



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- AxisCADES Q2FY25 consolidated revenues came in at ₹ 265Cr, up 4.86% YoY and up 18.30 % QoQ.
- Op Profit for Q2FY25 stood at ₹33 Cr, down 10.8% YoY and down 6.45% QoQ.
- Op margins for Q2FY25 came at 13%, -200 bps YoY and -100 bps QoQ.
- PAT for Q2FY25 stood at ₹12 Cr, down 9.09% YoY and down 29.4% QoQ.

2. MANAGEMENT COMMENTARY:

- The management aims for 60% of total revenue to come from defense and aerospace sectors in the next 18 months. This indicates a significant scaling up of defense-related revenues.

3. SEGMENTAL ANALYSIS:

- Q2FY25 Revenue Breakup: Aerospace (26%), Automotive (11%), Energy (2%), Heavy engineering (16%), Semiconductor (16%), Defence (29%).
- Q1FY25 Revenue Breakup: Aerospace (36%), Automotive (11%), Energy (5%), Heavy engineering (16%), Semiconductor (11%), Defence (22%).

4. CONCALL SUMMARY

- Revenue Growth: Q2 revenue at ₹264 crores, up 18.4% quarter-on-quarter and 5.1% year-on-year.
- EBITDA: ₹33 crores in Q2, reflecting an EBITDA margin of 12.4%.
- Profit After Tax (PAT): ₹12 crores in Q2 with a PAT margin of 4.6%.
- Defense outlook- Aim to increase defense contribution to ~60% of revenue in the next 12-18 months.
- Debt Management: ₹52 crores debt repaid in Q2; targeting net-zero debt in 2-3 quarters.
- New Logos: Added 4 new clients in Q2.
- Appointment of Dr. Sampath Ravinarayanan to enhance defense strategies.
- Automotive Sector: Continued headwinds in Europe; negative EBITDA in H1 FY '25.
- Defense Contracts: Potential irregularity due to procurement cycles and geopolitical factors.

5. FUTURE OUTLOOK:

- Aerospace Outlook: Strong growth backed by a \$15 million aero structures contract.
- Automotive Outlook: Anticipated stabilization by FY '26 with longer-term recovery expected.
- Energy Outlook: Positive, with new project wins and geographical diversification.
- Semiconductor: Indian initiatives supporting growth in semiconductor manufacturing.
- Heavy engineering: Improved operational efficiency and cost structures

6. VALUATION AND OUTLOOK:

- Leader in the fast-growing ER&D sector, offering diversified solutions across aerospace, defense, automotive, energy, and semiconductors. With robust financials, strategic acquisitions, innovative first-of-its-kind Man Portable Counter Drone Systems, and a focus on high-margin digital and defense technologies, it is well-positioned to capitalize on global trends.
- **We initiate BUY rating on the stock and value the scrip at 24x FY26E EPS to arrive at a target price of ₹ 676.**

RECOMMENDATION - BUY

CMP – 586

TARGET – 676 (15%)

Industry	IT-Software
NSE CODE	AXISCADES
BSE CODE	532395
Market Cap (₹ Cr)	2486
Shares Outstanding (in Cr)	4.24
52 wk High/Low (₹)	850 / 421
P/E	54.8
P/BV	4.07
Face Value (₹)	5.00
Book Value (₹)	144.00
EPS (FY24) (₹)	7.82
Dividend Yield (%)	0.00
Debt / Equity	0.42
Interest Coverage	2.70

SHAREHOLDING PATTERN

	Sep 24	Jun 24	Mar 24
Promoters	59.86	60.27	60.30
MF/ DII	4.08	4.54	8.56
FII/FPI	0.40	0.34	0.38
Retail & Others	35.66	34.83	30.77
Promoter Pledging	19.99	20.58	20.58

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Crore			
Sales	955	1194	1492
Sales Gr. (%)	16.3	25	25
EBITDA	135	167.1	208.9
EBITDA %	14	14	14
PAT	33	83.3	119.6
EPS (₹)	7.82	19.65	28.2
EPS Gr. (%)	-	146	44
Valuation			
P/E (x)	54.8	29.8	20.7

