

Driving innovation and scalable growth with focus on high-margin sectors medical devices and defense.

CMP: INR 651

Outlook: Neutral

Stock Info

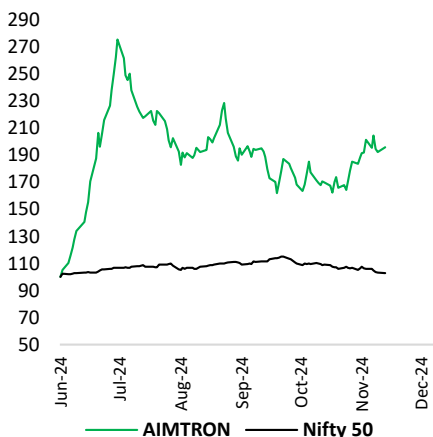
NSE – SME	AIMTRON
Sector	Electronics
Face Value (INR)	10
Equity Capital (INR Mn)	150
Mkt Cap (INR Mn)	13473
52w H/L (INR)	730/240
20 D Vol (in 000')	66,560

Shareholding Pattern %

(As on sep 24)

Promoters & Promoter Group	71.30%
Public & Others	28.70%

Aimtron Vs Nifty



We visited Aimtron Electronics Ltd.'s manufacturing plant in Vadodara, Gujarat. Established in 2011, the facility showcased its advanced infrastructure and operational efficiency in delivering high-quality Electronics Manufacturing Services (EMS). The plant demonstrated expertise in diverse sectors, including automotive, medical devices, defense, consumer electronics, gaming, and industrial automation. Its focus on innovation, stringent quality control measures, and adherence to international standards underline its commitment to excellence in the EMS industry. The site also emphasized sustainability practices and the integration of cutting-edge technologies to meet evolving market demands.

Investment Rationale

Strong Sectoral Focus with High-Margin Opportunities: Company is strategically positioned in high-growth and high-margin sectors such as medical devices and defense, both of which are supported by stringent quality standards (IPC Class 3 certification). The government's push for indigenization in defense manufacturing and the growing demand for precision-driven medical devices present significant growth tailwinds. Expansion into industrial automation and consumer electronics further diversifies its revenue streams, reducing dependence on any single sector.

Robust Growth Plans and Geographic Diversification: Company targets FY25 revenue of INR 300 Cr, doubling from FY24, and plans to achieve INR 500 Cr revenue in 3-5 years, implying a strong CAGR of ~25-30%. Geographic expansion into the US and European markets, leveraging the "China Plus One" strategy, aligns with global supply chain diversification trends. The company's focus on domestic demand growth and plans to shift US-based operations to India enhance its scalability and cost efficiency.

Advanced Infrastructure and Commitment to Innovation : Investment in state-of-the-art manufacturing capabilities, including Surface Mount Technology (SMT), robotic assembly, and automated inspection systems, ensures operational efficiency and high-quality production. A robust in-house R&D team enables end-to-end product development, with product cycles from concept to prototype in just 4-6 months. This accelerates innovation and supports Aimtron's growth in high-value product assemblies.

Outlook

Company has a robust growth driven by its strategic focus on high-margin, high-growth sectors such as medical devices, defense, and industrial automation. The company's state-of-the-art manufacturing infrastructure, adherence to stringent quality standards (IPC Class 3), and strong R&D capabilities enable it to deliver precision-driven, customized solutions across diverse industries. **With ambitious revenue targets of INR 300 Cr in FY25 and INR 500 Cr in the medium term, Company is leveraging geographic diversification through the "China Plus One" strategy and expanding its footprint in the US, Europe, and domestic markets.** Investments in automation, renewable energy, and value-added services enhance scalability and operational efficiency, while its commitment to workforce development ensures a robust talent pipeline. These initiatives, coupled with favorable industry tailwinds, position company as a key player in the evolving EMS landscape, offering significant growth potential and value creation for stakeholders. **Our view is "Neutral" on the business and the valuation of the company.**

Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Natasha Singh
natasha.singh@arihantcapital.com
022-42254876

Management Meet Key Takeaways

- **Business Model & Sectoral Focus:** A leading EMS provider offering end-to-end solutions across diverse sectors, including automotive, medical devices, defense, industrial automation, and consumer electronics. Strong emphasis on regulated sectors like medical devices and defense, leveraging indigenization and high-margin opportunities.
- **Manufacturing Capabilities:** Advanced infrastructure with SMT lines, robotic assembly systems, and automated inspection/testing equipment ensures high-quality production. Flexible manufacturing for both high-volume and low-volume, high-mix projects with additional capabilities like conformal coatings and injection molding.
- **Quality Standards:** Adheres to IPC Class 3 standards, ensuring the highest quality for medical and automotive products. Rigorous 100% inspection protocol supported by advanced X-ray and optical inspection systems.
- **Customer-Centric Approach:** Serving diverse clients, from large enterprises to startups, with tailored solutions driven by customer inputs (60-70% design customization). In-house R&D team supports hardware, software, and mechanical design, enabling a rapid 4-6 month product development cycle.
- **Future Growth:** Targets doubling revenue to INR 300 Cr in FY25 and achieving INR 500 Cr in the medium term, with a CAGR of ~25-30%. Committed to sustaining 15% net profit margins while scaling operations.
- **Geographic Diversification:** Plans to relocate some US operations to India under the "China Plus One" strategy. And Actively targeting US and European markets while expanding its domestic footprint.
- **Capacity & Renewable Energy Expansion:** Investing in automation technologies for enhanced efficiency and scalability. Expanding solar energy installations to reduce costs and ensure sustainable operations.
- **Sectoral Opportunities:** Focusing on defense manufacturing, driven by indigenization and higher local sourcing mandates. Increasing penetration in the medical devices sector, adhering to strict regulatory standards.
- **Operational Resilience:** Strong inventory management practices mitigate supply chain disruptions, maintaining product delivery consistency.
- **Workforce Development:** Investing in a dynamic management team and collaborating with academic instl, supported by advanced infrastructure, customer-centric innovation, geographic expansion, and a focus on high-growth sectors like medical devices and defense. These efforts align with global supply chain diversification trends and India's manufacturing push, driving its medium-term growth potential.

