

Aequs Ltd - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
3 December 2025	5 December 2025	₹118 to ₹124	SUBSCRIBE

Investment Summary

Aequs Limited offers a differentiated play on aerospace precision manufacturing in India, being the only precision component manufacturer operating from a single special economic zone with fully vertically integrated capabilities. It supplies tightly tolerance machined parts to global OEMs and system integrators and, as of March 31, 2025, had one of the widest aerospace product portfolios in the country across engines, landing, cargo/interior and structural components. The aerospace segment remains the key earnings driver, contributing net external revenue of ₹8,246.4 million in FY2025 and ₹4,739.5 million in the six months ended September 30, 2025. Over time, Aequs has also leveraged its advanced manufacturing base to diversify into consumer durables, plastics and electronics components, broadening its addressable market and partially de-risking dependence on aerospace. The IPO thus provides exposure to multi-year growth in outsourced aerospace manufacturing and "Make in India" precision engineering, while key monitorable will be execution on scaling capacity, margin improvement in both aerospace and consumer segments, and disciplined capital allocation in what remains a capex-intensive business.

Company Overview

Aequs Limited is a precision manufacturing company with two key business lines: an Aerospace Segment focused on precision-machined components for OEMs and system integrators, and a Consumer Segment catering to consumer durables, plastics and electronics. It operates from a single special economic zone in India that houses end-to-end, vertically integrated manufacturing capabilities, from machining through to assemblies. In aerospace, its portfolio spans components for engine systems, landing systems, cargo and interiors, structures, assemblies and turning. For FY2025, the Aerospace Segment generated net external revenue of ₹8,246.4 million, with ₹4,739.5 million earned in the six months ending September 30, 2025, underscoring its position as the core business. Over time, Aequs has leveraged its advanced machining and manufacturing base to expand into consumer products such as cookware, small home appliances, outdoor toys, figurines, toy vehicles and housings for portable computers and smart devices, enabling better utilization of its asset base.

Business Model

The business model of Aequs Limited is engineered around achieving competitive advantage in the highly regulated global market for Precision Engineering Components (PEC), primarily through superior vertical integration and operational efficiency. The company's core value proposition lies in controlling the entire manufacturing value chain from specialized processes like forging and surface treatment (via Joint Ventures) to complex 5-axis machining and final assembly. This capability allows Aequs to operate as a crucial "one-stop-shop" partner to global Original Equipment Manufacturers (OEMs), providing the consistency and quality assurance needed for highly critical components like engine and landing gear parts. Furthermore, by mastering niche metallurgy, particularly the precision machining of high-end alloys such as titanium, Aequs maintains high entry barriers against less specialized competitors.

Operationally, Aequs maintains financial discipline through careful capital management and targeted specialization to maximize returns in the core aerospace segment. Management focuses on prioritizing higher-value-added activities, such as complex 5-axis machining, while strategically outsourcing lower-value work (like 3-axis/4-axis machining) to third-party subcontractors to optimize internal capacity utilization. A key element in India is the "asset-light" manufacturing approach where infrastructure (buildings and amenities) is leased from Group Companies, enabling the conservation of capital which is then directed toward acquiring new, essential machinery and advanced equipment needed for expansion. This strategic efficiency is quantified by the segment-specific operational metric, the EBITDA - Aerospace Segment, which reached 19.38% for the financial year ended March 31, 2025, demonstrating the robust profitability of the core aerospace business.

The future growth of the model is secured through strong customer retention the company maintains long-standing relationships with its major OEM clients (average 11 years with its 10 largest customer groups) due to the collaborative and highly specific nature of its manufacturing and rigorous quality standards. Strategic diversification focuses on leveraging existing precision capabilities for the Consumer Segment, targeting high-growth areas like electronic components for smart devices. This expansion is purposefully designed to align with government initiatives, notably the Production Linked Incentive (PLI) schemes, which aim to reward domestic value addition and accelerate capacity growth.

