

AZAD

May 22, 2026

To,
The Listing Department
BSE Limited
Department of Corporate Affairs
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai, Maharashtra - 400 001
Scrip Id-544061

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

Dear Sir/Madam,

Subject: Transcript of the earnings conference call organized on May 16, 2026.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed the transcript of the earnings conference call conducted on Saturday, 16th May 2026 at 11:00 a.m. (IST).

The transcript of the earnings conference call is also available on website of the Company i.e. <https://azad.in/quarterly-financial-results/#earning-transcripts>. You are requested to kindly take the aforesaid on your record.

This is for your information and record.

Thanking you.

Yours truly,

For Azad Engineering Limited

G. Praneeth Abhishek
Company Secretary, Compliance Officer and Head Legal
Membership No.: A35583

Encl.: As above

Azad Engineering Limited

Plot No.90/C, 90/D, Phase -1,
I.D.A., Jeedimetla, Hyderabad,
Telangana-500 055, India.

Contact: 040-23097007
Email: info@azad.in
Web: www.azad.in

CIN NO: L74210TG1983PLC004132
GSTIN: 36AAECA9452H1ZJ

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“Azad Engineering Limited
Q4 FY '26 Earnings Conference Call”

May 16, 2026

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 16, 2026, will prevail.



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



Moderator:

Ladies and gentlemen, good day, and welcome to Azad Engineering Limited Q4 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance in the conference call, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rakesh Chopdar, Chairman and CEO. Thank you, and over to you, Mr. Chopdar.

Rakesh Chopdar:

Thank you. Thank you very much. Good morning, everyone. Welcome, and thank you for joining us on the Q4 FY '26 earnings call. I'm joined today by Mr. Vishnu Malpani, our Whole-Time Director; Mr. Ronak Jajoo, our CFO; and SGA, our Investor Relations advisors. The audited results and the investor presentation have been uploaded on the stock exchanges and to our company website, and I trust you have had a chance to look at them.

At the start of FY '26, we described it as a year of consolidation, a year in which we would embed newly commissioned capacity, convert the qualifications we have been earning over multiple years and put in place the human capital and the systems that the next phase of growth demands. I'm pleased to report that we have delivered on each of those commitments.

Before turning to the numbers, I want to spend a moment on what the growth you are seeing actually represents because it is important to characterize this correctly. So the nature of our business and our growth. Azad is a global supplier. We compete head on with established suppliers from U.S.A., Europe, China and Japan and on their own benchmarks for the same global OEM platforms. We have done so far for many years now, and our growth today is a cumulative payoff of that long hard work, not a function of any short-term tailwind, geographic shift or single market opportunity.

The products we manufacture, critical rotating components for gas, steam and nuclear turbines, mission and life critical aerospace and defence parts, complex precision assemblies for oil and gas are among the most demanding components made anywhere in the world. This is inside engines that operate at extreme temperatures, extreme pressures, extreme tolerances. The cost of failure is measured in lives and in billions of dollars platforms. The reason these components are made by only a handful of companies globally is straightforward.

The qualification cycle to even be allowed to manufacture them take years, sometimes a decade of process validation, metallurgical proof, dimensional verification, first article inspections and serial production audits. Once the supplier earns that qualification, the business is sticky, multiyear and high value. The growth you are now seeing in our reported numbers is the conversion of qualifications we earned over the last several years. Against the backdrop of capacity, we have deliberately built to be ready for the next conversion.



Talking on the capacity and customer milestones. As promised on our capex road map, we have successfully inaugurated fourth dedicated lean manufacturing facilities for our marquee global customers since listing, of which 2 were commissioned during FY '26 and the most recent one just last month. In April 2026, we inaugurated a dedicated facility for Baker Hughes, a milestone in a relationship that like all our relationships, we earned through one of the most rigorous qualification pathways in the industry. A dedicated facility represents the deepest possible form of customer integration, and we now operate several such facilities for several global OEMs.

Mitsubishi Heavy Industries, a defining proof point. We are also pleased to share another significant milestone. Azad has been awarded a prestigious contract by Mitsubishi Heavy Industries Japan as a single-source supplier partner. And we have signed an 8-year long contract and purchase agreement for the supply of highly engineered hot section Nozzle Vanes segments for the combustion of a gas turbine engine.

Single source qualification for hot section components of a turbine nozzle vane for an OEM of MHI stature is the strongest possible endorsement of our technical and process capabilities. This product is not just being awarded, and it is awarded by many, many audits and many, many qualifications prior to even they think of awarding such product to any company.

On the financial performance snapshot, Q4 FY '26 was another strong quarter. Revenue stood at INR157 crores, a year-on-year growth of 26.4%. Reported EBITDA margin improved from 36.5% in Q4 FY '25 to 36.7% in Q4 FY '26, driven by operational efficiencies, scale benefits and improving product mix. PAT margins expanded from 20.9% to 22.3% over the same period. For the full year, FY '26 revenue was INR590 crores against INR453 crores in FY '25, a growth of approximately 30% plus.

