

August 14, 2024

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 August 05, 2024 we hereby inform you that the Company has hosted Earnings Conference call for analysts and investors on Friday, August 09, 2024, at 03:00 P.M. IST which was concluded on Friday, August 09, 2024, at 03:55 P.M. IST to discuss on the financials results of the Company for the 1<sup>st</sup> quarter ended June 30, 2024.

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.: A49550



## “Azad Engineering Q1 Financial Year 2025 Conference Call”

**August 09, 2024**

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 9 2024, will prevail.



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

**MODERATOR:** **MR. AMIT DIXIT – ICICI SECURITIES**



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**Moderator:** Ladies and gentlemen, good day, and welcome to Azad Engineering Q1 FY '25 Conference Call, hosted by ICICI Securities.

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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Dixit from ICICI Securities. Thank you, and over to you, sir.

**Amit Dixit:** Thanks, Sumit. Good afternoon, everyone. On behalf of ICICI Securities, I welcome all the participants for Azad Engineering's Q1 FY '25 Conference Call.

At the outset, I would like to thank the Management for giving us an opportunity to host this call.

From the management, today we have with us Mr. Rakesh Chopdar – Chairman and CEO, Mr. Vishnu Malpani – Whole-Time Director, and Mr. Ronak Jajoo – Chief Financial Officer.

We will have brief opening remarks from the management, post which we will open the floor for an interactive Q&A session.

Without much ado, I would hand over the call to Mr. Chopdar to take this forward. Over to you, sir.

**Rakesh Chopdar:** Thanks, Amit. Thank you very much. Good afternoon, everybody. Welcome, and thanks for joining today on our Quarter 1 Earnings Call.

On this call I have our Whole-Time Director – Mr. Vishnu Malpani, our CFO – Mr. Ronak Jajoo; and Team SGA – our Investor Relationship Advisor.

The Results and Presentations are uploaded on the Stock Exchange and the Company website. I hope everybody has had a chance to look at it.

I am pleased to share that Azad demonstrated its best-ever quarter in terms of revenues and profitability. During the quarter, our top-line increased by 30% on a year-on-year basis to Rs. 98 crores. We witnessed a similar growth trend in the operating profits as well.

The PAT has more than doubled on a year-on-year basis to Rs. 17 crores. As indicated previously, this is largely due to the reduction in finance cost post IPO. We expect to maintain this growth trajectory throughout the year.



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The road ahead is very promising as we continue to have a robust order book of more than Rs. 3,300 crores plus distributed among the business verticals. We are continuously working on qualifications and approval to further strengthen our order book.

**Some of our major order wins, which are part of the above order book includes:**

The recent one is a prominent contract from Siemens Energy Global, Germany, for a tenure of five years to manufacture and supply critical rotating components for a global requirement in demand of their advanced gas and thermal turbine engines.

An order from GTRE/DRDO for manufacturing and assembly of a turbojet engine. Now, this is a very, very exciting opportunity and this is going to take Azad into a very different league. This is a landmark contract for us, for India, as this marks our entry from component manufacture to an integrated assembly, complete assembly. And the best part is, we move to the propulsion system.

We have expanded our manufacturing capabilities by vertically integrating to offer end-to-end manufacturing of a complete assembly gas advanced turbo engine as we play an important role in this mission as a single-source industry partner, to GTRE/DRDO. This is a very critical component and a nation-pride component. This will be utilized in various Defense applications. So, a lot of programs where Defense applications are being utilized.

A seven-year contract with Rolls-Royce for the Defense and military aircraft engines. Two major contracts from Baker Hughes. A contract from GE Vernova for supply of high-complex rotating airfoils for the Nuclear, industrial, and thermal power industries.

All these above represent very good progress, which has secured Azad's growth for the coming years. These contracts reflect Azad's win in terms of new customers, segments, and geographies. And we expect them to generate significant business value over the next coming years. Further, we have orders from our existing customers for existing products, as well as the new products, which we are adding progressively.

As a company, we are focused on consistently expanding our capabilities in terms of processes. Towards this, we have recently acquired the assets of Leo Prime Private Limited (wrongly spoken on the call; correct terminology is Leo Primecomp Private Limited) through our subsidiary, Azad Prime Private Limited. Azad Engineering holds a 51% stake in this company, and erstwhile owner, shall, who holds the remaining stake. It is notable that this company has the capability to manufacture and supply large-size critical advanced technology parts in addition to our existing portfolio of small to medium-size mission-critical life-critical components.

