

**CMP: INR 751**

**Rating: Buy**

**Target Price: INR 980**

**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)	31,358
52w H/L (INR)	839/421
Avg Yearly Vol (in 000')	208

**Shareholding Pattern %**

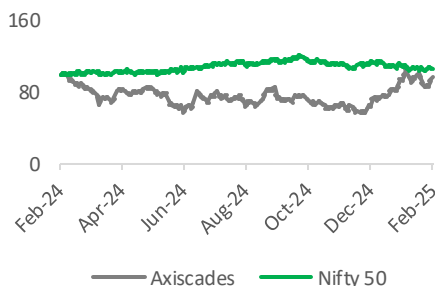
(As on Dec, 2024)

Promoters	59.56
Public & Others	40.44

**Stock Performance (%)**

	1m	3m	12m
AxisCades	2.4	50.7	-2.5
Nifty	-2.7	-2.6	7.3

**Axiscades Vs Nifty**



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Reported revenue of INR 2745 Mn (down by 18.4% YoY/ +3.7% QoQ) above our estimate of INR 2,723 Mn. Core Domain revenue grew 33% YoY, driven by Defense (+88% YoY/+10% QoQ) and Aerospace (+11% YoY & QoQ). Non-Core segments declined 11% YoY/ down 4.4% QoQ due to auto slowdown and Energy order timing, while strategic investments commenced for Core. Revenue in USD stood at \$32.7 Mn against our estimate of \$33.5 Mn, up by 3.5% QoQ/ +16.2% YoY. EBITDA stood at INR 400 Mn and up by 21.7% QoQ/+ 36.9% YoY Above our estimate of INR 359 Mn. EBITDA margin expansion by 220bps QoQ/up 200bps YoY at 14.6% above our estimate of 13.2% led by decrease in Employee cost & RM. The company reported adj PAT of INR 148 Mn grew by 20.7% QoQ/95.9% above our estimate of INR 131 Mn.

**Investment Rationale**

**Non-Linear Growth Strategy – Moving Beyond Manpower-Based Revenue**

The company is transitioning from a traditional, service-based, linear growth model to a non-linear, product-driven strategy, ensuring scalability and profitability. The company is focusing on 1) IP-driven solutions 2) AI and semiconductor-enabled electronic systems 3) Unmanned Warfare Systems (e.g., drones, radar, and strategic RF products). This strategic shift decouples revenue from workforce expansion and enhances margins, making Axiscades a higher-value enterprise in the long run.

**Strong Focus on Core Business – Aerospace, Defence, and ESAI**

The company has strategically recalibrated its focus on its high-growth core verticals—Aerospace, Defence, and Electronics, Semiconductor & AI (ESAI)—which contribute 72% of revenue and 99% of EBITDA. The Defence vertical alone witnessed a massive 88% YoY revenue growth, while Aerospace grew 11% YoY. The Defence segment, in particular, is expected to drive significant growth, with a three-level engagement model i.e. DRDO-led projects, Direct contracts with the Ministry of Defence (MoD), Partnerships with foreign OEMs through offset programs. By recalibrating non-core businesses, they are ensuring higher profitability and sustained growth in high-margin industries.

**Expansion through Infrastructure Investments**

The company is developing a 180,000 sq. ft. 'Aero Land' facility in Bangalore (ready by June 2025), which will serve as a Global Capability Center (GCC) for ESAI, focusing on AI-driven electronics, post-silicon chip-to-product solutions, and embedded system manufacturing. Additionally, it is transforming its Electronic City facility into a GCC for Unmanned Warfare, featuring drone and counter-drone hangars, radar integration, and AI-enabled strategic RF solutions. To strengthen global partnerships, the company is also developing a Defence & Aerospace Cluster (DAC) near Bangalore Airport, which will help foreign OEMs fulfill Indian offset obligations, enabling technology transfers, joint ventures, and high-value defence contracts. These investments will expand production capacity, enhance R&D capabilities, and attract global defence and aerospace clients, reinforcing its position as a leading technology enabler in high-growth markets.

**Outlook & Valuation**

Focusing on its core businesses—Aerospace & Defense and Electronics, Semiconductors & AI (ESAI)—while recalibrating its low-margin, non-core segments. For FY26, they expect EBITDA 1.5x, 50-55% growth with a 300 bps margin improvement, driven by strong order inflows in defense (radars, counter-drone systems, fighter jet upgrades) and expanding ESAI capabilities.

