Choice Institutional Equities

AZAD: Capacity Expansion Complete; Growth Acceleration Ahead

November 09 2026 | CMP: INR 2,500 | Target Price: INR 2,870

Expected Share Price Return: 14.7% I Div. Yield: 0.0% I Potential Upside: 14.7%

ADD

Sector View: Positive

Q2FY27 Result Update

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	AZAD IN EQUITY
Face Value (INR)	2.0
52-wk High/Low (INR)	3,126/1,358
Mkt Cap (Bn)	INR 156.5/ $1.7
Shares o/s (Mn)	64.6
3M Avg. Daily Volume	7,30,133

Change in CIE Estimates

	FY27E			FY28E		
INR Mn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	8,200	8,200	0.0	11,317	11,317	0.0
EBITDA	3,157	2,993	5.4	4,380	4,142	5.7
EBITDAM%	38.5	36.5	200bps	38.7	36.6	210bps
PAT	1,835	1,947	-5.7	2,588	2,765	-6.4
EPS	28.4	30.2	-5.7	40.1	42.8	-6.4

Actual vs CIE Estimates

INR Mn	Q2FY27A	CIE Estimates	Dev. (%)
Revenue	1,909	1,922	(0.7)
EBITDA	723	750	(3.6)
EBITDAM %	37.9	39.0	(115)bps
PAT	309	390	(20.7)

Key Financials

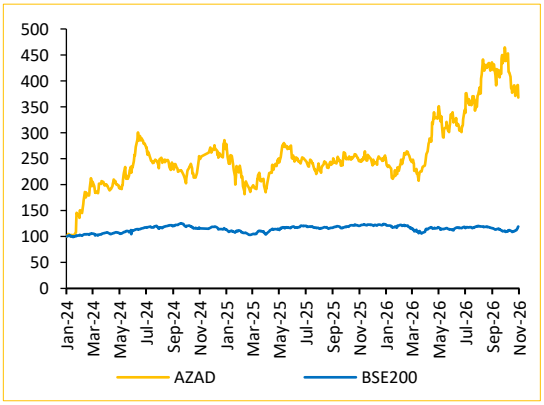
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	4,574	6,030	8,200	11,317	15,617
YoY Growth (%)	34.2	31.8	36.0	38.0	38.0
EBITDA	1,613	2,253	3,157	4,380	6,091
EBITDAM (%)	35.3	37.4	38.5	38.7	39.0
PAT	865	1,336	1,835	2,588	3,703
EPS	14.7	20.6	28.4	40.1	57.3
ROE %	6.2	8.7	10.7	13.1	15.8
ROCE %	5.8	7.5	9.0	10.6	12.5
PE(x)	170.6	121.6	88.0	62.4	43.6
Price/BV (x)	11.6	10.6	9.4	8.2	6.9

Shareholding Pattern (%)

	Sep-26	Jun-26	Mar-26
Promoters	55.84	55.84	55.84
FIIs	12.70	13.30	14.75
DIIs	10.40	10.32	11.71
Public	21.06	20.53	17.69

Relative Performance (%)

YTD	33M	24M	12M
BSE200	19.1	1.6	-0.9
AZAD	257.8	44.3	49.7



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Capacity Expansion Complete; Growth Acceleration Ahead

Azad Engineering reported a **strong Q2FY27 performance**, with revenue growing **31.6% YoY to INR 187.8 Cr**, marking its **highest-ever quarterly revenue**. We believe AZAD is entering into a **key growth phase**, with its capacity expansion largely complete and all six customer-dedicated facilities commissioned. We expect the gradual completion of customer qualifications and ramp-up of these facilities to **drive revenue growth from Q4FY27**, with full utilisation targeted by H1FY28. The management indicated that the existing installed capacity can generate **annual revenue of over INR 1,300 Cr by FY28**. Further, we expect the company's long-standing relationships with global OEMs and multi-year customer demand visibility to support sustained growth.