Reported EBITDA margin stood at 36.9% for the year and the PAT margin at 22.4%. The consistency of growth across both revenue and profitability reflects strong execution across every business segment and an increasing contribution from advanced manufacturing programs.

Building the organization for the next phase, this is very important. Equally important to the financial performance is the work we have done on building the organization itself. This is the work that does not show up in a quarter's print, but it is in the work that determines what the company looks like 5 years from now.

Infrastructure build-out. A meaningful portion of management bandwidth in FY '26 went into building physical infrastructure, new facilities, specialized equipment, audits, validation cycles, qualification, delta qualification for programs. That infrastructure phase is now approximately 70% to 80% complete. With the heaviest part of the -- with the build-out behind us, the operating focus from here is conversion, throughput and the operating leverage that comes from running a fuller, more integrated manufacturing system.

More importantly, the organizational restructuring. We are deliberately restructuring the organization to match the scale we are growing into. We are bringing in senior professionals from the industry, leaders with deep functional and sector experience and selectively replacing



certain functional roles internally where the role has outgrown what its currently incumbent was originally hired to do. This is a planned exercise executed with care and it is essential.

The Azad of future need a different organization architecture from Azad of today, and we are building for the company today. Systems and process, equally, we are upgrading our systems, our planning, our ERP, shop floor execution platform, our quality management system and our governance frameworks. Scaling a complex precision engineering business requires us to grow across every lever, people, process, plant, partners and systems. Growing one without the other is how companies stumble at this stage of the journey. We are determined not to.

Overall outlook, looking ahead, the demand backdrop of the product we make remains strong. Global OEMs across aerospace, defense, energy and oil and gas are scaling their platforms and the supplier base capable of meeting the technical threshold we operate at remains small. We are confident in sustaining strong business momentum and in delivering on our previously communicated top line growth of approximately 25% plus for the current year.

In line with growth outlook, we will continue to invest in capabilities, in capacity, in people, in systems and in deepening our customer partnership. The story of Azad has always been one of the patient technical qualification-led growth. We intend to continue writing this story the same way.

With that, I now hand over the call to our -- Vishnu Malpani, our Whole-Time Director. Thank you.

Vishnu Malpani:

Thank you, Mr. Chopdar, and good morning to everyone on the call. The year has set out where Azad stands strategically. And let me take you closer to how FY '26 was actually executed on the ground, ramp-up of the new plants and how each segment performed, the operational discipline that turns an order book into revenue and also what are our few focus areas for FY '27.

FY '26 was a year of calibrated execution for Azad Engineering. By every internal measure, it was one of our most productive years. We delivered our highest ever revenue, highest ever EBITDA and highest ever PAT. And we did it while commissioning 2 plants in this financial year, qualifying parts and adding people at record pace. With this, we now have 4 additional plants that we've built in the newer facility. We've always called FY '26 a year of calibrated ramp-up and not a rushed one. And the difference is really important to understand.

Calibrated means we lined up everything right from plant commissioning to customer qualification time lines, lined up hiring with our training and lined up raw material flow with our realities of working capital and WIP cycle. Every quarter of FY '26 was planned in detail, and we've been able to deliver close to our plan in every quarter.

In terms of segmental performance, we've been broad-based by design. Our growth of FY '26 was not dependent on any single customer or any geography or any single segment. We've had tremendous growth every segment. Energy and oil and gas remained the largest contributor for the full year '26 and continues to be one of the main engines of the business, contributing to roughly 81.5% for the full year in terms of our revenue, which is INR481 crores year-on-year,



growing at least 34%. In quarter 4, specifically, the segment generated INR128 crores in revenue, again contributing roughly about 81% of our quarterly revenues. The headline number hides the diversity inside. We've grown across multiple customers, subsegments within each vertical.

Coming to Aerospace & Defence. We've delivered another strong year and a milestone number of INR100 crores that we were able to reach for the first time. For the full year 2026, this segment contributed to INR102 crores (INR 102 crores was said erroneously. To be read as INR 101 crores), about 17.2% of our FY '26 revenue with a year-on-year growth of roughly 25%. In quarter 4 alone, this segment contributed INR28 crores. On the aerospace side, our share of qualified component categories with our key customers have grown materially through the entire year.

Talking about our order book. Our order book is at approximately INR6,500 crores with INR600 crores delivered in FY '26 and still remains at that level, which is about 11x, 12x our FY '26 revenue, given the forward visibility, which is very, very rare in the times today. The conversion in our order book is broadly driven by 3 things, and this is a question that we were asked the previous time that the conversion of an order book into revenue is driven by the production schedule already agreed with each of our customers, our capacity availability and ramp-up against that schedule and the qualification status of each and every part that is a part of a contract that we are signing with our customers.

As we exit FY '26, I'm very happy to share that all of these 3 are aligned for the first time at the scale. Capacity is largely in place. Qualifications are advancing across sectors and customers. Customer schedules are firm and are in place, and that's why we remain confident in delivering 25% plus top line trajectory, not just for FY '27, but on a multiyear basis.

