Rossell Techsys (ROSTEC)

CMP: ₹ 1383 | Target ₹ 1625 (18%) | Target Period: 12 months | BUY

November 7, 2026

New capacities and customer wins to drive growth...

About the stock: Rossell Techsys (RTL) is an aerospace and defence engineering and manufacturing company. The company's competencies span across electrical wiring and interconnect systems, electrical panel assemblies tailored for power distribution and control, electronic systems. The company conducts business in two primary models namely Built-To-Specification (BTS) and Built-To-Print (BTP).

Investment Rationale:

- **Large and expanding opportunity across aerospace, defence and semiconductor manufacturing:** Company continues to benefit from increasing electronics content across aerospace and defence platforms, supported by rising aircraft production, defence indigenisation and global supply-chain diversification. Alongside its established aerospace and defence business, the company is seeing meaningful traction in semiconductors, having onboarded a second leading global semiconductor equipment manufacturer. Space and semiconductor revenues have already crossed ₹140 crore in H1FY27 compared with ~₹100 crore in FY26, with management expecting these businesses to scale meaningfully over the coming quarters. The company is targeting a 50:50 revenue mix between aerospace and defence and non-aerospace businesses by FY27E
- **Increasing value addition and operating leverage to support margin expansion:** The company is gradually moving towards higher-value opportunities through system integration, MRO and advanced manufacturing, while expanding its presence across aerospace, defence, semiconductor and space customers. Management remains confident of achieving its long-term EBITDA margin target of 18-23%, supported by operating leverage, scale benefits and execution efficiencies. The successful ₹300 crore capital raise is also expected to lower working capital borrowings and interest costs likely from Q3FY27
- **Capacity expansion and strong order visibility support the next phase of growth:** Current order book stands at ₹910 crore (x TTM revenue), executable over 2.5 years, while strategic agreements of over ₹3,100 crore providing additional visibility over five years. The newly leased 140,000 sq. ft. Aerospace Park facility, with an option to expand to 210,000 sq. ft., will support the growing requirements of semiconductor and other non-defence businesses. Further, the company's inventory levels have improved to 6.7 months while they target of reducing this to 4 months over the next 2 years

Rating and Target Price:

- We believe that RTL is strongly positioned to capture strong opportunity from global commercial and defence ecosystem. With strong order inflows, improving contract mix, expanding product portfolio and improving execution and continuous order flows, we estimate revenue & PAT CAGR of ~61% & ~158% respectively over FY26-28E
- We maintain BUY on RTL with a TP of ₹1625 (valued at 45x P/E on FY28E diluted EPS)

ROSSELL TECHSYS

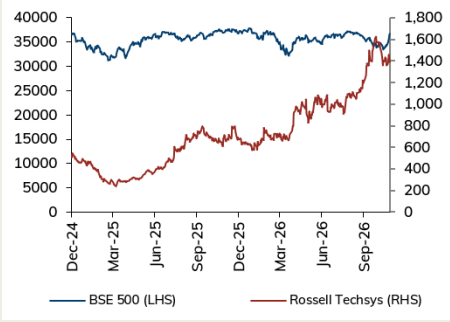
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	5,569
FY26 Gross Debt (₹ Crore)	409.4
FY26 Cash (₹ Crore)	47
EV (₹ Crore)	5,931
52 Week H/L (₹)	1699/ 552
Equity Capital	7.5
Face Value	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	74.8	74.8	74.8	69.9
FII	1.5	1.6	1.7	1.8
DII	2.8	3.5	0.8	5.0
Others	20.9	20.1	22.7	23.3

Price Chart



Key risks

i. Dependent on govt. contracts
ii. High working capital requirements
iii. Availability of key raw materials

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	217.0	259.7	485.1	49.5	868.4	1,259.1	61.1
EBITDA	32.1	36.2	62.6	39.6	138.3	217.9	86.5
EBITDA margin (%)	14.8	14.0	12.9		15.9	17.3	
Net Profit	11.2	7.9	21.9	39.8	90.0	145.6	157.9
EPS (Rs)	10.4	2.0	5.4		22.3	36.2	
P/E (x)	132.7	704.4	245.6		61.9	38.3	
EV/EBITDA (x)	51.4	47.6	29.5		11.9	8.0	
RoCE (%)	8.9	7.6	9.6		18.3	22.2	
RoE (%)	8.9	5.9	14.7		16.6	21.4	