The commencement of Rolls-Royce airfoil supplies and opportunities with Pratt & Whitney and Safran could strengthen the aerospace business. Entry into higher-complexity hot-section components and defence engine assemblies offers further growth potential. **We also anticipate improvement operating leverage as the new capacity scales up, supports profitability.**

View & Valuation: We remain positive on Azad Engineering's medium-term growth prospects, supported by the **ramp-up of new facilities and higher production volumes from existing customers**. We expect **improving capacity utilisation and operating leverage to drive earnings growth** over the next few quarters. **Accordingly, we revise our estimates and upgrade our rating to ADD, with an upward revision in our target price to INR 2,870 (earlier INR 2,150), valuing the stock at 50x FY29E EPS.**

Revenue In Line with Estimates; Higher Costs Lead to PAT Miss

- Revenue for Q2FY27 was up 31.1% YoY and 10.6% QoQ to INR 1,909 Mn (vs CIE est. of INR 1,922 Mn)
- EBITDA was up 37.5% YoY and 12.3% QoQ to INR 723 Mn (vs CIE est. of INR 750 Mn). EBITDA margin stood at 37.9%, improved 177 bps YoY (vs CIE est. of 39.0%)
- PAT was down 5.2% YoY and 12% QoQ to INR 309 Mn (vs CIE est. of INR 390 Mn). PAT margin contracted 619 bps YoY and 417 bps QoQ to 16.2% (vs CIE est. of 20.3%)

Particulars (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Revenue	1,909	1,456	31.1	1,726	10.6
Material Exp.	84	172	(50.9)	97	(13.0)
Gross Profit	1,825	1,284	42.1	1,629	12.0
Employee Exp.	517	337	53.5	417	23.9
Other Exp	585	422	38.6	568	3.0
EBITDA	**723**	**525**	**37.5**	**644**	**12.3**
Depreciation	225	117	93.1	186	20.9
EBIT	498	409	21.7	457	8.8
Other Income	42	122	(65.9)	35	17.5
Interest Cost	124	67	85.5	103	20.5
PBT	415	464	(10.6)	390	6.5
Tax	106	138	(23.5)	38	177.7
RPAT	**309**	**326**	**(5.2)**	**352**	**(12.0)**
EPS (INR)	4.8	5.1	(5.2)	5.5	(13.4)

Margin Analysis	Q2FY27	Q2FY26	YoY (Bps)	Q1FY27	QoQ (Bps)
Material Exp. % Rev.	4.4	11.8	(738)	5.6	(120)
Gross Margin (%)	**95.6**	**88.2**	**738**	**94.4**	**120**
Empl Exp. % Rev.	27.1	23.1	395	24.2	289
Oprt Exp. % Sales	30.7	29.0	166	32.9	(226)
EBITDA Margin (%)	**37.9**	**36.1**	**177**	**37.3**	**56**
Tax Rate (%)	25.5	29.8	(430)	9.8	1,570
PAT Margin (%)	**16.2**	**22.4**	**(619)**	**20.4**	**(417)**

Management Call – Highlights

All six dedicated facilities are commissioned, shifting the focus from capital deployment to revenue generation

Capacity Expansion & Commissioning

- All six customer-dedicated facilities have been commissioned, covering 44,800 sq. m. for Mitsubishi Heavy Industries, GE Vernova, Siemens Energy and Baker Hughes
- Two additional GE Vernova facilities were inaugurated in September 2026, taking the count of its dedicated facilities to three

Revenue Growth & Guidance

- The management indicated that the existing installed capacity can support an annual revenue run-rate of over INR 1,300 Cr by FY28, with further upside potential
- The management indicated that new capacities started contributing in Q3FY27, with revenue ramp-up expected from Q4FY27 onwards
- The management expects all six facilities to achieve full utilisation by H1FY28
- Reiterated long-term annual revenue growth guidance of over 25%

Order Book & Customer Visibility

- Current order book stands at over INR 6,500 Cr, covering requirements across segments over the next five to seven years
- The management indicated that customer requirements are continuously replenished as existing orders are executed, with new components and contracts further strengthening revenue visibility

Management targets INR 1,300+ Cr ARR by FY28, supported by existing customer commitments

Aerospace & Defence – New Growth Opportunities

- Rolls-Royce: Qualification of two aero-engine programmes is in its final stage. The first qualification batch is expected shortly, with production supplies targeted from the next fiscal year
- Pratt & Whitney and Safran: Qualification programmes are progressing, providing additional opportunities in aero-engine airfoils
- Mitsubishi Heavy Industries: Development of hot-section nozzle vane segments has commenced under an eight-year single-source contract
- GTRE: Following delivery of India's first indigenous expendable turbojet engine, testing is ongoing
- The management expects aerospace and defence to contribute a larger share of revenue over time, with the energy and oil & gas contribution moderating to 55–60% by FY30–31
- The company is also exploring opportunities with additional global OEMs using its existing aero-engine capabilities

