

CMP: INR 510

Rating: Accumulate

Target Price: INR 637

Stock Info

BSE	532395
NSE	AXISCADES
Bloomberg	AXET IN
Reuters	AXIT.BO
Sector	IT
Face Value (INR)	5
Equity Capital (INR mn)	210
Mkt Cap (INR mn)	21,198
52w H/L (INR)	850/433
Avg Yearly Vol (in 000')	83

Shareholding Pattern %

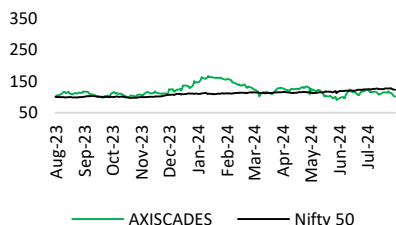
(As on March, 2024)

Promoters	60.70
Public & Others	39.73

Stock Performance (%)

	1m	3m	12m
AxisCades	-17.4	-21.2	5.7
Nifty	-1.4	6.8	22.8

Axiscades Vs Nifty



AXISCADES Technologies beat our EBITDA Margin & PAT estimate led by lower RM cost and higher other income; Revenue was below our estimates due to de-growth in segments. Reported revenue of INR 2,233 Mn (down by 12.7% QoQ/ +4.5% YoY) below our estimate of INR 2,560 Mn. De-growth led by Strategic technology solutions. Revenue in USD stood at \$26.2Mn against our estimate of \$31.5 Mn, down by 15.5% QoQ/down 2.6% YoY Segments: Technology Services and Solutions de-grew by 4% QoQ/ up 14.4% YoY and Strategic technology solutions de-grew by 34% QoQ/ down 21.3% YoY. EBITDA stood at INR 310 Mn and de-grew by 4% QoQ/down 5.8% YoY below our estimate of INR 334 Mn. Adjusted EBITDA margin expansion by 126bps QoQ/ down 153bps YoY at 13.9% against our estimate of 13.0% led by an increase in other income 88.3% QoQ/503% YoY due to (Includes INR 65.919 Mn from sale of leasehold land and building transferred for a consideration of INR 149 Mn. RM decline also helped in margin expansion. The company reported adj PAT of INR 167.8 Mn grew by ~87% QoQ/~194 Mn above our estimate of INR 88.6 Mn. EPS stood at INR 4.07 against INR 2.11 in Q4FY24 (INR 1.47 in Q1FY24)

Strong order book across the segments

In Q1FY25, INR 390 Mn were added to the defense order book, with production revenues expected to ramp up throughout the year. There is a multi order pipeline of design wins awaiting production in the coming years. By the end of Q1FY25, INR 3220 Mn in pending orders are set for execution. Additionally, 60 units of anti-drones will be delivered post-trials by the end of CY24. We believe that Q2 & Q3 will be strong quarter for the company led by the robust order pipeline.

Sequential stable growth expected in Automotive by Q2FY25

Strong YoY growth of 84% was driven by a ramp-up with a major UK automotive client and the addition of new solutions. However, there was a sequential decline due to challenges with European OEMs and sluggishness in the EV space. The focus remains on digital and embedded solutions, as well as hardware testing and validation. EBITDA margins were impacted by lower defense production and issues in automotive, but are expected to improve in Q2 as defense production ramps up. The company aims to increase engineering services margins by 150-200 bps by year-end.

Outlook & Valuation

AXISCADES Technologies reported a mixed Q1FY25 performance, driven by strong order book, targeted INR 16000+ Mn revenue and INR 1600-1800 Mn PAT by FY26, and outlined strategic initiatives amid macroeconomic challenges and supply chain issues. Company anticipate an organic contribution of ~30 Mn, though this is a ballpark figure, company has 3,220 Mn of executable production orders. Additionally, The company is rebranding to Axiscades Mistral to reflect its focus on aerospace, defense and integrated capabilities. It's investing in digital engineering and expanding sales teams to drive growth. **We value the stock on a P/E (x) multiple of 17x to its FY27E EPS INR 37.5, which yields a target price of INR 637 per share. We maintain our Accumulate rating on the stock.**

Exhibit 1: Financial Highlights

Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Revenues	9,551	11,456	13,741	16,483
EBITDA	1,332	1,638	1,992	2,489
EBITDA Margin	13.95%	14.30%	14.50%	15.10%
PAT	334	900	1,182	1,571
EPS	8.0	21.5	28.2	37.5
PE	64.0	23.8	18.1	13.6