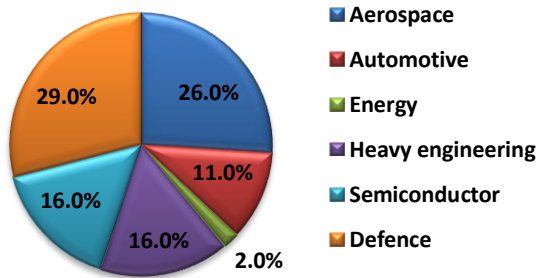
Historical & Industrial Val Ratios

Historical P/E	23.4
Industry P/E	42.4
Historical P/B	1.7
Industry P/B	3.88

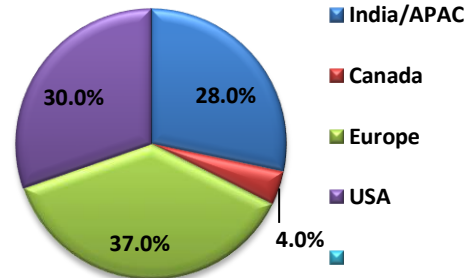


REVENUE SPLIT (Q2 FY25)

Vertical Mix (Q2 FY25)



Geography Mix (Q2 FY25)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24		FY25		FY24	FY25E		
	Q3	Q4	Q1	Q2	Q3	Q4			Q1	Q2
Net sales	216	226	215	252	232	256	224	265	955	1194
YoY change (%)	26.94%	17.27%	16.49%	28.99%	7.67%	13.20%	4.14%	4.86%	16.25%	25%
Total Expenditures	184	179	181	216	202	223	192	231	820	1026.9
EBITDA	32	47	34	37	30	32	31	33	135	167.1
Margins (%)	15%	21%	16%	15%	13%	13%	14%	13%	14%	14%
Other income	-22	1	2	1	2	5	10	4	10	10
Interest	12	14	20	12	12	13	8	9	58	20
Depreciation	6	7	7	9	8	10	9	10	34	38.08
PBT	-8	27	8	18	11	16	24	19	53	119
Rate (%)	32%	41%	33%	36%	32%	44%	31%	35%	37%	30%
Adjusted PAT	-10	16	6	11	8	9	17	12	33	83.3
EPS in Rs	-2.71	4.16	1.47	2.88	1.93	2.08	4.07	2.91	7.82	19.65

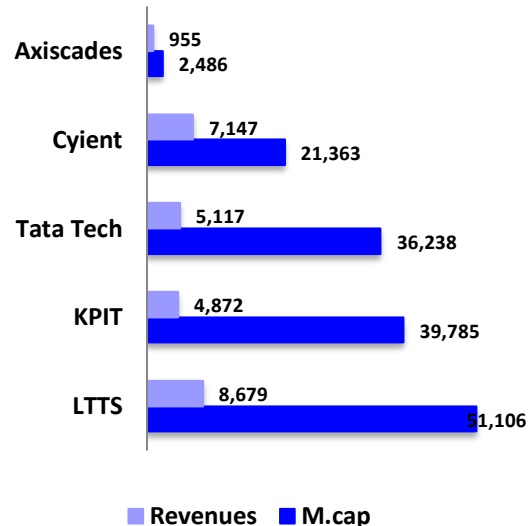
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- Engineering Research & Development (ER&D) Sector- ER&D is critical in driving innovation and creating value across industries, Focus sectors include aerospace, defense, automotive, energy, semiconductors, and heavy engineering, Industry trends like Industry 4.0 and smart manufacturing are reshaping processes and enhancing efficiency.
- Aerospace Sector-Demand driven by advancements in technology, fuel efficiency, and lower emissions, Increased air travel demand globally and recovery in the commercial aviation sector post-pandemic, Use of digital twins, additive manufacturing, and advanced composites for innovation.
- Defense and Homeland Security-Increased focus on defense spending due to geopolitical instability, Advanced solutions such as radars, drones, electronic warfare systems, and counter-drone systems.
- Automotive Industry-Transformation with the rise of electric vehicles (EVs) and autonomous driving technologies, CASE (Connected, Autonomous, Shared, Electric) and SDV (Software-Defined Vehicles) are driving innovation.
- Emerging Technologies-Leveraging AI, IoT, robotics, and analytics for operational efficiency. Adoption of additive manufacturing, digital twins, and smart manufacturing solutions.

