

Equipment | India

IPO | 21 August 2023

Aeroflex Industries Ltd.

Manufacturer of Flexible Flow Solution Products



About the Company

Aeroflex Industries, a subsidiary of SAT Industries manufactures and supplies environment-friendly metallic flexible flow solution products like multiple variety of hoses, tubes and hose assemblies. The company's clientele includes distributors, fabricators, maintenance repair and operations companies (MROs), original equipment manufacturers (OEMs), and companies operating in a wide range of industries. Moreover, the company has recently forayed into manufacturing products made of bronze. The company's products replace flow solutions made of rubber and polymers. Flexible flow solutions made with stainless steel corrugation are becoming a preferred solution because of their advantages. The company is coming up with an IPO comprising of fresh issue of ~15mn shares and OFS of ~17.5mn shares, aggregating to a total of ~Rs3.5bn.

Diversified Product Portfolio

The company's product list includes braided hoses, unbraided hoses, solar hoses, gas hoses, vacuum hoses, braiding, interlock hoses, hose assemblies, lancing hose assemblies, jacketed hose assemblies, exhaust connectors, exhaust gas recirculation (EGR) tubes, expansion bellows, compensators, and related end fittings. As on Mar'23, the company recorded more than 1,700 Product SKUs (Stock Keeping Units) in its product portfolio. The company exports its products to 80+ countries including Europe, the USA and others. It supplies products to a wide spectrum of industries for the controlled flow of all forms of substances including air, liquid and solid. Flexible flow solutions play a critical role in the transfer of substances (air, liquid and solid) in any industrial or commercial ecosystem, connecting the origin and end points of various processes.

Manufacturing Facility with Multiple Certifications

Its manufacturing facility is located at Taloja, Navi Mumbai, Maharashtra, and is spread across nearly 3.6 lakhsq. ft of area. The facility is certified with Annex III, Module H of Directive 97/23/EC on pressure equipment, management system as per ISO 9001:2015, environmental management system ISO 14001:2015, ISO 45001:2015 (occupational health & safety), testing certificate gas hoses 1/2" NB Hose Assembly, NABL ISO /IEC 17025:2017, statement of 153 conformity for design, manufacturing, and testing of SS corrugated flexible hose assembly, statement of conformity for quality procedures applied standard EN ISO 10380:2012 and BS 6501-1 (E:2004), certificate of design assessment required for quality management systems, environmental management systems, health and safety management systems.

Financials in Brief

On the financial front, PTL has reported a turnover of Rs1448.4mn, Rs2409.9mn and Rs2694.8mn for FY21, FY22 and FY23 respectively. The company reported profit of Rs60.1mn, Rs275.1mn and Rs301.5mn for the respective periods. It has recorded a healthy Revenue, EBITDA and PAT CAGR of 36%, 56% and 126% respectively over FY21-23. For the last three fiscals, the company has reported an average EPS of Rs. 2.21 and an average RoNW of 25.56%.

Our View

On FY23 financials, the IPO is valued at 42x P/E, 26.6x EV/EBITDA and 5.3x EV/Sales. The company is likely to benefit from growth prospects in traditional industrial segments like manufacturing, automotive, oil & gas among others as well as emerging industries like solar, lithium-ion battery management and robotics among others. Moreover, a strong track record of commercialising and scaling up new products and R&D capabilities puts the company in a good position to capture the requirements of diverse end user industrial sectors. **In view of diversified product portfolio, strong financials, global footprint, focus on expanding its capacities, products and R&D capabilities, we recommend a SUBSCRIBE to the issue**

IPO Details

Price Band (Rs)	102-108
Face Value (Rs)	2
Issue Open/Closing Date	22-Aug-23/24-Aug-23
Fresh Issues (mn)	15.0
OFS (mn)	17.5
Total Issue (mn)	32.5
Minimum Bid Qty. (Nos)	130
Issue Size (Rs bn)*	3.51
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs bn)*	14.0

*At higher band

Object of the Issue

- ▶ Repayment of borrowings.
- ▶ Funding working capital.
- ▶ General corporate purposes.

Strengths

- ▶ Diversified product portfolio.
- ▶ Healthy financial performance.
- ▶ Strong global footprint.
- ▶ Focus on expansion of its products.