Our focus for FY '27 sits on 3 to 4 priorities at large. First, ramping up our 4 new capitalized plants across GE, Siemens, Mitsubishi and Baker Hughes that we inaugurated over the last few quarters to their committed throughput. Second, commissioning the remaining plants that are still under construction or are in WIP stages by the balance of the year, FY '27, with the same discipline that we followed through FY '26. Third, deepening our existing customer relationships. Fourth, normalizing the working capital cycle over this period.

With that, I now hand over our call to our CFO, Mr. Ronak Jajoo. Thank you.

Ronak Jajoo:

Thank you, Vishnu, and good morning, everyone. I will take you through the financials and operational highlights for the quarter and the full year of FY '26. FY '26 has been an important investment and transition year for the company. During the year, multiple OEM dedicated facility progress simultaneously through commissioning, qualification and stabilization phase. While the result in elevated upfront investment in plant and machinery, inventory, manpower readiness and work in progress, it has laid a strong foundation for our next stage of sustainable growth.

We now have fully prepared facility, a robust order book and a strengthened organization structure to support future scale.



Let me take you through the numbers now. For FY '26, the company reported revenue from operations is INR590 crores on a stand-alone basis and INR603 crores on a consolidated basis. This reflects a healthy year-on-year growth of over 32% despite several facilities being in ramp-up stage, qualification stage and significant part of the year. The other income stood at INR46 crores, largely comprising of foreign exchange gain and treasury income. This is expected to moderate going forward as QIP proceeds are deployed towards the growth CapEx.

Our EBITDA margin are around 37.4% (consolidated), reflecting strong execution discipline, supply chain efficiencies and margin benefit driven by backward integration, which reduced our outsourcing cost. Depreciation and finance cost increased due to front-ended CapEx undertaken during FY '26. During the year, we have capitalized assets worth INR392 crores and record an increased CWIP and capital advance of INR191 crores during the year. Profit after tax stood at INR132 crores on a stand-alone basis and INR134 crores on a consolidated basis, delivering a strong growth of 54.5% (54.5% was said erroneously. To be read as 54.4%) for the year.

The balance sheet side, we continue to invest ahead of the curve. During FY '26, we have capitalized assets worth INR392 crores, as I mentioned. The company utilized incremental term funding of INR154 crores to support ongoing capacity expansions and total borrowing stood at INR457 crores on gross basis and INR272 crores on a net basis. Our treasury balance stood at INR184 crores, including INR160 crores from QIP proceeds. Receivables stood at INR309 crores, broadly in line with historical level.

Trade payables were INR87 crores, translating to approximately 51 days of sales, which was in line with historical number. We have not fully utilized receivable bill discounting facility this year given the current cost dynamics and our adequate liquidity available in the system, as I mentioned that we have a treasury of INR184 crores.

Additionally, we have GST credit of approximately INR100 crores accumulated over the past 2 years. This is on the back of capital expenditure, which we have done historically, which we expected to realize by H1 FY '28, supporting future cash flow and increase the liquidity in the system.

Let me take you through the inventory. Inventory during FY '27 reflects a deliberated and strategic buildup to support the ramp-up of our newly commissioned OEM facility and ensure readiness of committed production schedules, as mentioned by Mr. Vishnu and Mr. Rakesh Chopdar in their presentations. The buildup is aligned with capacity expansion, customer stocking requirement and upcoming order execution.

It's important to note nearly 96% of our inventory is less than 1 year old, indicating that it is primarily linked to recent investment plant ramp-up, qualification requirements and customer-driven restocking needs rather than the legacy inventory. As utilization improved across the new facility, we expect the investment to translate into stronger revenue absorption, improved asset turn, better return ratio and strong operating cash flow in FY '27 and beyond.

In closing remarks, FY '26 was just a year -- just not a year of growth, sorry, but year of purposeful investment to build capacity, enhance capabilities and position the company for long-



term expansion. With the strong order pipeline, operational readiness across dedicated OEM facilities and disciplined financial management, we are confident of converting this investment phase into the earnings growth and improved returns in coming years.

Thank you. I would now like to open the floor for questions.

Moderator: Thank you. The first question comes from the line of Amit Dixit with Goldman Sachs. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers again. A few questions, if I may. The first one is essentially, if I look at the projections or the commentary of global OEMs, including GE, Mitsubishi, Siemens, I mean, that seems to be very, very bombastic. I mean there is -- they are fully booked for next 10 years. So in this scenario, how do you see the landscape changing for Azad?

I mean the growth that we have projected 25% in revenue appears to be actually a little bit on conservative side, given the overall macro tailwinds that we are seeing. So -- and we have got, of course, relationship with all the global OEMs. So just wanted your thoughts on that?

Rakesh Chopdar: Amit, thanks for the question. Yes, you're right. There is massive pressure from our existing customers. And what we say 25% plus is a growth number. As during the last call and this call and a couple of calls, we have been mentioning that we are moving to the new facility, and it's not a small facility, which is in the making.