Energy & Oil and Gas Business

- In H1 energy and oil & gas revenue grew 28.5% YoY to INR 290.5 Cr
- Baker Hughes' supply agreement with Nuovo Pignone has been extended until 2030
- The dedicated Baker Hughes oil & gas facility is expected to provide an additional growth lever from Q4FY27
- BHEL approved Azad as a long-term source for gas turbine airfoils under a two-year rate contract worth approximately INR 52.68 Cr

Rolls-Royce, Pratt & Whitney and Safran programmes could gradually increase the contribution from higher-value aero-engine components

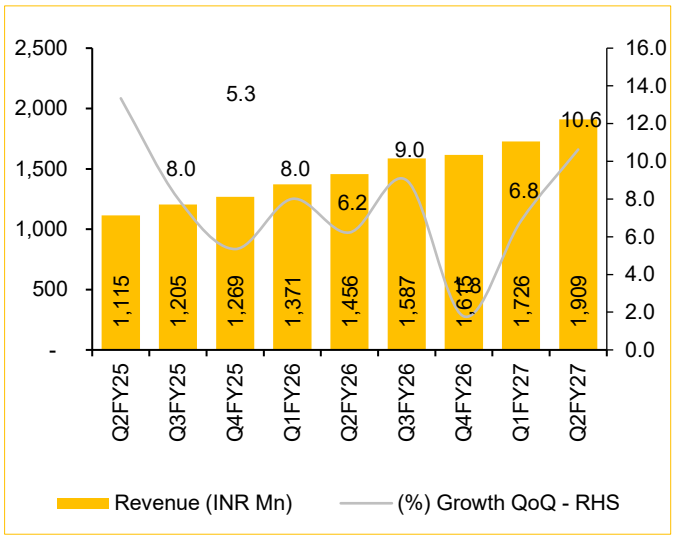
Future CapEx & Capacity Expansion

- The management indicated that the next phase of CapEx will depend on the successful qualification and production ramp-up of existing programmes
- The management indicated that further capacity expansion from FY29 onwards will be based on additional customer requirements and programme visibility
- Mangampet facility is ready for Phase II expansion, with additional land available to support future growth

Manpower, Automation & Operational Efficiency

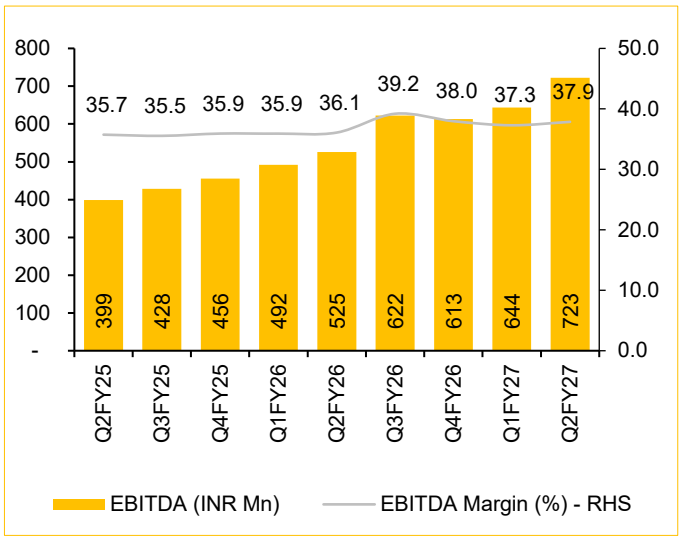
- Employee costs as a percentage of revenue are expected to decline as new facilities ramp up
- The company is adopting lean manufacturing practices and increasing automation to reduce manpower dependency