Key Risk

- ▶ Significant import duties or restrictions of relevant jurisdictions.
- ▶ Dependent on China for a significant portion of raw material suppliers.
- ▶ Continue to depend on a single manufacturing facility.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	91.1	67.0
Others	8.9	33.0

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	1,448	2,408	2,695
EBITDA	223	467	540
EBITDA Margin (%)	15.4	19.4	20.1
PAT	60	275	302
PAT Margin (%)	4.2	11.4	11.2
EPS (Rs)	0.5	2.1	2.3
P/E (x)	182.8	51.6	42.0
EV/EBITDA (x)	64.7	30.6	26.6
EV/Sales (x)	10.0	5.9	5.3
Net Worth	587	862	1,141
RoE (%)	10.2	31.9	26.4
Gross Debt	531	391	450
Net Block	435	464	563
Net Asset Turnover (x)	3.3	5.2	4.8

Source: RHP; Note: * based on FY23 annualized nos"

Senior Research Analyst:

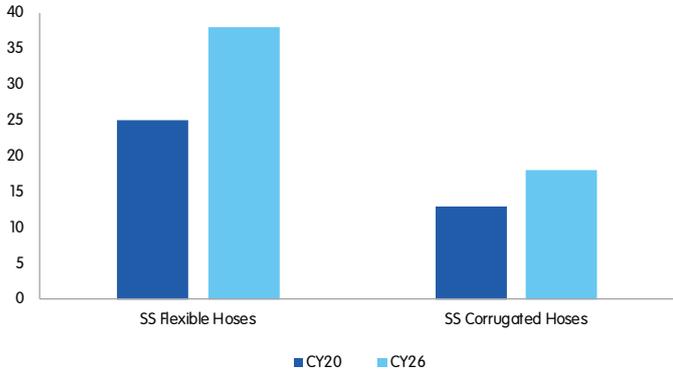
Vikas Jain

Contact : (022) 41681371

Email : vikas.i.jain@reliancecap.com

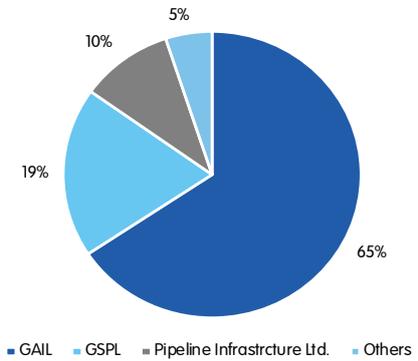
Industry Data

Exhibit 1: Global Market Size of SS Flexible Hoses and SS Corrugated Hoses (\$bn)



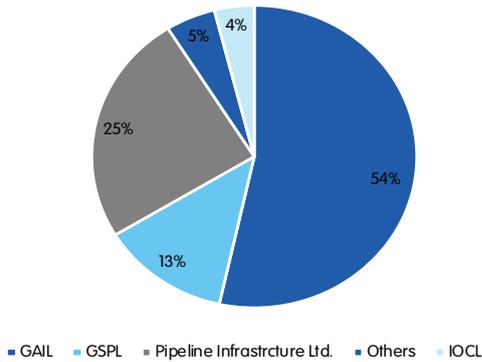
Source: RHP, Dun & Bradstreet

Exhibit 2: Natural Gas Pipeline Infrastructure Share in India (%)



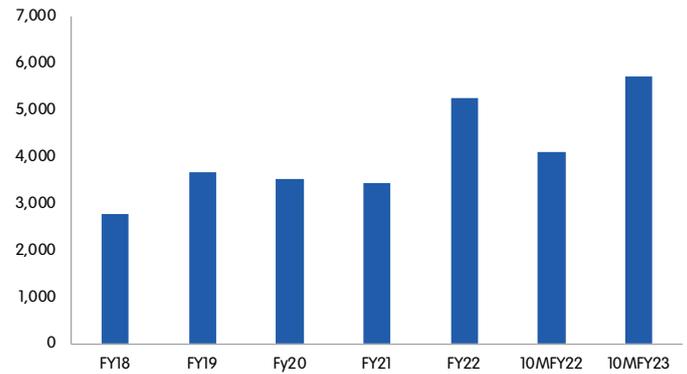
Source: RHP, PPAC statistic

Exhibit 3: Capacity in MMSCMD Share (%)



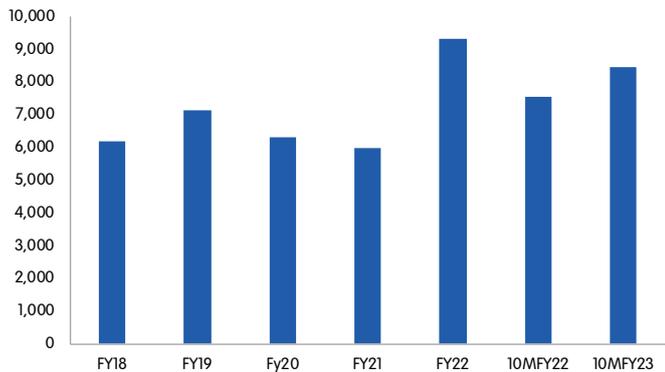
Source: RHP, PPAC statistic

Exhibit 4: India's Exports of Flexible Tubing of Iron/Steel (Rs mn)