**We expect Axiscades revenue, EBITDA, and PAT to grow at a CAGR of 15.5%, 21.8%, and 37.9%, respectively, over FY24-FY27E. We used DCF model to arrive at a target price of INR 980 per share. Accordingly, we maintain our 'BUY' rating on the stock.**

**Exhibit 1: Financial Highlights**

Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Revenues	9,551	10,663	12,191	14,222
EBITDA	1,332	1,504	1,811	2,231
EBITDA Margin	13.95%	14.10%	14.86%	15.69%
PAT	334	647	816	1,232
EPS	8.0	15.7	18.6	26.5
PE	78.9	39.9	33.7	23.7

Source: Arihant Research, Company Filings

## Exhibit 2: Q3FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn) Consolidate	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
Revenue USD \$ Mn	32.70	31.60	28.20	3.5%	16.0%
Revenue	2,741	2,643	2,315	3.7%	18.4%
Other operating Income	4	4	7	-2.1%	-49.0%
Total Revenue	2,745	2,647	2,322	3.7%	18.2%
Cost of Material consumed	633	629	343	0.6%	84.6%
Employee Benefit Exp	1,319	1,318	1,325	0.1%	-0.5%
Other Expenses	389	368	354	5.8%	9.9%
EBITDA	404	333	300	21.4%	34.8%
EBITDA margin %	14.7%	12.6%	13.0%	215bps	178bps
Depreciation	108	99	85	8.9%	27.4%
EBIT	296	234	215	26.7%	37.6%
Margin	10.8%	8.8%	9.3%	196bps	151bps
Other Income	24	43	16	-45.0%	44.6%
Finance cost	73	86	121	-14.9%	-39.7%
PBT before excepational item	246.605	190.977	110.289	29.1%	123.6%
PBT After excepational item	231.3	187.5	110.3	23.4%	109.8%
Exceptional Item	-15	-3	-	-	-
Share in loss of associate, net of tax	-0	-0	-	-	-
Tax Expense	84	65	35	28.8%	139.9%
Effective tax rate %	33.9%	34.0%	31.6%	-10bps	230bps
Company level PAT	147.64	122.54	75.40	20.5%	95.8%
share of P/(L) Associates	-	-	-	-	-
non-controlling	-	-	-	-	-
Adj PAT	162.91	125.98	75.40	29.3%	116.1%
Adj Pat margins	5.4%	4.6%	3.3%	75bps	213bps
EPS (INR)	3.50	2.93	1.93	19.5%	81.3%
Segment revenue					
Particulars (INR Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
Technology Services and Solutions	1823	1812	1,830	0.6%	-0.4%
Strategic technology solutions	922	835	492	10.4%	87.3%
Total	2,745	2,647	2,322	3.7%	18.2%

Source: Arianth Research, Company Filings

**Exhibit 3: Operating Matrix**

Revenue by Industry	Q3FY25	Q2FY25	Q3FY24
AEROSPACE	31.00%	29.00%	33.00%
AUTOMOTIVE (AIP)	9.00%	9.00%	14.00%
ENERGY	4.00%	4.00%	3.00%
HEAVY ENGINEERING & OTHERS	12.00%	14.00%	16.00%
SEMICONDUCTOR (PES)	11.00%	12.00%	13.00%
PRODUCTS & SOLUTIONS (DEFENCE)	33.00%	32.00%	21.00%
Revenue By Geography	Q3FY25	Q2FY25	Q3FY24
INDIA / APAC	40.00%	39.00%	26.00%
EUROPE	35.00%	35.00%	43.00%
CANADA	4.00%	4.00%	4.00%
USA	21.00%	22.00%	26.00%
Revenue by Segment	Q3FY25	Q2FY25	Q3FY24
Technology Services & Solution	66.00%	68.45%	78.79%
Defence - Production	34.00%	31.55%	21.21%
Revenue by Location	Q3FY25	Q2FY25	Q3FY24
Offshore	79.00%	77.00%	71.00%
Onsite	21.00%	23.00%	29.00%
Revenue by Project	Q3FY25	Q2FY25	Q3FY24
Fixed Price	71.00%	69.00%	67.00%
Time & Material	29.00%	31.00%	33.00%
Employee Metrics	Q3FY25	Q2FY25	Q3FY24
Core	1673	1715	1615
Non Core	1116	1151	1247
Support	238	245	252
Attrition Rate (%)	18.00%	16.00%	15.00%

- The core talent pool grew by 4% YoY, reflecting expansion in key business areas.
- Attrition stood at 18% against 16% in Q2FY25 largely driven by noncore domains, namely HE and Auto

Source: Arihant Research, Company Filings

**Q3FY25 Conference Call Highlights**

Core segments contribute 99% of EBITDA and 72% of revenue.