Revenue climbed up 31.1% on a YoY basis



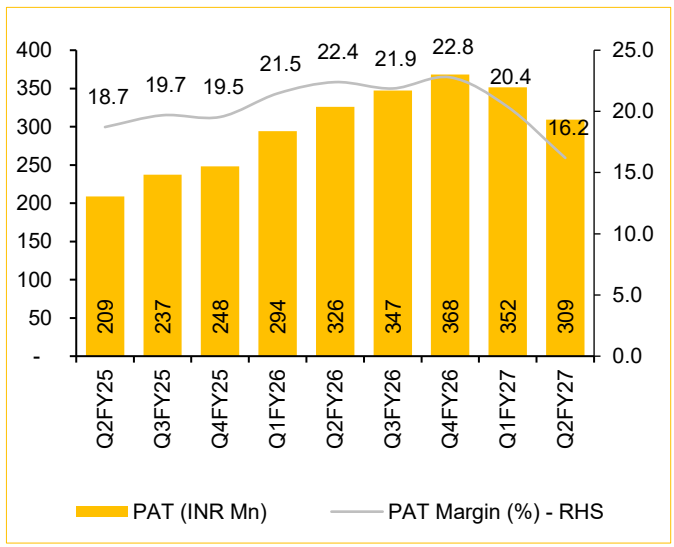
Source: AZAD, Choice Institutional Equities

EBITDA up 37.5 on a YoY basis



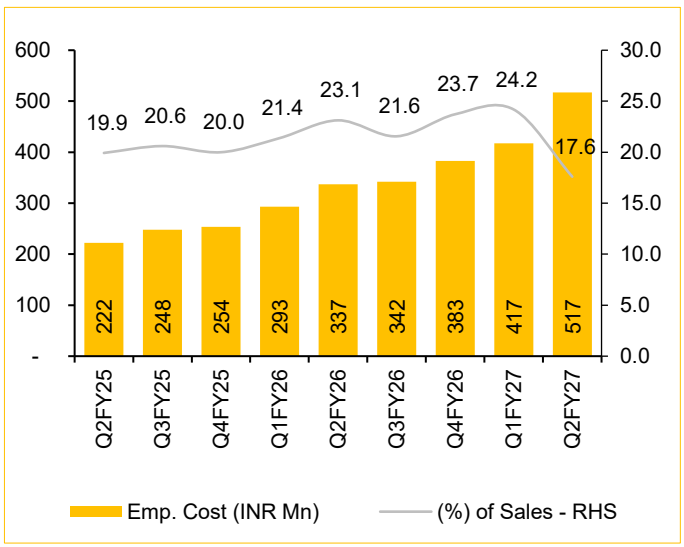
Source: AZAD, Choice Institutional Equities

PAT down 5.2% on a YoY basis



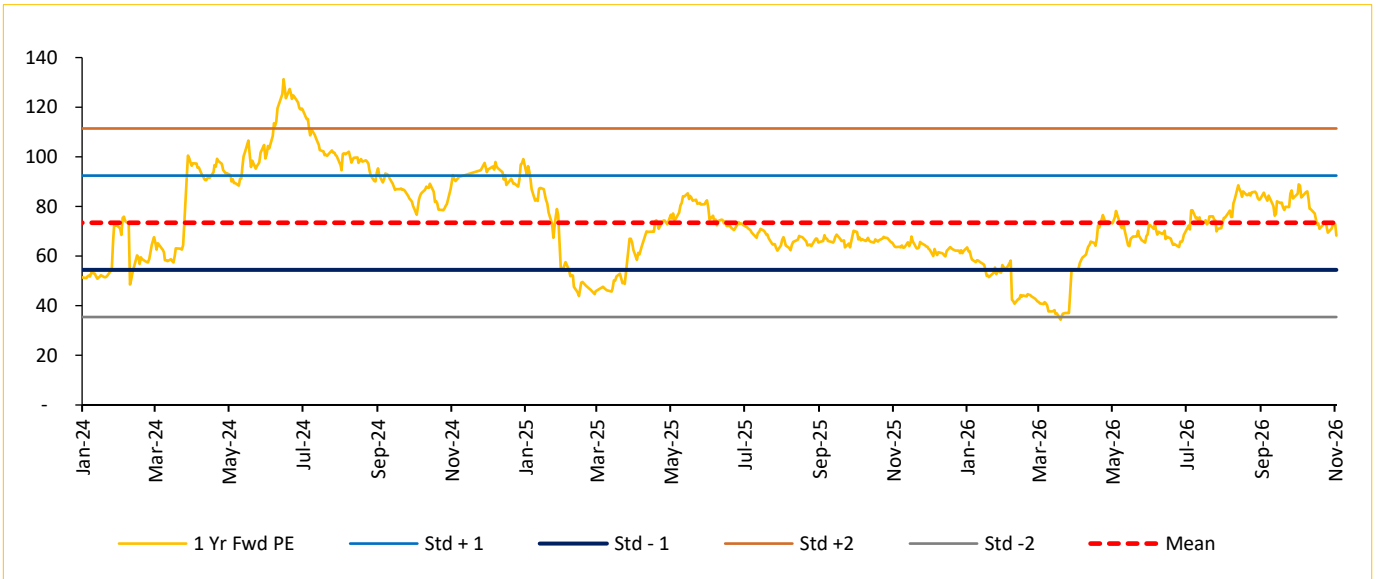
Source: AZAD, Choice Institutional Equities

