Axiscades Technologies Ltd. – Investment BUY Call Thesis

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 8 Sept 2026

CMP -> 1830
Buying Range -> 1830 to 1867
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 2105

1. Strategic Transformation: From Engineering Services to a High-Value Defence, Aerospace, Electronics & Manufacturing Platform

1. Business-model transformation: AXISCADES is undergoing a fundamental portfolio transformation from a relatively lower-value engineering-services model towards a product-, manufacturing- and systems-integration-led platform spanning Defence, Aerospace Manufacturing, Electronics/AI and Space. Management described FY26 as a "building year" under the Power 930 strategy and reiterated the ambition of reaching INR 9,000 crore revenue by FY30. The strategic rationale is that moving downstream from engineering/design into serial manufacturing and system integration materially increases revenue content per programme, while retaining the company's engineering capabilities as a technological moat. Management has explicitly framed this as moving from being an "architect" to becoming a "builder", with manufacturing potentially creating substantially greater economic value than pure engineering services.

2. Business segments and applications: The emerging core comprises defence systems and electronics, aerospace structures/components and MRO/supply-chain activities, XiDA's electronics/AI "chip-to-product" capabilities and a new space platform. Defence applications include missile electronics and integration, counter-drone systems, land systems and mission-critical electronics; aerospace applications include composite structures, precision manufacturing, aerospace components, MRO and supply-chain solutions; XiDA targets data centres, generative AI, physical AI, semiconductor and advanced electronics applications; while the Space division targets satellite buses, payload integration and space situational awareness. This creates a diversified end-market exposure across government defence procurement, global aerospace OEMs, hyperscalers/technology companies, semiconductor companies and emerging space infrastructure.

3. Geography and customer architecture: The company operates primarily from India while deliberately creating international customer access through global OEM relationships and XiDA's US-facing structure. The ESAI/XiDA platform already has commercial relationships involving Texas Instruments, Qualcomm, a hyperscaler and a global technology company, while AXISCADES' aerospace platform leverages established customer relationships and aerospace certifications. The geographic strategy is therefore increasingly India manufacturing + US/European customer access, which should support higher-value export-oriented manufacturing over time.

2. Q1FY27 / FY26 Financial Trajectory: Earnings Quality Is Set to Improve as Deferred Revenue Converts

1. FY26 demonstrated operational improvement despite the transition: Consolidated FY26 revenue was INR 1,159 crore, up 12.4% YoY, while EBITDA increased substantially faster by 24.6% YoY to INR 178 crore, taking EBITDA margin to 15.3% from approximately 13.8%, a 150-bps improvement. Pre-exceptional PBT grew 36.5% to INR 125 crore, while normalized PAT increased 27.6% to INR 83 crore versus INR 65 crore in FY25. Thus, even before the new manufacturing assets and acquisitions contribute meaningfully, AXISCADES was already demonstrating earnings growth ahead of revenue growth.

2. Q4FY26 was distorted by execution timing rather than a collapse in demand: Q4 revenue was only INR 273 crore, EBITDA INR 34 crore and PAT approximately INR 0.4 crore because INR 142 crore of revenue was deferred, carrying more than INR 40 crore of EBITDA impact. Management repeatedly clarified that the orders were intact and that the issue was scheduling/execution rather than demand erosion. Of the deferred amount, approximately INR 45 crore related to a defence manufacturing programme, INR 84 crore to a strategic electronics programme and INR 12.6 crore to an aerospace/defence contract affected by the Akkodis transaction.

3. Q1FY27 is consequently important for earnings normalization: More than INR 60 crore of the INR 142 crore Q4FY26 revenue deferral has already been recovered in Q1FY27, according to the company-specific information supplied, with the balance expected across Q2 and Q3. This creates a favourable near-term earnings bridge because the deferred work was already substantially executed rather than representing fresh order acquisition. Management has also indicated approximately INR 120–140 crore of cash-release potential in H1FY27 from deferred/unbilled revenue, deliveries and collections. For a 6 to 9 months investment horizon, this conversion is particularly important because it can simultaneously improve reported revenue, EBITDA, working capital and free-cash-generation optics.

3. Cash Flow Conversion & Balance Sheet: The Biggest Near-Term Re-Rating Variable

1. FY26 cash conversion was weak and must be treated as a critical investment issue: cash-flow data shows CFO/PAT at nil in FY26, compared with 117% in FY25 and 236% in FY24. CFO-to-operating-profit conversion also declined to 60% in FY26, versus 78% in both FY24 and FY25. The deterioration was largely associated with the working-capital build accompanying the transition towards manufacturing, particularly defence WIP and unbilled execution. Management attributed approximately INR 100 crore of the cash-flow stress to land-systems WIP.