And we could successfully come to a level of stabilization that is 70%, 80% done. But we can't see that massive jump immediately, right? Because we need capacity, we need infra, we need the orders, qualifications, redo delta qualifications. So these things will definitely eat up a lot of time. And this is bound to happen with any organization, right?

You must be knowing all the stringent processes these OEMs carry or the stringent products what we manufacture. You're right. Definitely, there will be a jump coming in. Maybe in coming quarters, I would definitely elaborate on the numbers of the growth we are seeing. But we -- as we get stabilized 100%, my take is I would only give a growth number, what we are saying is conservative, you're right.

And this statement is going to change maybe just because in the coming quarter also, we see that the 70%, 80% is what we see the stabilization part done. Now the spindles are running, the material has been churning out, but the effect will not come overnight, right? So this takes at least this quarter, you will definitely see some movement of the revenues going up. But it's always nice to give a guidance and maybe in the next coming quarter, I can change my statement. And definitely, we can see after the stabilization is done, definitely, we see a massive growth.

Amit Dixit: No, great. I mean, got it. The second one is essentially on ATGG engine. So I just wanted to understand the road map of delivery. And if I'm not mistaken, there are 18 to 20 engines that you have to deliver in maybe 1.5 years. So just wanted to understand where we are on that development process?



- Rakesh Chopdar:** So Amit, I would just give you an idea, it was years, years got to months, now it has come to weeks. So we are not far away. Even we are super excited, especially me, myself, I'm super excited to deliver this to the government, much needed for the country at this hour. So it's not far away.
- Amit Dixit:** Okay. One data bookkeeping question, if I may. Is it possible to break receivable and inventory days into segment for this year?
- Rakesh Chopdar:** Yes. So as we gave a statement in the last call also, '26 was something and we were consolidating a lot of things, stabilization was most important. A lot of our bandwidth of the entire management went up in trying to make these facilities up and running. That's most important priority one.
- And then coming to the level where we have already WIP work in progress to cut down these inventories, as I promised in H1, you will see a drastic change coming to closer to 200 days. And H2, we get down to 160, 170 days. That's we have already planned, and it's in execution, and we will achieve it.
- Moderator:** Next question comes from the line of Suraj Malu with Catamaran.
- Suraj Malu:** Sir, I have 2 questions. One is in Q1 FY '26, you had mentioned a plan of creating total 8 dedicated facilities over 12 to 18 months, of which 4 have been completed. So are we on track to set up 4 more new facilities over 6 months?
- Rakesh Chopdar:** Yes, you're right. We are on track.
- Suraj Malu:** Okay. And the second question is, as and when you win some long-term contracts, you mentioned some contracts are 5 years, some are 6, some are 4, right? So of the existing order backlog of around INR6,000 crores, what will be the time line over which you will need to deliver this?
- Vishnu Malpani:** So these contracts have specific delivery schedules. And so every contract has a schedule at a part number level agreed with the customer. And then the capacity that we are bringing online, so just coming to the same thing that we were talking about, in the last about 18 months, we've gotten about 4 plants up, right? Now on the basis of the ramp-up plan and the customer delivery schedules, the capacity is coming online for these 4 plants. So if you look at it, over 5 to 6 years, we should be able to -- on an average, these contracts extend to over 5 to 6 years.
- Suraj Malu:** Got it. And last...
- Vishnu Malpani:** Yes. So if you just look at the guidance that we are talking about, 25% plus on the number, you will realize that over the next 5 years, we should be able to more or less consume INR6,500 crores.
- Suraj Malu:** Right. Understood, sir. And sir, is it possible to get a split of this INR6,000 crores order backlog by segment?



Vishnu Malpani: Sure. So this -- I mean, I can -- let me tell you broadly between our customers or let me tell you broadly between our segments. I mean, customers will be difficult for us to communicate. So today, we have over \$400 million worth of orders towards Energy, approximately \$200 million plus for Aerospace & Defence and about \$100 million plus in Oil & Gas.

Moderator: Next question comes from the line of Gaurav with Avendus.

Gaurav: My first question is on this new contract that you've got from Mitsubishi for the nozzle and vanes for the hot section. So just want to understand a couple of things. When you said it's a single-source order, does it mean that these were originally manufactured by Mitsubishi, which is now being outsourced to you subjected to qualifications or you have won it from some other vendor? Second, how big is this opportunity, especially on the hot section for the nozzle and vanes? And third question is more on the Aerospace, which is for the Pratt & Whitney and Rolls-Royce order, where are we in the qualification cycle?

Rakesh Chopdar: Yes, Gaurav. The first question, just remind me if I'm right. The first question you asked is was these parts manufactured by Mitsubishi or some other vendor? So it was manufactured in-house. The parts are very critical in nature, right?

So this is the combustion area. So a lot of controls and checks are required to produce this part. It's not just someone has an infra or some kind of equipment, these parts just go like that. It needs a lot of specialized infra and specialized talent to handle these kind of components. So either they keep it in-house or they give it to the most trusted partner.

So they can't have multiple partners in this. So it's decided Mitsubishi says, hey, you have to focus completely on this, and we only dedicate this to you and same thing we expect from you. So this is the conversation because of the nature of the product. This is mandatory, it happens that way. So one, it's developing there.