Employee cost trend



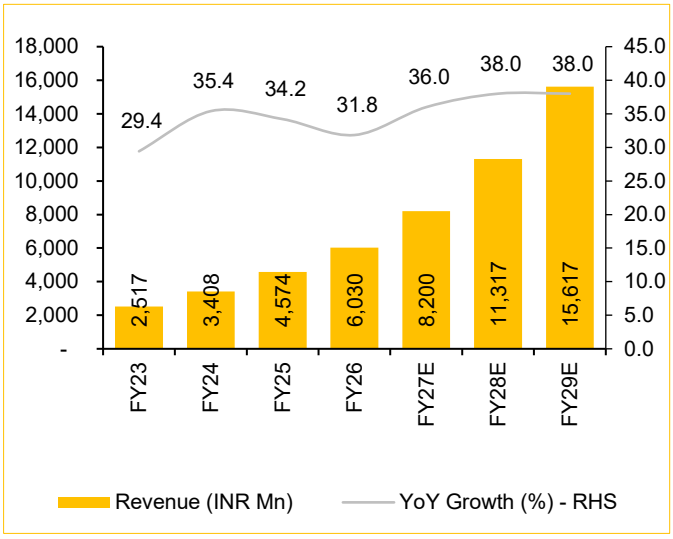
Source: AZAD, Choice Institutional Equities

1-yr forward PE band



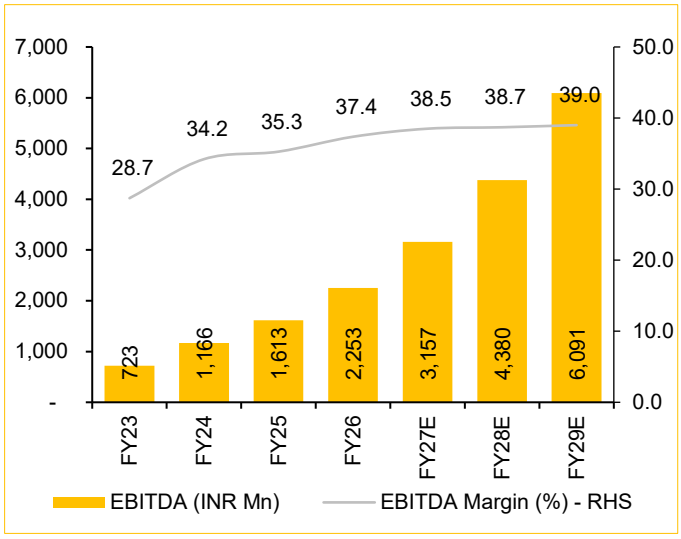
Source: AZAD, Choice Institutional Equities

Revenue expected to expand 37.3% CAGR over FY26–29E



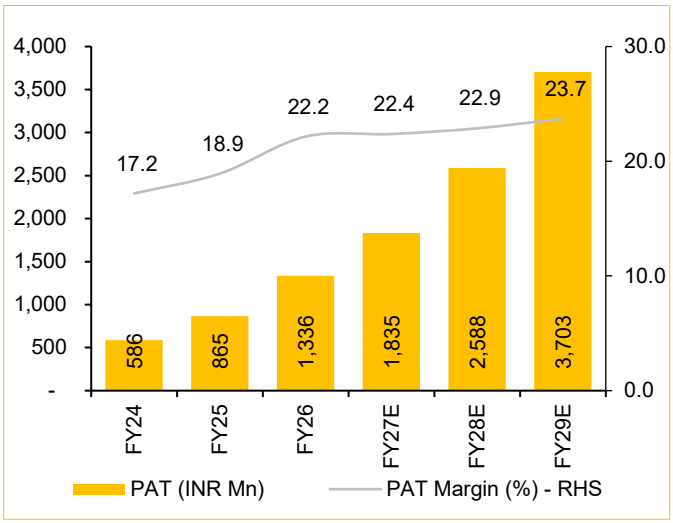
Source: AZAD, Choice Institutional Equities