Peers



PEER PERFORMANCE

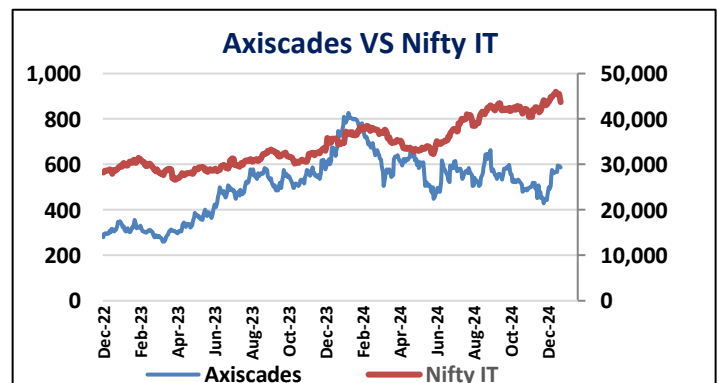
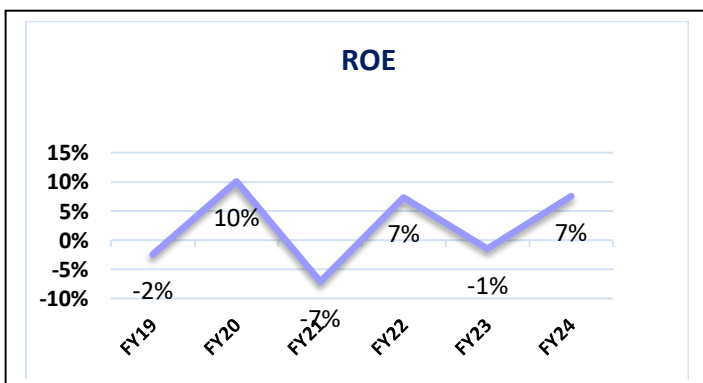
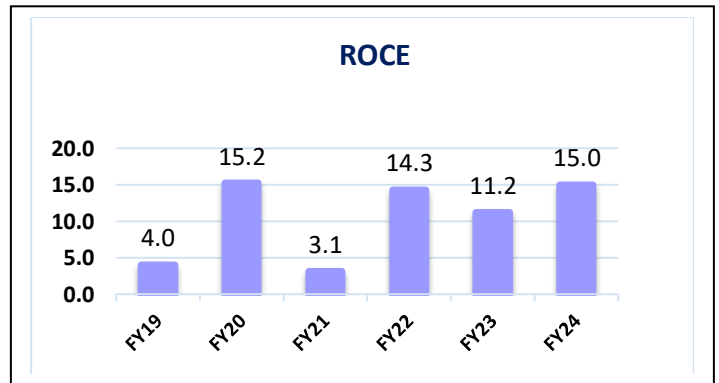
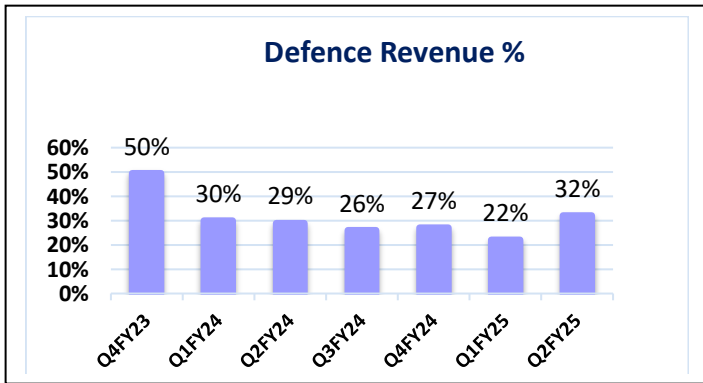
