

August 12, 2025

To,  
The Listing Department  
**BSE Limited**  
Department of Corporate Affairs  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai, Maharashtra - 400 001

To,  
The Listing Department  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, Plot No. C/1, G Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai, Maharashtra - 400 051

Dear Sir/Ma'am,

**Subject : Transcript of Analyst/Investor Earnings Conference call.**

**Reference : ISIN - INE02IJ01035; Scrip Id-544061; Scrip Code-AZAD**

Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in continuation to our intimation dated July 31, 2025, we hereby inform you that the Company has hosted Earnings Conference call for analysts and investors on Tuesday, August 05, 2025, at 11:00 A.M. IST which was concluded on Tuesday, August 05, 2025, at 12:00 P.M. IST to discuss on the financials results of the Company for the 1<sup>st</sup> quarter ended June 30, 2025.

We are enclosing herewith the Transcript of Analyst/Investor Earnings Conference call.

Please take the information on record.

Thanking you,

Yours truly,

**For Azad Engineering Limited**

**Ful Kumar Gautam**

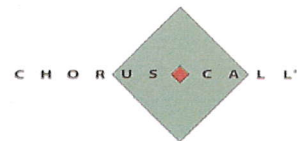
*(Company Secretary & Compliance Officer)*

Membership No.: F13688



**“Azad Engineering Limited  
Q1 FY'26 Earnings Conference Call”  
August 05, 2025**

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 05, 2025, will prevail.



**MANAGEMENT: MR. RAKESH CHOPDAR -- CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER -- AZAD ENGINEERING LIMITED  
MR. MURALI KRISHNA BHUPATIRAJU -- MANAGING  
DIRECTOR -- AZAD ENGINEERING LIMITED  
MR. VISHNU MALPANI -- WHOLE TIME DIRECTOR --  
AZAD ENGINEERING LIMITED  
MR. RONAK JAJOO -- CHIEF FINANCIAL OFFICER --  
AZAD ENGINEERING LIMITED**



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**Moderator:**

Ladies and gentlemen, good day, and welcome to the Azad Engineering Limited Q1 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rakesh Chopdar, Chairman and Chief Executive Officer. Thank you, and over to you, sir.

**Rakesh Chopdar:**

Thank you so much. Good morning to everyone. Welcome, and thanks for joining us today on the Q1 FY '26 earnings call. On this call, we are joined by Mr. Murali Krishna, Managing Director; Mr. Vishnu Malpani, Whole-Time Director; and Mr. Ronak Jajoo, CFO; and SGA, our Investor Relations Advisor. Results and presentations are uploaded on the stock exchange and the company website. I hope everybody had a chance to look at it.

I'm glad to update that we started the year on a promising note with our best-ever financial performance and delivered stand-alone revenues of INR135 crores, looking at a year-on-year growth of 36.7%. This robust growth was accompanied by margin improvement in both EBITDA and PAT. EBITDA margin grew from 33.6% in Q1 FY '25 to 36.1% Q1 FY '26.

Similarly, PAT margin rose from 17.4% in Q1 FY '25 to 22.3% in Q1 FY '26. This growth reflects our continued efforts across multiple areas, including capacity expansion in the new plant, qualifications of new components across business verticals and operational excellence among other initiatives. With a very strong order book position of INR6,000 crores plus, we are confident that we will continue to maintain this trajectory.

The energy sector, which is our oldest business segment constitutes the largest part of our book of approximately around \$400 million, that's around INR3,400 crores. And this is followed by the Aerospace and Defense at \$200 million. That's around INR1,700 crores. And then oil and gas at approximately \$100 million. That's around INR850 crores. This order book provides us with strong revenue visibility across all business segments.

In anticipation of this growing demand, we are gearing up with our new manufacturing facilities. As you are well aware, we have already inaugurated two of our dedicated lean factories in March and April 2025. Overall, in the next 12 to 18 months, we plan to have a total 8 dedicated lean



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manufacturing facilities, including one state-of-art world-class forging plant at Tuniki Bollaram, Hyderabad.

However, it has been challenging to match the growing demand with our facility ramp up. The team at Azad has done a great job handling the situation, including, but not limited to, facility readiness, equipment order, deployment and certifications. Workforce hiring and training, all of this while ensuring customer deliveries and output of the company are on target. So it's not easy, of course, it's challenging, but team Azad is doing a great job.

We anticipate to similarly address these challenges to continue for a couple of upcoming quarters. Towards this expansion, we plan to deploy a capex of INR450 crores during FY '26. Also very happy to share the two subsidiaries that we acquired last year are now EBITDA neutral and should contribute to growth and profitability from FY '26.

Guidance, we are progressing with our strategy of positioning the company for sustainable differentiated growth and reiterating our top line growth guidance of 25%, 30% during FY '26.

Now I hand over the call to Mr. Murali Krishna Bhupatiraju, our Managing Director. Thank you.

**Murali K. Bhupatiraju:**

Thank you, Mr. Rakesh Chopdar. It is heartening to see broad-based growth across all sectors. While we remain focused on scaling operations, we're equally committed to driving greater efficiency across our value chain, which is reflected in our growing margin profile. Azad being a key supplier in global supply chain for the OEMs, we see a sizable market opportunity from our end-use industries.