Second, if you're talking about market, I would -- it's a very lengthy explanation. So what I can tell you is you can go to the competition. Now we are going to be head on is you can study with Howmet Aerospace or PCC. So these are the companies who are the players who are in this segment. So we have stepped ourselves in this door, right?

So that will give you more this thing. And if you can have more details because it's a very lengthy conversation, so we can come back. You can contact us after the call or something I can explain you more in detail.

Gaurav: All right. Okay. Okay. And on the Pratt & Whitney and the Rolls-Royce order book.

Rakesh Chopdar: Yes. So in this 4 engine manufacturers on the airfoil is what we started. The first one was Rolls-Royce. So we have -- in H2, we are expecting to supply the first qualification batch. And once that is approved, and I think from -- we can see some momentum coming from Q4 FY '27 or early of FY '28.

That's where the supply starts. And followed by -- as you can see, it took 2.5, 2.5 years to come to the stage, and this is normal. And we could do it in 2.5 years. It's also a great thing. It's not a

small thing to do it in 2.5 years. So same cycle will be followed. The next is Pratt & Whitney, then comes Safran and then it's followed by then.

Gaurav: All right. All right. If you allow me just one question on the numbers a bit, which is on the margins. So what I understand is that you have just commissioned the 4 plants, they are underutilized, and yet we get to see your margins going up every quarter. So is it the case that we can see more margin surprise from here on because we are yet to see any operating leverage benefits from the new plants?

Rakesh Chopdar: We always say 33% to 35% plus, and that plus can be anything. So keep expecting some kind of -- definitely a growth is always because we just don't make -- we just don't produce. We do a lot of improvements, continuous improvements on the floor. So that's our team's culture. So definitely, I wish and hope that we deliver that plus every time.

Moderator: Next question comes from the line of Bhavika Singhvi with Niveshaay.

Bhavika Singhvi: First of all, many congratulations for great set of numbers. So the first question I have is related to the utilization as currently, we are -- like we have been maintaining quite good utilization. So the upcoming facility, like the one we have already installed and the one is going to come in 6 months, do we expect the same utilization or it will defer in terms of like how much time we can expect it to come at the same level of 90% plus utilization?

Rakesh Chopdar: Yes. Bhavika, see, if any plant is inaugurated, that means brand-new building, brand-new machines. We don't wait for the shop to complete 100%. When you talk about Baker Hughes, we were around 50%, 60% of the capacity machines were inside. And when we cut the ribbon, we start producing the parts the same day.

But when you see in the numbers, it will take some time to flow of the material to come to the dispatch area, right? And that's what I was giving an answer in the -- to Amit also that the Q1 of this -- the current month quarter, which is going on, this is the churnout month. So the revenues will follow once the metal gets started dispatching. So once it's inaugurated, definitely, the spins are running and the metal starts in the flow.

Bhavika Singhvi: And the second question I have on the segment side, as we did quite good on the Energy & Oil segment. So I just want to understand what's driving the growth in the segment? Is the new addition of the customers or the new products we are adding in the portfolio? If you can give the clarity on that?

Rakesh Chopdar: Yes. So in that case, I'll tell you, these requirements were always there with Azad, right, right from day 1 when we started. We just didn't have the capacity. As we are setting up the capacity, as we are inaugurating these plants, this is where we start taking orders. It's us who were not taking orders because we didn't have capacity.

Now we are increasing the capacity, and we are opening the door to take more orders. So this is where the growth is coming in. So this requirement was not today. It was there with us from day 1.



Bhavika Singhvi: Okay. So am I understanding right that we are getting from the same products? We are not adding new products like in this segment?

Vishnu Malpani: No. So the right way to understand this is, see, I think it's not a straightforward approach, right? So every time our growth with the customer happens on multiple fronts, right? So first is you have certain parts that have been qualified. So we are ramping up our market share on those qualified parts over time, right? So let's say, we were doing a certain kind of wallet share with our customer on those parts. Now because of our progressive deliveries, our wallet share on those parts will continue to grow. So most of the growth that you see today is coming out of qualifications of parts that have been done and ramp-up that is coming in. Second lever for our growth is that we are also adding adjacent categories or more part numbers to our overall capability. When Mr. Chopdar was talking about how -- or one of you all asked us a question about how we've signed a contract with Mitsubishi, that's an additional capability, higher entry barrier than the current product and diversified product portfolio, right, with a much higher asset turn, much higher market. So we are also adding those. And the third lever for our growth is that we are also adding other customers that have -- where we can deploy our capabilities that we have built horizontally, right?

So this industry, right, any of these industries that we are a part of by nature, have 3 or 4 major players dominating the entire industry, whether it's Energy, whether it's Aerospace & Defence & Oil & Gas. So the capabilities that Azad is building across our customers are very selectively building it so that we can horizontally deploy it and grow the business in the years to come.

So when we are committing a 25% plus growth, that is not on the back of products that we are going to qualify. That is on the back of the wallet share that we are gaining on qualified products, right? I hope that answers your question.