This acquisition, in fact, will expand our product portfolio in the Nuclear, gas, thermal, and Oil & Gas sectors. And enable us to service our existing customers as well as the new ones. Thereby, we believe this will also help us improve our overall asset turnover. Likewise, we have added a subsidiary Azad VTC, for special processes and coatings, which will help us reduce job work



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charge as well as the dependency. As these special processes and coatings are, only a few companies in India have the qualification as they are depending on the other special processes house worldwide. So, this is a very good advantage for Azad now.

**Now, let me take a moment to update on the expansion front:**

As stated previously, we are coming up with a new facility that is 10x existing facility in a phased manner. We are on track to complete the expansion phase and will be ready by and from FY '26. With orders in hand and pipeline of validations, we have high visibility on the utilization of the first phase. They are strategically positioned with a well-diversified portfolio that spans across high growth sectors driven by strategic partnerships, industry qualifications, and long-term contracts.

These diverse engagements solidify Azad's standing as a very key player in Energy, Nuclear, Aerospace, Defense, and Oil & Gas.

**Energy:**

We hold very long-term contracts with all major industry players across various product segments, reinforcing our significant presence in this sector.

**Nuclear:**

With our recent approval from EDF, we are exceptionally well-positioned and are ready to capitalize the upcoming boom and the growth opportunities within the Nuclear industry.

**Aerospace and Defense:**

We are just transitioning from manufacturing rotating engine components to comprehensive engine manufacturing and assembly, showcasing our expanded capabilities in this field of both Defense and civil aircraft engines.

**Oil & Gas:**

Our two major contracts with Baker Hughes are enhancing our capabilities and setting the stage for further scaling in this sector of all the Class A components.

Finally, we are pleased to reaffirm our guidance of 25%, 30% revenue growth for FY '25 alongside an anticipated improvement in our margin profiles.

That's all I have to say for this. And now, I hand it over to Mr. Vishnu Malpani – our Whole-Time Director, to take this conversation further.



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**Vishnu Malpani:**

Thank you, Mr. Chopdar, for your strategic insights. Good afternoon, everyone. I am thrilled to join you today to discuss the remarkable progress we have made in this quarter and our ambitious outlook for the future.

As Mr. Chopdar mentioned, we are in a period of unprecedented growth and transformation, driven by a relentless focus on scaling our capabilities and expanding our market presence.

Today, I will take you through the numbers that underscore our performance and strategic decisions that are fueling our momentum.

From the substantial increase in the order book to key customer acquisitions and sectoral gains, we are operating from a position of strength. But more importantly, I will highlight why we believe this is just the beginning of a sustained period of high growth for Azad. Let us dive into the details quickly.

We are dominating the market by unleashing unprecedented growth. Azad is not just another precision manufacturing player. We are redefining the market. As we have emphasized earlier, our competition isn't local, our competition isn't in India. We are operating at a global scale, competing, matching, and exceeding the standards of companies based in the U.S., Europe, China, Japan, and other leading geographies.

Our growth strategy is laser-focused on five critical pillars, we call it "5C" internally. And these 5Cs are:

- Customers.
- Contracts.
- Capability.
- Capacity.
- Consistency.

Today, I am proud to announce that we have exceeded expectations across all of these areas:

Our order book has skyrocketed from Rs. 2,000 crores a few quarters earlier to over Rs. 3,300 crores today, driven by strategic contracts and key customer acquisitions, including industry giants such as Rolls-Royce for their Defense platforms, and another key aero engine OEM, which for confidentiality reasons, I will not be able to name, we have onboarded them for their commercial platform for manufacturing life-critical rotating parts. With our current wallet share of less than 1% in a TAM of \$28 billion, we are only beginning to scratch the surface of our potential.

Now, let me talk about some strategic acquisitions and diversification that we have done:



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Diversification isn't just a strategy for Azad, it is our pathway to dominance. By strategically shifting our business mix across verticals, we are not only reinforcing our existing verticals, but also seizing new opportunities. Recent opportunity that Mr. Chopdar talked about with GTRE/DRDO under Ministry of Defense for supplying of a complete jet engine is a massive opportunity for us, for India. This will not just improve our target addressable market further, because now, from component manufacturing, we are moving into the propulsion industry as well. Please note that this is just the first step, and there is tremendous potential to be unlocked. Our recent acquisitions have strengthened our portfolio and extended our global reach. This isn't just growth, it's calculated expansion that cements our industry leadership.