Energy OEMs are making unprecedented investments with the need for reliable power, infrastructure and decarbonization. We also see a demand for turbines in industrial applications as well as a replacement market.

Likewise, the Aerospace and Defense segment is also witnessing strong demand, which is driven by increased commercial aircraft orders, fleet modernization programs and heightened defense spending. Our existing order book resonates with these growing opportunities. We are actively working with existing and new customers to enhance our wallet share in this space.

Now I hand over the call to Mr. Vishnu Malpani, our Whole-Time Director, to take this further.

**Vishnu Malpani:**

Thank you, Mr. Murali Krishna. The growth trajectory demonstrated by Azad thus far echoes our commitment to high growth while achieving operational excellence.

Focusing on our stand-alone segment-wise business performance this quarter, let me share with you the contribution from Energy and Oil and Gas segment for us in Q1 FY '26 is at INR109 crores, contributing to approximately 81.2% of the total revenue. This growth represents a healthy 41.7% year-on-year increase, which is largely on account of capacity addition. With





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significant values of orders in hand that was shared by Mr. Chopdar, we continue to see a healthy growth from here in the years to come.

Talking about the Aerospace and the Defense segment. This segment contributed to 17.1% of our revenue during quarter 1 of FY '26 at INR23 crores of revenue, representing a 26.3% year-on-year growth. We are upbeat about the growth in this segment with the recent order wins, capacity expansion plans and also the fact that we are moving from component manufacturing to assemblies and subassemblies in the future as well.

We are confident about the upcoming quarters by taking small steady steps now, we can build momentum in FY '26. These efforts will lay the foundation for a significant future -- growth in the future, allowing us to progress from small steps to larger leaps and eventually achieving great strides.

Lastly, I would also like to update that our credit ratings have now been updated from A- to A by CARE Ratings. We view this performance of quarter as a strong endorsement for our operational resilience, commitment to excellence, and it positions us well as we continue to scale new heights.

Further, I now hand the call over to our CFO, Mr. Ronak Jajoo, to further talk about our financial performance. Thank you.

**Ronak Jajoo:**

Thank you, Vishnu. I would like to begin by sharing our stand-alone financial performance for quarter 1 FY '26. Let me take you through revenue from operations. Revenue from operations stood at INR135 crores, reflecting a 36.7% year-on-year growth compared to quarter 1 of FY '25 and 8% growth over quarter 4 of FY '25. This growth was primarily driven by the GESPS plant, which was operationalized in quarter 4 of FY '25 and started contributing to revenue from this quarter.

On the consumption side, our gross margins has improved by 3.4% on a year-on-year basis and remained stable compared to last quarter largely due to product and segment mix. Employee cost has increased by 60 bps during this particular quarter. This is attributable towards the onboarding of key personnel as we prepare the organization for the next phase of growth.

The EBITDA for the quarter came at INR48.5 crores, making a 46.8% growth year-on-year basis from INR33 crores in quarter 1 FY '25. Our EBITDA margin guidance remain continue to be in the range of 33% to 35% depending upon product and segment mix.

We are pleased to announce that we have operationalized the first facility at Tunikibollaram plant with 3 additional units scheduled to go live during FY '26. As a result, we expect our depreciation to step up and projecting to be INR48 crores in depreciation for the full year FY '26. Other income saw an increase during the quarter, primarily from the treasury income



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because of unutilized QIP funds. This is expected to taper down in coming quarter as these funds are deployed for capacity expansion.

Profit after tax for the quarter stood at INR30 crores with a PAT margin of 20.88%. Here, I'm taking denominator as a total income for calculating the PAT margin, up from 17.3% in quarter 1 of FY '25 and 20.29% in quarter 4 FY '25. Lastly, I'm happy to share that both Azad Prime and Azad VTC has turned EBITDA neutral within just a few quarters of operations, and we are confident they will become PAT positive by quarter 4 of FY '26.

With this, we conclude our presentation and open the floor for question and answers. Thank you.

**Moderator:**

We have first question from the line of Amit Dixit from Goldman Sachs.

**Amit Dixit:**

Congratulations for a very good set of numbers. I have a couple of questions. The first one is essentially on the domestic aerospace and defense segment. If we see the focus of the government is now for the indigenization of the engine that would be probably fitted on AMCA, the co-production of Tejas Mark 2 and there have been funds allocated for Kaveri as well. So in light of these developments, I just wanted to get your thoughts on the potential that Azad sees in the domestic market, particularly aerospace and defense. That is my first question.

**Rakesh Chopdar:**

Okay. Amit, thank you so much. On the Indian defense, as Azad's focus is mainly on the niche components of the engines. And you're right, our focus is only on the components where we can value add, and that's the first engine what we are manufacturing for DRDO. So our focus wish to stay here because we have to deliver 2 engines in FY '26. And once they are delivered, and that opens the big door for all the programs which are live going on in the Indian defense as this will be the first jet engine to be manufactured, right, for this -- in India for this capacity.

And that's definitely going to open doors, and we are confident once we deliver these engines and the defense MoD will recognize Azad for its efforts, and we look forward and fingers crossed.