Industry Outlook

India's aircraft manufacturing market is rapidly growing, fueled by rising air travel demand and e-commerce. The country is emerging as a key hub for aircraft manufacturing, assembly, and maintenance due to its strategic location and economic growth. A shift toward indigenous production is evident, with companies like Hindustan Aeronautics Limited (HAL) collaborating with global giants like Airbus and Boeing to enhance local manufacturing capabilities. India's aerospace manufacturing industry is in a structural upcycle, driven by rising air travel, e-commerce growth and the country's emergence as a regional hub for aircraft manufacturing, assembly and MRO. Policy thrust on "Make in India" and self-reliance in defense is accelerating localization, with companies like HAL partnering global OEMs such as Airbus and Boeing to deepen domestic supply chains. This is reflected in exports of aerospace engineered components, which have risen nearly fivefold from INR 119.4 bn in FY2019 to INR 588.4 bn in FY2025, signaling growing global acceptance of India's precision manufacturing capabilities. The Indian aerospace manufacturing market is estimated at around INR 130.5 bn in CY2024 and is projected to almost double to INR 257.1 bn by CY2030, implying a healthy ~12% CAGR over CY2024–30. Within this, aircraft component sub-segments such as aerostructures, landing systems, interiors, doors, turnings and actuation systems are all expected to grow strongly as OEM production ramps up. Aerostructures are forecasted to expand, while landing systems and actuation also rise. The engines segment, though smaller today, is expected to be the fastest growing, with market size rising from INR 2.7 bn in CY2024 to INR 12.5 bn in CY2030, translating into a robust ~29% CAGR. Overall segment CAGRs of 11–13% are being driven by higher aircraft builds, demand for lightweight, fuel-efficient components and increasing adoption of automation and advanced materials, positioning integrated precision manufacturers like Aequus to benefit from a multi-year expansion in India's aerospace opportunity.

Investment Rationale

1. Advanced, integrated manufacturing capabilities

The company is recognized as a leader in India for its end-to-end manufacturing capabilities within a single Special Economic Zone (SEZ), covering machining, forging, surface treatment, and assembly. This capability is supported by a significant capacity, including over 200 CNC machines, and specialized expertise in machining niche high-end alloys like titanium. Furthermore, adherence to rigorous quality standards is ensured by various essential certifications, such as NADCAP and ISO. Their advanced manufacturing capabilities also enable them to enter into new business segments by leveraging existing capabilities across existing business segments.

2. Unique manufacturing ecosystems operation

Aequus operates unique, engineering-led manufacturing ecosystems in India, notably being the sole precision manufacturer in a single Indian SEZ offering fully vertical integration for aerospace parts. This integrated setup naturally creates significant competitive barriers for new entrants, given the high investment and necessary technical proof of concept. Furthermore, the company maintains capital efficiency by adopting an "asset-light" approach in India, leasing manufacturing buildings and amenities from Group Companies.

3. Global presence near key customers

Operating manufacturing facilities across India, the U.S., and France provides strategic proximity and responsiveness to major global OEM customers. This multi-continent footprint establishes Aequus as one of the few Indian companies in the Aerospace Segment capable of offering a global platform and multiple touchpoints. This diversification is crucial for enabling efficient service delivery and supporting near-shoring business needs in North American and European markets.

4. Broad high-value precision portfolio

The product portfolio is extensive, spanning over 5,000 distinct products in the Aerospace Segment, with a strategic focus on high value-added components for engine and landing systems. This established track record provides immediate credibility when pursuing adjacent, precision-driven segments, allowing the core expertise (forging, surface treatment, etc.) developed in aerospace to be leveraged for manufacturing consumer electronics and durables, which themselves feature high entry barriers.

5. Experienced leadership, qualified workforce support

The company operates under a stable, founder-led business model, leveraging the Executive Chairman and CEO's extensive experience (over 22 years in aerospace). This leadership stability provides necessary deep institutional knowledge for sustained growth. The business is supported by a qualified workforce, including 855 engineers within its total staff of 4,538 as of FY2025. The location of manufacturing clusters near six engineering colleges also ensures a continuous talent pool for the required skills.

Key Risks

1. High Dependency on Key Customers and Aerospace Market

The company faces immense concentration risk because its revenue is overwhelmingly tied to a few large customers and a single core industry sector. A significant portion of external revenue, 89.19% in FY2025, is derived from the Aerospace Segment. This exposes the business to major risks from cyclical demand changes within the global aviation industry, such as those experienced during the COVID-19 pandemic. Furthermore, a breakdown in commercial relations with its primary buyers poses a direct threat, as the top ten customer groups alone account for nearly 88.57% of the total revenue. Any sudden reduction in orders, cancellation of requirements-based contracts, or financial distress among these few major OEMs would severely damage Aequus's financial condition.

2. History of Financial Losses and Cash Flow Challenges

Aequus has struggled with recurring consolidated financial losses, indicating an underlying difficulty in generating consistent net profitability. The company reported a substantial consolidated net Loss attributable to owners of ₹ 102.35 cr for the FY2025, continuing a trend of instability. Additionally, Aequus and its subsidiaries have frequently experienced negative operating cash flows in past periods, meaning they have often failed to generate enough cash internally to cover operating expenses, service debt, and fund expansion without relying on external financing. This recurring lack of robust operating cash flow severely limits financial flexibility and increases the risk associated with its existing high debt level.