Taking this further, let us dive into our exclusive performance and strong forward momentum:

Reflecting on our performance, the numbers speak volumes. Compared to the same quarter last year, we have achieved approximately 30% growth in our top-line and a 30% increase in our EBITDA, with PAT surging by 2.3x. Just four years ago we were delivering Rs. 100 crores to Rs. 120 crores annually. Now, we are closing in on Rs. 100 crores revenue in just one quarter. This is nearly 4x growth over four years. And this is a powerful testament to our strategic execution capabilities, relentless drive and rest assured, we are just getting started.

:

Azad is poised for sustained high growth. Looking ahead, we are more confident than ever in our ability to sustain aggressive growth. Our guidance of 25% to 30% annual growth isn't just ambitious, it's achievable, backed by our track record of execution excellence and the strength of our current order book. This momentum is also only the beginning.

:

Now, let me talk about consistency, which is the foundation of our success:

Finally, the bedrock of our strategy is consistency. It's not just enough to achieve growth, we are committed to sustaining and building on that growth year-after-year. Consistency for us means that every contract that we sign, every customer relationship that we build, and every capability that we develop is underpinned by a razor-sharp focus on quality and execution. It is this unwavering consistency that fuels our confidence in Azad's future. With sectoral tailwinds and an expanding global market across sectors, power, Nuclear, Aerospace and Defense, and Oil & Gas, Azad is positioned not just to grow, but to dominate in the years ahead.

With this, I would like to conclude and thank all of you who have joined us and for your continued trust in Azad as we embark on this exciting journey of transformative growth.



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I would now like to move this on to our CFO – Mr. Ronak Jajoo, for his insights on the financials.

**Ronak Jajoo:**

Thank you, Vishnu. Firstly, we will talk about our standalone financials highlight for Q1 FY '25.

**Let us start with Revenue:**

Revenue from operations grew by 30% to Rs. 98 crore in Quarter 1 FY '25 on year-on-year basis, which essentially means ARR of Rs. 400 crore per annum on an annualized basis. As explained by Vishnu, during the quarter, Aerospace and Defense contributed around 19% of our total revenue, which is in line with our long-term diversification plan. Our long-term guidance to the market for sales growth will be in the range of 25% to 30% on a year-on-year basis for a longer period of time.

**EBITDA:**

The EBITDA and adjusted EBITDA margins for the last three quarters and FY '24 remained very stable across the period at a range of 34%. Our long-term guidance to the market for EBITDA margins will be in the range of 33% to 36%, depending upon product and sector mix.

**Let us talk about our three major Operating Cost Heads over the past three quarters:**

Quarter 1 FY '25, quarter four FY '24, Quarter 1 FY '24. Employee expenses as a percentage of sales were between 20.5% to 21.2%, which are quite consistent. The raw material and other expenses put together have been in the range of 45.1% to 45.7%, which again show a mark of consistency in our performance. The adjusted EBITDA grew by 29% to Rs. 34 crore compared to Rs. 26 crore in Quarter 1 FY '24, with sustainable margins of 35%. EBITDA was adjusted for one-time expenses of FOREX restatement and provision for credit impairment of trade receivables as per the IndAS guidelines.

**Let us talk about Depreciation:**

Depreciation has increased on account of capacity added during quarter four FY '24 and Quarter 1 FY '25, which helped us to achieve our gross margins. The finance cost mainly represents interest towards working capital, term loans, and there are no one-time impacts in this particular quarter, which was there in previous two quarters. Let us come to the PAT, PAT stood at Rs. 17 crores with 17% margin compared to Rs. 7 crores in Quarter 1 FY '24, with a margin of 10% at that moment of time.

**As a Summary:**

I would like to reaffirm a few of the points. We, as a company, have achieved a sales growth of 40% between FY '21 to FY '24. For FY '25, our Chairman and CEO – Mr. Chopdar and Vishnu





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Malpani, who is our Whole time Director has already given a guidance of 25% to 30%, and over the long-term we are going to sustain this particular growth.

The business is diversifying both on product and sector mix, and same is reflected in Quarter 1 FY '25 numbers. The adjusted margins are quite consistent over a period of time, and we are growing at a healthy growth of 35%. The PAT margins grew over a period, and in Quarter 1 FY '25 we had achieved a 70% PAT margins and going forward, we will sustain these margins on a long-term basis. The adjusted ROCE of the business is over 20%-plus over the period, and the same will be sustained in a long-term basis.

