

29 September 2026

India | Equity Research | Company Update

Azad Engineering

Defence

New facilities further improve long-term visibility; expecting pick-up in execution

Azad Engineering (Azad) has inaugurated two dedicated manufacturing facilities for GE Vernova's gas power business at its Centre of Excellence & Innovation Centre in Hyderabad. This is the single-largest capacity addition Azad has made in one tranche (15,200 sq.mt.), and takes its GE-dedicated footprint to three facilities — the deepest customer integration in its portfolio. With this, 6 of the 7 planned dedicated manufacturing facilities stand commissioned, along with a forging unit. We expect follow-up large orders from GE, providing another 5-6 years of visibility to the newly commissioned unit. We are introducing FY29 estimates and rolling over our target multiple to FY29, arriving at a target price of INR 3,200 (55x FY29E EPS).

Two more dedicated GE plants; OB conversion is a key beneficiary

GE Vernova is now Azad's largest single-customer footprint, with three dedicated facilities: i) a steam power services unit (inaugurated Apr'25), and ii) two new gas power facilities (inaugurated Sep'26). The capacity is being built against the existing GE Vernova contract book, which includes: i) a USD 112mn, six-year aerofoil agreement signed in Jan'25, and ii) a USD 53.5mn GE Steam Power contract signed in May'25. Azad's OB of INR 65bn+ has never been a constraint on growth, although execution capacity has been. We expect more large orders to follow soon led by new capacity commissioning. Also, since the majority of the OB is USD-denominated, we expect Azad to exceed its guidance, supported by INR depreciation.

Execution phase starting; expect next growth capex announcement soon

Out of the 7 planned facilities, Azad now has only one dedicated facility remaining to be commissioned, which is expected by end-FY27. This marks the start of the execution phase, which will likely drive earnings for the next 2-3 years. Meanwhile, we expect the company to announce its next leg of growth capex soon to maintain visibility beyond FY30. Azad delivered India's first indigenous turbojet engine to GTRE/DRDO in Jul'26. Weapon-integration testing and subsequent certification are expected to pave the way for serial production. With capacity creation now largely behind the company, we believe the equity story rests on throughput conversion and working capital normalisation.

Financial Summary

Y/E March (INR mn)	FY26A	FY27E	FY28E	FY29E
Net Revenue	6,030	8,011	10,780	14,117
EBITDA	2,253	2,975	4,067	5,429
EBITDA Margin (%)	37.4	37.1	37.7	38.5
Net Profit	1,336	1,792	2,580	3,765
EPS (INR)	22.6	27.7	39.9	58.3
EPS % Chg YoY	54.3	22.8	44.0	46.0
P/E (x)	120.5	98.1	68.2	46.7
EV/EBITDA (x)	41.4	55.1	40.5	30.3
RoCE (%)	11.6	12.5	15.0	17.5
RoE (%)	9.1	11.1	14.0	17.5

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Market Data

Market Cap (INR)	176bn
Market Cap (USD)	1,832mn
Bloomberg Code	AZAD IN
Reuters Code	AZAD.BO
52-week Range (INR)	2,987 / 1,359
Free Float (%)	44.0
ADTV-3M (mn) (USD)	16.1

Price Performance (%)	3m	6m	12m
Absolute	34.8	83.5	74.9
Relative to Sensex	40.4	84.6	84.4

ESG Score	2024	2025	Change
ESG score	46.7	51.9	5.2
Environment	19.6	23.0	3.4
Social	52.0	61.7	9.7
Governance	68.0	72.1	4.1

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

09-08-2026: [Q1FY27 results review](#)

17-05-2026: [Q4FY26 results review](#)

Outlook: Capacities in place; execution – key monitorable now

Azad has spent the past few decades building capabilities alongside capacity. Now, it is time for the company to step up its execution phase amidst a very strong OB. The company is further expanding its qualifications across four global aero-engine makers and has also entered into the technically challenging propulsion system and hot sections segments. FY27 onwards, we expect the company to witness a meaningful acceleration in its top line. The ATGG engine delivery is a highly consequential development, as the fundamental question has shifted from 'Can Azad build it?' to 'Can Azad execute and scale it?'.