**Amit Dixit:**

Okay. The second one is essentially on another segment of energy, nuclear power. A lot of your customers and peers have been quite vocal about the potential of this space. Now Azad, as we understand, is the only company in India, which is accredited by EDF. So just wanted to get your thoughts on the potential that we see in both global and local market from nuclear energy segment.

**Rakesh Chopdar:**

Yes, Amit, like the major worldwide EDF controls the nuclear power and there are stringent approvals you need to get from EDF and which we broke all the qualifications and we could really get there, and we are now qualified by EDF as an approved supplier globally, not just for 1 project or 2 projects. And that has helped us get recognized worldwide wherever nuclear plants are coming up.



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And similarly, in India, it's NPCIL. And so EDF and NPCIL work very closely. And definitely, there is a massive big opportunity coming up for the nuclear. Whatever power demand comes up, nuclear power project comes up, we will be the first choice. And we are the only choice, to be honest, today.

**Moderator:**

We have our next question from the line of Karan from Jetha Global.

**Karan:**

Congratulations again on great results. I just wanted to address, obviously, the topic du jour, which is tariffs. We don't know how this is going to play out for sure. But if you can help contextualize for us, let's say, the 25% holds, how would that, if in any way, impact your business?

And then I guess the second question would be just, I guess, more generally, on the order book, we've obviously started executing against a very large order book. But what would also be interesting to see is that order book growing and doubling and tripling from here. So as you think about the drivers of what may -- I think you mentioned the domestic defense side.

I think you just -- we just talked through nuclear, those could be drivers of the order book growth. Are there any other drivers that you would like to kind of call out or tease out that could manifest over the next 12 to 18 months?

**Rakesh Chopdar:**

Yes. Karan, first thing, thank you so much for the question. I would like to clarify on this tariff thing. It's a big question mark for everyone in India, what's going to happen, right? So let me be very specific on this part. One thing is very sure is if we have got this business now or before, right? Definitely, it's before. So we have competed someone and got this business. And the next competition to us is China.

So if you talk about the Azad's competition, it's in China, Europe, Japan, America and Korea, right? These are our competitions. Now if the business has come, so I can give you an idea from China, we are 20%, 25% competitive. From Europe, and Japan, we are around -- Europe, we are around 30%, 35%. Japan, we are 40%, 45% and similar to the global levels where we compete them.

So today, if we talk about the closest competition, that's China, okay? Now we are 25% already very -- we are competing them. And China has a 30% tariff. India has a 25% tariff. So the situation doesn't change for Azad. It remains the same for the customer. So still, we are the only option, again, no matter if another tariff goes up by 10%, 15%, it will not matter us, right?

So that -- and if China is the closest and then Europe and if you talk about Japan or someone, they are already 40%, 50% higher than us. So definitely, it's not going to affect Azad for its product line where we are competing the global peers, what we have at the moment, right? That's one point. Sorry, Karan, I need to have your second question again. I just lost it.





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**Karan:** Sure. Just in terms of order book growth, I just wanted to understand what the drivers of that would be? We talked about nuclear. We talked about domestic defense. What would be the other drivers over the next 12 to 18 months?

**Rakesh Chopdar:** Yes. So look, our focus is like we -- what the facilities which are coming up, there is -- there are already we have order books in our hand and already commitments are being given, contracts have been signed, and we are committed for next 4 to 5 years for the certain contracts we have signed and the preparations are going well accordingly. We are setting up the plants coming up.

However, there are many more opportunities which we are discussing. And we will just pick them up as we get the right time up, right? So current focus is what we have in hand, the conversion of -- the setting up the plant. It's not easy to set up one massive facility, right? And such 8 are going on in parallel.

So you can imagine how tough the situation is for the team to handle the growth, to handle the day-to-day commitments, to handle the new facility coming up, the certifications, the machines coming in. So I think next 2 quarters is what we assume that we have to just stay calm and focus on what we are doing at the moment, set this up.

Opportunities are definitely lined up, and we are not going to stop here somewhere. So there is a massive opportunity lining up before Azad. So we'll take it at the appropriate time. We'll not lose it.

**Moderator:** We have our next question from the line of Aditya Bhartia from Investec.

**Aditya Bhartia:** My first question is on the capacity addition that we have already undertaken. With this kind of capacity addition, what would be the revenue potential that we can achieve? How much more can we kind of generate from the existing capacity that we are already having? And if I heard you correctly, you spoke about roughly INR450-odd crores of capex for this year. So what kind of further addition would we see once that kind of capex number gets concluded?

**Rakesh Chopdar:** Yes. Thanks, Aditya. So see, again, I would like to again get the same answer what I gave in the previous question, what I answered, is the setup is still going on, right? We are talking about a massive facility. We're not talking of adding a few machines or we are not adding -- we are not seeing the capacity just buying the machines and putting, there's a whole factory is coming up, right? So it's a very -- it's a very, very big challenge to manage everything.

However, the growth trajectory, what we are seeing is the guidance what we are giving, 25%, 30%, definitely, that's going to be maintained, right? And we have to have these facilities coming up, which we see in FY '26, we stabilize with almost all the facilities coming up in the next 12 months.





