrial segments

To make India self-dependent in manufacturing and reduce the imports, Government of India had announced Production Linked Incentive (PLI) Scheme for various industries including advanced chemistry cell battery, electronic products, automobiles and auto components, pharma, telecom and networking products, textile, food products, white goods, and specialty steel. Hence, AIL intend to utilize the large scale opportunities offered by various ongoing/announced oil refining projects, semiconductor projects, engineering projects, by large corporations in public and private sector.

### Future Growth Strategies

Continuously increasing the share of value added products like assemblies, composites and interlock solutions and expand its capabilities to serve diverse industrial segments to enhance their market position of a global flexible flow solutions. The

Company has also planned capex for PTFE based solutions i.e. PTFE is believed to be high margin, high performance product, well accepted in the global markets;



**Focus on Digitization and Industry 4.0 initiatives to drive operational efficiencies and achieve synergies**

AIL is intend to continue to improve its operational efficiencies using a variety of technology and digitization-led tools and techniques. It also intend to automate various processes to improve the energy usage efficiency, eliminate waste, improve productivity and manpower optimization, further improvise the water discharge practices, and continually working on cost reduction including applying various techniques to their products to reduce cost.

**Focus on Sustainability, health & safety and environment:**

Metallic flexible flow solutions made with stainless steel produce significantly lower carbon emissions than those made with synthetic rubber making our products environment friendly and business model green & sustainable. As part of the initiatives towards continual improvement, it has obtained the Environment Management System Certification under the new standard of ISO 14001: 2015 for our manufacturing facility



### Financial Snapshot (Consolidated)

Particulars (₹ in Mn.)	March 31, 2021	March 31, 2022	March 31, 2023
Share Capital	228.64	228.64	228.64
Net Worth	587.17	862.23	1,140.93
Revenue from operations	1,447.74	2,408.00	2,694.61
Profit after Tax	60.11	275.06	301.52
Earnings per Share (Basic and Diluted) after sub-division of Equity Shares of our Company from face value ₹ 10/- per Equity Share to face value ₹ 2/- per Equity Share	0.53	2.41	2.64
Net Asset Value after sub-division of Equity Shares of our Company from face value ₹ 10/- per Equity Share to face value ₹ 2/- per Equity Share	5.14	7.54	9.98
Total borrowings	530.68	391.27	450.06
EBITDA (₹ in million)	223.35	466.92	540.33

Source: Company RHP, ACMIIL Research

### Key Performance Indicators

Particulars (₹ in Mn.)	Mar-21	Mar-22	Mar-23
Revenue from operations (₹ in million)	1,447.74	2,408.00	2,694.61
Total number of customers served (Nos.)	538	606	723
Total capacity utilisation (%)	71.01%	90.41%	83.16%
Exports revenue as % of revenue from operations (%)	80.90%	84.53%	80.60%
Foreign currency gain / (loss)	19.21	32.37	53.13
Cost of goods sold as % of revenue from operations (%)	64.62%	64.81%	63.11%
EBITDA (₹ in million)	223.35	466.92	540.33
EBIT (₹ in million)	185.57	425.08	488.14
EBITDA margin (%)	15.43%	19.39%	20.05%
Profit after tax for the period (₹ in million)	60.11	275.06	301.52
Net profit margin (%)	4.15%	11.41%	11.19%
Net worth (₹ in million)	587.17	862.23	1,140.93
Return on capital employed (%)	17.13%	36.29%	31.91%
Return on equity (%)	10.24%	31.90%	26.43%
Debt to equity ratio (times)	0.90	0.45	0.39
Fixed asset turnover ratio (times)	3.37	5.26	4.85

Source: Company DRHP, ACMIIL Research

### Peer Analysis and Valuation:

There are no listed companies in India in the Flexible Flow Solutions space. However, following companies operate in the Flexible Flow Solutions and Motion Control Technologies space which are listed on New York Stock Exchange and London Stock Exchange respectively:

Particulars	Listed Exchange	Market Cap (₹ in mn)	Revenue (₹ in mn)	PAT (₹ in mn)	PAT %	PE (x)
Parker Hannifin Corporation	NYSE	42,03,566	13,00,684	1,07,912	8.30%	39.0
Senior PLC	LSE	73,290	89,040	2,121	2.38%	34.6

Additionally, following companies operate in the Precision Engineering and Capital Goods space. These are not exactly comparable to AIL, however, have been presented to provide a broad comparison:

Company Name	Market Cap (₹ in mn)	Revenue (₹ in mn)	PAT (₹ in mn)	PAT %	PE (x)
Schaeffler India	4,80,660	6,867	879	12.6%	53.2
AIA Engineering	3,31,440	4,909	1,056	20.5%	31.4
GMM Pfaudler	66,550	3,178	214	6.7%	37.3
HLE Glascoat	43,740	923	70	7.5%	80.4
Paras Defence	26,040	214	36	16.2%	72.5

AIL reported revenue of ₹ 2,694.6 million in FY23 with EBITDA and PAT margins of 20.1% and 11.2% respectively. From FY21 to FY23, the Company has grown at a CAGR of 36.4%.

### AIL - Quarterly Performance for Q1FY24

Particulars (₹ in mn)	Q1FY24	Q1FY23	Change YoY (%)
Revenue from operations	829.31	703.50	17.88%
EBITDA	173.05	131.64	31.46%
PAT	110.88	85.58	29.55%
EBITDA margin	20.62%	18.71%	
PAT margin	13.21%	12.17%	

Based on the growth achieved in Q1FY24, orders in hand and capex plans, the Company is estimated to achieve revenue in the range of ₹ 3,800-4,000 million in FY24. With further economies of scale and increase in the contribution of value added flexible flow products estimated in the overall mix, we expect the EBITDA and PAT margins in the range of 21.5-22% and 14-15% respectively in FY24.

Given the above, we believe, Aeroflex is attractively valued in the range of 18-22x of FY24P PAT and leaves on table, sufficient upside potential for investors.

### Risks and concerns

- ✓ The company is dependent and will continue to depend on their single manufacturing facility, any slowdown or shutdown in their manufacturing operations could have an adverse effect on their business.
- ✓ The Exports contributed 80% of revenue, any kind of geo-political uncertainty & Global economic slowdown may affect business performance of the company.
- ✓ It depends on third parties for the supply of raw material and delivery of products. Any kind of disruption in the supply of raw materials could impact their production and increase their costs.

