DEVEN CHOKSEY RESEARCH

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Aequs Limited

IPO Note

INDIA EQUITY INSIGHT

Chatur Research
Phone: +91-22-6696 5555
www.devenchoksey.com

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IPO Snapshot

Parameter	Value
Issue Opens On	December 3, 2025
Issue Closes On	December 5, 2025
Price Band (INR)	118–124
Issue Size (INR Cr.)	670 (Fresh) + 252 (OFS)
Recommendation	**Subscribe**

Company Overview

Aequs Limited operates as a diversified contract manufacturer across two primary segments: Aerospace and Consumer. The Aerospace segment, which constituted 89% of revenue in FY25, produces precision-engineered components for global OEMs like Airbus and Boeing, benefiting from high entry barriers and multi-year customer programs. The Consumer segment manufactures products for the electronics, toy (for clients such as Hasbro), and cookware industries, supported by strong tooling and molding capabilities. With an operational footprint spanning India, the U.S., and France, the company's key competitive advantage lies in its vertically integrated, engineering-led manufacturing "ecosystems" in India and its established status as a Tier-1 supplier with long-standing customer relationships. Building on these strengths, Aequs now aims to deepen and scale its presence in the fast-growing consumer electronics market.

Outlook

Aequs's strategy is centered on diversifying its revenue base by significantly expanding its Consumer Segment. Specifically, the company plans to leverage its precision engineering capabilities to enter the manufacturing space for components used in portable computers and smart devices. This strategic pivot will be funded, in part, by the IPO proceeds, which are earmarked for capacity expansion through the purchase of new machinery and equipment. The company also intends to pursue inorganic growth through unidentified future acquisitions.

Offer Structure

Particulars	IPO Details
No. of shares under IPO	7,43,39,651
Fresh issue (# shares)	5,40,32,258
Offer for sale (# shares)	2,03,07,393
Price band (INR)	118–124
Post issue MCAP (INR Cr.)	8,172

Issue Category	% Allocation
QIB	75%
NII	15%
Retail	10%

Profit & Loss (INR Cr.)

Particulars	FY 2023	FY 2024	FY 2025	H1FY26
Revenues	812	965	925	537
EBITDA	777	843	851	481
EBITDA	35	122	73	56
EBITDA Margin	4.3%	12.7%	7.9%	10.4%
Net Profit	-109	-12	-102	-17

Balance Sheet (INR Cr.)

Particulars	FY 2023	FY 2024	FY 2025	H1FY26
Non Current Assets	819	987	1,116	1,305
Current Assets	503	836	744	829
Total Assets	1,322	1,823	1,860	2,134
Equity	267	816	716	804
Non Current Liabilities	478	449	467	522
Current Liabilities	577	558	676	808
Total Liabilities	1,054	1,007	1,144	1,330
Equity & Liabilities	1,322	1,823	1,860	2,134

Industry & Market Overview

Global & Indian Aerospace Market

The global aerospace market is projected to grow at a CAGR of 6.38% through CY2030, driven by rising air travel demand and a robust order backlog for major OEMs like Airbus and Boeing. This provides a stable demand outlook for Tier-1 component suppliers. The Indian aerospace manufacturing market is also expanding rapidly, supported by government initiatives aimed at increasing indigenous production and exports.

Consumer PEC & Electronics Market

The consumer segments Aequs serves including laptops, wearables, toys, and cookware are benefiting from powerful global tailwinds. The "China +1" sourcing strategy is prompting global brands to diversify their manufacturing base, with India emerging as a key beneficiary. Government programs like "Make in India" and Production Linked Incentive (PLI) schemes are further accelerating this shift, creating a favorable environment for domestic contract manufacturers.

Key Trends & Competitive Factors

In the precision engineered components (PEC) sector, competitive advantage is increasingly defined by vertical integration and end-to-end capabilities. The ability to offer a complete suite of services from forging and machining to surface treatment and assembly, as Aequs aims to do within its manufacturing "ecosystems," is a key differentiator. Long-term, established relationships with global OEMs create significant barriers to entry for new players.

Sector Risks & Challenges

Key risks include the volatility of raw material prices (such as steel, titanium, and alloys), the high capital investment required to maintain technologically advanced machinery, and intense competition from established global players. Furthermore, potential changes in U.S. tariff policies on Indian exports represent a notable geopolitical risk that could impact cost competitiveness.

Overall, Aequs' legacy Aerospace segment benefits from a strong order backlog, its future growth is explicitly tied to penetrating the highly competitive Consumer PEC market.

Research Analyst
Yogesh Tiwari, fundamental-research1@devenchoksey.com
Phone: +91-22-6696 5555
www.devenchoksey.com

Financial Highlights

Profit and Loss Statement

Particulars (INR Cr)	FY 2023	FY 2024	FY 2025	H1FY25	H1FY26
Revenues	812	965	925	459	537
EBITDA	35	122	73	41	56
EBITDA Margin	4.3%	12.7%	7.9%	9.0%	10.4%
Net Profit	-109	-12	-102	-72	-17
Net Profit Margin	NA	NA	NA	NA	NA
ROCE	NA	1.3%	NA	NA	NA

Balance Sheet

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025	H1FY25	H1FY26
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Cash Flow Statement

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025	H1FY25	H1FY26
Cash flow from operating activities	10	-19	26	-12	48
Cash flow from investing activities	-89	-343	-74	-30	-204
Cash flow from financing activities	54	393	25	32	166

Objects of the Issue

Analysis of Proceeds

Aequs plans to utilize the gross proceeds from the Fresh Issue for a combination of debt reduction, capital expenditure, and strategic initiatives.