The company is recalibrating its non-core businesses, considering strategic options.

EBITDA is expected to grow 1.5x in FY26, with a 300 bps margin expansion.

**Aerospace & Defense-**

Order book visibility is equivalent to 16x quarterly defense revenue. 100 units of Counter-drone systems delivered; repeat orders and upgrades expected.

Orders for LCA Tejas Mk1A and Sukhoi to ramp up in FY26. Ashwini radar order secured; also contributing to QRSAM, LRSAM, XRSAM programs.

**ESAI**

Currently contributes 20% of core revenue, with a target to increase to 33% in 2 years.

Focuses on box building and chip-to-product solutions. Key partnerships Texas Instruments, NVIDIA, Qualcomm, NXP are in process and also trying to get other companies.

**Strategic Investments**

INR 1,800 Mn investment in near-term expansions for facilities and creating new equipment etc.

New 180,000 sq. ft. facility near Bangalore airport (AeroLand) for electronic manufacturing and defense R&D.

Devanahalli Atmanirbhar Cluster (DAC) - Large-scale defense & aerospace industrial cluster. Investment details to be finalized based on customer interest at Aero India 2025. Expected to be a long-term revenue driver post-FY27.

FY27 is the expected takeoff period, driven by 1) DAC facility becoming operational. 2) Increased defense offset contracts & aerospace projects. 3) ESAI scaling up with deep-tech incubation.

**Exhibit: Strategic Investments in line with product driven growth strategy**

Global Capability Center (GCC) for Unmanned Warfare drone, counter-drone, and radar hangars with completion expected by June 2025



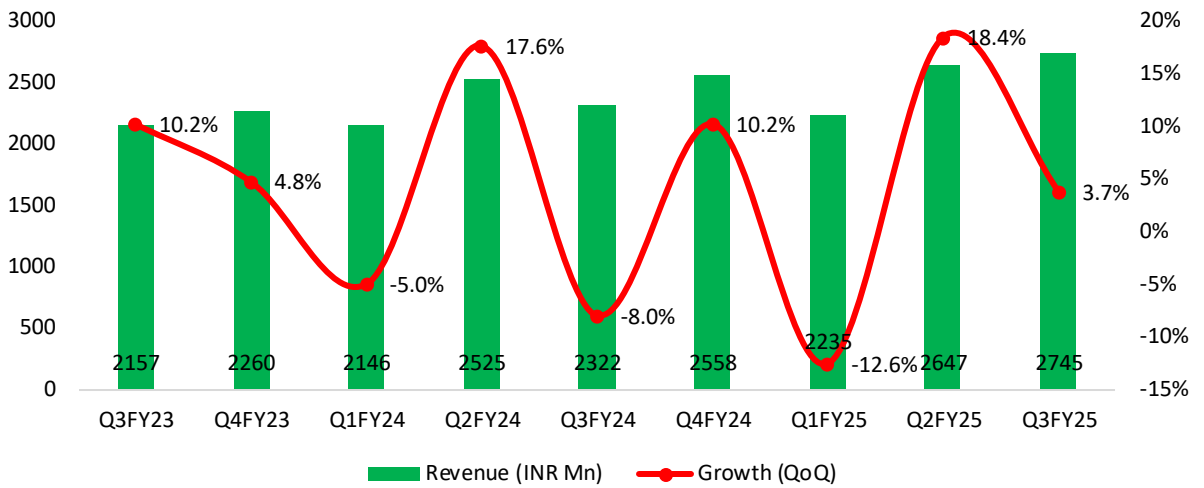
A 180,000 sq. ft. facility in Bangalore by June 2025 serving as the global hub for ESAI product development.