2. The working-capital unwind is visible rather than hypothetical: FY26 closing receivables were approximately INR 411 crore, corresponding to a DSO of around 130 days. Post year-end, approximately INR 154.5 crore had already been collected, reducing DSO to around 81 days. Management characterized the issue as a timing problem rather than a fundamental collections problem. At the operational level, 20 defence units were ready for dispatch, 25 were at assembly and 85 were in production, with MoD pre-dispatch inspection underway. The expected H1FY27 delivery and invoicing cycle therefore provides a credible route to working-capital normalization.

3. Debt is predominantly programme-related rather than structural leverage: Gross borrowings increased from INR 189 crore to INR 276 crore, a rise of INR 87 crore, primarily to fund project-specific working capital for the land-systems programme. Management has indicated that this borrowing should reverse as invoicing begins and has explicitly stated that it does not plan incremental long-term debt, using working-capital/bridge facilities only where necessary. This is important because the company's substantial planned manufacturing expansion could otherwise create balance-sheet risk; instead, the stated strategy is to fund the expansion substantially through divestment proceeds, internal accruals, partnerships/JVs and selective acquisitions.

4. Growth Catalyst I — Power 930, Defence Execution & High-Visibility Order Conversion

1. FY27 growth visibility is unusually quantified: Management's FY27 framework indicates consolidated revenue trending towards approximately INR 1,377 crore, representing roughly 52% growth over the INR 903 crore FY26 retained-business base after excluding divested businesses. The visibility bridge comprises approximately INR 927 crore of orders under execution, including the INR 142 crore deferred from Q4FY26, INR 284–285 crore of assured forecast visibility from sole-source/limited-source positions and approximately INR 165 crore of acquisition-linked visibility from ESAI and aerospace components. Management therefore views FY27 as an execution-validation year rather than a year dependent entirely on speculative order wins.

2. Defence provides the strongest medium-term revenue visibility: Defence AFV increased to approx INR 4,557 crore in Q1FY27, with eight design wins during the quarter, according to the company-specific information supplied. Against FY26 defence revenue of approximately INR 379 crore, this implies exceptionally high potential programme coverage, with executable opportunities extending through FY30. Management has guided to 75%+ YoY defence growth over the coming years, supported by larger programmes, sovereign defence manufacturing, missile electronics and system-integration opportunities. This is strategically attractive because defence revenue is associated with higher margins than the legacy services portfolio; FY26 defence EBITDA margin was approximately 22.9% versus 17.3% in aerospace.

3. Manufacturing-led Power 930 provides the long-term operating model: Management has not scaled back the INR 9,000 crore FY30 revenue ambition. From the indicated FY27 revenue target of INR 1,377 crore, reaching INR 9K crore by FY30 implies approximately 59% CAGR over FY27–FY30. The attractiveness of the target lies less in conventional organic engineering-services growth and more in AXISCADES moving into serial production, where product content, manufacturing value-add and system integration increase the revenue pool per programme. Management's formulation is that moving into manufacturing can create a 10x–20x larger revenue opportunity compared with remaining purely design-led.

5. Growth Catalyst II — Aerospace Manufacturing, XiDA and Higher-Margin Product Mix

1. Aerospace manufacturing can materially change the margin and revenue profile: AXISCADES has moved beyond aerospace engineering towards higher-value manufacturing, precision components and MRO/supply-chain activities. FY26 aerospace revenue was approximately INR 388 crore, up 21% YoY, with an EBITDA margin of around 17.3%. The company has been preparing Devanahalli infrastructure and has been pursuing an aerospace manufacturing acquisition to accelerate the shift towards high-value manufacturing. Management had indicated that the acquired business would help “jumpstart” manufacturing in Q3FY27.

2. The Cloud Wave acquisition accelerates this strategy: On 28 August 2026, the Board approved acquisition of a majority stake in Cloud Wave Technologies Private Limited at an enterprise valuation of approximately INR 260 crore, subject to transaction adjustments. Cloud Wave is an AS9100D-certified precision engineering and manufacturing company with seven manufacturing units and capabilities spanning precision machining, sheet-metal fabrication, tooling, plastic injection moulding, 3D printing and surface treatment, serving Aerospace & Defence and Semiconductor customers across domestic and export markets. The company is expected to generate approximately INR 180 crore revenue and 22% EBITDA margin in FY27, giving AXISCADES an immediate high-margin manufacturing capability rather than waiting several years for greenfield facilities to ramp.

