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LEVERAGING AEROSPACE EXPERTISE INTO CONSUMER BUSINESS

Aequs Ltd. is the only precision component manufacturer operating within a single special economic zone in India to offer fully vertically integrated manufacturing capabilities in the Aerospace Segment having one of the largest portfolios of products as of March 2025. The company has produced over 5,000 products within the Aerospace Segment under a variety of manufacturing and assembly programs established with their aerospace customers, including programs for single-aisle (such as A220, A320, B737) and long-range (A330, A350, B777, B787) commercial aircraft. Leveraging the precision engineering capabilities, the company has also ventured into consumer durables & consumer electronics manufacturing business.

Manufacturing muscle across SEZ with international footprint

The company operates 3 vertically integrated facilities within single SEZ in India. These comprise of a 1,231,721 sq. ft. of precision component manufacturing facility for the Aerospace Segment located in a SEZ in Belagavi, Karnataka, a 299,957 sq. ft. of consumer electronics and consumer durables products manufacturing facility located in Hubballi, Karnataka and 554,138 sq. ft. of plastics manufacturing facility located in Koppal, Karnataka. It also operates 2 dedicated precision component manufacturing facilities for the Aerospace Segment in Cholet (France) and Paris, Texas (the U.S.). Within these, the company operates ~200 CNC machines & ~161 moulding machines, while the CNC machines are fungible across segments the moulding machines are dedicated to the consumer segment. The blended capacity utilization currently stands at ~44% (Aerospace 65-70%, Consumer ~20%).

Marquee clientele & significant partnerships

In aerospace segment, the company has long standing relationships with global customers like Airbus, Bombardier, Mubea Aerostructures, Honeywell, GKN Aerospace, Collins Aerospace, Spirit Aerosystems, Safran, Boeing, etc. while in the consumer segment, client companies include Hasbro, Spinmaster, Wonderchef & Tramontina. The company has also entered joint ventures to enhance its capabilities to develop new products and deliver engineering solutions by producing niche products required by its customers. Some key JVs are mentioned below:

1. SQuAD Forging India Pvt Ltd ("SQuAD")- enhanced capabilities to, among others, forge small- to medium-sized aerostructural parts for engines, landing gear, and braking system components in aluminium, steel, titanium, or nickel-based alloys.
2. Magellan Aerospace Ltd, Canada (2007) & Aerospace Processing India Pvt Ltd ("API")- innovative surface treatment solutions.
3. Tramontina, Aequs Cookware Pvt Ltd.- technical capabilities to develop innovative consumer products.

Established in aerospace, consumer segment at inflection point

The company has been consistently profitable in aerospace segment with EBITDA margins at ~25% (as of H1FY26) while consumer segment remains loss making. The asset turns for the segments is expected to be at 2x for aerospace & 1.7-1.8x for consumer. For ~70-90% of aerospace parts that the company supplied, it is the sole supplier of those parts. The company maintains 15 yr of association with Airbus, 9 yr with Safran & 9 yr with Boeing, strongly reflecting its capability & trustworthiness in a high entry barrier clientele. The company has won the 'Ramp-up Champion Award' for outstanding contribution to the Airbus ramp-up at the Airbus Global Supplier Conference 2024. The company sees significant potential in the consumer segment going forward and has invested in capacity building and expects it to reward in upcoming years. As of H1FY26, the consumer segment contributes to ~12% of company's topline.

Risks- 1) The company's contracts with OEMs are typically requirement-based contracts, which do not obligate their customers to place a fixed quantity of orders with them within a fixed time frame, and any termination of such contracts or a decline in the production requirements of any of their customers may adversely affect their business. 2) Failure to maintain or improve capacity utilizations may adversely affect business results. 3) Client concentration risk as top 10 customers contribute to ~82% of revenues as of H1FY26. 4) Geographical/ Regional risk as all the manufacturing facilities are located in the state of Karnataka.

Rating	Subscribe for Long Term
Issue Details	
Issue Opens	3-Dec-25
Issue Closes	5-Dec-25
Face Value (₹)	10
Price Band (₹)	118-124
Bid Lot	120
Issue Size at higher price band (₹ Cr)	921.81
Market cap. @ upper price band (₹ cr)	8,315
Listing	NSE/BSE
BRLMs	JM Financial, IIFL Capital, Kotak Mahindra
Registrar	KFin Technologies
Shareholding Pattern (%)	
	Pre-Issue Post Issue
Promoter	64.48 59.08
Others	35.52 40.92
Issue Structure (In cr. no. of shares)	
Issue size	7.43
Break-up of net issue to public (%):	
QIB's portion	75%
Non-Institutional portion	15%
Retail Portion	10%

Research Team: -

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Offer Details- Total issue size of ₹921.81 cr. of which ₹670 cr. is fresh issue & ₹251.81 cr. of OFS. The objects of the issue are 1) payment of loans of ~₹433 cr. 2) Funding acpex of ~₹64 cr. 3) Funding of inorganic growth.

Opinion- At the upper price band, the IPO is valued at 79x EV/EBITDA on FY26 annualized EBITDA basis. We see these valuations to be at premium to listed comparable peers like Dynamatic Tech & Aazad Engineering. However, considering the company's breadth of offering in the aerospace segment along with clientele & the opportunity in the consumer electronics & consumer durables segment, we expect significant growth in mid to long term. We recommend 'SUBSCRIBE FOR LONG-TERM' to the issue.

Financials-

Particulars	FY23	FY24	H1FY25	FY25	H1FY26
Aerospace Revenue	585	757	395	825	474
Consumer Revenue	227	208	64	100	63
Total Revenue	812	965	459	925	537
Aerospace EBITDA	83	174	87	160	117
Aerospace EBITDA margin (%)	14.2%	23.0%	22.1%	19.4%	24.7%
Consumer EBITDA	-16	-16	-19	-29	-15
Consumer EBITDA margin (%)	-6.9%	-7.5%	-29.7%	-28.7%	-23.9%
Total EBITDA	68	159	68	131	102
Net profit/ (Loss)	-109	-14	-72	-102	-17
ROCE (%)	-3.7%	2.8%	0.7%	0.9%	1.8%
ROE (%)	-40.7%	-1.5%	-9.7%	-14.3%	-2.1%
Net Debt to Equity (x)	2.54	0.55	0.86	0.99	0.98

Disclaimer:

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