INSTITUTIONAL RESEARCH

Aether Industries

Ramp-up is a key monitorable

BUY

CMP *(as on 30 Jun 2026)*	INR 1,359
Target Price	INR 1,429
NIFTY	23,866

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,373	INR 1,429
EPS %	FY27E	FY28E
	-0.34%	+9.10%

KEY STOCK DATA	
Bloomberg code	AETHER IN
No. of Shares (mn)	133
MCap (INR bn) / ($ mn)	180/1,905
6m avg traded value (INR mn)	445
52 Week high / low	INR 1,393/723

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.2	58.0	78.4
Relative (%)	17.9	68.3	86.9

SHAREHOLDING PATTERN (%)

	Dec-25	Mar-26
Promoters	74.98	74.95
FIs & Local MFs	12.25	12.66
FPIs	5.81	6.29
Public & Others	6.96	6.10
Pledged Shares	0.00	0.00

Source: BSE

We maintain BUY on Aether Industries (AIL), with a target price of INR 1,429. The company's growth will be led by (1) ramp-up in exclusive manufacturing for Milliken Chemical and Baker Hughes, (2) ramp-up in Pharma and Agrochemical molecules at recently commissioned Block 1 and Block 2 at the company's site Magnum (Site 5, Panoli), (3) commissioning and ramp-up of the other 14 blocks at Magnum site over three years in phases, (4) Doubling of R&D capacity and capabilities at site Catalyst (Site 1, Sachin) and (5) increase in utilization of site 2 and site 3. We recently visited their manufacturing site Magnum and R&D centre and interacted with the management. The company plans to incur a capex of INR 3-3.5bn each year during FY27-FY29 with focus on site Magnum. Capex will be funded through a mix of debt, internal accruals, and customer advances/deposits. All three business segments will drive growth for the company with more skew towards CEM and CRAMS. Management reaffirmed its vision to have 70% of revenue coming from CEM and CRAMS segments by FY30. We expect revenue/EBITDA/PAT CAGRs of ~28/29/32% over FY26-FY29E.

Magnum (Site 5, Panoli): Building a strategic manufacturing platform

The management views site 5 as a strategic manufacturing platform designed to support long-term customer partnerships across pharmaceuticals, agrochemicals, material sciences, semiconductors and oil and gas. They will be setting up a total of 16 manufacturing blocks which will have a mix of both LSM and CEM models. Phase-I with 2 production blocks has been commissioned, all necessary trials have been completed and supply of validation batches has started. They expect the validation process to be completed in the next 3-4 months and commercial production is expected to begin post validation.

Phase-I has 2 blocks with 1 block for a pharma molecule and the other for an agro molecule. The manufacturing will be done under the LSM model. The pharma molecule is a key advanced intermediate with import substitution opportunity of 800-1000 TPA. The company has set up an initial capacity of ~500 TPA. They expect revenue of ~INR1.25 bn from this molecule at maturity with expected pricing of USD55-60/kg. AIL is competitive against China even in a scenario where China might cut prices by up to 15%.

Over the next three years, AIL will commission 14 manufacturing blocks at this site in phases. Total investment for all 16 blocks and utilities will be ~INR22bn. The company has acquired the land adjoining this site for the next leg of expansion.

Financial summary

Year Ending March (Rs mn)	4Q FY26	3Q FY26	QoQ (%)	4Q FY25	YoY (%)	FY25	FY26P	FY27E	FY28E	FY29E
Net Sales	3,051	3,171	(3.8)	2,402	27.0	8,387	11,601	14,884	19,956	24,279
EBITDA	827	1,106	(25.2)	797	3.8	2,412	3,636	4,549	6,499	7,887
APAT	551	662	(16.8)	525	4.8	1,673	2,262	2,859	4,210	5,178
Diluted EPS (Rs)	4.2	5.0	(16.8)	4.0	4.8	12.6	17.1	21.6	31.8	39.1
P/E (x)						106.0	78.4	62.1	42.1	34.3
EV/EBITDA(x)						73.3	50.0	39.8	27.9	23.0
RoE (%)						7.8	9.7	11.0	14.2	15.1

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY27E Old	FY27E New	% Ch	FY28E Old	FY28E New	% Ch
EBITDA (INR mn)	4,549.11	4,549.00	(0.00)	6,019.85	6,498.66	7.95
Adj. EPS (INR/sh)	2,868.57	2,858.81	(0.34)	3,858.91	4,210.02	9.10

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Catalyst (Site 1, Sachin): Transitioning from an 8x8 matrix to 10x10 matrix

AIL has formalized its research portfolio into three distinct horizons:

- **Horizon 1:** Commercialization within 2 years.
- **Horizon 2:** Medium-term opportunities over 2-5 years.
- **Horizon 3:** Long duration technology programs extending beyond 5 years.