3. XiDA represents a second high-margin growth engine: XiDA is being developed as an American-led, Silicon Valley-oriented subsidiary focused on hardware, electronics and AI, specifically the “golden triangle” of data centres, generative AI and physical AI. Existing ESAI traction includes a Qualcomm order of approximately US$3.5 million, up significantly from less than US$0.8 million previously, alongside relationships with TI, a hyperscaler and a major technology company. Management is also moving ESAI from a design-only approach to design-cum-manufacturing MSAs, which should expand wallet share, increase revenue per customer and improve the quality of margins.

6. Growth Catalyst III — BrahMos, MBDA, Defence Electronics & New Atmanirbhar Capacity

1. BrahMos seeker opportunity creates recurring high-value content: The ESA-based radar seeker for BrahMos NG is in an advanced prototype stage, with customer acknowledgement received. Management expects seeker-related business from the next financial year. Since seekers can represent a substantial portion of missile value, qualification would expand AXISCADES' addressable content from electronics/subsystems into critical mission equipment. The opportunity becomes more meaningful as BrahMos production scales from roughly 100 to 150 systems annually, potentially creating a recurring, programme-linked revenue stream.

2. MBDA relationship is expanding from engineering to manufacturing: AXISCADES has a decade-long relationship with MBDA, initially centred on MICA missile test benches. The programme is scaling from approximately five to ten test benches annually, with work expanding from MICA and Meteor towards CAMM and Aster. The company also expects new "Make in India" opportunities under the Rafale programme involving local missile assembly and larger electronics manufacturing. This increases the strategic depth of the relationship and provides an avenue for AXISCADES to move further into localisation and production rather than remaining purely engineering-led.

3. DAC and MAC create physical capacity for the next growth phase: The Devanahalli Atmanirbhar Complex (DAC) is being developed as a large-scale radar integration and maintenance hub, with Phase 1 construction underway and radar hangars targeted for completion around Q3. In parallel, the Missile Atmanirbhar Complex (MAC) in Hyderabad has moved from land acquisition to construction, with approximately INR 39–40 crore spent on roughly 8.2 acres. The company has indicated approximately INR 1,200 crore potential investment in DAC and around INR 300 crore in MAC, creating a manufacturing platform capable of supporting radar, missile, unmanned warfare and offset/localisation opportunities.

7. Operating Leverage, Margins, Capex & Strategic Capital Allocation

1. Margin expansion should come from mix rather than financial engineering: FY26 EBITDA margin already improved by 150 bps to 15.3%, despite the company carrying the costs and execution friction associated with its transformation. Management has indicated an ambition for another 150–200 bps YoY EBITDA-margin improvement, while suggesting that a mature portfolio could eventually reach approximately 25–27% EBITDA margins. The primary drivers are increasing contribution from defence, aerospace manufacturing and XiDA; reducing lower-margin legacy services; greater manufacturing utilisation; and cross-selling engineering, electronics and production capabilities to existing customers.

2. Capex is creating operating leverage with increasing asset utilisation: Approximately INR 96 crore was invested in DAL/DAC/MAC during FY26, funded through internal accruals, while management's broader strategic facility investment plan amounts to approximately INR 1,550–1,600 crore, comprising DAC, MAC and DAL expenditure. Planned acquisitions were indicated at around INR 600 crore. The important point is that these investments are not isolated greenfield projects: they are designed to provide shared infrastructure for aerospace, defence, electronics and space, allowing multiple businesses to utilise the same manufacturing ecosystem and technical capabilities.

3. Akkodis proceeds significantly reduce funding constraints: The combined Phase 1 and Phase 2 divestment framework supplied by the company indicates approximately US$237 million / around INR 2,256 crore of transaction value, with expected net cash proceeds of roughly INR 920 crore and an extraordinary gain of approximately INR 1,255 crore, subject to completion/accounting adjustments. The proceeds are intended to finance the INR 2,100–2,250 crore capex and acquisition pipeline, reducing reliance on equity dilution or incremental structural debt. The earlier Phase 1 transaction involved a US$30.63 million sale of the heavy-engineering, energy and automotive-engineering-services portfolio, supporting management's stated strategy of "sharpening" the portfolio rather than simply shrinking it.

8. Industry Outlook & Structural Tailwinds: Defence Indigenisation, Aerospace Localisation, AI Electronics and Space

1. Defence localisation is a structural rather than cyclical opportunity: AXISCADES is positioned directly within India's increasing emphasis on domestic design, production and system integration of defence equipment. Management highlighted the transition in customer/OEM relationships away from traditional offset mechanisms and towards Atmanirbhar Bharat-oriented manufacturing and localisation. Large opportunities in missiles, counter-drone systems, radar, unmanned warfare, land systems and defence electronics should therefore provide multi-year demand visibility, subject to procurement cycles and government approvals.

