

CMP: INR 540

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)	25,569
52w H/L (INR)	850/345
Avg Yearly Vol (in 000')	83

Shareholding Pattern %

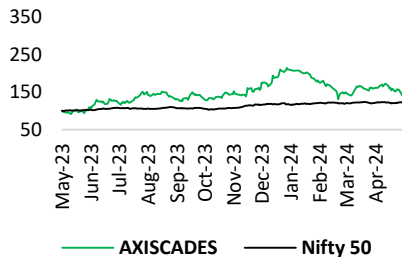
(As on March, 2024)

Promoters	60.30
Public & Others	39.7

Stock Performance (%)

	1m	3m	12m
AxisCades	-12.0	-21.0	46.9
Nifty	1.6	2.0	23.6

Axiscades Vs Nifty



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AXISCADES Technologies reported a revenue of INR 2,556 Mn (up by 10.4% QoQ/ up 14.5% YoY) above our estimate of INR 2350 Mn by Technology Services and Solutions. Segments, Technology Services and Solutions grew by 6.9% YoY/down 11.2% QoQ and Strategic technology solutions grew by 49.0% QoQ/ down 1.0% YoY EBITDA stood at INR 323 Mn and grew by 10.6% QoQ/5.4% YoY above our estimate of INR 307 Mn. Adjusted EBITDA margin expansion by 2bps QoQ/ contraction 705bps YoY at 12.6% against our estimate of 13.06% led by an increase in employee Expenses. The company reported adj PAT of INR 89.92 Mn grew by 19.3% QoQ below our estimate of INR 132 Mn. EPS stood at INR 2.11 against INR 1.93 in Q3FY24 (INR 4.17 in Q4FY23)AXISCADES Technologies issued a INR 45 Mn corporate guarantee to HDFC Bank for its subsidiary, AXISCADES Aerospace & Technologies, with no perceivable impact on the company.

Strong Growth Prospects Across Verticals

There is substantial headroom for growth in each vertical served, aiming to expand the addressable market with service offerings owned over two decades. The confirmed order book across all entities stands at 7490 Mn, up by 27% at the beginning of the year. Despite lumpy defense orders, anticipate a stronger performance and industry-leading growth in FY25, particularly in H2FY24.

Strong growth opportunity in Defence Business

Defence revenues grew by 8% from INR 2580 Mn, despite significant growth in Mistral Defence, which saw its production revenues triple from INR 39 crores in FY23 to 112 crores. This was due to a deferred large order for the Man portable counter-drone device by subsidiary ACAT to FY25. ACAT still managed to deliver 24 units to the Indian Army in March 2024, with further growth expected from additional orders and opportunities in India's counter-UAV market, projected at INR 30,000 Mn over the next five years.

Outlook & Valuation

AXISCADES Technologies reported a decent Q4FY24 performance, driven by strong order book, targeting an 15-15.5% margin in the FY26 and 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 2720 Mn of executable production orders. Additionally, EPCOGEN's recent acquisition positions the company for aggressive growth in the energy sector, aiming to significantly boost.

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 (Earlier target price of INR 819 per share). We maintain our Accumulate rating on the stock.

Exhibit 1: Financial Highlights

Y/E March (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	6,103	8,216	9,551	11,456	13,741	16,483
EBITDA	706	1,456	1,332	1,638	1,992	2,489
EBITDA Margin	11.57%	17.72%	13.95%	14.30%	14.50%	15.10%
PAT	227	-48	334	900	1,182	1,571
EPS	5.9	-1.4	8.0	21.5	28.2	37.5
PE	92.1	-393.9	67.7	25.1	19.1	14.4

Source: Arihant Research, Company Filings

Exhibit 2: Q4FY24 - Quarterly Performance (Consolidated)