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And then we can definitely see an upside once the factories are up, right? So this is where I could answer on the capacity and the growth. So we should give at least 2, 3 quarters more to stabilize everything, keeping the growth 25%, 30% together, which goes in parallel.

**Aditya Bhartia:** Sure, sure, sure. Rakesh, the way we were kind of thinking about it earlier is that these are modular facilities. We'll keep kind of making one operational after the other, ramp them up and then go for the other expansion. Has there been a change in that thought process wherein we want to be making operational a few more manufacturing facilities at tandem? And is it a reflection of the confidence that you're driving from the order book? And in that context, can this growth be much, much higher than 25% to 30% that we are speaking about?

**Rakesh Chopdar:** I agree with you, Aditya. That's why I mentioned the 25%, 30% is coming from the existing orders and as we are adding machines, as we're adding capacity. And definitely, once it is up, definitely, we expect a shift, yes.

**Aditya Bhartia:** So from the perspective of next year, would you be anticipating a much stronger growth than this 25%, 30%? And...

**Rakesh Chopdar:** Yes, we expect that, Aditya.

**Aditya Bhartia:** Sure. And even for this year, Rakesh, like we have started the year at a good rate, and you also mentioned that you expect this kind of momentum to be continuing. But for the year as a whole, we are retaining the guidance. So is it that we're just being conservative and we actually -- from our internal targets, we are looking at more like a 35%, 40% growth, but speaking of 25%, 30% only?

**Rakesh Chopdar:** Yes. Look, I have to be a little conservative, right? I should have -- once the facilities are up because it's -- again, I mentioned it's not a small thing what is happening here in Azad, right? And managing altogether and 25%, 30% is what we look forward. But definitely, we all know once the factory is up, once things stabilize, we'll definitely see a shift for sure.

**Aditya Bhartia:** Understood. And one just last kind of follow-up on the same aspect. We have spoken about, let's say, fixed asset turns of over 1x, closer to like 1.5x. Now that we are doing INR450 crores of capex, does that mean that we have the additional lever of doing maybe somewhere around INR500 crores, INR600-odd crores of revenues over and above what we are already doing?

Is that the magnitude of investment that we are undertaking? And consequently, growth over the next couple of years can be significantly faster, not by a magnitude of 10%, 20%, but significantly faster than what we've seen in the past?

**Rakesh Chopdar:** Vishnu, would you like to take this? Yes.

**Vishnu Malpani:** Aditya, thanks for the question. Yes. So Aditya, we are looking at a deployment of roughly INR450 crores. And this deployment would happen towards three broad areas. One is



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infrastructure, one is towards plant and machinery, and we are also investing in some strategic assets like forging hammers, et cetera.

So if you look at the overall deployment, we should be deploying anywhere between INR250 crores to INR300 crores towards creating capacity. Now when you look at a INR300 crore investment, I would suggest that with an asset turn of roughly about 1.8, we should be able to generate INR550 crores of incremental revenue, right? Now we had already delivered INR450 crores. So this should be good to go to take us to about INR1,000 crores. That's how -- that's the right way to look at it.

**Aditya Bhartia:** Understood. And from that perspective, this year possibly is the peak capex year and from next year, capex drops meaningfully...

**Vishnu Malpani:** So we will efficiently deploy capex looking at the demand that we are having, looking at the capacity that is needed to achieve the numbers that we have committed to our customers. So it takes us back to the guidance where we are pretty confident of delivering 25% to 30% that Mr. Chopdar said in the coming years.

**Moderator:** We have our next question from the line of Vikash Singh from ICICI Securities.

**Vikash Singh:** Congratulations on a very good set of numbers. Sir, coming back to the tariff again, you explained about the orders. We are cheaper than most of the countries. But what about the existing orders? Is there any clauses, which protects us for the existing orders, any tariff changes and doesn't impact our margins?

**Rakesh Chopdar:** Yes, thank you for the question. Now this is what I'm trying to say is we have already competed and got these contracts. It's already done. It's nothing that there is going to be effective more from this. This is already -- we are competing them already. We are competing with the whole world, right? So we are the best cost.

The other -- the next competition to us is around 20%, 25%, they are expensive than us. So example -- I'll give you an example like example, China is 100 for a component A. Azad is 75 for the same component for the customer, right? And China has got 30% to 40% tariff. Now India, they have put 25% tariff. Still we compete. We still compete.

**Vikash Singh:** So where I'm coming from, so we have, let's say, competed and got the orders already. And post that, there is a 25% tariff which has been imposed. We have exposure to U.S. as well. So is the additional tariff would be borne by the buyer that is in the clock because if you have to bear that, then your margins will get eroded. That's what...

**Rakesh Chopdar:** Okay. I'll give you another -- again, I'll take back you to 100. So 100 plus, say example, 30% China is the tariff. So it becomes 130 from China. 75% plus 25% tariff. Still we compete, right? Okay. So we are still at 93.