With this, I conclude the Presentation from Azad's side, and I will open the doors for questions-and-answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dipak Saha from DRChoksey Finserv Private Limited. Please go ahead.

**Dipak Saha:** First of all, congratulations on a good set of numbers. Just one question I have. The recent deal that you have signed with GTRE, if you can share some of the criticality and complexities on this particular thing given your entry into the propulsion system. And who all are there in terms of the incoming players in India especially, if you can give certain details as globally we are making this kind of components involving propulsion system particularly for this kind of product. That's the two only question that I have. Thank you.

**Rakesh Chopdar:** Okay. On this GTRE/DRDO, this is a complete engine. Just as a layman to make you understand what this engine looks like, you have seen Tejas aircraft or any of the military aircraft, it has an engine, right? And that engine is classified with its thrust, what size of thrust it is. So, this is a complete engine, it can fly a missile, it can fly UAV, or it can fly a drone, it can fly many things. So, this is something that I cannot speak much about it at this call, but to just give you an idea, this is a complete engine. So, making components, integrating, assembling and get ready to fit, that's the scope of this work.

**Vishnu Malpani:** And just to add to Mr. Chopdar's point, one important thing to note is that when we received this order, we were chosen amongst the top Defense companies in India. We competed against them, and today we have been chosen as the single-source industry partner for development cum production.

**Dipak Saha:** Okay. And just one follow-up on that. Your current capabilities that you have are well equipped for executing this kind of a project on the propulsion system side?

**Vishnu Malpani:** Yes. So, if you look at our product portfolio, you will see that we have been making all of these critical components for various customers internally. Now, that is why, for us, getting this entire engine manufacturing was easier because Azad is obviously manufacturing most of these critical components for other players.



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- Rakesh Chopdar:** And when the technical assessment happened by DRDO and GTRE, and they could see all these parts and capabilities already existing in Azad, and that's where we could compete everyone in the line and we could win this, because the capability is all set. It's not something new we have to learn in this, it's just assembly and all. We have to take guidance from GTRE, DRDO. Thus component manufacturing, we are very well-versed with. So, we are very, very confident on making this a success. We wish and hope that in 2026, we see this engine fly.
- Moderator:** Thank you. The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead. Hello, please go ahead. As the line of the Bala Murali Krishna is not audible, we will move to the next question. The next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.
- Pranav Shrimal:** I had just a couple of questions. One, so we have seen a significant increase in our revenue from Aerospace and Defense. If you could just give some background as to which sector are we seeing the growth in? Is it the Defense sector, is it the Aerospace sector?
- Vishnu Malpani:** So, for us we are doing both in terms of commercial as well as Defense. So, you are seeing growth in the Aerospace sector because, like we had emphasized on a previous call, that we are in the process of qualifications, and we anticipate that once the qualifications are completed, Aerospace will continue to grow at a much, much faster rate than the other verticals. So, this is a reason because of that. And we are focusing on a mix of both, Defense and commercial.
- Pranav Shrimal:** So, is there a way, if you could just give me a break-up from Aerospace and Defense or is that not possible?
- Vishnu Malpani:** No. So, see, today we look at business broadly in three sectoral terms, Energy, Aerospace and Defense and Oil & Gas. We intend to separate this into separate verticals only after we cross the threshold of about Rs. 75 crores to about Rs. 80 crores in every sector. Until then, we look at it at a blended level because it does not make sense to look at a vertical at a lower number and then call it a separate vertical. So, as of now, we look at it blended only.
- Pranav Shrimal:** And just one last question. Do we have any plans to open up subsidiaries in Europe or a manufacturing hub in Europe? Would that be feasible in the long-term for us considering it will be a longer transportation time, better cost?
- Vishnu Malpani:** Yes. So, see, we are in the process, so we get a lot of opportunities that come to us, right? So, as of now, all our manufacturing units are based out of India and Hyderabad. And two recent acquisitions have happened in Vizag, in Chennai. So, as of now, we do not have an active plan, we are not. But we are hopeful, any assets that come and that are interesting, we might be -- we are open to --
- Rakesh Chopdar:** Yes. What I can add to Vishnu is, like as our customer base is spread across the global area, so what happens sometimes, as you know that we are in the critical components, right, and the entry



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barriers are very, very high. And it takes a lot of time to qualify both from our side as well as the customer side. So, what happens is, if one qualification is done with one supplier, it's not easy to switch to someone else. So, they would not continue that long. However, there are some opportunities which keep on coming to us from our customers. Like one of the OEM will tell us, hey, are you interested to buy this company, he's our qualified supplier in Europe or maybe South Africa or maybe America? They keep telling us, can you take over this company so that we do not have to redo the qualification. So, these opportunities keep on coming to us, right? This comes from our customers.