Rakesh Chopdar: This is also very important to understand by time that whatever we say the growth numbers are on the qualified products. We never have taken in consideration what is going to come, what we have to qualify, right? Let it be the engine, let it be the hot gas components, though the markets are big and all we know that we have signed up.

We are definitely going to qualify, definitely going to increase revenues. But our culture here is what is achieved, what is qualified, what is the growth numbers coming up from them. So that's the reason we give a very decent number. And definitely, we see upside going forward, definitely.

Bhavika Singhvi: Okay, understood. And just last on the Aerospace & Defence side, like currently, it holds 70% of our total revenue. So do we see the same percentage going forward? Or we are expecting the Aerospace division getting increased in terms of share of the revenue?

Vishnu Malpani: So let me take this up. I think we've tried to address this even in the past. See, Azad has been trying to build a well-diversified business across every sector, right? So if you look at the history, you will be able to see the demonstration of how we are looking at diversifying. So back in the 2020 or 2021, Azad was largely an Energy business, focusing on one product category, which was compressor airfoils, right?

And over the last 5 years, you see Azad has diversified at multiple levels, whether it is segments and then in the segments, product categories as well, right? So going forward -- so let's say, we want to look at Azad 5 years from today, you will see that Azad is a fairly diversified business where Energy will be contributing anywhere between 55% to 60% and the balance will be contributed by our other verticals, which is Aerospace & Defence and even Oil & Gas for that matter. So we expect our verticals to continue to grow because we have a lot of headroom and become balanced, diversified over the next 4, 5 years.

Bhavika Singhvi:

So out of 80% of current Energy & Oil & Gas, how much is the Oil & Gas segment?

Vishnu Malpani:

Oil & Gas, we are working -- we are still under qualification. Baker Hughes is one of our only customers in this segment, and we want -- we are in the process of building capabilities right now. So if you look at any revenue contribution for the current year, it was not material. It was under about INR10 crores between -- because we are largely doing qualification.

But FY '27 will be the first year where you will see a ramp-up in this and you will be -- because we've just started. In fact, the last notification that we gave in April 2026, was inauguration of the facility, right? And this 1 month old. But you will be able to see how we quickly ramp up in this industry or in the sector in the current financial year. So we expect to add material numbers by our Oil & Gas segment this year.

And it will follow the same trajectory, right? It took us -- see, I mean, it's important to understand that it took us from 2008 to 2020 to get to about INR120 crores. And it took us -- we've grown 5x in the last about 5, 6 years, right? Aerospace was started in 2018, 2019. And in 5, 7 years, we've been able to deliver INR100 crores of top line in that vertical.

And similarly, Oil & Gas will not even take 5, 6 years. Oil & Gas should be able to breach that number over the next couple of years. So this is how the ramp-up would -- and this is the nature of this industry, right?

Moderator:

Next question comes from the line of Pratik Dharmshri with Union Mutual Funds.

Pratik Dharmshri:

Yes. Many congratulations for a fantastic set of numbers, Rakesh and the team. Just one question from the risk side. Any risk are you currently observing from this Middle East geopolitical tension on supply chain or it's business as usual for us? How are we seeing things?

Vishnu Malpani:

Yes. See, we have -- if you take away the macro risks that are there in every business that is existing today, from our business perspective, I think we have derisked ourselves from majority issues that can be faced in our business, right? Our business can get impacted if we do not have demand. We have purchase orders and visibility over the next 5, 7 years. The other thing that we can have a risk on is capacity creation, which we've been able to do to a large extent.

Third one was manpower, which we are today doing. So it's about our ability to be able to do all of this together. So that execution risk remains. And we today are focusing on normalizing our working capital cycle along with it as well. So we don't see -- from a risk perspective, I think we've been able to manage that because our customer relationships are structured around

qualifications, which are -- which have taken several years to do and are based on multiyear contracts. So we don't see risk from that perspective.

Pratik Dharmshri: Got it. Just a follow-up. In terms of the new theme which is emerging on energy side, which is nuclear. Do we have any scope or any opportunity which can -- we can participate or play in the nuclear opportunity?

Vishnu Malpani: So we are already a player that is working in the nuclear space. In fact, our energy segment, when we talk about it, we cater to gas turbines, nuclear turbines and thermal turbines as well. So we make critical rotating components for even nuclear turbines, and we make it for the world's largest customer, which is based out of France. It is a government-owned entity called EDF, Arabelle -- and a fully owned subsidiary of EDF, which is Arabelle Solutions. So they audited Azad for a few years.

We cleared all our qualifications. We cleared all our entry barriers, and we've been supplying nuclear for the last couple of years. So today, in fact, we are one of the most -- one of the only qualified partners in the country to be producing nuclear turbine airfoils. So we are ready and geared up for the opportunity that we are seeing, whether in India or globally.

Moderator: Next question comes from the line of Sahil Karia with White Pine Investment Management Private Limited.

Sahil Karia: Just wanted to ask how many ATGG engines we have the order for? And what would be the delivery time lines?