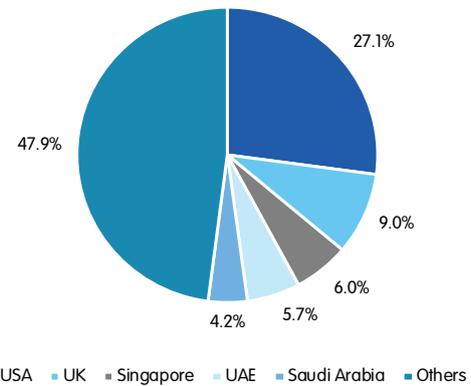
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 5: India's Exports of Flexible Tubing of Iron/Steel (in Tonnes)



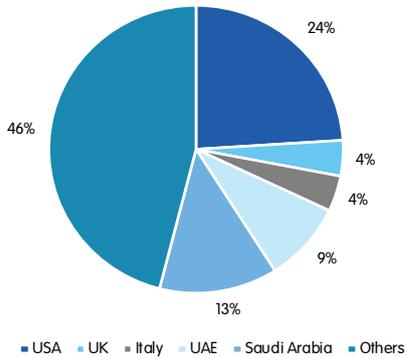
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 6: Top 5 Countries for India's Exports of Flexible Tubing of Iron/Steel (Value), FY22



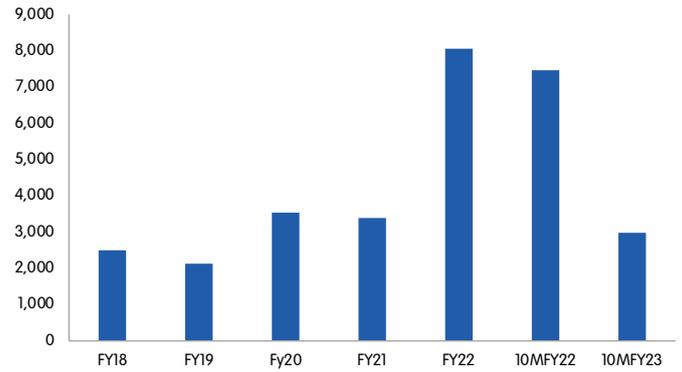
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 7: Top 5 Countries for India's Exports of Flexible Tubing of Iron/Steel (Volume), FY22



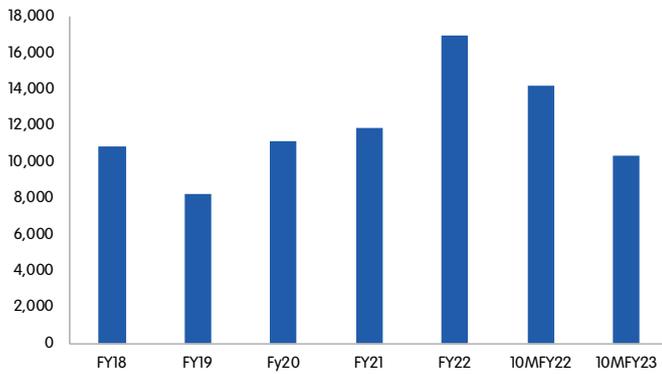
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 8: India's Import of Flexible Tubing of Iron/Steel (Rs mn)



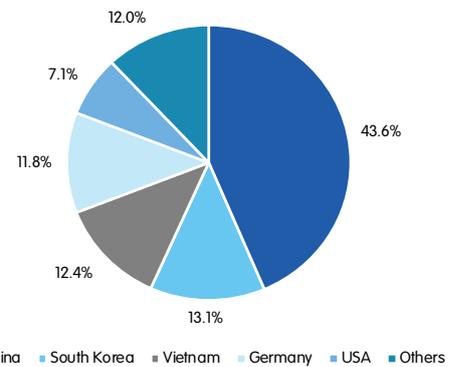
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 9: India's Import of Flexible Tubing of Iron/Steel (Tonnes)