3. Exposure to Foreign Currency Swings and Costly Debt

Due to its extensive international business spanning manufacturing on three continents and selling products in 22 international markets, the company is highly vulnerable to foreign exchange rate fluctuations. Currency volatility, particularly involving the USD and EUR, can artificially inflate costs and create translation losses that negatively impact reported profitability. This risk is compounded by a high debt burden, with total borrowings amounting to ₹ 533.51 cr as of FY2025. Crucially, 39.90% of these total borrowings are denominated in foreign currencies or are subject to variable interest rates, making the company susceptible to unexpected increases in borrowing costs if interest rates rise or the Rupee depreciates.

4. Raw Material Supply Chain and Capacity Utilization Issues

Operational stability is threatened by dependence on volatile raw material markets and the ability to effectively utilize capital-intensive production facilities. As a resource-intensive manufacturer, Aequus is directly exposed to severe price fluctuations in specialized materials like aluminum, steel, and titanium, which can drastically erode profit margins. Furthermore, disruptions in the global supply chain, including reliance on specific countries like China for critical manufacturing equipment, pose tangible threats to production schedules. Following planned capacity expansions funded

by the IPO, Aequs faces the internal risk that they may be unable to maintain or improve capacity utilization levels, which would prevent the spreading of fixed costs over greater volumes and negatively affect margins and return on capital.

5. Significant Outstanding Legal and Tax Liabilities

Aequs faces material, quantified liabilities stemming from various ongoing legal, civil, and tax disputes that could result in substantial, unbudgeted financial outflows. As of September 30, 2025, the company had total contingent liabilities of ₹ 93.43 cr. The most significant component relates to tax disputes aggregating to ₹ 80.53 cr against the Company alone. An unfavorable ruling in any of these numerous pending matters would require immediate cash payments or the establishment of large provisions in the financial statements, which would severely diminish financial reserves and harm the overall business outlook

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	840	988	959
EBITDA (₹ Cr)	63	145	107
EBITDA Margin (%)	7.5	14.68	11.16
PAT Margin (%)	-13.04	-1.44	-10.67
EPS (Basic) (₹)	-1.6	-0.2	-1.5

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Aequs Limited
IPO Structure	Book-built issue comprising (i) fresh issue of equity shares aggregating up to ₹6,700 million and (ii) offer for sale of up to ~20.3 million equity shares aggregating to ~₹2,518 million.
Issue Size	₹9,218 million (₹921.8 crore) at upper price band, including fresh issue of ₹6,700 million and OFS of ₹2,518 million.
Price Band	₹118 – ₹124 per equity share.
Face Value	₹10 per equity share.
Post-Issue Market Cap	~₹83,160 million (₹8,316 crore) at the upper end of the price band.
IPO Opening Date	3 December 2025.
IPO Closing Date	5 December 2025.
Listing	NSE and BSE
Promoter Holding (Pre/Post)	64.5% /56.3%
Book Running Lead Manager(s)	JM Financial Limited.
Use of Proceeds	Repayment of Debt (433 Cr) Funding capex (64 Cr) General Corporate purposes & Funding inorganic growth



Valuation and Recommendation

Aequus Limited is a vertically integrated precision manufacturing company headquartered in Belagavi, Karnataka, operating India's first precision engineering SEZ and serving both the aerospace and consumer segments. With a manufacturing presence across India, the U.S., and France, they benefit from proximity to global OEMs, access to a skilled and diverse workforce, and the ability to deliver innovative solutions while maintaining long-term customer relationships.

At the **upper end of the price band** of **Rs 124**, Aequus is valued at a **post-issue market cap of ₹8,316 Cr**, translating into a steep **8.7x FY25 P/S and 122.9x EV/EBITDA**. Such multiples already factor in its differentiated positioning as a fully integrated aerospace precision manufacturer within a single SEZ and the optionality from scaling its consumer business. Near term, elevated capital intensity involved in ramping both aerospace and consumer capacities constrain profitability, leaving limited room for valuation re-rating without strong execution on margins and returns. Over the medium term, however, deeper penetration with existing aerospace OEMs, migration to higher value-added work and disciplined expansion in consumer electronics and durables could drive operating leverage and improve earnings quality. Balancing the rich starting valuations with the structural growth opportunity and business moats. We **assign a 'Subscribe' for listing gains** rating until further due diligence.

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