**Pranav Shrimal:**

But it's not feasible at the moment? Or is it not something which will--

**Rakesh Chopdar:**

No, we keep on exploring. We are open to it and we are keen to explore that. It's an ongoing thing.

**Vishnu Malpani:**

So, we evaluate it like we evaluate any other opportunity that comes to us, like the ones that we did in India. So, we are in the process of evaluating assets that come to us. And then whenever we strike the right opportunity, I think location should not be a barrier for us.

**Rakesh Chopdar:**

Yes, that does not matter for us.

**Moderator:**

Thank you. The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

**Kamlesh Jain:**

And congrats on very strong set of numbers. So, just one question on the part of your comments, which you have made in the presentation, where you highlighted that our other expenses have increased primarily because of the higher freight rates because of the Red Sea disruption. So, I believe our metal is majorly sold on the basis of ex-plant. So, does really the freight part come into play because our business model is primarily on the ex-plant basis?

**Ronak Jajoo:**

Yes. Hi. This is on the account of, we have a job work which are a special process for which we have to send our part. And in aero, there are a lot of processes for which we have to send for the coating and all those things. Therefore, the logistics cost has increased. On the account of that, we have acquired a company, VTC, where we started qualifying for those particular processes. And going forward, we see that this cost will normalize again.

**Kamlesh Jain:**

And secondly, on our new facility, like what particular like construction rate we have reached at that particular location? What is the schedule for commissioning of that particular facility?

**Vishnu Malpani:**

So, we are on track. Mr. Chopdar also mentioned during his minutes that we are on track there and you would see that the revenue in FY '26 will also be contributed through the new facility. We are on target and at least we will be ahead by a couple of months in terms of what our target date was. So, we are at point there. In FY '26, you will see incremental revenue of that financial year coming out of the new facility.



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- Kamlesh Jain:** And for FY '25, we continue to maintain that we will grow at 25% odd?
- Vishnu Malpani:** Yes, we are maintaining our guidance, and we are very confident about a 25% to 30% range.
- Kamlesh Jain:** And lastly, like it's more of a bookkeeping. On the margin side, like since our listing, the margins have come off from a level of 37% odd to 33.5%. So, where do we see our margins going forward?
- Vishnu Malpani:** So, our range of EBITDA margins has been always consistent in the range of 33% to 35%, right? Now, because of the product mix that changes sometimes at a quarterly level based on customer priorities, etc., you will see that it moved up by 100 basis points to 150 basis points and that's why we talked about the range. And this is sustainable because for us, this is a part of a long-term contract and the prices, and everything has been secured and agreed. So, EBITDA margins for us will be sustained at this level for a longer period of time.
- Ronak Jajoo:** And just to add to this particular point, in this quarter, we had a FOREX loss of Rs. 50 lakhs because we had 80% export sales, and we have to restate our receivables and net debt. So, that is on account of that.
- Moderator:** Thank you. The next question is from the line of Jatin from Sahasrar Capital. Please go ahead.
- Jatin:** Hi. Sir, so my first question is on the lines, a large OEM delayed the delivery of their engines to one of the system integrators in India. Will this affect us in any way?
- Vishnu Malpani:** Sorry, you are not very audible. Can you speak again, please?
- Jatin:** So, one of the large OEMs delayed the delivery of their engines to the system integrators in India for jet fighters. Will this affect us in any way?
- Rakesh Chopdar:** No. I mean, is this question related to the order what we have got from GTRE or DRDO?
- Jatin:** Not exactly, sir, not pertaining to that.
- Rakesh Chopdar:** No, nothing to do with us.
- Jatin:** Okay. And the second question was on the lines of capabilities. The kind of engine we are supposed to make with the DRDO, are they in line or at comparable the ones which will be used in, let us say, Tejas or AMCA or TEDBF in the future?
- Rakesh Chopdar:** No, they all are different segments. Every engine has thrust, and the design of these engines are basis what application is. So, it could be confidential for both GTRE/DRDO and us to name the programs, because we do not want to name the programs. We need the data to run the programs, right? So, this is what we do. This will be used in various platforms.
- Jatin:** Okay. So, I guess, the platforms also would not be named?