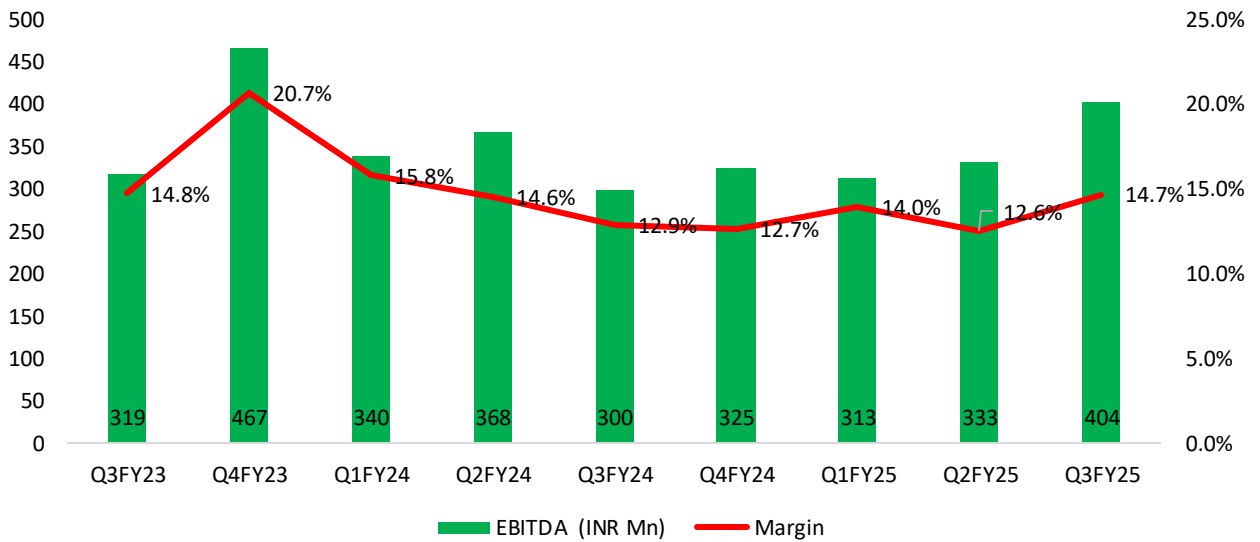
DAC (Defence & Aerospace Cluster) Ecosystem to cater to foreign A&D OEMs.

Source: Arihant Research, Company Filings

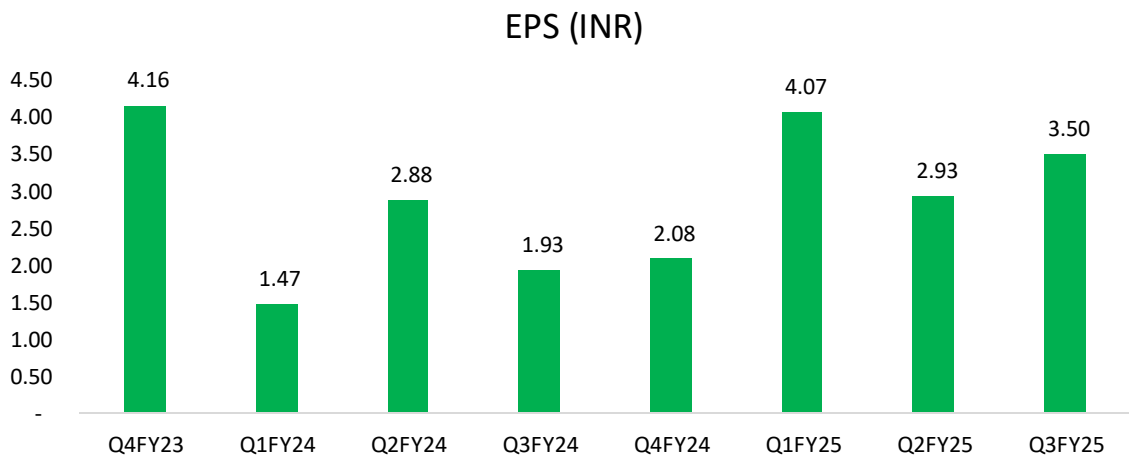
**Exhibit 4: Revenue from core domain grew by 33% YoY, mainly driven by Defence and Aerospace**



**Exhibit 5: 72% of core revenue contributes to 99% of EBITDA while the remaining contributes only 1%**



**Exhibit 6: Earning trend**



Source: Arianth Research, Company Filings

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta (2 Yr)	0.9
CMP (INR)	751

WACC

We	96.8%
Wd	3.2%
Ke	12.1%
Kd	7.5%
WACC	11.97%

Valuation Data

Total Debt (long term borrowings) (2024)	1,059
Cash & Cash Equivalents (2024)	1,529
Number of Diluted Shares (2024)	42
Tax Rate (2025)	31.71%
Interest Expense Rate (2025)	11.0%