Purpose	Amount from Gross Proceeds
Repayment/prepayment of borrowings	INR 433 crores
Funding capital expenditure	INR 64 crores

The allocation reveals that the largest portion of the proceeds (over 64% of the fresh issue) is designated for debt repayment. While deleveraging strengthens the balance sheet and reduces interest costs, it does not directly fund new revenue-generating assets. The amount allocated to capital expenditure for new machinery is comparatively modest. This allocation strategy suggests that a primary objective of the IPO is to fortify the company's financial position rather than to aggressively fuel expansion, a critical consideration for growth-oriented investors.

Research Analyst
Yogesh Tiwari, fundamental-research1@devenchoksey.com
Phone: +91-22-6696 5555
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Risk Factors

1. **High Revenue Concentration** The company's heavy dependence on the Aerospace Segment (89.19% of revenue in FY25) and a few key customers makes it highly vulnerable to downturns in that industry or the loss of a major client.
2. **History of Losses and Negative Cash Flow** The consistent net losses and the negative operating cash flow in FY24 raise significant concerns about the company's financial sustainability and its unproven path to profitability.
3. **High Capital Expenditure Requirements** The business is capital-intensive, requiring continuous and significant investment to maintain and upgrade machinery, which can strain financial resources and hinder free cash flow generation.
4. **Requirement-Based Contracts** Customer contracts do not obligate them to place fixed orders, which introduces significant uncertainty in revenue forecasting and makes production planning and inventory management challenging.
5. **Execution Risk on Expansion** The company's future growth hinges on its ability to successfully utilize IPO proceeds for capacity expansion and inorganic growth, which carries inherent risks of delays, cost overruns, and failure to achieve projected returns.

These risks are managed by the company's leadership team, whose experience is a key factor in the investment decision.

Promoter & Management Analysis

Promoter Details Aequs is a founder-led business with an experienced management team.

Key Management Profiles

- Aravind Shivaputrappa Melligeri (Founder, Executive Chairman, and CEO): As the Founder, Executive Chairman, and CEO, Mr. Melligeri brings over 25 years of experience in the Aerospace Segment and is the chief architect of the company's strategy.
- Rajeev Kaul (Managing Director): The Managing Director has been with the company since 2007 and has over 22 years of experience. He is responsible for the overall operations and performance of the company's business verticals.

The promoter group consists of Aravind Shivaputrappa Melligeri, Aequs Manufacturing Investments Private Limited, and the Melligeri Private Family Foundation. The source documents do not indicate any legal or regulatory controversies directly involving the promoters or key management. However, it is noted that there are ongoing tax proceedings against the company, including a demand of INR 779.56 million from tax authorities, representing a material contingent liability. The integrity of a company's operations also depends on its governance, particularly how it handles transactions with entities related to its management.

Related Party Transactions

Key related party transactions include leasing land for business activities and sourcing electricity from entities where the company's promoters and directors have an interest. The company states that these transactions have been conducted in the ordinary course of business and on an arm's length basis, in compliance with relevant laws.

Peer Comparison & Valuation

Comparative Analysis Table (Fiscal Year 2025)

Company	Revenue (FY25, INR Cr)	PAT Margin (FY25, %)	RoCE (FY25, %)	RoE (FY25, %)	Net Debt/Equity (FY25)
Aequs	925	N.A.	N.A.	N.A.	1.0
Azad Eng.	424	11.1	11.3	N.A.	1.2
Unimech Aero.	102	25.1	25.2	N.A.	N.A.
Amber Ent.	8,428	4.3	19.5	11.1	0.4
Kaynes Tech.	2,223	9.0	19.2	19.4	0.2
Dixon	16,767	4.9	48.5	23.3	0.2

Red Flags

- **History of Net Losses:** The company has been consistently loss-making for the last three fiscal years, raising fundamental questions about its business model's profitability.
- **High Offer for Sale (OFS) Component:** The IPO includes a substantial OFS of over 20 million shares, allowing existing shareholders to exit. This can be a concern as it does not raise capital for the company's growth.
- **Recent Change in Auditors:** The resignation of Price Waterhouse Chartered Accountants LLP and the appointment of B S R & Co. LLP in FY24 is a governance event that warrants careful investor scrutiny.
- **High Client and Sector Concentration:** An over-reliance on the Aerospace sector (89.19% of FY25 revenue) and a small number of large customers creates significant revenue risk.
- **Use of Proceeds for Debt Repayment:** A majority of the fresh issue proceeds are earmarked for repaying existing debt rather than being deployed into new growth initiatives, suggesting a focus on balance sheet repair over expansion.
- **Ongoing Tax Litigation:** The company faces an outstanding tax demand of INR 779.56 million from tax authorities, which represents a material contingent liability.

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058

YOGESH DASHARATH TIWARI

Digitally signed by YOGESH DASHARATH TIWARI
Date: 2025.12.02 16:56:05 +05'30'