Source: Arihant Research, Company Filings

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Exhibit 2: Q1FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn) Consolidate	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Revenue USD \$ Mn	26.20	31.00	26.90	-15.5%	-2.6%
Revenue	2,233	2,556	2,136	-12.7%	4.5%
Other operating Income	3	2	10	49.5%	-74.7%
Other Income	103	55	17	88.3%	502.6%
Total Revenue	2,338	2,613	2,163	-10.5%	8.1%
Cost of Material consumed	320	516	396	-37.9%	-19.0%
Employee Benefit Exp	1,234	1,349	1,089	-8.5%	13.3%
Other Expenses	368	368	322	-0.2%	14.1%
EBITDA	310	323	330	-4.0%	-5.8%
EBITDA margin %	13.9%	12.6%	15.4%	126bps	-153bps
EBITDA margin %	13.9%	12.6%	15.4%	126bps	-153bps
Deducting-Net one time item	-	-	-	-	-
Adj. EBITDA	310	323	330	-4.0%	-5.8%
Adj. EBITDA margin %	13.9%	12.6%	15.4%	126bps	-153bps
Depreciation	93	95	71	-2.5%	31.2%
EBIT	218	228	259	-4.6%	-15.9%
Margin	9.7%	8.9%	12.1%	83bps	-237bps
Finance cost	81	125	201	-35.5%	-59.9%
PBT before exceptional item	242.202	159.225	84.807	52.1%	185.6%
PBT After exceptional item	242.2	159.2	84.8		
Exceptional Item	-	-	-	-	-
Share in loss of associate, net of tax	-0	-0		146.7%	
Tax Expense	74	69	28	7.4%	168.4%
Effective tax rate %	30.7%	43.5%	32.7%	-	-
Company level PAT	167.80	89.92	57.09	86.6%	193.9%
share of P/(L) Associates	-	-	-	-	-
non-controlling	-	-	-	-	-
Adj PAT	167.80	89.92	57.09	86.6%	193.9%
Adj Pat margins	7.5%	3.5%	2.7%	400bps	484bps
EPS (INR)	4.07	2.11	1.47	92.9%	176.9%
Segment revenue					
Particulars (INR Mn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Technology Services and Solutions	1751	1825	1531	-4.0%	14.4%
Strategic technology solutions	484	734	615	-34.0%	-21.3%
Total	2,235.1	2,558	2,146	-12.6%	4.1%

Source: Arihant Research, Company Filings

Exhibit 3: Operating Matrix

Revenue by Industry	Q1FY25	Q4FY24	Q1FY24
Aerospace	36.00%	31.00%	29.80%
Heavy Engineering	16.00%	14.00%	18.50%
Semiconductor (PES)	11.00%	9.00%	14.40%
Automotive	11.00%	11.00%	6.20%
Energy	5.00%	6.00%	2.30%
Product & Solutions (Defense)	22.00%	28.00%	28.70%
Revenue By Geography	Q1FY25	Q4FY24	Q1FY24
Europe	40.00%	37.00%	33.50%
USA	23.00%	21.00%	30.90%
APAC	32.00%	38.00%	31.10%
Canada	5.00%	4.00%	4.50%
Revenue by Segment	Q1FY25	Q4FY24	Q1FY24
Engineering Services	78.00%	71.00%	71.00%
Defence - Production	12.00%	16.00%	7.00%
Defence - Design	9%	13.00%	21.00%
Revenue by Location	Q1FY25	Q4FY24	Q1FY24
Offshore	71.00%	75.00%	77.00%
Onsite	29.00%	25.00%	23.00%
Revenue by Project	Q1FY25	Q4FY24	Q1FY24
Fixed Price	65.00%	69.00%	64.00%
Time & Material	35.00%	31.00%	36.00%
Employee Metrics	Q1FY25	Q4FY24	Q1FY24
Digital & Embedded	678	734	652
Mechanical	2281	2150	1826
Support	242	247	224
Attrition Rate (%)	14%	16%	18%

Attrition rates lowered on YoY basis driven by various employee engagement activities and better management of pyramid by defining employee's journey.