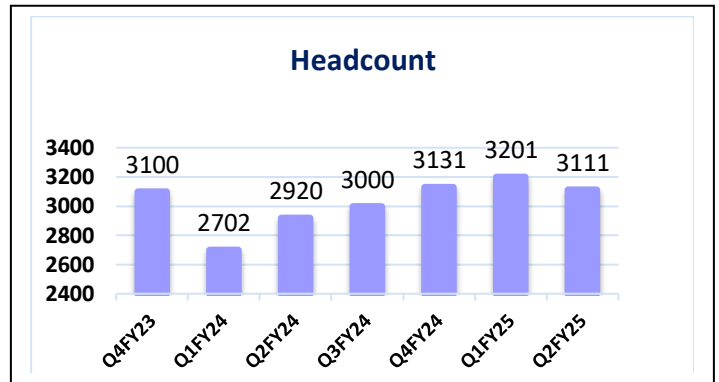
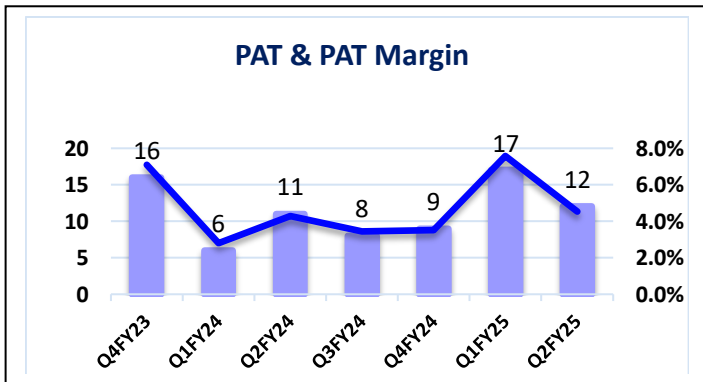
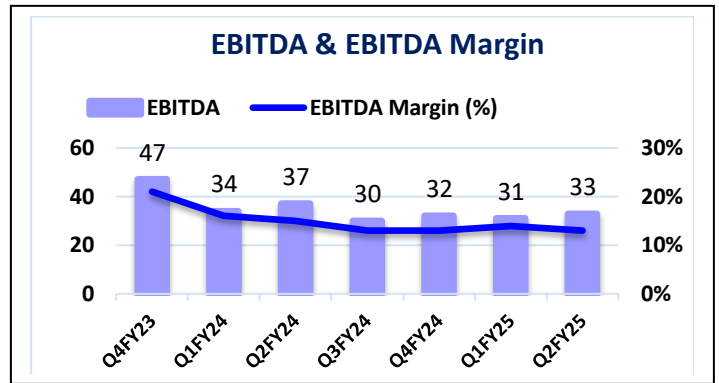
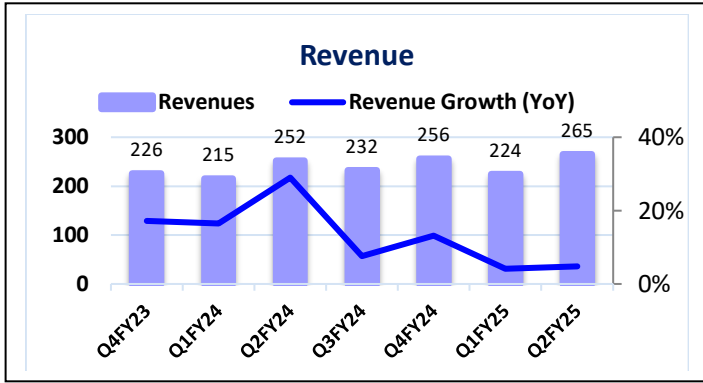
(₹ Cr)