Particulars (INR Mn) Consolidate	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Revenue USD \$ Mn	31.00	28.20	27.70	9.9%	11.9%
Revenue	2,556	2,315	2,232	10.4%	14.5%
Other operating Income	2	7	28	-77.5%	-94.0%
Other Income	55	16	11	232.6%	396.1%
Total Revenue	2,613	2,339	2,271	11.7%	15.0%
Cost of Material consumed	516	343	522	50.6%	-1.1%
Employee Benefit Exp	1,349	1,325	854	1.8%	58.0%
Other Expenses	368	354	417	4.0%	-11.7%
EBITDA	323	292	440	10.6%	-26.5%
EBITDA margin %	12.6%	12.6%	19.7%	2bps	-705bps
EBITDA margin %	12.6%	12.6%	19.7%	-161bps	-124bps
Deducting-Net one time item	-	-	133	-	-
Adj. EBITDA	323	292	307	10.6%	5.4%
Adj. EBITDA margin %	12.6%	12.6%	13.7%	2bps	-110bps
Depreciation	95	85	67	12.1%	41.1%
EBIT	228	207	372	10.0%	-38.7%
Margin	8.9%	9.0%	16.7%	-4bps	-776bps
Finance cost	125	121	141	3.4%	-11.5%
PBT before exceptional item	159.225	110.3	270.0	44.4%	-41.0%
PBT After exceptional item	159.2	110.3	270.0		
Exceptional Item	-	-	-	-	-
Share in loss of associate, net of tax					
Tax Expense	69	35	109	98.6%	-36.4%
Effective tax rate %	43.5%	31.6%	40.4%	-	-
Company level PAT	89.92	75.39	160.95	19.3%	-44.1%
share of P/(L) Associates	-	-	-	-	-
non-controlling	-	-	-	-	-
Adj PAT	89.92	75.39	160.95	19.3%	-44.1%
Adj Pat margins	3.5%	3.3%	7.2%	26bps	-369bps
EPS (INR)	2.11	1.93	4.17	9.3%	-49.4%

Segment revenue

Particulars (INR Mn)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Technology Services and Solutions	1624.63	1,830	1,519	-11.2%	6.9%
Strategic technology solutions	734	492	741	49.0%	-1.0%
Total	2,358	2,322	2,260	1.5%	4.3%

Revenue by Industry	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Aerospace	31.00%	33.10%	28.00%	-6%	11%
Heavy Engineering	14.00%	15.60%	18.10%	-10%	-23%
Product Engineering Services	9.00%	12.80%	12.90%	-30%	-30%
Automotive	11.00%	14.10%	5.50%	-22%	100%
Energy	6.00%	3.10%	2.20%	94%	173%
Product & Solutions (Defense)	28.00%	21.30%	33.20%	31%	-16%
Revenue By Geography	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Europe	37.00%	43.00%	28.30%	-14.0%	30.7%
USA	21.00%	26.30%	28.10%	-20.2%	-25.3%
APAC	38.00%	26.40%	38.50%	43.9%	-1.3%
Canada	4.00%	4.20%	5.00%	-4.8%	-20.0%
Revenue by Location	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Offshore	75.00%	71.20%	76.30%	380bps	-130bps
Onsite	25.00%	28.80%	23.70%	-380bps	130bps
Revenue by Project	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Fixed Price	67.00%	66.90%	65.80%	10bps	120bps
Time & Material	33.00%	33.10%	34.20%	-10bps	-120bps
Employee Metrics	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Digital & Embedded	734	739	641	-0.7%	14.5%
Mechanical	2397	2375	2010	0.9%	19.3%
Attrition Rate (%)	16%	15%	20%	100bps	-400bps

Source: Arihant Research, Company Filings

Conference Call Highlights

Company reduced debt by 60% YoY and increased the confirmed order book by 27% to INR 749 crores. Operational highlights included significant revenue growth in Aerospace, Automotive, and Energy segments, with Aerospace achieving the highest ever revenue and constituting 30% of total revenue. The company also outlined its future outlook, targeting revenue of INR 1600+ crores and PAT of INR 160- 180 cr by FY26, and focusing on profitability improvement and recovery in Heavy Engineering and Product Engineering Services in FY25. However, concerns were raised regarding macroeconomic challenges, softness in certain engineering services, and supply chain issues in the semiconductor segment. The company also highlighted its successful QIP, acquisition plans, and a "3- prong strategy" focused on vertical and customer diversification, and digital focus. Additionally, plans to open a marketing office in Dubai and focus on structurally changing the Heavy Engineering business were discussed.