Management has maintained its guidance of a 25%+ revenue CAGR with a 32-35% margin. However, we believe that, similar to FY26, the company is providing conservative estimates amidst the current geopolitical situation. We have built in a 33% revenue CAGR over FY26–29E, with margins holding at 37-38% (partially benefitting from INR depreciation).

Given the higher-for-longer visibility, Azad's ascension to engine manufacturing, strong margins, and improving RoEs (as ramp-up phase starts), we have rolled over our target multiple to FY29 and arrived at a TP of INR 3,200, based on 55x FY29E EPS. Upgrade to **BUY** (from ADD).

Key risks

- Delay in OEM approvals.
- Further escalation of tariffs on India.
- Slowdown in the energy/aerospace sector leading to lower revenue growth.

Exhibit 1: Azad's capacity expansion plan

Facility / Unit	Dedicated To	Product / Component	Sector	Inaugurated	Status
Dedicated Lean Mfg. 1	Mitsubishi Heavy Industries	Aerofoils for gas turbines	Energy (Gas/Thermal)	12-Mar-25	Commissioned
Dedicated Lean Mfg. 2	GE Vernova	Steam turbine blades	Energy (Steam/Thermal)	29-Apr-25	Commissioned
Dedicated Lean Mfg. 3	Siemens Energy	Aerofoils/components for gas & thermal turbine	Energy (Gas/Thermal)	18-Sep-25	Commissioned
Dedicated Lean Mfg. 4	Baker Hughes	Aerofoils & turbomachinery components	Oil & Gas / Energy	23-Apr-26	Commissioned
Dedicated Lean Mfg. 5	GE Vernova	Aero-engine components	Aerospace & Defence	28-Sep-26	Commissioned
Dedicated Lean Mfg. 6	GE Vernova	Aero-engine components	Aerospace & Defence	28-Sep-26	Commissioned
Dedicated Lean Mfg. 7	Not yet announced				Civil construction
Forging Plant 1	Backward integration				Planned

Source: I-Sec research, Company data

Exhibit 2: Azad's recent OI wins

Date	Order	From	Amt.
4-May-25	Supply of aerofoils for nuclear, industrial and thermal power generations	GE Vernova	USD 53.5mn
26-May-25	Supply of high-complex and critical components	Baker Hughes	NA
26-Sep-25	Supply of aerofoils for advanced gas & thermal power engines	Mitsubishi Heavy Industries	USD 156.36mn
18-Nov-25	Supply of engine parts	Pratt & Whitney	NA
26-Mar-26	Supply of nozzle vanes of gas turbines	Mitsubishi Heavy Industries	NA
23-Apr-26	Supply of turbo-machinery of power generator	Baker Hughes	NA

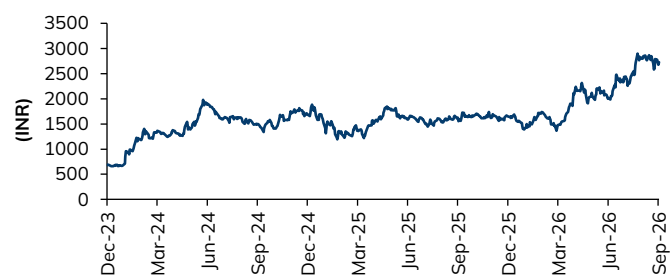
Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	55.8	55.8	55.8
Institutional investors	26.0	26.5	23.6
MFs and others	9.4	10.2	9.4
Insurance / Bank	1.1	1.5	0.9
FII's	15.5	14.8	13.3
Others	18.2	17.7	20.6