Particulars	Axiscades	Cyient	Tata Tech	LTTS	KPIT
Market Cap	2486	21,363	36,238	51,106	39785
Net Sales	955	7147	5117	8679	4872
EBITDA	135	1303	941	1829	991
PAT	33	703	679	1258	599
EPS(₹)	7.8	61.5	16.7	119	21.6
EBITDA MARGIN %	14	18	18	21	20
PAT MARGIN %	3.5	9.8	13.3	14.5	12.3
ROCE %	13.8	21.9	28.3	33.4	38.4
ROE %	7.1	18.8	21.9	25.8	31.2
P/E TTM	54.8	30.8	56	40.7	54.8
P/B TTM	4.1	4.1	11.3	9.62	15.9
EV/EBITDA	17.8	15.4	34.4	24.7	31.2
Dividend Yield %	0	1.5	0.9	1.0	0.4
MCap/ Sales TTM	2.5	2.9	7.1	5.6	7.3

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- AXISCADES operates in the fast-growing Engineering Research and Development (ER&D) sector, with strong capabilities in high-demand industries like aerospace, defense, automotive, energy, and semiconductors.
- Recent acquisitions (e.g., EPCOGEN and add solution GmbH) enhance capabilities in energy and automotive sectors while opening cross-selling opportunities.
- Rising defense budgets globally due to geopolitical tensions and modernization efforts create long-term demand for AXISCADES' solutions.
- Aerospace industry recovery post-COVID-19 and growing EV adoption in the automotive sector present significant growth opportunities.
- Led by industry veterans like Abidali Neemuchwala (Chairman) and Arun Krishnamurthi (CEO), ensuring strategic execution and operational excellence.
- Opportunities in anti-drone systems, renewable energy projects, and smart grid technologies to bolster future revenue streams.
- AXISCADES combines strong financial performance, diversified verticals, and technological leadership, supported by a robust growth pipeline and strategic focus on high-margin segments. Its alignment with global megatrends, like digital transformation and sustainability, makes it a compelling investment for both growth and value-focused investors.

RISK / NEGATIVE FACTORS:

- Geopolitical tensions may disrupt supply chains, especially in defense and energy sectors.
- High dependence on sectors like aerospace and defense makes the company vulnerable to downturns or policy changes in these industries.
- Intense competition from global ER&D firms and emerging players in low-cost regions such as Eastern Europe, Southeast Asia, and Latin America.
- Revenue dependence on a limited number of large OEMs and Tier 1 suppliers could pose risks if key clients reduce spending or switch vendors.
- Rising operational costs, especially for talent acquisition and retention in a competitive job market, could impact