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- Vikash Singh:** Understood, sir. Understood.
- Rakesh Chopdar:** Got my point?
- Vikash Singh:** Yes, I got your point.
- Vishnu Malpani:** Just adding to Mr. Chopdar's point, also, it's important to note that our scope of production or manufacturing is FOB Hyderabad, right? So it works, and so that's why it does not impact us to that extent. And also, see, we need to understand that this is an ever-evolving situation for all parties in this ecosystem, right? So, so far, I think our deliveries are lined up perfectly for the next few months and quarters, and we don't see any impact as of now.
- Rakesh Chopdar:** No, there is no impact...
- Vikash Singh:** Noted, sir. Sir, my second question pertains to the Aero and Defense segment. Now that we have already 29% in the order book, you have a long-term plan of taking it to 40%. So just from the margin perspective, would aero and defense incremental share in the revenue will have a positive impact on the overall margin in the longer term? And how should we look this segment increasing on our working capital requirement as well?
- Rakesh Chopdar:** Yes. So first of all, the product line what Azad is very differentiated. We don't do what this -- we do only the niche, right? As we spoke -- I spoke earlier on the engineering. So we are the only company. We are the only company in India who's producing those engines. There's no competition to us today. It's 100% awarded to us. right?
- So we don't go in such segments where we see a lot of competition or we participate in this kind of programs where we need to look at sometimes like if you talk about the Indian MoD, Ministry of Defense requirements coming up, we don't participate every. We participate where we can value add, right? The engine is a nationwide project. It's a need of the hour. And we are contributing to such projects.
- It's really, really appreciable for us to be there and keeping the growth in A&D in total. Likewise, in MOD, what we are doing in India is also in the global scale. We have only chosen the products which -- where we can really have a value add. So we are very secured in whatever margins we are adding while we take our orders. So that's also secured.
- Vishnu Malpani:** So I would just want to echo Mr. Chopdar's thoughts that the way we are estimating these components across sectors, we ensure that these are not margin dilutive in nature and the blended margins of the business will remain consistent at 32% to 36%.
- Moderator:** We have our next question from the line of Pratik Dharmshi from Union Mutual Fund.
- Pratik Dharmshi:** Many congratulations, Rakesh and team, for a splendid set of numbers. A couple of questions from my side. On the product side, do we see in terms of new product introduction, is there a





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material scope for improving the wallet share and introducing a lot more products for our customers where we can do more of R&D and get through with higher share of the wallet of the customers from here? Or is winning new clients our goal basically? How should one see it from a slightly medium-term point of view?

**Rakesh Chopdar:**

Yes. Yes, good question. So as the products where Azad plays in are very niche, okay? That's very clear that it's very, very niche and it's not easy to just produce these components, right? So it takes massive time to get the qualifications approval per product, per family, right? So if you talk about the wallet share, first of all, we are on average around 2% -- 1.5% to 2% of every customer's wallet share Azad is holding today for the product line which we have already qualified and approved.

So one way, it's going to increase the wallet share from 1% to 2% to 3% to 5%, okay? That's one way in which the facility is coming up. The other way to look at it is to what to add more to add more families in qualification and all. That's the second activity parallelly which is going on, which we're just waiting for -- like that is a continuous process. That will never stop. That's keep on going.

Only thing is to ramp up -- once you get approvals, you have to ramp up immediately. So that's why these facilities are coming up. So we're very curious and very excited to close all the growth -- I mean, to close all the upcoming facilities to start the production ASAP

**Pratik Dharmshi:**

Got it. And when we hear likes of Boeing, Airbus talking about a lot of opportunities coming to our side of the world in terms of their order backlog is completely full. They want to move the value chain outside the Western side. Considering the large opportunity which lies ahead of us in terms of catering the global clients as well, margin trajectory from what we have been guiding, that 32% to 35%, 36% band, as more and more niche and more and more aerospace-related stuff would come through, trajectory-wise -- I'm not talking about the next 1 or 2 years, but trajectory-wise, ideally, this band should go up. Is my understanding right? Or how should one see it?

**Rakesh Chopdar:**

Yes, yes. Primarily, again, Azad is component manufacturers for the engines, components and assemblies, right? Boeing and Airbus doesn't manufacture engines. They buy engines from Rolls-Royce, from GE, from Pratt & Whitney, from Safran. So our main focus is these companies. Also, we want to do a lot of business with Boeing and Airbus, but not all, right?

Not all, and we would like to enter in the niche segments also in Airbus and Boeing of getting into the landing gear systems or something, which is again niche. So again, the prime focus stays with the engines where we have already committed, we have already taken the responsibility of committing -- completing a lot of projects in this coming next 2, 3 quarters. And definitely, as you rightly said, the massive growth opportunity is already there, and we'll be going step by step.

**Moderator:**

We have our next question from the line of Jayesh Shah from Ohm Portfolio Equi Research.





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**Jayesh Shah:** My question is to Rakesh. And again, it's on the similar lines as the previous question. Based on your answer, do I really come to a conclusion that Azad will continue to operate in niche areas and perhaps over time, will cap the customer wallet share to 4%, 5% to protect the margins?

Or Azad has ambitions to really grow with each customer and perhaps become a system integrator where the long-term margins may come up to 20%, 25%. So I mean, at what point would you choose growth versus margins? And when would the trajectory change? Is that 5 years, 10 years down the line? Or what is it?