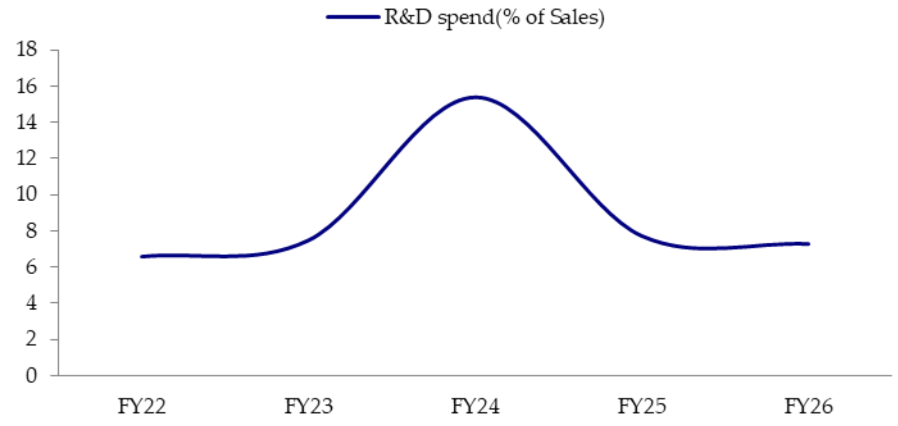
The company is currently executing a two-pronged R&D expansion strategy consisting of short-term upgrades to existing facilities and the construction of an entirely new R&D facility to meet the rising demand for its CRAMS business and to launch new molecules in its LSM business.

The company has added 2 new labs, 18-20 fume hoods including 5 engineering fume hoods and a new 400 MHz Nuclear Magnetic Resonance (NMR) machine. NMR is critical for identifying and characterizing the more complex molecules and polymers associated with the 10x10 transition. This expansion will happen in the existing unit and will be completed by Q2FY27.

They are planning to double their R&D infrastructure from the current levels by constructing a new R&D unit adjacent to the existing one. The plan is to take the fume hoods capacity from ~60 to 140-150. Capacity addition will accelerate projects under CRAMS. The expansion will specifically help the company to tap into non-pharma and non-agro sectors, such as oil and gas and material sciences, which are the primary drivers of the 10x10 matrix.

Expansion of this R&D facility is expected to be completed by Q2FY28. Over next 3 years, the R&D team size shall expand to 500 from the current size of 300. Even after the new R&D unit becoming fully operational, they expect R&D expenses as a percentage of sales to remain at levels similar to FY26 going ahead.

R&D expenses as a % of sales



Ramp up of strategic CEM contracts

Site 3++ dedicated for the Milliken contract has started commercial production and is being ramped up. The additive being manufactured will be used as a polymer clarifier. This clarifier shall enhance transparency and reduce haze, resulting in a clear and glossy appearance. The initial capacity stands at 200 TPA translating to a revenue potential of ~INR1.8-2bn at current pricing and peak utilization. It has potential to expand capacities further to 500-800 TPA.

AIL is working on 10 additional molecules in collaboration with Baker Hughes with an expected revenue potential of ~INR 11bn. These molecules are Drag Reducing Agents (DRAs) which are essential in the oil and gas industry for enhancing pipeline efficiency and reducing operational costs. They work by minimizing frictional resistance within pipelines, allowing for increased flow rates and throughput. These molecules will be manufactured from site 4 and site 5. Currently, the company is supplying 8 molecules for Baker Hughes. These molecules have a revenue potential of INR4bn.

Progressing slowly and steadily in electronic chemicals

The semiconductor initiative has progressed beyond the conceptual stage. The company has started supplying validation batches from Site 3+ for customer qualification. Once the qualification is complete and all requisite approvals are in place, they will start commercial production from Site 5. AIL is planning to manufacture multiple semiconductor chemicals at Site 5 thereby creating a broader product platform.