COMPANY RECAP

- A leading ER&D solutions provider catering to aerospace, defense, automotive, energy, semiconductors, and heavy engineering industries.
- Expertise in cutting-edge technologies like digital twins, CASE (Connected, Autonomous, Shared, Electric), ADAS, renewable energy systems, and advanced manufacturing solutions.
- Achieved ₹952 crores in revenue (+17% YoY), ₹130 crores EBITDA, and ₹33 crores PAT, highlighting robust operational growth.
- Operates across multiple regions (Europe, APAC, and the Middle East) with over 3,000 engineers and strategic partnerships with leading OEMs.
- Driving growth through innovation in high-margin sectors like aerospace and defense, with a focus on digital transformation and renewable energy solutions.
- Operates across industries like aerospace, defense, automotive, energy, semiconductors, and heavy engineering.
- Investing in digital engineering, cybersecurity, and smart manufacturing to drive innovation and value creation.
- Strategic Acquisitions: Acquired EPCOGEN to strengthen its energy portfolio, Added add solution GmbH, boosting capabilities in automotive design and engineering.
- Leadership and Governance: Chairman: Abidali Neemuchwala, CEO & MD: Arun Krishnamurthi, Strong board with diverse expertise across industries and functions.
- Focused on becoming a global leader in ER&D by expanding high-margin verticals like aerospace, defense, and renewable energy.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	672.86	523.85	610.31	821.62	955.12	1194	1492
Growth YoY (%)	10.72	-22.15	16.50	34.62	16.25	25.00	25.00
Total Expenditure	579.56	458.59	538.49	675.13	826.14	1026.9	1283.1
(%) of sales	86.13	87.54	88.23	82.17	86.50	86.00	85.99
EBITDA	93.31	65.25	71.82	146.49	128.98	167.1	208.9
EBITDA Growth (%)	344.18	-21.02	1.51	88.41	-5.17	29.55	25.01
EBITDA Margin (%)	15.00	15.22	13.26	18.56	15.14	13.99	14.00
Depreciation	32.74	25.99	25.06	26.52	33.79	38.08	38.08
EBIT	68.19	12.93	53.70	57.85	110.78	129.02	170.82
EBIT Growth (%)	290.08	-81.04	315.37	7.73	91.48	16.46	32.39
Net Interest Expenses	29.96	23.76	16.94	36.83	57.76	20	10
Other Income	7.62	14.46	9.09	5.96	15.59	9.9	9.9
Earnings before Taxes	38.23	-10.83	36.76	21.02	53.02	118.92	170.72
EBT Margin (%)	5.68	-2.07	6.02	2.56	5.55	9.95	11.44
Tax-Total	8.09	10.83	14.08	25.82	19.61	35.7	51.24
Rate of tax (%)	21.16	-99.99	38.31	122.82	36.99	30	30
Net Profit	30.14	-21.65	22.68	-4.80	33.41	83.3	119.6
PAT Growth (%)	522.86	-171.85	204.74	-121.16	796.29	149.3	43.5
PAT Margin (%)	4.48	-4.13	3.72	-0.58	3.50	6.98	8.01
Minority Interest	-0.54	-0.46	-0.45	-0.43	-0.60	0.00	0.00
Adjusted PAT	29.75	-21.66	22.23	-5.23	32.81	83.3	119.6
EPS	7.88	-5.74	5.86	-1.37	7.82	19.64	28.19
EPS Growth (%)	38.23	-10.83	36.76	21.02	53.02	146.4	43.5

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	19	19	19	19	21
Reserves	296	280	312	319	564
Borrowings	172	104	72	346	319
Other Liabilities	375	340	392	220	231
Total Liabilities & Equity	862	742	796	904	1135
Fixed Assets	355	288	286	312	414
CWIP	1	0	0	0	0
Investments	34	50	19	33	37
Other Assets	473	404	491	559	685
Total Assets	862	742	796	904	1135

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	4.48	-4.13	3.72	-0.58	3.50
EBITDA margin (%)	15.00	15.22	13.26	18.56	15.14
EBIT margin (%)	10.13	2.47	8.80	7.04	11.60
ROE (%)	10.08	-7.11	7.34	-1.48	7.49
ROCE (%)	15.22	3.11	14.29	11.21	15.01
Working Capital & liquidity ratios					
Payables (Days)	30.00	186.09	187.94	147.30	136.58
Inventory (Days)	10.79	14.95	22.39	26.08	25.83
Receivables (Days)	86.59	102.41	81.55	72.01	78.94
Current Ratio (x)	0.99	1.07	0.99	1.50	1.90
Valuations Ratios					
EV/sales (x)	0.27	0.26	0.70	1.51	2.52
EV/EBITDA (x)	1.77	1.74	5.26	8.12	16.63
P/E (x)	3.53	0.00	21.68	0.00	70.67
P/BV (x)	0.33	0.51	1.50	3.15	4.09
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
Return on Assets (%)	3.83	-2.81	3.06	-0.58	3.34
Leverage Ratio					
Debt/Equity (x)	0.46	0.25	0.15	0.97	0.42

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
CF from Operating activities (A)	65	122	31	71	79
CF from Investing Activities (B)	-2	-21	30	-199	-162
CF from Financing Activities (C)	-48	-93	-42	133	64
Net Cash Flow	14	8	18	4	-19
Add: Opening Bal.	56	77	87	96	172
Closing Balance	70	85	105	100	153

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
21 Dec 2024	Buy	676

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Name of the Research Analyst: ABHISHEK DIXIT

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10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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