**Rakesh Chopdar:** Okay. On a lighter note, what if we have both? Growth as well as...

**Jayesh Shah:** That's an ideal scenario. We will be very happy to go wrong here.

**Rakesh Chopdar:** So just for information, the contracts which are signed have already covered these both aspects, right? Here, we are saying 25%, 30% growth, consistent growth with high margins, right? So these are already captured, covered, signed off. So that's a good news for everyone, right?

**Jayesh Shah:** Right. Right. But when we have seen companies like -- global companies like Apple, Airbus, Boeing beyond a point, they do end up checking your bill of materials and do really negotiate and come to some kind of a cost plus understanding because they become as meaningful for you as you become as meaningful for them.

**Rakesh Chopdar:** Okay. So I'll tell you one thing. Now Mitsubishi, like -- okay, I'll not name a customer, but I'll say Japanese customer is placing an order. We know we are 40% to 50% cheaper, right? If they're spending \$100 in Japan, we are at \$40 to \$50, right? We are -- while maintaining our EBITDA.

Would -- and I know -- and they know that we know they're paying \$100, okay? Will they come and ask us, okay, reduce further? Rather, we can say, okay, you want me to increase the prices further.

So again, this is again on a lighter note, right? So I don't see any challenges. That's the transparency Azad maintains with all and enjoys the customers' attention that we are very transparent. They know everything about us. We know everything about them. So we don't -- I don't think we'll see any kind of such kind of thing of having this price thing. They may not challenge us or something like that, though everything is open.

**Vishnu Malpani:** And I think just adding to Mr. Chopdar's point, I think it's really about a balance that we are trying to strike. We do not want to compromise on our growth or our margins. We're trying to balance both of them simultaneously. If you look at our growth for the last 5 years between FY '21 to '25, we've grown at a CAGR of about 40%.

But if you look at our CAGR in terms of EBITDA, we have grown at upwards of 45%. If you look at our CAGR in PAT, we've grown at a CAGR of 60%. So ultimately, for us, I think the



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focus has been to scale the business by improving our wallet share and keeping our margins intact or attempting to further improve margins. So we are on the same path.

**Moderator:** We have our next question from the line of Rakesh Roy from Boring AMC.

**Rakesh Roy:** Sir, I missed, sir. Sir, how much is our order book, sir, currently?

**Vishnu Malpani:** Sir, our order book is approximately INR6,000 crores.

**Rakesh Roy:** Okay, INR6,000 crores. Sir, my next question regarding, sir, now oil and gas prices is coming down, do you see any decline in the future order inflow in oil and gas?

**Vishnu Malpani:** No, we don't. We see no impact because we -- yes, so we focus on a very niche segment, which is mission-critical and life critical. So these are essential components for the segment, and we don't see a demand drop there.

**Rakesh Roy:** Okay. And defense business, we are mostly focused on aerospace. Do you see any new product addition for other like Army or Navy in near future, sir?

**Vishnu Malpani:** So I'd just like to slightly correct you. So we're not just an aerospace company, we are an energy, aerospace, defense, oil and gas. So we focus on each of these sectors equally. So that one, and we are adding a lot of products. So if you look at the way we are diversifying our business in product, 4 years ago, 90% of our product was airfoils in energy.

So today, that business is about 75%. 25% in energy, we have diversified. Aerospace and defense, we are adding a lot of new products. Components, like we said in our previous call, we are also working on nation-pride contracts where we are looking at manufacturing and engine end-to-end. So a lot of products have been added to our portfolio.

**Rakesh Roy:** Okay. And sir, last question, sir, you have guiding for 25% to 30% revenue growth. So this growth will come from energy same like Q1, energy and oil and gas?

**Vishnu Malpani:** Sorry. Can you please repeat that question again?

**Rakesh Roy:** Sir, for FY '26, you have guided 25% to 30% revenue growth. So this growth will be supported by, again, like in Q1 energy and oil and gas sector?

**Vishnu Malpani:** No, no. I think we are anticipating aerospace. So all of our segments should be delivering one of the best performance in their history. So we anticipate aerospace also to grow significantly this year, including our energy and oil and gas business also. So each of these verticals will be contributing to phenomenal growth. And I think we should towards the end of this year, have record performance in each of these business segments.