Defence Programs Portfolio



Radar

- MPR Arudhra
- Akash
- Ashwini
- QRSAM



Airborne

- Tejas
- AEW&C
- Jaguar
- Dornier



Naval

- Samudrika
- Indigo
- USHUS
- Abhay



Upcoming Programs

- LCA MK II
- AEW&C MK II
- Su 30 Upgrade
- Rustom II

On track to deliver Phase 1 of Arudhra & HiSAR Radars production orders of 300 Mn
 Naval production orders of 200 Mn are under execution and will be delivered in Q2FY25.
 Strong orderbook and significant uptick in production revenues from Q2.

Source: Arihant Research, Company Filings

Q1FY25 Conference Call Highlights

The company is confident about delivering on its revenue and Margin plan for FY25, anticipating healthy growth in Aerospace, recovery in Automotive and Semiconductor verticals, and continued momentum in the Energy segment.

The company is rebranding to Axiscades Mistral and has appointed Mr. Pankaj Chakraborty as an additional director.

The company reduced its finance costs to INR 80.7 Mn and its consolidated net debt stood at INR 500 Mn.

Margin expansion in Q1FY25 due to cost optimization. EBITDA margin expected to increase with defense business production ramp-up and a strong order book

The engineering services business grew by 15% YoY, driven by growth in Aerospace, Automotive, and Energy sectors. Aerospace and Automotive verticals showed strong performance, while Defence, Heavy Engineering, and Semiconductor businesses faced challenges.

Margin pressure is in the Defence, Automotive, and Heavy Engineering verticals. Significant investments in digital strength may impact margins in the short term.

Engineering services, business grew by 15% YoY, driven by growth in Aerospace, Automotive, and Energy sectors.

Aerospace vertical, continues its strong performance, showing a 24% YoY revenue increase.

Automotive, revenues grew 84% YoY, primarily due to the consolidation of revenues from the acquisition of AcQ automotive entity. Automotive and Semiconductor verticals are expected to recover starting in H2FY25

Energy vertical, revenue reached INR 110 Mn accounting for 5% of total revenue. The growth momentum in the Energy segment is expected to continue.

Defence, business revenue was lower at INR 480 Mn compared to INR 620 Mn in Q1 FY24. Defence production orders in FY25 are expected to be significantly higher than those in FY24.

Approved Design Wins Awaiting Production: INR 8000 – 1,0000 Mn. Design Wins Under Development: INR 25,000 – 30,000 Mn

Heavy Engineering and Semiconductor businesses declined by 8% and 23% respectively.

Margin pressure is present in the Defence, Automotive, and Heavy Engineering verticals.

The company is undertaking significant investments in building its digital strength, which will continue to be margin dilutive in the short term.

New drone kit based on Qualcomm QCS8550 under development, market release expected in Q3.

Mistral executed Naval & Radar orders worth INR 100 Mn each.