MV of Equity 31,526

Total Debt 1,059

Total Capital 32,585

FCFF & Target Price												
FCFF & Target Price		Explicit Forecast Period					Linear Decline Phase				Terminal Yr	
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
EBIT * (1-Tax Rate)	743	963	1,242	1,562	1,915	2,285	2,652	2,993	3,280	3,490	3,600	3,713
Dep	415	402	412	681	834	996	1,090	1,227	1,396	1,479	1,516	1,553
Purchase of Assets	405	463	498	703	862	1,028	1,193	1,347	1,476	1,570	1,620	1,671
Changes in Working Capital	(652)	(762)	(976)	(1,227)	(1,504)	(1,795)	(2,083)	(2,351)	(2,577)	(2,741)	(2,828)	(2,917)
FCFF	1,405	1,663	2,132	2,768	3,392	4,047	4,632	5,224	5,777	6,139	6,324	6,512
% Growth in Post Tax EBIT		29.6%	29.0%	25.8%	22.5%	19.3%	16.1%	12.8%	9.6%	6.4%	3.2%	3.2%
As % of Post Tax EBIT												
Dep	55.9%	41.7%	33.1%	43.6%	43.6%	43.6%	41.1%	41.0%	42.6%	42.4%	42.1%	41.8%
Purchase of Assets	54.5%	48.1%	40.1%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Changes in Working Capital	-87.7%	-79.1%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%	-78.5%
FCFF	1,405	1,663	2,132	2,768	3,392	4,047	4,632	5,224	5,777	6,139	6,324	6,512
Terminal Value												73,866
Total Cash Flow	1,405	1,663	2,132	2,768	3,392	4,047	4,632	5,224	5,777	6,139	6,324	80,379

Enterprise Value (EV)	40,659	WACC (%)	Terminal Growth (%)								
Less: Debt	1,059		980	2.00%	2.25%	2.50%	2.75%	3.15%	3.25%	3.50%	3.75%
Add: Cash	1,529		12.78%	814	827	842	857	882	889	906	924
Equity Value	41,128		12.93%	800	813	827	841	866	872	889	907
			13.08%	787	799	813	827	850	857	873	890
			13.23%	774	786	799	812	835	841	857	873
Equity Value per share (INR)	980		11.97%	895	912	930	948	980	988	1010	1033
			12.09%	883	899	916	934	964	972	993	1015
% Returns	30.5%		12.24%	867	882	899	916	945	953	973	994
Rating	BUY	12.39%	852	867	882	899	927	935	954	974	

Source: Arihant Research, Company Filings

## Key Financials

Income Statement				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	9,551	10,663	12,191	14,222
<i>Change (%)</i>	16.2%	11.6%	14.3%	16.7%
Raw materials	1,855	2,255	2,656	3,005
Employee costs	5,001	5,345	5,942	6,921
Other expenses	1,362	1,559	1,782	2,065
<b>Total Expenses</b>	<b>8,219</b>	<b>9,159</b>	<b>10,379</b>	<b>11,991</b>
<b>EBITDA</b>	<b>1,332</b>	<b>1,504</b>	<b>1,811</b>	<b>2,231</b>
EBITDA Margin	14.0%	14.1%	14.9%	15.7%
Depreciation	338	415	402	412
EBIT	995	1,088	1,410	1,819
EBIT margin %	10.4%	10.2%	11.6%	12.8%
Other Income	99	196	225	263
Interest	564	317	517	491
<b>PBT</b>	<b>530</b>	<b>967</b>	<b>1,118</b>	<b>1,591</b>
Extra-ordinary	-	(18.66)	-	-
<b>PBT after ext-ord.</b>	<b>530</b>	<b>948</b>	<b>1,118</b>	<b>1,591</b>
Tax	196	301	302	359
<i>Rate (%)</i>	37.0%	31.7%	30.0%	30.0%
<b>PAT</b>	<b>334</b>	<b>647</b>	<b>816</b>	<b>1,232</b>
MI & Associates	-6	0	0	0
<b>Adjusted PAT</b>	<b>334</b>	<b>660</b>	<b>783</b>	<b>1,114</b>
<i>Change (%)</i>	0.0%	97.3%	26.0%	50.9%