**Moderator:** We have our next question from the line of Manish Ostwal from Nirmal Bang Securities.



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- Manish Ostwal:** Good set of numbers. My question on your slide number 25, where you mentioned that the company has signed MOU with the -- for expansion into Saudi Arabia. So what are the plans for that market? What we have done so far? And in the medium term, what we can anticipate from...
- Rakesh Chopdar:** Yes. So yes, this MOU was signed with Saudi government. This is from our customers who are already spending massive money there to do a localization program. And as I mentioned, our focus right now is to come up with our own facilities here. And so those discussions are going on, but we have put it in the second priority for that. But definitely, we'll go there, but our prime focus is right now to build all the factories here in this FY '26 currently in Hyderabad here.
- Manish Ostwal:** Okay. The second question, sir, on the -- in terms of technical capability with respect to human resources, so how is the attrition rate, how -- in the company? And secondly, on a yearly basis, how much money we are spending on R&D and the training stuff to increase the capability and improve the efficiency for the delivery of our products?
- Vishnu Malpani:** Yes. So human capital, I think if you've noticed the commentary that Mr. Ronak Jajoo shared, we've added a lot of key leaders in our business. So today, our business is fully manned. If you are looking at the key management people, all the senior management people that we've hired. We've onboarded business leaders for each business segment as well. So last year, we had senior leaders from Mahindra, who had joined us.
- Senior leader from Tata, who had joined us, senior leader from another aerospace organization that has come on board. Mr. Murali Raju, he came on board from another large precision manufacturing company. And this process is a continuous process for us. We are also hiring a lot of people in the middle management and lower management, and there is a dedicated training and development program where each of these individuals are put to in-house and then they are eventually deployed on the real projects.
- So this is what we're doing from a human capital perspective. We don't spend a lot of money on R&D because we are a build-to-print company. We have a team which focuses on new product development, but we wouldn't call them as R&D but NPD.
- Manish Ostwal:** Okay. And the last point, just a small clarification. Is it right the company was not taking orders because of capacity constraint. Now with the 8 facilities, we -- our order book will further grow in a faster way. That is the right way to...
- Vishnu Malpani:** No, I think that's a wrong statement because if we were not taking orders, we wouldn't -- our order book to sales wouldn't be 8 to 9x what it is today, right? So we've always been pro at taking orders. But at the same time, this is an industry where our commitment is valued. So we do not go ahead and do it if we see challenges in terms of delivery. So we've always been supportive of taking newer orders, growing in newer segments with our customers.
- Moderator:** We have our next question from the line of Jainis Chheda from Kemfin Family Office.





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- Jainis Chheda:** Congrats on the great set of numbers. Sir, one question from my side in terms of client addition. If you can give us what were the clients that were there as of March '25 -- as of June '25? And what are the new clients that we are likely to add going forward considering the order book -- clarity that we have?
- Vishnu Malpani:** Yes. So we won't be able to share a lot of customers that we would be adding, but I can tell you that we are in advanced conversations with some of the sector leaders in each of these business segments that we operate in. And in the next coming quarters, you should be able to see announcements that will give you more info on this.
- Jainis Chheda:** I understand not naming it, but can you just share a ballpark number, if that's possible?
- Vishnu Malpani:** Sorry, we won't be able to share that.
- Moderator:** We have our next question from the line of Maitri Shah from Sapphire Capital.
- Maitri Shah:** Congrats on the great results. And we have a lot of capacity expansion happening. We're also introducing new products and the new projects that we have signed in. So our peak revenue capacity expectation is about INR1,000 crores. So do we expect to achieve that by FY '27? Is that a correct assumption?
- Vishnu Malpani:** Ma'am, the right way to think about this would be to take our guidance and do it because we are very confident of meeting our guidance and also delivering. You've seen our historical performance. We've always beaten the management guidance. So we want to stick to it. But yes, we are working very hard internally trying to push everything to beat our estimates as well.
- Maitri Shah:** And the INR6,000 crore order book until what kind of timelines do we have on that, if that's possible?
- Vishnu Malpani:** So we are looking at developing this entire plant, and all the investments that we would do this year and the next couple of years. We anticipate all of this to get realized over the next 5 to 6 years.
- Moderator:** We have a next question from the line of Kamlesh Bagmar from Lotus Asset Managers.
- Kamlesh Bagmar:** Just one question on the part of workforce. Like, if I see last year, we had 1,300 employees. And as of the quarter, it is 1,313. So where all we have seen these increase because it's just 1% if I compare it year-over-year or even quarter.
- Vishnu Malpani:** So thank you, Kamlesh Ji. So I think we are adding people across domains. And some of the people -- employees that get onboarded for us, which are on the lowest leg, so they are a part of the contract workers initially sometimes. And then once they are trained and ready to be deployed, then they move into a skilled workforce that we have. So that is generally the model.





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But if you look at the top heads for us, all the positions are perfectly manned with respect to SBUs. So that's something that's happening, yes.

**Kamlesh Bagmar:** And lastly, like I believe 80-odd percent or you are not providing that how much is the U.S. share in our revenue. So if I assume like roughly around 75-odd percent would be going to U.S. So how are we navigating with this tariff imposition? So is it like entirely it is taken up by the customer? Or how are we proceeding on that? How are we navigating that particular issue?

**Vishnu Malpani:** Yes. So Kamlesh Ji, I think two things. Our exposure to U.S. is not 70%. For the last 2 years, it's been consistent at about approximately 40%. So one point is that. Second point, I think Rakesh Ji in his previous questions, tried to explain this. See, for us, I think as of now, we are not seeing any impact in our business. We are good to go. Our deliveries for the next couple of months and quarters are lined up with absolutely no change in the way we are doing business.

**Moderator:** We have our next question from the line of Balasubramanian from Arihant Capital Markets.

**Balasubramanian:** Congratulations for a good set of numbers. Sir, on the order book side, we have INR6,000 crores kind of order book. What's the mix of long-term contracts versus short-cycle orders?

**Vishnu Malpani:** So our order book is all in terms of long-term contracts, et cetera, because our long-term contracts convert into purchase orders, right? So every purchase order that we have is a function -- is coming out of the long-term contracts only. So if you want to know the split of long-term contracts, Rakesh Ji mentioned it, but I will repeat it. It's about \$400 million for energy, \$200 million for aerospace and defense and about \$100 million for approximately for oil and gas.