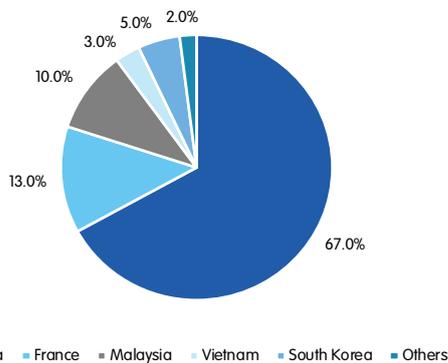
Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 10: Top 5 Countries for India's Import of Flexible Tubing of Iron/Steel (Value), FY22



Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

Exhibit 11: Top 5 Countries for India's Import of Flexible Tubing of Iron/Steel (Volume), FY22



Source: RHP, Ministry of Commerce and Industry, Department of Commerce, Gol

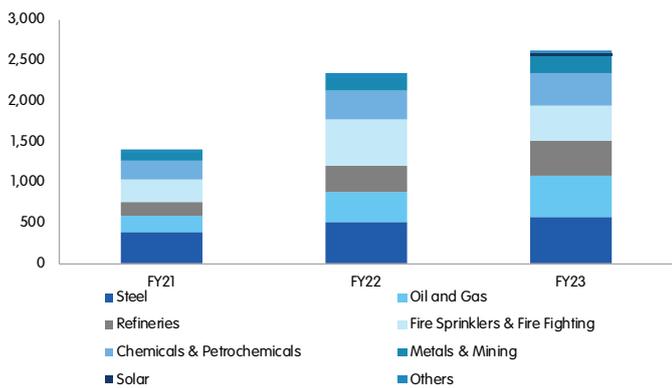
Company Data

Exhibit 12: Products



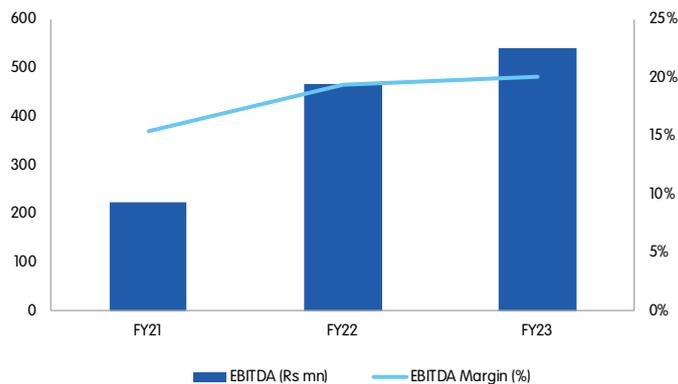
Source: RHP

Exhibit 13: Revenue Trend (Rs mn)



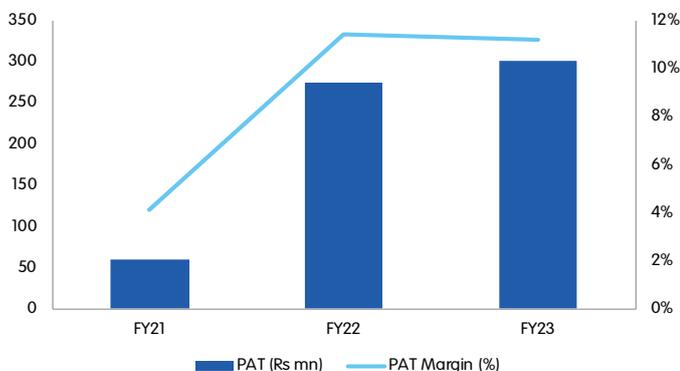
Source: RHP

Exhibit 14: EBITDA Trend



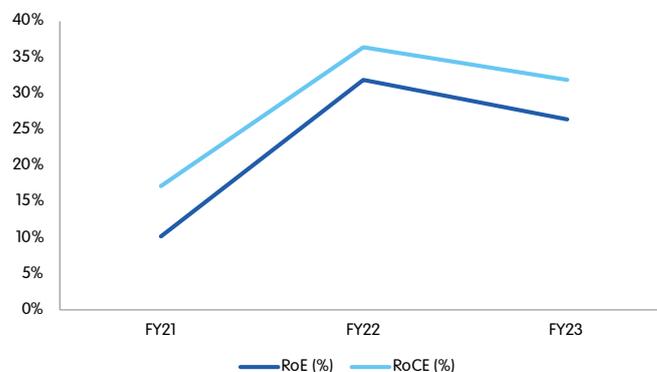
Source: RHP

Exhibit 15: PAT Trend



Source: RHP

Exhibit 16: ROE & ROCE



Source: RHP

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