Exhibit 4: Strong top line led by growth across segments

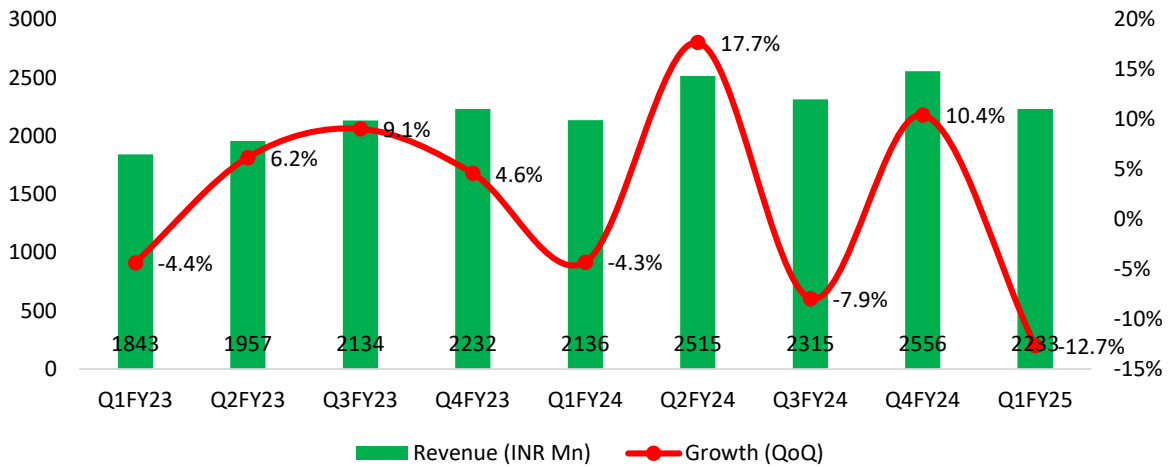


Exhibit 5: Steady margin led by higher other income

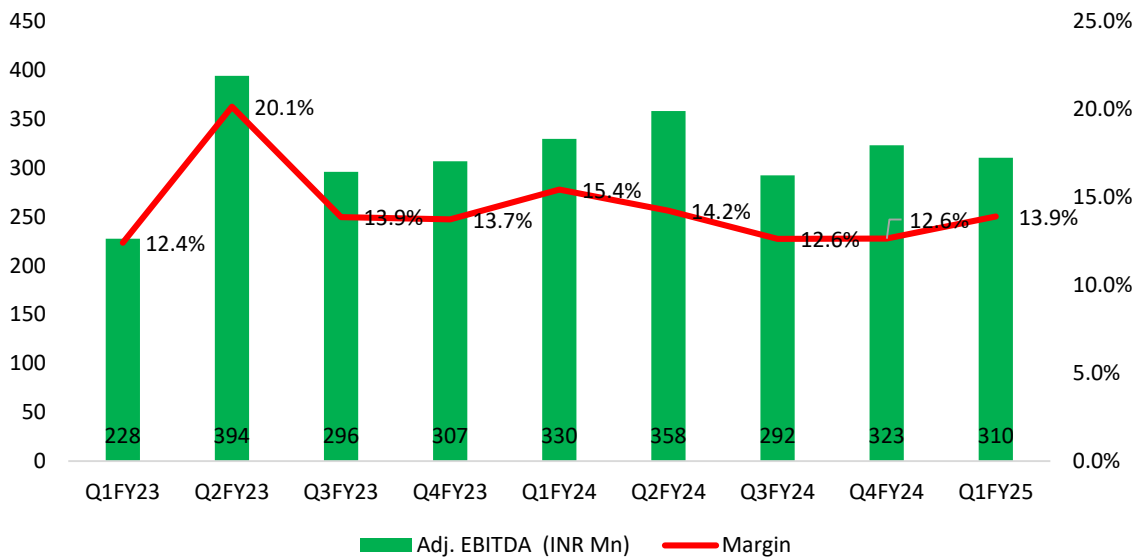
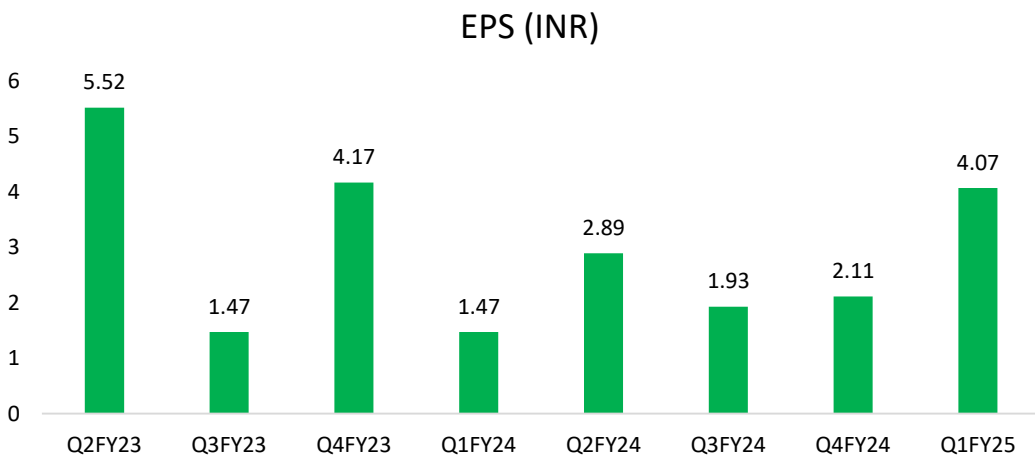