Margin

Company expect better than industry growth rate in FY25, with a focus on profitability improvement and targeting EBITDA margins of 15-15.5%.

QIP

They have successfully closed a QIP for INR 220 crores and are actively looking for acquisition.

Aerospace

In FY24, the aerospace sector saw strong performance due to increased share of wallet from existing clients and securing an \$18 mn OEM deal to be executed over five years. New service areas included manufacturing support, product design, and development, and engineering support in new geographies for European OEMs. A strategic partnership was initiated with an independent aircraft engineering and maintenance group. Discussions are ongoing with a leading helicopter manufacturer for engineering support. The sector anticipates industry-leading growth with potential in OEM manufacturing and assembly lines, exploring strategies to capture tier 1 and other aerospace OEMs.

Automotive

Engagement with a UK-based automotive OEM resulted in over \$1 mn in less than a year. Customer base diversification continued with the acquisition of Add-Solution in Germany, bringing EDS, HMI testing, and automation capabilities, resulting in over \$5 mn run rate from a major OEM. Growth is driven by embedded systems and mechanical engineering. Advanced work packages with large OEMs on cybersecurity were initiated. Despite a potential slowdown from a major OEM in H1 FY25, above-industry average growth is expected through leveraging synergized capabilities and deepening relationships across Europe and APAC, focusing on new-age automotive technologies.

Defense

Production revenues increased from previous design wins, with margins over 25%. New pipeline additions across defense programs included INR 2720 Mn in executable production orders. A unique Man Portable Counter Drone System was dispatched to the Indian Army, with more under production. Strong interest is expected due to the system's unique frequency spectrum coverage. Production revenues are projected to ramp up in FY25, with a promising pipeline in counter drone systems, targeting an addressable market exceeding INR 30,000 Mn and exploring export opportunities.

Energy

Organic business grew 16% due to deepened customer relationships. Adding EPCOGEN capabilities expanded the customer base, providing pre-bid and design engineering expertise. Partnerships with European renewable energy customers continued to develop. The sector aims for above-industry average growth by enhancing contract values and acquiring new customers, with operations commencing in the Middle East to demonstrate solutions locally for traditional O&G and renewable energies.

Semiconductors

FY24 saw a slight decline in semiconductor business due to customer inventory buildup, but non-recurring engineering (NRE) grew 6% YoY. Synergized solutions were offered to global tier I/II customers in the automotive sector, and the largest phone and consumer electronics manufacturer was on-boarded. Production revenues are expected to normalize post-H1 FY25, with anticipated growth in automotive and radar-based solutions. A synergized GTM strategy is set to increase NRE revenues across other verticals.

Heavy Engineering

The heavy engineering sector experienced an 11% year-on-year decline in FY24 due to macroeconomic factors. Business restructuring aims to leverage expertise with a major OEM and enhance customer service. A strategic partnership for a global transformation initiative in manufacturing was established. FY25 is expected to see growth through AI and automation adoption and preparing for future demands. The sector seeks to add new customers and capitalize on opportunities in automation, electrification of off-highway vehicles, and regional expansion in Asia Pacific and the Middle East.

Company is actively looking for acquisitions.

Plans to open a marketing office in Dubai in FY25 to expand the energy vertical.

Focus on structurally changing the Heavy Engineering business towards higher-margin areas like embedded and digital services.

Mistral: Utilizing internal and Mistral's capabilities to leverage new opportunities in the electric vehicle space.