Vishnu Malpani: So it will be difficult to share that information as it's a part of a coveted national defense program. And like our Chairman addressed this before, I think it's a matter of -- we are in the process of delivering it and soon we will be able to share more updates on it officially. But we may not be able to discuss specific numbers about it. We can tell you that, yes, there have been great advancements internally. We are very confident moving forward on this space, but sharing specific numbers around this will be difficult. Thank you.

Sahil Karia: Okay. And the next question was what was the capex number for FY '26 and the planned capex for FY '27?

Ronak Jajoo: For FY '26, I already covered in my presentation, we have done the capex of around INR392 crores capitalization during the year. And for FY '27, we are on the trajectory to ramp up the upcoming plants.

Sahil Karia: So what would be the number, if you could quantify it?

Ronak Jajoo: Sorry?

Sahil Karia: What would be the number for FY '27, if you could quantify the number for FY '26?

Vishnu Malpani: So most of the capex deployment is linked to the raise that we've done for QIP, right? So we raised INR700 crores in QIP. And if you -- our CFO covered that the balance deployment of about INR180 crores...

- Ronak Jajoo:** Yes, INR180 crores to INR190 crores will be coming there, which will happen towards...
- Sahil Karia:** Okay. And sir, do we have any plans in entering the heat treatment plant or the surface treatment plants? So I guess it is...
- Vishnu Malpani:** I'm sorry, can you repeat that? Your voice is a little muffled. Can you please repeat your question?
- Sahil Karia:** Do we have any plans of introducing heat treatment plants or surface treatment plants in-house?
- Rakesh Chopdar:** So we already have state-of-the-art heat treatment facility, both -- and we have vacuum heat treatment as well. We are NADCAP approved, by the way. We just got NADCAP approved for heat treatment. Also on the special processes, yes, that's the plan because there are some dependencies on our supply chain. So what we are doing is we are ultimately going to have every special process in Azad. However, the critical special processes are already in-house, like shot peening and coatings, all these are already in-house, but a few more left that is also going to be in-house.
- Sahil Karia:** Okay. And just an add on the capex. We had announced our capex in Saudi Arabia with Baker Hughes. So are we on track with the plans? Or is there some delay due to the...
- Vishnu Malpani:** I'm sorry, can you repeat your question? Your voice is not very clear.
- Moderator:** Yes, your voice is breaking. Can you just come in the range and talk?
- Sahil Karia:** Yes. So we had announced our capex in Saudi Arabia with Baker Hughes. So are we on track with the plans or there's some delay there due to the war?
- Vishnu Malpani:** No. So that is still on. From an opportunity perspective, I think we are still going ahead with that. But yes, the time lines have been shifted. We are still in discussions with our customer on how do we best take this forward given the current situation and priorities.
- So while you see we had signed an MOU, we inaugurated a Baker Hughes plant for us in our dedicated facility. So our growth plans with our customers remain, and that is an opportunity that is there. But we will have -- our current management bandwidth is today focused on what is there in the current plant, and we want to get that capacity up and running.
- That opportunity, which exists in the Kingdom of Saudi Arabia is available for us and will continue. But I think we want to take it up not as the most important priority today. We want to get our current plants up and do that, and then that can happen alongside. But that opportunity still lies.
- Moderator:** Next question comes from the line of Rishika with Goldman Sachs.
- Rishika:** Sir, 2 questions from my end. When are you guys planning to start civil work for the third plant? And secondly, if you could share your views on the potential benefits from upcoming engine ecosystem in the country.



Vishnu Malpani:

I'm sorry, can you repeat your second question again?

Rishika:

Just your views on potential benefits from the upcoming engine ecosystem in the country.

Vishnu Malpani:

Okay. So the first one, Rishika, I think we are building out -- so we've already completed 4 plants, 4 lean facilities in the capex that we were deploying towards creating additional capacity and the balance 4 plants will be completed in this financial year, right? Every plant has a schedule that we are following on in terms of commissioning, how -- when are we looking at ramping it up. And obviously, as explained by our Chairman and CFO, it takes specific time before we are able to get a plant to a reasonable amount of utilization, right? That is a natural course.

So that is coming up. In terms of the engine ecosystem, I think I would make it broad-based even further saying that the opportunity that Azad today is sitting on, we've -- Azad has positioned itself always as a manufacturer of highly engineered critical components across these 3 segments, which are mission and life critical. With the demand for these engines going up over time with backlogs of our customers increasing, Azad is obviously looking at a much larger opportunity in this domain and which also means that the ecosystem in India should be thriving.

And with indigenization plans of the government, with indigenization plans of how we are stacking up, we are moving from building capability for one engine, and we will only scale it up like from the engine that we are building, we will move from the current 3.7 to 4 kiloton engine to a higher capacity going forward and eventually contribute to much larger programs. But the entire engine ecosystem, we are seeing this demand grow and capacity is being added for -- a lot of capacity being added in the country.

We won't be able to talk too much about the Indian program. But yes, I see -- we see that India is going through that phase where we will now start contributing meaningfully to our GDP from a precision manufacturing industry perspective.