Exhibit 6: Earning trend



Source: Arianth Research, Company Filings

Key Financials

Income Statement				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Revenues	9,551	11,456	13,741	16,483
Change (%)	16.2%	20.0%	20.0%	20.0%
Raw materials	1,855	2,234	2,611	3,132
Employee costs	5,001	5,865	7,008	8,242
Other expenses	1,362	1,718	2,130	2,621
Total Expenses	8,219	9,818	11,749	13,994
EBITDA	1,332	1,638	1,992	2,489
EBITDA Margin	14.0%	14.3%	14.5%	15.1%
Deducting-Net one time item	-	-	-	-
Adj. EBITDA	-	-	-	-
Adj. EBITDA margin %	-	-	-	-
Other Income	99	286	344	412
Depreciation	338	353	362	370
Interest	564	286	286	286
PBT	530	1,285	1,688	2,245
Extra-ordinary	-	-	-	-
PBT after ext-ord.	530	1,285	1,688	2,245
Tax	196	386	506	673
Rate (%)	37.0%	30.0%	30.0%	30.0%
PAT	334	900	1,182	1,571
MI & Associates	-6	0	0	0
Adjusted PAT	334	900	1,182	1,571
Change (%)	0.0%	174.2%	31.4%	33.0%

Balance Sheet				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Sources of Funds				
Share Capital	210	210	210	210
Reserves & Surplus	3,518	4,417	5,599	7,170
Net Worth	3,727	4,627	5,809	7,380
Loan Funds	2,385	2,385	2,385	2,385
Deferred Tax & other liabilities	-	-	-	-
Capital Employed	6,176	7,076	8,257	9,828
Application of Funds				
Gross Block	4,156	4,256	4,355	4,453
Less: Accumulated Depreciation	1,930	2,283	2,645	3,015
Net Block	2,226	1,973	1,710	1,438
CWIP	-	-	-	-
Other non current assets	176	176	176	176
Deferred tax assets	216	216	216	216
Net fixed assets	2,618	2,365	2,102	1,830
Investments	303	303	303	303
Debtors	2,341	2,808	3,368	4,040
Inventories	693	820	966	1,158
Cash & bank balance	1,529	4,535	6,490	8,929
Loans & advances & other CA	1,029	1,029	1,029	1,029
Total current assets	6,413	9,192	11,854	15,157
Current liabilities	4,779	6,099	7,316	8,776
Provisions	307	307	307	307
Net current assets	1,327	2,786	4,231	6,074
Total Assets	6,176	7,076	8,257	9,828

Cash Flow Statement				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
PBT	530	1,285	1,688	2,245
Depreciation	338	353	362	370
Interest & others	458	-0	-57	-126
Cash flow before WC changes	1,326	1,638	1,992	2,489
(Inc)/dec in working capital	2,063	727	511	595
Operating CF after WC changes	3,389	2,365	2,503	3,084
Less: Taxes	-196	-386	-506	-673
Operating cash flow	3,193	1,980	1,997	2,411
(Inc)/dec in F.A + CWIP	-679	-100	-99	-98
(Pur)/sale of investment	31.15	-	-	-
Cash flow from investing	-648	-100	-99	-98
Free cash flow (FCF)	2,993	1,880	1,898	2,313
Loan raised/(repaid)	(755.40)	-	-	-
Equity raised	18.74	-	-	-
Interest & others	330	1,127	57	126
Dividend	-	-	-	-
Cash flow from financing activities	-407	1,127	57	126
Net inc / (dec) in cash	2,139	3,006	1,955	2,439
Opening balance of cash	996	1,529	4,535	6,490
Closing balance of cash	3,135	4,535	6,490	8,929

Key Ratios				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Per share (INR)				
EPS	8.0	21.5	28.2	37.5
CEPS	15.9	29.9	36.8	46.3
BVPS	89.0	110.4	138.6	176.1
DPS	-	-	-	-
Payout (%)	0.0%	0.0%	0.0%	0.0%
Valuation (x)				
P/E	64.0	23.8	18.1	13.6
P/CEPS	34.0	18.1	14.7	11.6
P/BV	6.1	4.9	3.9	3.1
EV/EBITDA	17.6	12.5	9.3	6.5
Dividend Yield (%)	-	-	-	-
Return Ratio (%)				
EBITDA Margin	14.0%	14.3%	14.5%	15.1%
PAT Margin	3.4%	7.9%	8.6%	9.5%
ROE	8.8%	19.4%	20.3%	21.3%
ROCE	16.1%	18.2%	19.7%	21.6%
Leverage Ratio (%)				
Total D/E	0.64	0.52	0.41	0.32
Net D/E	0.2	-0.5	-0.7	-0.9
Turnover Ratios				
Asset Turnover (x)	1.5	1.6	1.7	1.7
Inventory Days	136	134	135	135
Receivable Days	89	89	89	89
Payable days	194	194	194	194

Source: Arihant Research, Company Filings

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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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