Anti drone system : Small portable completely made in India and can use for the 5 km range and not use by any of them in the market addressable INR 3500 cr back by the strong order book and also serval defense program direction finding. MISTRAL revenue to grow robust in the FY25

Strategic Focus: Transitioning to value-added services in digital plant and process automation, with expected growth returning in the second half of FY25.

Digital Initiatives and Revenue Goals: Expanding digital capabilities with a 75+ member team, aiming to double revenues and triple profit by FY26.

Market and Defense Growth: Targeting a 3000 cr opportunity in India over five years and leveraging a robust defense order pipeline for sustained growth.

Exhibit 4: Strong top line led by growth across segments

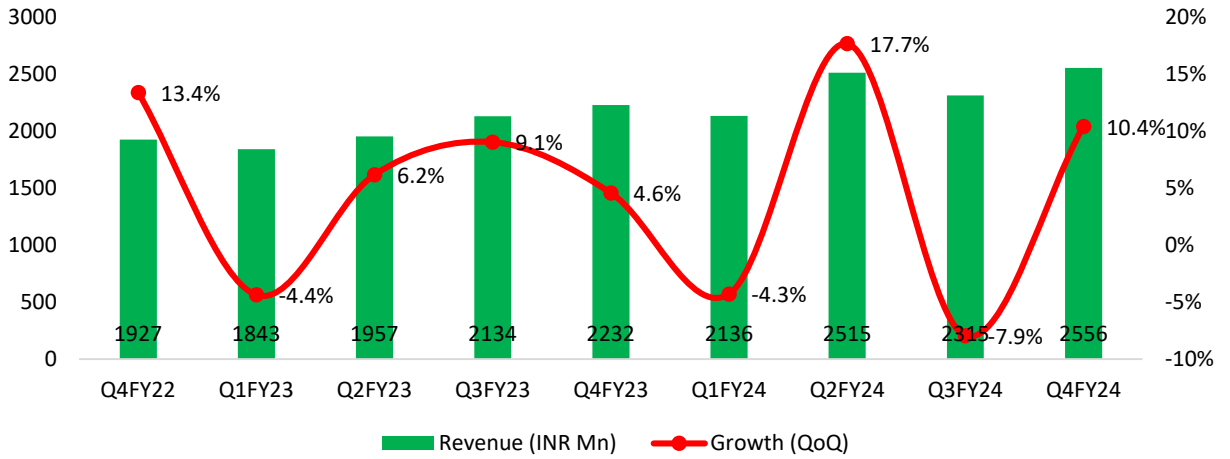


Exhibit 5: Steady margin led by higher employee expenses

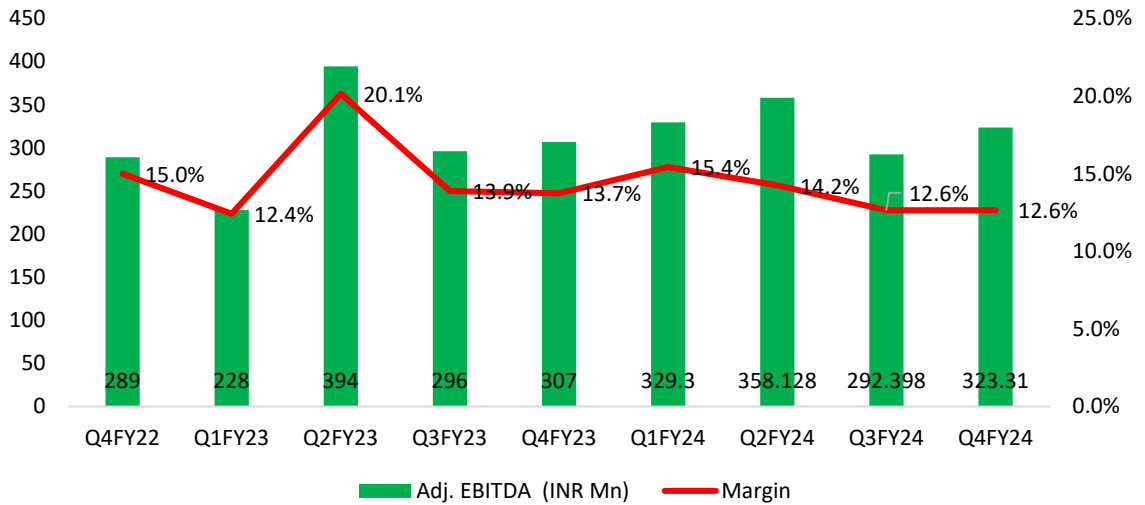
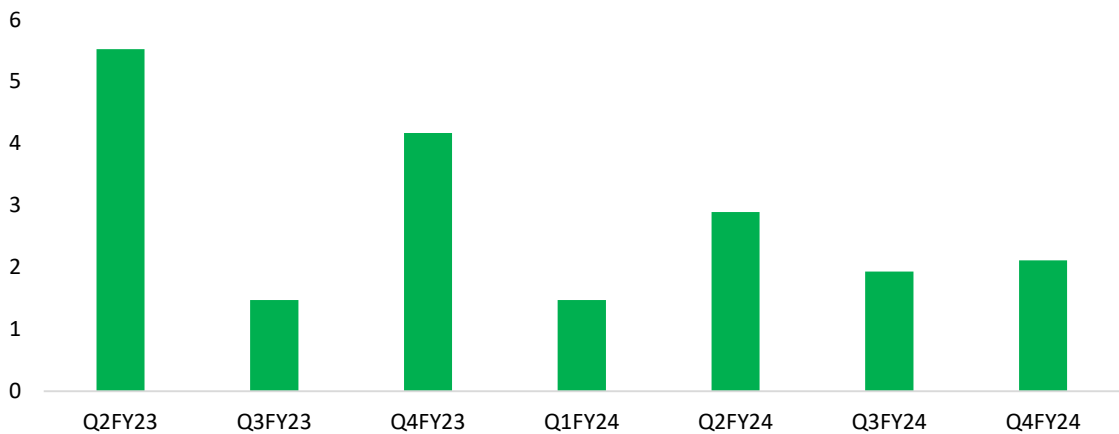