Financials (Consolidated)

INCOME STATEMENT

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**5,982**	**8,387**	**11,601**	**14,884**	**19,956**	**24,279**
Growth %	***(8.1)***	***40.2***	***38.3***	***28.3***	***34.1***	***21.7***
Material expenses	3,209	4,466	6,009	7,620	10,217	12,431
Employee Cost	386	428	627	690	745	805
Other Expenses	1,064	1,081	1,329	2,024	2,494	3,156
EBITDA	**1,322**	**2,412**	**3,636**	**4,549**	**6,499**	**7,887**
EBIDTA Margin (%)	*22.1*	*28.8*	*31.3*	*30.6*	*32.6*	*32.5*
EBITDA Growth %	*(29.0)*	*82.4*	*50.8*	*25.1*	*42.9*	*21.4*
Depreciation	397	450	664	881	1,114	1,241
EBIT	**926**	**1,962**	**2,972**	**3,668**	**5,384**	**6,646**
Other Income (Including EO Items)	254	298	120	200	250	300
Interest	85	129	181	203	237	264
PBT	**1,095**	**2,130**	**2,911**	**3,665**	**5,397**	**6,681**
Tax	270	546	716	806	1,187	1,503
PAT	**825**	**1,584**	**2,195**	**2,859**	**4,210**	**5,178**
EO (Loss) / Profit (Net Of Tax)	(104)	(88)	(68)	-	-	-
APAT	**929**	**1,673**	**2,262**	**2,859**	**4,210**	**5,178**
Share from associates	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Consolidated APAT	**929**	**1,673**	**2,262**	**2,859**	**4,210**	**5,178**
Consolidated APAT Growth (%)	*(28.8)*	*80.1*	*35.3*	*26.4*	*47.3*	*23.0*
AEPS	**7.0**	**12.6**	**17.1**	**21.6**	**31.8**	**39.1**
AEPS Growth %	*(28.5)*	*79.6*	*35.2*	*26.3*	*47.3*	*23.0*

Source: Company, HSIE Research

BALANCE SHEET

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital	1,326	1,326	1,327	1,327	1,327	1,327
Reserves And Surplus	19,308	20,933	23,232	26,126	30,336	35,514
Total Equity	**20,633**	**22,259**	**24,559**	**27,453**	**31,663**	**36,841**
Minority Interest	-	-	-	-	-	-
Long-term Debt	-	-	-	-	1,300	1,800
Short-term Debt	1,686	1,825	4,417	3,692	3,008	3,008
Total Debt	**1,686**	**1,825**	**4,417**	**3,692**	**4,308**	**4,808**
Deferred Tax Liability	364	528	405	405	723	1,416
Long-term Provision and others	119	148	142	-	-	-
TOTAL SOURCES OF FUNDS	**22,803**	**24,760**	**29,523**	**31,550**	**36,694**	**43,064**
APPLICATION OF FUNDS						
Net Block	8,595	11,173	14,961	21,863	25,733	27,894
Capital WIP	2,261	3,633	5,157	1,458	473	1,071
Other non-current assets	121	253	172	172	172	172
Non-current Investments	2	2	2	2	2	2
Total Non-current assets	**10,979**	**15,060**	**20,291**	**23,494**	**26,380**	**29,139**
Inventories	3,435	3,969	5,375	5,709	7,654	9,312
Debtors	2,329	2,886	3,901	5,219	6,561	7,982
Cash and Cash Equivalents	5,557	2,398	57	267	309	792
Other Current Assets	1,707	2,129	2,057	-	-	961
Total Current Assets	**13,027**	**11,382**	**11,389**	**11,196**	**14,524**	**19,047**
Creditors	1,035	1,276	1,969	2,854	3,827	4,656
Other Current Liabilities & Provns	168	406	187	285	383	466
Total Current Liabilities	**1,204**	**1,682**	**2,157**	**3,140**	**4,210**	**5,122**
Net Current Assets	**11,823**	**9,700**	**9,232**	**8,056**	**10,314**	**13,926**
TOTAL APPLICATION OF FUNDS	**22,802**	**24,761**	**29,523**	**31,550**	**36,694**	**43,064**