2. Aerospace and electronics supply-chain diversification strengthen the opportunity: Global aerospace OEMs and semiconductor/AI companies increasingly require qualified manufacturing and supply-chain partners outside concentrated geographies. AXISCADES' strategy of combining Indian engineering and manufacturing capacity with US/European customer access creates a potentially attractive cost-and-capability proposition. The combination of AS9100-certified manufacturing, precision machining, composites, mission-critical electronics and engineering gives the company several avenues to deepen wallet share with global customers.

3. Space and AI create longer-duration optionality: Space manufacturing and XiDA's AI/electronics business should be considered emerging businesses rather than near-term earnings pillars, but they materially enlarge AXISCADES' addressable market. The Space division targets satellite buses, payload integration and space situational awareness through the Aldoria relationship, while XiDA is targeting data centres, generative AI, physical AI and advanced electronics. Management itself has described the Space opportunity as still developing; consequently, the more defensible near-term thesis rests on defence, aerospace manufacturing and XiDA, with Space providing additional optionality rather than being required for the 6–9 month BUY case.

9. Short-Term Headwinds, Risks & Investment Conclusion: BUY, But Execution and Cash Conversion Must Be Monitored Closely

1. Geopolitical and supply-chain risk remains the most immediate operational threat: AXISCADES has already demonstrated the vulnerability of manufacturing programmes to geopolitical disruptions. The Q4FY26 revenue deferral included an INR 84 crore strategic-electronics impact because a key hardware supplier redirected output towards war-related priority programmes, while a separate INR 45 crore defence deferral resulted from disruption in a critical input material. Although management said the affected inputs have now been secured and the constraints resolved, the experience demonstrates that wars, sanctions, export restrictions, supplier prioritisation, logistics disruptions or raw-material shortages could again delay deliveries. Management has acknowledged the need for stronger supply-chain buffers, acceptance-slot planning and programme-management discipline as the company transitions from engineering-led execution to manufacturing-led delivery.

2. Other near-term risks are transaction execution, procurement timing and cash conversion: The investment thesis depends on several milestones occurring broadly as planned: conversion of the remaining Q4FY26 deferred revenue, MoD inspections and dispatches, collection of receivables, completion of the Akkodis transactions, execution of the Cloud Wave acquisition, further aerospace manufacturing ramp-up and progression of Phase 2 divestment. Management itself has highlighted customer procurement/budget timing as a variable for part of the assured-visibility pipeline. Consequently, the key risk over the next two to three quarters is not primarily lack of demand, but execution slippage, working-capital absorption, acquisition integration or delays in government/OEM approvals.

3. Investment conclusion — BUY: For a 6 to 9 months medium-term horizon, AXISCADES offers an attractive combination of earnings recovery, strong defence visibility, higher-margin mix shift, deferred-revenue conversion, working-capital release, divestment proceeds, manufacturing capacity creation and multiple new growth engines. Management's FY27 trajectory of approximately INR 1,377 crore revenue and INR 270 crore EBITDA, together with the maintained 40–50% EPS-growth framework, provides a strong near-term earnings catalyst. The most important quantitative re-rating trigger should be the combination of H1FY27 revenue conversion + INR 120–140 crore cash release + reduction in project borrowings + Akkodis cash realisation + successful Cloud Wave integration. The principal caveat is that FY26's nil CFO/PAT conversion shows that earnings quality has not yet fully translated into cash; therefore, confirmation of cash-flow normalisation is essential. On balance, however, the portfolio transformation, defence order coverage, product/manufacturing pivot and funding of the capex programme through divestment proceeds support a BUY stance for 6 to 9 months, with execution and cash conversion as the two principal variables to monitor.

Recommendation Timeline & Performance Summary:

1. 11 Feb 2026 – Initial BUY Recommendation: The BUY call was initiated at a price of 1299 with a target price of 1650, implying an upside potential of 27% over a 12 months investment horizon.

2. 6 April 2026 – Target Achieved: The stock achieved our target price of 1650 on 6 April 2026 and delivered a return of 31% (stock price touched to 1700 on 6 April 2026) within two and half month's investment duration from our recommendation, significantly ahead of our envisaged 12 months investment horizon.

3. **24 April 2026 – Sell Recommendation (Profit Booking):** We advised investors to book profits and SELL their entire holdings in Axiscades Technologies Ltd. stock at CMP of 2000 on 24 April 2026, implying realized gains of 54% within 3 months of recommendation, significantly ahead of our envisaged 12 months investment horizon.

4. 8 Sept 2026 – Re-Initiation of BUY Call: We have re-initiate the BUY call at the CMP 1830 of with a target price of 2105, indicating an envisaged upside potential of 15% over the next 6 to 9 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team