Exhibit 6: Earning trend



Source: Arianth Research, Company Filings

Key Financials

Income Statement					
Y/E March (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	8,216	9,551	11,456	13,741	16,483
Change (%)	34.6%	16.2%	20.0%	20.0%	20.0%
Raw materials	1,792	1,855	2,234	2,611	3,132
Employee costs	3,609	5,001	5,865	7,008	8,242
Other expenses	1,360	1,362	1,718	2,130	2,621
Total Expenses	6,761	8,219	9,818	11,749	13,994
EBITDA	1,456	1,332	1,638	1,992	2,489
EBITDA Margin	17.7%	14.0%	14.3%	14.5%	15.1%
Deducting-Net one time item	133	-	-	-	-
Adj. EBITDA	1323	-	-	-	-
Adj. EBITDA margin %	16.10%	-	-	-	-
Other Income	60	99	286	344	412
Depreciation	265	338	353	362	370
Interest	359	564	286	286	286
PBT	891	530	1,285	1,688	2,245
Extra-ordinary	-680	-	-	-	-
PBT after ext-ord.	210	530	1,285	1,688	2,245
Tax	258	196	386	506	673
Rate (%)	122.8%	37.0%	30.0%	30.0%	30.0%
PAT	-48	334	900	1,182	1,571
MI & Associates	-0.4	-6	0	0	0
Adjusted PAT	-53	334	900	1,182	1,571
Change (%)	0%	0.0%	174.2%	31.4%	33.0%