EBITDA margin anticipated to broadly remain stable



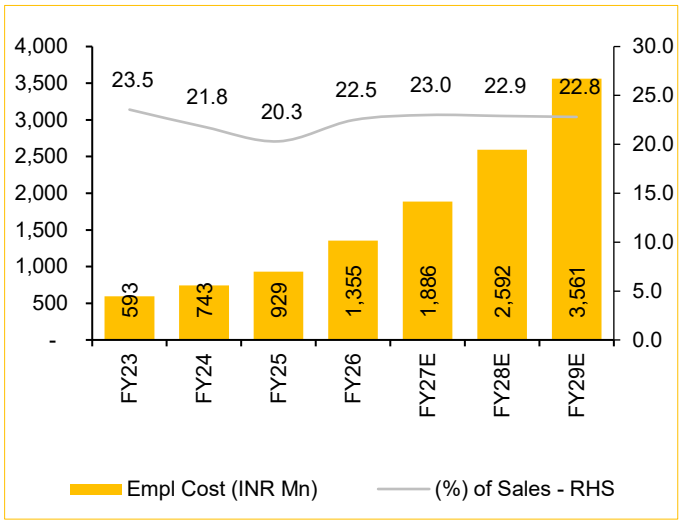
Source: AZAD, Choice Institutional Equities

PAT likely to rise 40.5% CAGR over FY26–29E



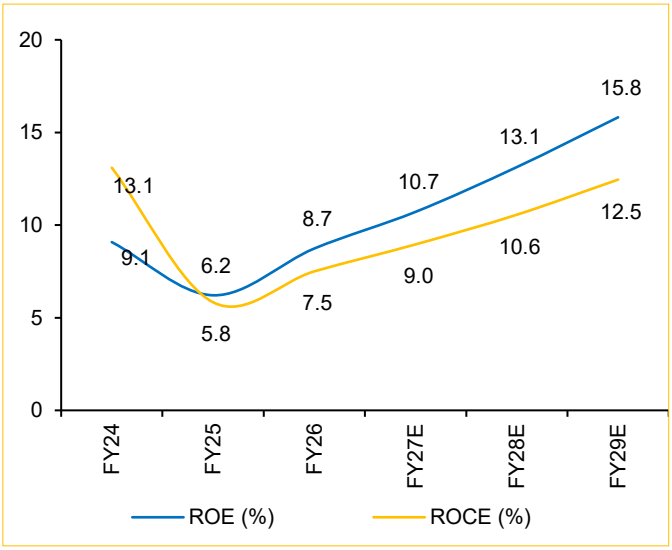
Source: AZAD, Choice Institutional Equities

Employee cost trend



Source: AZAD, Choice Institutional Equities

ROE & ROCE trend



Source: AZAD, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	4,574	6,030	8,200	11,317	15,617
Gross Profit	3,937	5,449	7,421	10,253	14,165
EBITDA	**1,613**	**2,253**	**3,157**	**4,380**	**6,091**
Other Income	106	457	594	599	605
Depreciation	295	528	826	956	1,086
EBIT	1,424	2,181	2,925	4,023	5,610
Interest Expense	184	308	445	525	605
PBT	1,240	1,873	2,479	3,498	5,005
Reported PAT	865	1,336	1,835	2,588	3,703
EPS	**14.7**	**20.6**	**28.4**	**40.1**	**57.3**

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	34.2	31.8	36.0	38.0	38.0
EBITDA (%)	38.4	39.7	40.1	38.7	39.1
PAT (%)	47.7	54.3	37.4	41.1	43.1
Margin Ratios					
EBITDA Margin (%)	35.3	37.4	38.5	38.7	39.0
PAT Margin (%)	18.9	22.2	22.4	22.9	23.7
Performance Ratios					
ROE (%)	6.2	8.7	10.7	13.1	15.8
ROCE (%)	5.8	7.5	9.0	10.6	12.5
Turnover Ratio (Days)					
Inventory	151	199	190	185	180
Debtors	178	189	185	180	175
Payables	64	52	48	48	48
Valuation Metrics					
Outstanding Shares (Mn)	64.6	64.6	64.6	64.6	64.6
Price (INR)	2,501	2,501	2,501	2,501	2,501
Market Cap (INR Bn)	161.5	161.5	161.5	161.5	161.5
PE (x)	170.6	121.6	88.0	62.4	43.6
EV (INR Bn)	157.0	164.3	165.1	166.0	166.7
EV/EBITDA (x)	97.3	72.9	52.3	37.9	27.4
Book Value (INR/Share)	215.7	236.7	265.1	305.2	362.6
Price to BV (x)	11.6	10.6	9.4	8.2	6.9