Balance Sheet				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>				
Share Capital	210	210	210	210
Reserves & Surplus	5,708	6,355	7,171	8,402
<b>Net Worth</b>	<b>5,918</b>	<b>6,565</b>	<b>7,381</b>	<b>8,612</b>
<b>Loan Funds</b>	<b>2,385</b>	<b>2,265</b>	<b>2,152</b>	<b>2,047</b>
Deferred Tax & other liabilities	208	217	252	295
Total Liabilities	5,473	5,584	5,749	5,974
<b>Capital Employed</b>	<b>11,391</b>	<b>12,149</b>	<b>13,130</b>	<b>14,586</b>
<b>Application of Funds</b>				
<b>(a) Property, plant and equi</b>	<b>686</b>	<b>693</b>	<b>714</b>	<b>741</b>
CWIP	0	0	0	0
Other non-current assets	1,695	1,692	1,710	1,746
Deferred tax assets	385	385	385	385
<b>Net fixed assets</b>	<b>2,613</b>	<b>2,542</b>	<b>2,504</b>	<b>2,469</b>
<b>Investments</b>	<b>366</b>	<b>366</b>	<b>366</b>	<b>366</b>
Debtors	2,341	2,658	3,073	3,624
Inventories	693	853	1,004	1,169
Cash & bank balance	1,529	1,711	1,854	2,194
Loans & advances & other CA	1,778	1,950	2,242	2,640
<b>Total current assets</b>	<b>6,629</b>	<b>7,459</b>	<b>8,460</b>	<b>9,914</b>
Current liabilities	3,447	3,535	3,642	3,790
Provisions	307	319	331	344
<b>Net current assets</b>	<b>3,182</b>	<b>3,924</b>	<b>4,819</b>	<b>6,124</b>
<b>Total Assets</b>	<b>11,391</b>	<b>12,149</b>	<b>13,130</b>	<b>14,586</b>

Cash Flow Statement				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
<b>PBT</b>	<b>334</b>	<b>647</b>	<b>816</b>	<b>1,232</b>
Depreciation	338	415	402	412
Interest & others	121	292	228	0
Cash flow before WC changes	1,136	1,184	1,509	1,871
<b>(Inc)/dec in working capital</b>	<b>(850)</b>	<b>(652)</b>	<b>(762)</b>	<b>(976)</b>
Operating CF after WC changes	287	532	748	896
Less: Taxes	23	0	0	0
<b>Operating cash flow</b>	<b>335</b>	<b>532</b>	<b>748</b>	<b>896</b>
(Inc)/dec in F.A + CWIP	(1,410)	(342)	(380)	(414)
(Pur)/sale of investment	(31.60)	-	-	-
<b>Cash flow from investing</b>	<b>(1,345)</b>	<b>(147)</b>	<b>(156)</b>	<b>(151)</b>
<b>Free cash flow (FCF)</b>	<b>(1,479)</b>	<b>(121)</b>	<b>110</b>	<b>325</b>
Loan raised/(repaid)	(650.27)	(52.94)	(50.30)	(46.78)
Equity raised	18.74	-	-	-
Interest & others	2,800	75	109	123
Dividend	-	-	-	-
<b>Cash flow from financing activities</b>	<b>1,542</b>	<b>(203)</b>	<b>(448)</b>	<b>(405)</b>
<b>Net inc /(dec) in cash</b>	<b>532</b>	<b>183</b>	<b>143</b>	<b>340</b>
Opening balance of cash	996	1,529	1,711	1,854
Closing balance of cash	1,529	1,711	1,854	2,194

Key Ratios				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
<b>Per share (INR)</b>				
EPS	8.0	15.7	18.6	26.5
CEPS	15.9	25.3	29.0	39.1
BVPS	141.0	156.4	175.8	205.2
DPS	-	-	-	-
Payout (%)	0.0%	0.0%	0.0%	0.0%
<b>Valuation (x)</b>				
P/E	78.9	39.9	33.7	23.7
P/CEPS	39.6	24.8	21.7	16.0
P/BV	4.5	4.0	3.6	3.1
EV/EBITDA	20.4	17.9	14.7	11.8
Dividend Yield (%)	-	-	-	-
<b>Return Ratio (%)</b>				
EBITDA Margin	14.0%	14.1%	14.9%	15.7%
PAT Margin	3.4%	6.1%	6.7%	8.7%
ROE	5.5%	9.9%	11.1%	14.3%
ROCE	12.5%	12.6%	14.9%	16.8%
<b>Leverage Ratio (%)</b>				
Total D/E	0.40	0.35	0.29	0.24
Net D/E	0.1	0.1	0.0	0.0
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.8	0.9	0.9	1.0
Inventory Days	136	138	138	142
Receivable Days	89	91	92	93
Payable days	24	25	25	25

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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