Machinery Used In the Plant

Surface Mount Technology (SMT) Lines: Advanced SMT lines used for PCB assembly. The process involved placing components on PCBs with precision using automated pick-and-place machines. Automated solder paste printers, high-speed pick-and-place machines, reflow ovens, and AOI (Automated Optical Inspection) systems. Enhanced precision and reduced errors. High-speed assembly for large-scale production. Real-time defect detection through AOI systems, ensuring consistent quality.

Robotic Assembly Systems: The facility deployed robotic systems for intricate assembly tasks, particularly for automotive and medical device components. Used in box builds and cable integration for products requiring high precision. Reduced human error in high-complexity tasks. Improved consistency and speed in repetitive processes. Ensured compliance with stringent quality standards for regulated sectors.

Environmental Testing Chambers: Chambers used to simulate extreme environmental conditions for product durability testing. Products like medical devices, automotive components, and defense electronics underwent testing for temperature, humidity, and vibration resistance. Enhanced reliability of products in diverse operating conditions. Validated product durability against wear and tear.

High-Volume Production & Low-Volume, High-Mix Flexibility: The facility's dual production lines catered to high-volume standard production and low-volume, high-mix custom projects. Consumer electronics and gaming hardware. Prototypes and custom designs for industrial automation and defense. Scalable production aligned with client demands. Support for rapid prototyping and specialized projects.

Conformal Coating & Injection Molding: Applied protective layers to PCBs to prevent environmental damage. Created custom enclosures and housings for electronic products. Used in medical devices and consumer electronics. Enhanced protection against moisture, dust, and temperature variations. Cost-effective and customizable product designs.

Automated Inspection & Testing Equipment: Advanced X-ray inspection and optical systems for quality assurance. Key in detecting soldering defects, component misalignments, and internal flaws in PCBs. Comprehensive defect identification. High-quality assurance for critical applications like medical devices and defense systems.

Cable Integration & Box Builds: Dedicated stations for assembling complex cable systems and final product assembly. Used in medical devices, automotive systems, and gaming hardware. Seamless integration of various subsystems. End-to-end assembly, reducing the need for third-party vendors.

Exhibit 1 : Custom Test Fixtures for Electronics Testing



Exhibit 2 : PCB Assembly



Exhibit 3 : Collecting the parts through Man Power

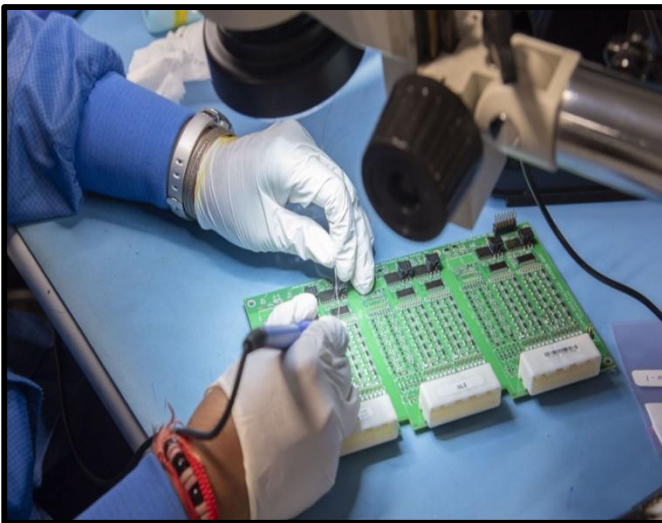
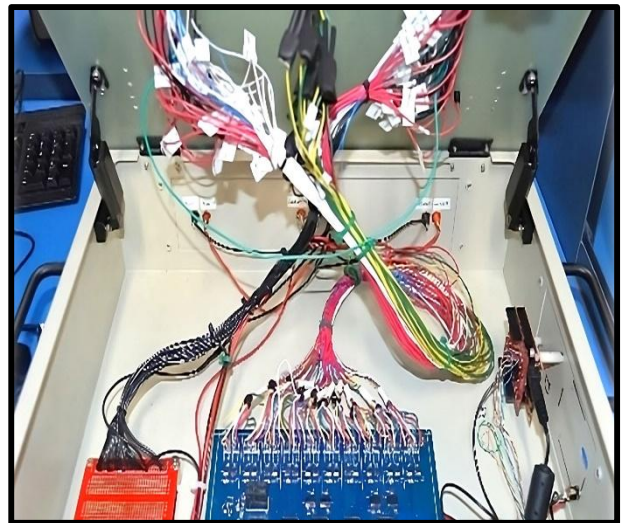


Exhibit 4 : Electronics System Design and Manufacturing



Source: Arihant Research, Company Filings

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony Y.N Road Indore - 452003, (M.P.) Tel: 0731-4217100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880