Source: AZAD, Choice Institutional Equities

Balance Sheet (INR Mn)

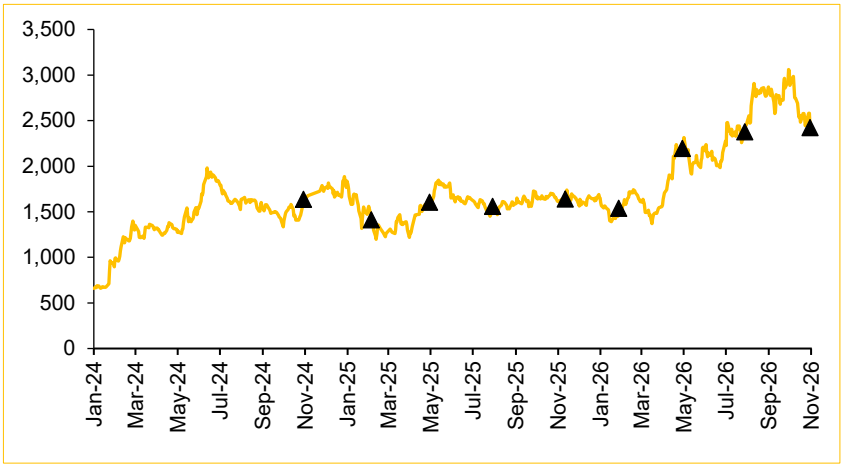
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	13,930	15,288	17,123	19,711	23,415
Total Debt	2,436	4,566	5,566	6,566	7,566
Other Long-term Liabi.	667	876	1,468	1,913	2,355
Trade Payables	801	853	1,078	1,488	2,054
Other Current Liabilities	773	417	828	1,027	1,258
Total Net Worth & Liabilities	**18,607**	**22,000**	**26,064**	**30,705**	**36,647**
Net Fixed Assets	4,360	7,793	10,467	11,511	12,425
Capital Work in Progress	798	2,567	2,050	2,263	2,343
Other Non-current Assets	1,479	1,747	1,230	1,358	1,874
Inventories	1,893	3,291	4,269	5,736	7,702
Trade Receivables	2,235	3,117	4,156	5,581	7,488
Cash & Bank Balance	6,970	1,846	2,006	2,126	2,409
Other Current Assets	872	1,639	1,885	2,130	2,407
Total Assets	**18,607**	**22,000**	**26,064**	**30,705**	**36,647**

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	537	(1,190)	1,480	1,541	2,042
Cash Flows from Investing	(9,177)	(714)	(2,466)	(2,341)	(2,595)
Cash Flows from Financing	8,767	1,741	1,147	920	837

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	69.8%	71.3%	74.0%	74.0%	74.0%
Interest Burden	87.1%	85.9%	84.8%	86.9%	89.2%
EBIT Margin	31.1%	36.2%	35.7%	35.5%	35.9%
Asset Turnover	0.25	0.27	0.31	0.37	0.43
Equity Multiplier	1.34	1.44	1.52	1.56	1.57
ROE	**6.2%**	**8.7%**	**10.7%**	**13.1%**	**15.8%**

Source: AZAD, Choice Institutional Equities

Historical Price Chart: Azad Engineering Limited (AZAD)



Date	Rating	Target Price
Nov 12, 2024	BUY	2,120
Feb 10, 2025	BUY	2,150
May 27, 2025	REDUCE	1,864
Aug 06, 2025	BUY	1,900
Nov 03, 2025	ADD	1,900
Feb 16, 2026	BUY	1,900
May 17, 2026	REDUCE	1,900
Aug 09, 2026	SELL	2,150
Nov 09, 2026	ADD	2,870

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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