Source: Company, ICICI Direct Research

Q2FY27 Result Summary

- Revenue stood at ₹ 185.7 crore (+48.4% YoY, +20.2% QoQ), supported by continued execution across its Aerospace & Defence business and growth in its semiconductor business
- EBITDA increased 70.2% YoY (+15.4% QoQ) to ₹25.6 crore, with EBITDA margin expanding by 177 bps YoY (-58 bps QoQ) to 13.8%, reflecting operating leverage from higher business volumes and improved execution efficiency. PAT increased 70.4% YoY (+35.4% QoQ) to ₹9.7 crore
- For H1FY27, revenue from operations grew 60.2% YoY to ₹340.2 crore, EBITDA increased 75.1% to ₹47.8 crore, with margins expanding 120 bps to 14.0%, while PAT grew 87.3% to ₹16.8 crore

Q2FY27 highlights

- Management has reiterated its long-term EBITDA margin target of 18-23% and believes the company is well on track to achieve this, supported by increasing scale and operating leverage. Margins are expected to improve further as the business expands.
- Management expects sequential revenue growth in Q3 and Q4, which have historically been the company's strongest quarters. It expects the growth momentum to continue over the next 3-4 years
- Aerospace and defence contributed ~₹210 crore to H1FY27 revenue of ₹345 crore, while non-aerospace and defence contributed ₹130-140 crore. Management expects the non-aerospace and defence contribution to move towards 50% of revenue by the end of FY27.
- The company onboarded another leading global semiconductor equipment manufacturer during the quarter, taking its customer base to two large multinational companies.
- Management expects semiconductor revenue to increase meaningfully in Q3 and Q4, with strong growth visibility over the next three years, positioning the segment as a key growth driver alongside aerospace and defence. The new customer addition also validates its manufacturing capabilities, quality standards and ability to meet the requirements of leading global technology companies
- Space and semiconductor businesses together generated over ₹140 crore in H1FY27, (~₹100 crore in FY26). Management indicated that the company remains on track for the previously guided 3-4x growth opportunity in these businesses.
- The company has secured fresh orders worth ~₹430 crore during H1FY27 and submitted bids aggregating approximately ₹1,350 crore across aerospace and defence, semiconductors, space and industrial sectors.
- Confirmed orders stands at ₹910 crore, to be executed over the next 2.5 years, while strategic agreements exceeded ₹3,100 crore, with execution spread over five years.
- The company has inaugurated an additional leased facility of ~140,000 sq. ft. within the Aerospace Park, with an option to expand to 210,000 sq. ft. The facility is expected to commence operations early in Q3FY27 and will provide additional manufacturing capacity to support growth in semiconductors and other non-defence businesses
- Inventory levels declined to 6.67 months in Q2FY27 from 7.98 months in Q2FY26, despite the significant increase in business scale. Management is targeting a three-turn inventory cycle, equivalent to ~4 months of inventory, over the next 24 months, supported by better planning, procurement practices and execution controls.
- Management highlighted that the ₹300 crore capital raise was aimed at strengthening the balance sheet, improving institutional ownership (SBI

MF and Kotak MF) and supporting the company's growth requirements over the next three years.

- Proceeds from the fundraise will be utilised towards repayment of borrowings, operational excellence and infrastructure expansion. Management expects the repayment of working capital borrowings to reduce interest costs substantially and improve profitability, with the benefits expected to become visible from Q3FY27 with no further fundraise planned in the near term.
- After developing wire harness design and manufacturing capabilities over the past 14 years, the company has now established MRO capabilities. Management is engaging with large companies to become an MRO service partner in India and is already undertaking aftermarket-related work for Boeing and other customers in the US. Initial traction is expected to become more visible in Q3 and Q4 across domestic and international markets.
- Management has highlighted that the aerospace and defence segment continues to benefit from increasing global demand, higher defence spending and ongoing realignment of global supply chains. The company remains focused on expanding customer relationships and manufacturing capabilities to capitalise on these opportunities.
- Management remains optimistic about the company's longer-term growth prospects, supported by a diversified customer base, expanding capabilities across aerospace, defence, semiconductors and space, a stronger balance sheet and increasing manufacturing capacity. It believes Rossell Techsys is still at an early stage of a larger growth journey, with investments being made to support opportunities over the next 3-5 years