**Rakesh Chopdar:** No.

**Moderator:** Thank you. The next question is from the line of Aman Soni from Nvest Analytics Advisory LLP. Please go ahead.

**Aman Soni:** Congrats for the good set of numbers. My question is, is there any update on delivery timeline for the first batch of fully integrated ATGG engines? This was initially scheduled to commence in early calendar year 2026. And what is the size of the opportunity in this?

**Vishnu Malpani:** So, in terms of the timeline, we are looking at FY '26 for delivering the first set of engines, right? So, that is correct. So, we cannot share when exactly we will be doing it, but yes, it is towards the first half of FY '26 is what we are looking at, right? And beyond that, we would not be able to share a lot of information. And the other thing to look at it is, you should think of it as an opportunity for us to move into a complete end-to-end engine manufacturing from, say, component manufacturing. So, you should be able to assess the opportunity size when it comes to propulsion industry, etc. So, this is our first step, and we are obviously very excited about it. The opportunity is massive. I would not be able to comment on the size of the same contract for confidentiality purposes. But then logically, you would understand that this is a large, massive opportunity for us.

**Aman Soni:** My second question is, given that the company previously imported 50% to 55% of its raw material and has aimed to reduce this to 40% in Financial Year '24, could you provide any update on the current status of the company's import content?

**Vishnu Malpani:** Sorry, can you repeat that question again, please?

**Aman Soni:** The company previously imported 50% to 55% of its raw material. What is the current status of the raw material imported?

**Vishnu Malpani:** Okay. So, you are asking about the import of raw material?

**Aman Soni:** Yes, sir.

**Vishnu Malpani:** Yes. So, import of raw material. So, this was as a part of our efforts towards optimizing our working capital numbers. So, we wanted to work on our cash-to-cash conversion cycle and to improve our set of operations. We were looking at indigenizing some of the raw material grades to India. We have been able to successfully indigenize two or three raw material grades with two companies. One of them is Sunflag and the other one is Star Wire. So, you will see that gradually our import percentage of raw materials will come down. This will not just have impacts on this, but we will have better control over our supply chain. We will be able to optimize our working capital cycle also because of the sailing time, the payment terms, etc., also become much more in control with us than they are today.



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**Moderator:** Thank you. The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

**Bala Murali Krishna:** Yes. Regarding the recent order wins from the Rolls-Royce to Siemens Energy and GTRE, so I think GTRE, you told about the supply of engines timeline, but what about the remaining orders when already we started supplying the components to the customer or when we can expect the supply of the components to the customer? Any timeline on these orders?

**Rakesh Chopdar:** Yes. So, these are all rolling orders. When we sign a contract, that is effective from the day we sign, right? If parts, which we have already qualified, there are two ways of signing a contract. Either you get qualified and sign a contract or you take a contract and qualify the parts. So, few in the aviation and Defense contract being Rolls-Royce being very prestigious, right? And the components are very, very critical, right? So, those qualifications will be done by calendar year '25 and the revenue you can see from FY '26 for these components.

And on the Energy part, these are 50% to 60% already qualified. And new families keep on getting added as we increase the capacity. So, it's a mix, it's always a mix of qualified and non-qualified parts and thing. So, the day you sign a contract, it is effective from the same date. I need to define a long list of items if I want to answer all your questions in detail, it's a very long answer for this.

**Bala Murali Krishna:** And regarding the component manufacturing to the entire jet engine assembly, could you please elaborate a little bit on this? So, earlier what was the bill of material of the jet engine? And what would the bill of material from our side now for the complete jet engine assembly?

**Rakesh Chopdar:** We will be the first engine company to do this. I do not think so, as far as my knowledge is there, I am not confirming what I am saying at the moment, is what I feel is that we will be the first in the country to do this, complete assembly of the jet engine. I do not think any private players have done it before. I am not sure on what I am saying just now, but this is what I feel. So, this is very exciting, as I mentioned in my call, in my statement. This is very, very exciting for us. We are very super excited to make this engine.

**Bala Murali Krishna:** And one more thing regarding this commercial aircraft in your opening remarks, is that something that we are also initiating some engine assembly for that commercial aircraft also?

**Rakesh Chopdar:** No, no, sorry, sorry. For except DRDO, GTRE, we are not making any complete engine. We are making a lot of rotating components. And if you see an engine, what you feel is rotating components as you can see, which arise when you enter the aircraft what rotates. So, these components are very critical. So, we make a lot of components for the civil aircraft engines and the Defense military aircraft engines.