**Balasubramanian:** Okay, sir. Sir, we are moving components to full engine assemblies, especially for GTRE, gas turbine engine projects. What's the margin implications and the scalability challenges?

**Vishnu Malpani:** So we are not saying that we are moving. We are building capabilities in that department. See, the current market for us in component manufacturing, where we're doing mission and life critical parts is extremely huge.

But for us to build a layer of capability in component manufacturing to assemblies and subassemblies is something that we are doing today. Because the moment we enter that space, it enters -- it improves our target addressable market to a really large extent. So that is what we're doing, but that is more from a capability development perspective today. But the market is significantly large on the component manufacturing piece that we are today doing. So we want to keep focusing on that and improving our wallet share, while at the same time, we keep building capabilities in moving up the value chain for manufacturing.

**Balasubramanian:** Okay, sir. Sir, on that export side, we have more than 90% of revenue and the segment side also like energy gas, these things are more than 80% of revenue. How do you look at the exports and the segment side, whether we'll maintain same kind of share? Or like is there any plans to reduce it to focus on other sectors?



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- Vishnu Malpani:** So I think we are not looking at reduction from any perspective. I think our business model is pretty straightforward because we work with largely global OEMs, that's why our business is export oriented, and that should continue for the longer period.
- Moderator:** We have our next question from the line of Nitiksha from Anvil Capital.
- Nitiksha:** Congratulations, sir, on a great set of numbers. I just wanted to understand, sir, as you mentioned, we are a build-to-print company. In general, we have seen that build-to-print companies have lower margins, sometimes like low single digits. So how do we distinguish ourselves for a BTP company to have such good set of margins, sir?
- Rakesh Chopdar:** Good question. But again, what we have been telling is we operate in niche. So that's exactly when we say it's niche, everything is mission backed, right? And when we say we are the only one company for major of the components manufacturing in the country, that means there is nothing called what every -- it's not a normal business. They are 3D components, 3-dimensional components, right? So it's not easy to manufacture them. And it's more of a process engineering what we do on the floor, and this is where we generate the margins from.
- Nitiksha:** Okay. So the technology is provided by the customers, right?
- Rakesh Chopdar:** No, no, ma'am. No, it's all in-house. It's the teamwork what we do here.
- Nitiksha:** Okay. Because generally BTP, the technology and everything is provided by the customers, that's why the margins are lower. And in build-to-spec, it is more the process is innovated from our end. So then where do we fit in actually?
- Rakesh Chopdar:** Correct, ma'am. It's a very long story. I request you -- I invite you to the facility here. You would -- I would like to demonstrate how we do this. It's a very long story.
- Moderator:** We have our next question from the line of Tejas Mehta from Norwest.
- Tejas:** Congratulations on a great set of numbers. One quick question. Between Q4 FY '25 and Q1 FY '26, the aero revenue just had a slight dip. What would you attribute this to? Would this mainly be cyclical that you see along the quarters?
- Rakesh Chopdar:** Yes. See, the first thing what I would like to mention is we have a lot of families of components per OEM, per segment, per part number, right? So there is a cycle of qualifications and there's a cycle of -- after you qualify, you get approvals and then you add capacity and then you start doing the revenue. So it's definitely -- there are not one family. There are many families of many OEMs, which are falling in the pipeline, in the queue, right?
- So unless you don't qualify, don't get approvals, you can't generate much revenue. So that's the cycle. That's the process. So this is not that we have declined somewhere or it's not that we have



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not grown in that. Definitely, there is a lot of qualification parts on the floor there. That's very understood. However, the capacities what we are increasing is not just for one segment, right?

So we are going in energy, we are going in aero, we are going in defense, we are going in oil and gas. So all the four simultaneous capacities are getting increased. So definitely, I would say that there is -- there are a lot of parts which are under qualifications and qualifications don't generate much revenue. And if you don't qualify, don't get approval, you may not generate revenue. So it's a cycle.

**Vishnu Malpani:**

Yes. Having said that, just to add to Mr. Chopdar's point. So there's no -- so I wouldn't call it decline if the number has gone down by a few crores, I wouldn't call it decline. I think the right way to look at the segment, which is aerospace and defense, I would suggest please look at, say, our overall number, when you look at it over a period, when you look at our numbers for, say, H1 or when you look at our numbers for the full financial year, you will see that this vertical would demonstrate one of the best growth segments for this year. We don't see any challenge from that perspective.

**Tejas Mehta:**

Appreciate the robust growth demonstrated in the past.

**Moderator:**

This will be the last question for today. And I now hand the conference over to the management for closing comments.

**Rakesh Chopdar:**

Well, thank you so much. Thank you, everyone, for the time you guys have spent over the last 1 hour, and we appreciate your support, and we appreciate your insightful feedback. And they're most welcome. Please keep giving us feedback so that we can deliver -- we can perform much better. Thank you so much.

**Vishnu Malpani:**

Thank you. Thanks, everyone. Thanks, everyone, for your support.

**Murali K. Bhupatiraju:**

Thanks a lot for your support.

**Moderator:**

Thank you. On behalf of Azad Engineering Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.