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments	H1FY27	H1FY26	YoY (%)
Revenue from operations	185.7	125.2	48.4	154.5	20.2	Execution remained strong and in-line with management guidance	340.2	212.4	60.2
Other income	3.6	0.8		1.2			4.8	0.8	
Total Revenue	189.3	125.9		155.7			345.0	213.2	
Raw materials costs	118.6	79.4		94.7			213.2	130.6	
Employees Expenses	26.4	20.1		23.6			50.0	37.1	
Other Expenses	15.1	10.6		14.1			29.2	17.4	
Total Expenditure	160.1	110.1		132.3			292.4	185.1	
EBITDA	25.6	15.0	70.2	22.2	15.4		47.8	27.3	75.1
EBITDA margins (%)	13.8	12.0	177 bps	14.4	-58 bps	Margins supported by increasing scale and operating leverage	14.0	12.8	120 bps
Interest	11.4	5.0		9.8			21.2	9.8	
Depreciation	4.9	3.4		3.9			8.7	6.6	
Tax	3.2	1.7		2.6			5.9	2.7	
PAT	9.7	5.7	70.4	7.1	35.4		16.8	9.0	87.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	259.7	485.1	868.4	1,259.1
% Growth	19.7	86.8	79.0	45.0
Other income	2.7	5.1	5.3	5.6
Total Revenue	259.7	485.1	868.4	1,259.1
% Growth	19.7	86.8	79.0	45.0
Total RM Costs	140.4	302.7	551.4	799.5
Employee Expenses	58.0	83.0	116.2	151.0
other expenses	25.0	36.8	62.5	90.7
Total Op. Exp.	223.4	422.5	730.1	1,041.2
Operating Profit (EBITDA)	36.2	62.6	138.3	217.9
% Growth	12.8	72.8	120.8	57.6
Interest	17.2	24.3	9.6	14.3
PBDT	21.7	43.4	134.0	209.2
Depreciation	10.5	13.7	15.6	17.6
PBT before Exceptional Items	11.2	29.6	118.4	191.6
Total Tax	3.3	6.7	28.4	46.0
PAT	7.9	21.9	90.0	145.6
% Growth	(29.4)	176.9	311.1	61.8
EPS	2.1	5.8	22.3	36.2

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	8	22	90	146
Depreciation	10	14	16	18
Interest	17	24	10	14
CF before WC changes	36	60	115	178
Changes in inventory	(42)	(97)	(113)	(175)
Changes in debtors	(12)	(43)	(86)	(88)
Chg. in loans & Advances	-	-	-	-
Changes in other CA	(2)	(15)	(14)	(18)
Net Increase in CA	(56)	(155)	(213)	(281)
Changes in creditors	(14)	18	45	41
Changes in provisions	-	-	-	-
Net Inc in Current Liab.	(19)	16	55	51
Net CF from Op. act.	(39)	(79)	(43)	(52)
Chg. in def. tax assets	-	-	-	-
(Purchase)/Sale of FA	(14)	(23)	(35)	(35)
Net CF from Inv. Act.	(13)	(22)	(35)	(35)
Div. and Div. Tax	(1)	(1)	(4)	(7)
Net CF from Fin. Act.	55	144	37	69
Net Cash flow	2	43	(41)	(18)
Opening Cash/Cash Eq.	2	4	47	6
Closing Cash/ Cash Eq.	4	47	6	(12)

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	7.5	7.5	8.1	8.1
Reserve and Surplus	126	147	533	672
Total Sh. funds	134	155	541	680
Total Debt	240	409	159	249
Total Liabilities	379	571	707	936
Gross Block	133	166	182	217
Acc: Depreciation	43	57	73	90
Net Block	99	108	109	127
Capital WIP	3	2	20	20
Total Fixed Assets	117	127	146	163
Non-Current Assets	-	-	-	-
Inventory	218	315	428	604
Debtors	73	116	202	290
Other Current Assets	11	25	39	57
Cash	4	47	6	(12)
Total Cur. Assets	306	504	676	938
Current Liabilities	28	46	90	131
Provisions	1	2	2	2
Total Cur. Liab.	43	60	115	166
Net Current Assets	262	445	561	773
Total Assets	379	571	707	936

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	2.0	5.4	22.3	36.2
Cash per Share	1.0	11.8	1.6	(2.9)
BV	33.2	38.4	134.3	168.8
Dividend per share	0.2	0.3	1.0	1.7
Dividend payout ratio	10%	6%	5%	5%
EBITDA Margin	14.0	12.9	15.9	17.3
PAT Margin	3.0	4.5	10.4	11.6
RoE	5.9	14.7	16.6	21.4
RoCE	7.6	9.6	18.3	22.2
RoIC	7.0	9.5	17.7	21.3
EV / EBITDA	47.6	29.5	11.9	8.0
P/E	704.4	245.6	61.9	38.3
EV / Net Sales	6.6	3.8	1.9	1.4
Sales / Equity	1.9	3.1	1.6	1.9
Market Cap / Sales	5.7	3.1	1.7	1.2
Price to Book Value	41.7	36.0	10.3	8.2
Asset turnover	0.7	0.9	1.2	1.4
Debtors Turnover Ratio	3.9	5.1	5.4	5.1
Creditors Turnover Ratio	7.5	13.2	12.8	11.4
Debt / Equity	1.8	2.6	0.3	0.4
Current Ratio	10.2	9.7	7.3	7.2
Quick Ratio	2.8	3.0	2.6	2.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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