**Moderator:** Thank you. The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.



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**Kamlesh Jain:** Yes. Rakesh ji, just one particular thing, like over the years we have grown at a massive pace, but if we just want to compare with like, say, one of the best, which is Howmet. So, how identical we are in terms of a business model with Howmet? How differently things we are doing as compared to this particular BO? So, just wanted to understand business model because in case of Howmet, so they are like say across the value chain right from the forging part and in terms of like conceptualizing the design thing, the OEM as well. So, how are we placed in terms of the value chain as compared to the Howmet?

**Rakesh Chopdar:** Kamlesh Ji, Howmet's revenue you are aware how much revenue they do. And Howmet is one company working similar to Azad, I mean, that's one company. But one day Howmet was also in the same position where Azad is today, I am sure. And the vision what we have, and as Vishnu mentioned, we compete the world, not India. We compete China, we compete Europe, Korea, America. So, we have started the journey, and you can imagine, Howmet also was one day where Azad is today. And definitely there's a huge, massive scope for Azad to reach that height.

**Kamlesh Jain:** What capabilities we are building in like, say, what investments or what efforts are we putting in right from the like say, forging or like workflow, shop floor, people, and all the designing part? So, if you can throw some light on that particular aspect.

**Rakesh Chopdar:** Every aspect has to grow. And when you see Kamlesh ji, how much revenues, it's all in billions I think so, right?

**Kamlesh Jain:** Yes.

**Rakesh Chopdar:** Right. So, definitely there is massive capacity to be in the billions game, let it be forging, let it be manpower, let it be machines, let it be flooring, right? So, this has all been accounted and that's the reason we are first moving to 10x size, right? So, we have this in mind how massive growth we are sitting on the part. The best part is, we are in the same league. We are too small before our competitors who are ages, ages, decades, decades old companies. And everyone passed through where Azad is today, right? So, the massive scope is there and that's why the confidence what we are taking and moving ahead is this is all of what we are talking now.

**Vishnu Malpani:** And we are also reporting the business similarly. And while we are optically able to only see increase in capacity, you will see that we are also building organizational function, hiring across the organization at key levels to sort of manage or address the growth that we are seeing in the coming years. So, we are very well-positioned. We are looking at it from all aspects. We gave a glimpse of it in our speeches as well.

**Kamlesh Jain:** And lastly, like how much CAPEX we are looking over next three, five years in total?

**Vishnu Malpani:** So, I will take you back to our discussion of last quarter where we had charted out a plan for FY '27. And for FY '27 we had raised a primary of Rs. 240 crores and this was to be deployed towards infrastructure and capacity. And now, we are planning how do we go beyond FY '27? And given



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the increase in contracts, given in the customer wins, given in our capability expansion, we are now doing the math of how you go from FY '27 and beyond, and what is the necessary CAPEX that is required.

**Rakesh Chopdar:** So, I think Kamlesh ji, as you are mentioning Howmet, so they are in billions and we are in millions. So, definitely there is a story from million to billion.

**Kamlesh Jain:** But if you can pinpoint some CAPEX as well, that would be very helpful. So, that would be visible in your CAPEX as well. So, that was the whole purpose behind that.

**Vishnu Malpani:** Sure. And if you have any more specific questions, you can always write to us via ICICI Securities and we will be more than happy to sort of address that question in case you want more information on it.

**Moderator:** Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** Yes. Hi. Thanks for taking my question. Just a couple of them. One is related to us foraying into now complete engine. Now, in India, we are all aware that the engine ecosystem particularly is developing pretty fast. And particularly in different space there are various tie-ups on the anvil, and they include some of the OEMs with which we already have contracts, we are already supplying to them. So, if you could just highlight some of the opportunities that we see in Indian Defense space in particular, that would be very helpful.

**Rakesh Chopdar:** Good question, Amit ji. See, actually, if you notice these engines now, it is under development stage within India, right? But India is still using these engines, so that means India is importing these engines as finished and setting up using it in various platforms. Now, once these engines get proven, and first thing is import gets stopped, right? And this becomes an imposed substitute that these engines will no more be imported, and it will be made in India and used in India. However, for Azad, that's one plus point. But if you notice, Azad is a global player. Azad plays in a global platform. These engine requirements, capabilities once built, I am definitely sure with our existing customers, like all these giants, all these OEMs, Azad is already a prominent player in this field. We just go and need to, one day we just need to inform them, hey, guys, we already have this engine capability also being added to the portfolio of Azad.