Balance Sheet					
Y/E March (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
Sources of Funds					
Share Capital	191.2	210	210	210	210
Reserves & Surplus	3,190	3,518	4,417	5,599	7,170
Net Worth	3,381	3,727	4,627	5,809	7,380
Loan Funds	3,140	2,385	2,385	2,385	2,385
Deferred Tax & other liabilities	-	-	-	-	-
Capital Employed	6,579	6,176	7,076	8,257	9,828
Application of Funds					
Gross Block	3,362	4,156	4,256	4,355	4,453
Less: Accumulated Depreciation	1,592	1,930	2,283	2,645	3,015
Net Block	1,770	2,226	1,973	1,710	1,438
CWIP	-	-	-	-	-
Other non current assets	201	176	176	176	176
Deferred tax assets	198	216	216	216	216
Net fixed assets	2,169	2,618	2,365	2,102	1,830
Investments	335	303	303	303	303
Debtors	1,790	2,341	2,808	3,368	4,040
Inventories	659	693	820	966	1,158
Cash & bank balance	996	1,529	4,535	6,490	8,929
Loans & advances & other CA	1,058	1,029	1,029	1,029	1,029
Total current assets	5,143	6,413	9,192	11,854	15,157
Current liabilities	2,198	4,779	6,099	7,316	8,776
Provisions	267	307	307	307	307
Net current assets	2,678	1,327	2,786	4,231	6,074
Total Assets	6,579	6,176	7,076	8,257	9,828

Cash Flow Statement					
Y/E March (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
PBT	210	530	1,285	1,688	2,245
Depreciation	265	338	353	362	370
Interest & others	295	458	(0)	(57)	(126)
Cash flow before WC changes	770	1,326	1,638	1,992	2,489
(Inc)/dec in working capital	(2,789)	2,063	727	511	595
Operating CF after WC changes	(2,019)	3,389	2,365	2,503	3,084
Less: Taxes	(258)	(196)	(386)	(506)	(673)
Operating cash flow	(2,277)	3,193	1,980	1,997	2,411
(Inc)/dec in F.A + CWIP	312	(679)	(100)	(99)	(98)
(Pur)/sale of investment	503.14	31.15	-	-	-
Cash flow from investing	815	(648)	(100)	(99)	(98)
Free cash flow (FCF)	(2,177)	2,993	1,880	1,898	2,313
Loan raised/(repaid)	2,652	(755.40)	-	-	-
Equity raised	1.43	18.74	-	-	-
Interest & others	71	330	1,127	57	126
Dividend	-	-	-	-	-
Cash flow from financing activities	2,724	(407)	1,127	57	126
Net inc/(dec) in cash	1,262	2,139	3,006	1,955	2,439
Opening balance of cash	1,054	996	1,529	4,535	6,490
Closing balance of cash	2,315	3,135	4,535	6,490	8,929

Key Ratios					
Y/E March (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
Per share (Rs)					
EPS	-1.4	8.0	21.5	28.2	37.5
CEPS	5.6	15.9	29.9	36.8	46.3
BVPS	89.1	89.0	110.4	138.6	176.1
DPS	-	-	-	-	-
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation (x)					
P/E	-393.9	67.7	25.1	19.1	14.4
P/CEPS	96.4	34.0	18.1	14.7	11.6
P/BV	6.1	6.1	4.9	3.9	3.1
EV/EBITDA	15.5	17.6	12.5	9.3	6.5
Dividend Yield (%)	-	-	-	-	-
Return Ratio (%)					
EBITDA Margin	17.7%	14.0%	14.3%	14.5%	15.1%
PAT Margin	-0.6%	3.4%	7.9%	8.6%	9.5%
ROE	-1.6%	8.8%	19.4%	20.3%	21.3%
ROCE	18.1%	16.1%	18.2%	19.7%	21.6%
Leverage Ratio (%)					
Total D/E	0.93	0.64	0.52	0.41	0.32
Net D/E	0.6	0.2	-0.5	-0.7	-0.9
Turnover Ratios					
Asset Turnover (x)	1.2	1.5	1.6	1.7	1.7
Inventory Days	134	136	134	135	135
Receivable Days	80	89	89	89	89
Payable days	110	194	194	194	194

Source: Arianth 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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