Rishika:

That's helpful. Just one more question. What about the third expansion plan of 85,000 square meter plant that you are planning? When will that civil work start?

Vishnu Malpani:

So ma'am, as pointed out, this year, our focus is very clear. We want to get the current facility and the balance plants committed. And our next priority would be to ramp these up slowly. Once this is done, we will take on the next facility because today, we are creating capacity based on the schedules that we have with our customers and order book. So once this is completed, our next focus will be building the second plant up over time.

Moderator:

Next question comes from the line of Manish Ostwal with Nirmal Bang Securities Private Limited.

Manish Ostwal:

Yes, sir. I joined the call a bit late because I was under the impression of 12:00. So my question might be repetitive. I just wanted to understand your thought process around the working capital management and the cash flow generation of the company. We have invested a lot of money in the capacity building, but how we are managing working capital? And what sustainable cash flow we can think of in our business?

Ronak Jajoo: Yes. If you see we have upfront invested into the inventory and all the plants are at different level of capacity ramp-up as Mr. Chopdar and Vishnu explained. So these plants are at different level of maturity, but your investment has to be upfront. That is the reason this year, the inventory is slightly looking elevated.

Looking forward from FY '27 and onwards, we see that this inventory will be converted into the revenues and that will ease out the cash flow from that particular perspective.

Manish Ostwal: All right, sir. I'll go through the entire transcript after the call.

Moderator: Mr. Chauhan, please go ahead with the question.

Jai Chauhan: Sir, congratulations on the new contract wins and the hot section already in order. I just wanted -- I guess you gave a breakup on order book. I was just reiterating the number, it will be around INR9,000 -- INR8,500 crores around, right, INR8,500 crores. Is my understanding correct?

Vishnu Malpani: No. So we are talking about a rolling order book, right? So that is about INR6,500 crores net of what we have delivered this year.

Jai Chauhan: So my question was basically on the renewals and amendments on the long-term contracts that we had and also the new orders that we had after the Q3 that you indicated order book was around INR6,500 crores?

Vishnu Malpani: Yes. So we've added contracts and some of these contracts we are -- we cannot disclose the order value, and that's why whatever can be publicly disclosed is about INR6,500 crores, but it is INR6,500 crores plus, right? That is the order book that we are looking at from a long-term perspective.

Jai Chauhan: Got it. And sir, also on the hot section nozzle vane segment, like without getting into all the customer confidential details, I just wanted to understand the manufacturing processes. Is it broadly similar to existing airfoil work where you get -- you receive a near shape forged cast [inaudible 0:55:26] you perform on high precision machine finishing? Or does this require something materially different?

Vishnu Malpani: Yes. So I think, see, the process of manufacturing hot section components cannot be discussed on the call. We would -- if you're very keen, we would invite you to our company and please visit us. We'll be able to explain the manufacturing process. But I can only give you one statement that there are only 3 players around the world of precision manufacturing that have been able to crack this materially, okay?

So the complexity in manufacturing these components is very, very high. The majority of those -- yes. So the process is different than the existing manufacturing process. If you want to know more operational details, if you're keen, if you plan to visit, we'll request our SGA team to sort of arrange a plant visit and this can be addressed at the plant.

Jai Chauhan: Sure, sir, sure. And sir, basically, this question was basically around given the higher complexity and single source position, this is definitely be margin accretive, right? And how will it be during



ramp-up and mature volumes and this will obviously be above company's blended EBITDA margin band, right?

Vishnu Malpani:

Sir, I mean, we won't be able to share -- see, this is a single contract and you're asking us specific information on the contract. It will be difficult to share. But once you understand the process of manufacturing, most of these questions that you're answering will be addressed. So I would request you to please come down and spend some time with us. We'll be able to explain.

And you can also look at to draw parallels, please look at the top 2 or 3 players that are making these kind of components and what is the kind of profitability and bottom line that they do on these segments. This is publicly available information. You can look it up and you'll get a sense of it as well.

Jai Chauhan:

True, sir. And also one accounting clarification. I guess in the FY '25 annual report, you mentioned you -- there is capitalized on new product development program. Can you clarify what exact costs are capitalized and which balance sheet line they sit in the FY '26 quantum? And if these costs were fully expensed, what would the EBITDA PAT margin would have been -- would look like?

Ronak Jajoo:

Yes. We generally don't capitalize any development cost in our balance sheet and we expense out as a part of our accounting policies. There can be some tools specifically designed for the customer, which are capitalized to that extent, but the general development cost or the general expenses are expensed out in the in the balance in the pre-industry.

Moderator:

Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Vishnu Malpani:

So thank you. So with this, I think I'd like to take this opportunity on behalf of Azad Engineering, our Chairman, our Board of Directors and all of us. Thank you so much for giving us this opportunity to talk about our business, present our thesis and share how we will be executing FY '27 and beyond. Thank you so much. We are very excited about the current phase that Azad Engineering is in, our sectors are and how our capacity is coming up online. So we are only looking at upwards and onwards from this point. Thank you so much.

Moderator:

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