That opens a different ballgame, right? It's not just for India, this capability is going to serve for the global market. Maybe where India is importing at the moment from that OEM, we may go and supply back to those OEMs. That really makes a very different story, right? Just like if you can see the Nuclear boom which is going to come, we are the only company EDF approved. EDF is a French Government organization which controls the major Nuclear plants. And all this big boom is coming up in Nuclear. So, we are in a good position in almost all these niche areas.





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**Vishnu Malpani:** And I would say, Amit ji, I think it's important to look at Azad as not a player that is only focusing on the Defense play. We are an organization that is very well-positioned across all sectors, whether you look at power, Nuclear, Aerospace, Defense, Oil & Gas. Today, we have opportunities in every sector. And particularly, each of these sectors, we are looking at massive opportunities. You look at how our order book has been increasing quarter-on-quarter. This is based on the opportunities that we are looking at. And we are also currently working on some nation pride contracts, which we will not be able to share a lot of information on. But then, I would say it's exciting to be at this point for Azad.

**Rakesh Chopdar:** Moreover, I would like to add one more thing, Amit ji, it's like, Azad plays not only just in Defense, not only just in aviation, not only just in Energy, not only just in Oil & Gas, we are there everywhere, wherever there is niche. Now all these four sectors in the niche areas, Azad is dominant and building capabilities to just increase the wallet share now. So, it's a beautiful story from all the core segments. I hope we answered your questions.

**Amit Dixit:** No, great to hear that. One more question that I have is, and that is on essentially Oil & Gas. Now, while Energy, as we understand it, power sector and Aerospace have been discultivated quite a bit. But your recent wins, if I look at it, they have been on Oil & Gas, at least the recent five, six orders. So, just if you could give a little bit of more color on this that where do we see this particular segment evolving? Because it has just started for us, and given the TAM, it can have significant opportunities. So, just if you could highlight where we are focused here, which area we are looking at, because that can be a very interesting opportunity.

**Rakesh Chopdar:** Definitely. I think, as Vishnu mentioned, just adding a CNC machine, we regard as a precision manufacturing. That's fine, precision is there everywhere. But when you look at the parts, it's like how beautifully you utilize the technology available and produce a part consistently at a cost, maintaining your margins, maintaining your deliveries with the setup, with the investments, what we do. It's very important to make a match and mix of these kind of things. And sustaining is a big question. Everybody asks, is it sustainable? So, this is where Azad specializes in, in sustaining things.

Now, if you look at the Oil & Gas sector, there are many, many areas in Oil & Gas sector. But where Azad plays is also very important in Class A. When I say Class A, these parts go and operate 32,000 feet below the ground, right? And we can imagine these parts being so critically drilling, going deep in the well, and something goes wrong in those parts. So, a lot of engineering and processes are required to make these parts right every time, consistently. Similarly, talk about 32,000 feet above the ground on the aviation, 32,000 feet below the ground, in Oil & Gas, and of course in Nuclear. So, we can just see that where Azad is a key player, it's not only a component supplier, Azad is a solution provider.

**Vishnu Malpani:** And Amit ji, just to add to what Mr. Chopdar said, these parts are extremely niche parts. The contracts that we signed on, our customers were making this in-house, and we will be the most



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critical player supplying them. As a part of our realization, you will see that this year we would start contributing revenue from Oil & Gas as well. Last financial year, we contributed roughly about Rs. 3.5 crores. This financial year, you should be able to see that some of these parts that we have qualified, we would be moving that into production very, very quickly.

**Amit Dixit:** Thank you. That's a very comprehensive answer. Thank you, and all the best.

**Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Amit for the closing remarks.

**Amit Dixit:** Yes. Hi. Thanks, everyone, for attending this call. And thanks to the management for the fruitful discussion that we had today. I would now like to hand over the call to Mr. Chopdar for any closing remarks. Over to you, sir.

**Rakesh Chopdar:** That's all. Thank you so much, Amit, for hosting this, and thanks a lot SGA team and thanks to all of everyone who has joined this call and took time to talk to us, listen to us. We are very happy and delighted and we will keep on here and be excited. So, I hope that we continue this good work. Thank you so much.

**Vishnu Malpani:** And please, remember, I think, Azad is just getting started.

**Rakesh Chopdar:** Yes, it just started.

**Vishnu Malpani:** Thank you.

**Moderator:** On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.