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY26A	FY27E	FY28E	FY29E
Net Sales	6,030	8,011	10,780	14,117
Operating Expenses	3,195	3,639	4,430	5,993
EBITDA	2,253	2,975	4,067	5,429
EBITDA Margin (%)	37.4	37.1	37.7	38.5
Depreciation & Amortization	528	608	638	622
EBIT	1,725	2,368	3,429	4,807
Interest expenditure	308	324	327	102
Other Non-operating Income	457	411	431	453
Recurring PBT	1,873	2,455	3,534	5,158
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	537	663	954	1,393
PAT	1,336	1,792	2,580	3,765
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,336	1,792	2,580	3,765
Net Income (Adjusted)	1,336	1,792	2,580	3,765

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY26A	FY27E	FY28E	FY29E
Total Current Assets	9,893	12,345	15,145	18,285
of which cash & cash eqv.	1,846	2,537	2,837	4,134
Total Current Liabilities & Provisions	1,275	1,327	1,380	1,437
Net Current Assets	8,618	11,019	13,765	16,848
Investments	407	447	492	541
Net Fixed Assets	7,632	9,025	9,994	11,632
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,567	2,824	3,106	3,416
Total Intangible Assets	161	161	161	161
Other assets	1,341	268	54	11
Deferred Tax Assets	-	-	-	-
Total Assets	20,725	23,743	27,571	32,610
Liabilities				
Borrowings	4,566	5,742	6,935	8,148
Deferred Tax Liability	492	541	595	655
provisions	62	62	62	62
other Liabilities	322	322	322	322
Equity Share Capital	129	129	129	129
Reserves & Surplus	15,160	16,952	19,532	23,297
Total Net Worth	15,289	17,081	19,661	23,426
Minority Interest	(6)	(5)	(4)	(3)
Total Liabilities	20,725	23,743	27,571	32,610

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY26A	FY27E	FY28E	FY29E
Operating Cashflow	(940)	1,063	1,153	2,762
Working Capital Changes	(3,161)	(1,710)	(2,445)	(1,787)
Capital Commitments	(5,731)	(2,257)	(1,890)	(2,571)
Free Cashflow	(6,671)	(1,194)	(737)	191
Other investing cashflow	(268)	1,032	170	(6)
Cashflow from Investing Activities	(5,999)	(1,225)	(1,720)	(2,577)
Issue of Share Capital	-	-	-	-
Interest Cost	(308)	(324)	(327)	(102)
Inc (Dec) in Borrowings	2,106	1,176	1,193	1,213
Dividend paid	-	-	-	-
Others	17	1	1	1
Cash flow from Financing Activities	1,815	853	867	1,111
Chg. in Cash & Bank balance	(5,124)	691	300	1,296
Closing cash & balance	1,846	2,537	2,837	4,134

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY26A	FY27E	FY28E	FY29E
Per Share Data (INR)				
Reported EPS	22.6	27.7	39.9	58.3
Adjusted EPS (Diluted)	22.6	27.7	39.9	58.3
Cash EPS	31.5	37.2	49.8	67.9
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	258.7	264.5	304.4	362.7
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	31.8	32.9	34.6	31.0
EBITDA	39.7	32.1	36.7	33.5
EPS (INR)	54.3	22.8	44.0	46.0
Valuation Ratios (x)				
P/E	120.5	98.1	68.2	46.7
P/CEPS	86.3	73.3	54.7	40.1
P/BV	10.5	10.3	8.9	7.5
EV / EBITDA	41.4	55.1	40.5	30.3
P / Sales	26.7	20.1	14.9	11.4
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	90.4	82.6	78.8	80.9
EBITDA Margins (%)	37.4	37.1	37.7	38.5
Effective Tax Rate (%)	28.7	27.0	27.0	27.0
Net Profit Margins (%)	22.2	22.4	23.9	26.7
NWC / Total Assets (%)	0.4	0.5	0.5	0.5
Net Debt / Equity (x)	0.2	0.2	0.2	0.1
Net Debt / EBITDA (x)	1.0	0.9	0.9	0.6
Profitability Ratios				
RoCE (%)	11.6	12.5	15.0	17.5
RoE (%)	9.1	11.1	14.0	17.5
RoIC (%)	11.0	10.3	12.5	14.7
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	257	232	221	193
Receivables Days	244	239	235	206
Payables Days	15	11	8	6

Source Company data, I-Sec research

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