Source: Company, HSIE Research

CASH FLOW STATEMENT

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	1,095	2,130	2,911	3,665	5,397	6,681
Non-operating & EO Items	(254)	(298)	(120)	(200)	(250)	(300)
Interest Expenses	85	129	181	203	237	264
Depreciation	397	450	664	881	1,114	1,241
Working Capital Change	(1,476)	(1,036)	(1,873)	1,387	(2,217)	(3,128)
Tax Paid	(174)	(381)	(840)	(806)	(869)	(811)
OPERATING CASH FLOW (a)	**(328)**	**994**	**924**	**5,129**	**3,413**	**3,948**
Capex	(4,419)	(4,400)	(5,976)	(4,084)	(4,000)	(4,000)
Free Cash Flow (FCF)	(4,747)	(3,406)	(5,052)	1,045	(587)	(52)
Investments	-	-	-	-	-	-
Non-operating Income	254	298	120	200	250	300
Others	90	(131)	81	-	-	-
INVESTING CASH FLOW (b)	**(4,074)**	**(4,233)**	**(5,775)**	**(3,884)**	**(3,750)**	**(3,700)**
Debt Issuance/(Repaid)	1,685	139	2,591	(724)	616	500
Interest Expenses	(85)	(129)	(181)	(203)	(237)	(264)
FCFE	(3,147)	(3,396)	(2,641)	118	(208)	183
Share Capital Issuance	80	0.4	1	-	-	-
Dividend	-	-	-	-	-	-
Others	7,256	70	99	(107)	0	(0)
FINANCING CASH FLOW (c)	**8,936**	**80**	**2,510**	**(1,035)**	**379**	**236**
NET CASH FLOW (a+b+c)	**4,534**	**(3,159)**	**(2,341)**	**211**	**42**	**483**
EO Items, Others						
NET CASH FLOW (a+b+c)	**5,557**	**2,397**	**57**	**267**	**309**	**792**

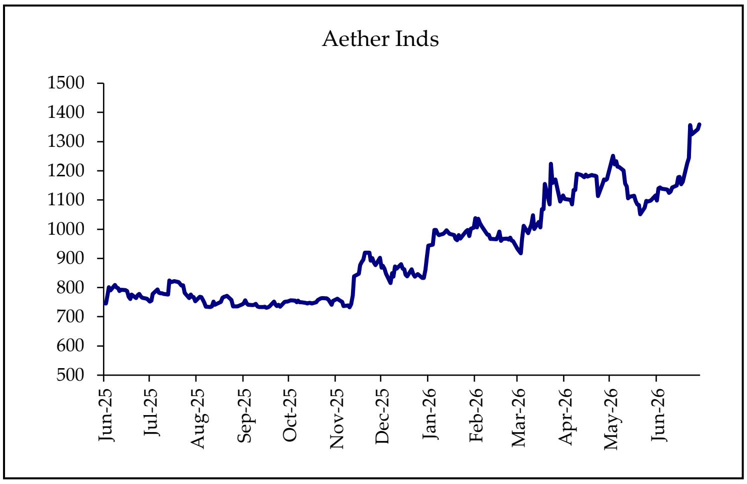
Source: Company, HSIE Research

KEY RATIOS

	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY %						
Gross Margin	46.4	46.8	48.2	48.8	48.8	48.8
EBITDA Margin	22.1	28.8	31.3	30.6	32.6	32.5
EBIT Margin	15.5	23.4	25.6	24.6	27.0	27.4
APAT Margin	15.5	19.9	19.5	19.2	21.1	21.3
RoE	5.6	7.8	9.7	11.0	14.2	15.1
RoIC	5.9	9.0	10.7	10.6	12.8	13.4
RoCE	5.6	7.4	8.8	9.9	12.9	13.5
EFFICIENCY						
Tax Rate %	24.7	25.6	24.6	22.0	22.0	22.5
Fixed Asset Turnover (x)	0.71	0.75	0.78	0.71	0.73	0.77
Inventory (days)	210	173	169	140	140	140
Debtors (days)	142	126	123	128	120	120
Other Current Assets (days)	104	93	65	-	-	14
Payables (days)	118	104	120	137	137	137
Other Current Liab & Provns (days)	10	18	6	7	7	7
Cash Conversion Cycle (days)	328	269	231	124	116	131
Net Debt/EBITDA (x)	(2.9)	(0.2)	1.2	0.8	0.6	0.5
Net D/E	(0.2)	(0.0)	0.2	0.1	0.1	0.1
Interest Coverage	10.9	15	16	18	22.7	25.1
PER SHARE DATA (INR)						
EPS	7.0	12.6	17.1	21.6	31.8	39.1
CEPS	10.0	16.0	22.1	28.2	40.2	48.4
Dividend	-	-	-	-	-	-
Book Value	155.7	168.0	185.3	207.2	238.9	278.0
VALUATION						
P/E (x)	190.3	106.0	78.4	62.1	42.1	34.3
P/BV (x)	8.6	8.0	7.2	6.5	5.6	4.8
EV/EBITDA (x)	131.3	73.3	50.0	39.8	27.9	23.0
OCF/EV (%)	(0.2)	0.6	0.5	2.8	1.9	2.2
FCFF/EV (%)	(2.7)	(1.9)	(2.8)	0.6	(0.3)	(0.0)
FCFE/M Cap (%)	(1.8)	(1.9)	(1.5)	0.1	(0.1)	0.1
Dividend Yield (%)	-	-	-	-	-	-

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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