

February 16, 2026

Growth momentum to continue, with stabilizing capacities ...

About the stock: Azad Engineering (AEL) is one of the key manufacturers of qualified product lines supplying to global original equipment manufacturers (OEMs) in the energy, aerospace & defence and oil & gas industries, manufacturing highly engineered, complex and mission and life-critical components

- 9MFY26 revenue mix: ~93% from exports, ~7% from domestic markets
- Consolidated order as of Dec-25 stood to ~₹ 6500+ crore (11.7x TTM revenue)

Investment Rationale:

- **Structural positioning in high-entry-barrier aerospace & energy markets with long runway:** AEL operates in highly regulated, precision-critical industries requiring stringent qualification and zero-defect manufacturing standards, creating high entry barriers and long customer stickiness. The company further plans to establish multiple sub facilities at Hyderabad in two phases (pending phase-1 of ~73000 sq.mts and phase-2 of 67267 sq.mts), dedicated to specific customers. With, ~75% progress in India's first indigenous jet engine program (with GTRE) and easing US-India trade environment supporting global supply chains, AEL remains well positioned to capture incremental global outsourcing opportunities. Given current market share of ~1-1.5% in a large and growing addressable market, runway for growth remains significant
- **Robust order backlog and long-cycle contracts provide multi-year revenue visibility:** Company's order book remains strong at over ~₹6,500 crore (~11.7x TTM revenue), with consistent QoQ accretion, ensuring multi-year revenue visibility. Growth is supported by long-cycle aerospace engine programs with global OEMs including Safran and Pratt & Whitney, alongside established relationships with GE, Mitsubishi and Siemens. Importantly, capacity expansion is fully linked to firm customer contracts, with no speculative capex. Management expects stabilization in FY26, steady-state operations in FY27 and peak utilization by FY28, setting the stage for meaningful operating leverage
- **Strong execution-led growth with margin expansion:** AEL continues to demonstrate structural strength with ~33% revenue CAGR (FY22-YTDFY26) and sharp margin expansion to ~37% during 9MFY26 (from ~32% in FY22) despite FY26 being a stabilization year for newly commissioned facilities. This reflects favourable product mix, disciplined long-term contracts, fixed cost absorption and supply chain optimisation. Management maintains long-term revenue and EBITDA margin guidance at 25%+ CAGR and 33-35% respectively, indicating sustainability beyond near-term mix benefits

Rating and Target Price

- With healthy order-backlog, robust pipeline and improving execution led by increasing indigenisation, we believe that AEL provides strong earnings visibility. Over FY25-28E, we expect revenue & EBITDA CAGR at ~29% each while PAT CAGR at ~33%. We maintain BUY on AEL with a target price of ₹ 1900 per share (based on 60x FY28E EPS)

Key Financial Summary

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	194	252	341	457	33.0	600	774	986	29.2
EBITDA	62	72	117	161	37.3	216	274	349	29.4
EBITDA margin (%)	32.0	28.7	34.2	35.3		35.9	35.4	35.4	
Net Profit	29	8	59	87	43.7	117	151	205	32.8
EPS (Rs)	4.6	1.3	9.1	13.5		18.2	23.4	31.7	
P/E (x)	320.5	1,114.1	176.4	118.3		88.0	68.3	50.5	
EV/EBITDA (x)	168.4	145.9	88.4	61.2		46.3	37.0	29.1	
RoCE (%)	16.9	13.0	18.8	8.7		10.9	13.2	15.8	
RoE (%)	24.5	4.2	9.1	6.3		7.8	9.1	11.0	

Source: Company, ICICI Direct Research



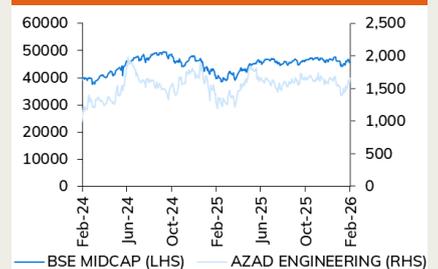
Particulars

Particular	Amount
Market Capitalisation (Rs)	10,333
FY25 Gross Debt (Rs crore)	244
FY25 Cash (Rs crore)	697
EV (Rs crore)	9,880
52 Week H/L (Rs)	1899 / 1128
Equity Capital	12.9
Face Value	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	60.3	55.4	55.4	55.8
FII	14.2	16.2	15.8	15.3
DII	8.2	8.9	9.8	10.7
Others	17.2	19.5	19.0	18.1

Price Chart



Key risks

- Dependency on limited customers
- Raw material unavailability
- Significant revenue from exports
- Change in technology

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Q3 and 9MFY26 Result Summary

- Revenue increased by 31.7% YoY (+9.0% QoQ) to ₹158.7 crore in Q3FY26, led by strong operational execution across segments.
- Energy segment revenue (82% of total) grew 33.5% YoY to ₹127.1 crore, while Aerospace & Defence revenue (17% of total) increased 33% YoY to ₹26.4 crore
- EBITDA margin expanded to 39.2% (+366 bps YoY and +312 bps QoQ) supported by favourable sales mix, improved operating leverage and efficiency gains. Consequently, EBITDA grew 45.3% YoY (+18.4% QoQ) to ₹62.2 crore.
- PAT rose 46.4% YoY (+6.5% QoQ) to ₹34.7 crore, reflecting strong bottom-line conversion.
- For 9MFY26, revenue grew (33.6% YoY) to ₹441.4 crore, with EBITDA margin improving to ~37% (vs ~35% in 9MFY25) with Energy segment revenue (82% of total) grew ~35% YoY while Aerospace & Defence revenue (17% of total) increased ~31% YoY
- EBITDA for 9MFY26 increased (~41.7% YoY) to ₹164 crore, while PAT rose (56.7% YoY) to ₹96.8 crore

Q3FY26 Earnings Call Highlights

- Revenue growth for the quarter has remained strong owing to overall operational performance from Energy and Oil & Gas (~82% of revenue) and Aerospace and Defence (~17% of revenue)
- The Energy and Oil & Gas space (EnO&G) has resulted in a ~35% YoY growth in revenue during 9MFY26 while the Aerospace and Defence (A&D) registered a healthy 31% YoY improvement on the back of the commercialisation of new products
- Export contributed ~93% of the revenue while domestic segment contributed ~7% during the quarter
- Key long-cycle aerospace contracts continue to progress with Safran and Pratt & Whitney for critical aircraft engine components.
- Management remains confident of delivering 25%+ annual revenue growth over the coming years, with operating leverage benefits expected to become more visible from FY27 onwards.
- EBITDA margin stability during expansion is supported by improved product mix, long-term contract discipline, fixed cost absorption and supply chain optimization. Management reiterates long-term EBITDA margin guidance of 33–35%.
- Business mix remains diversified with Energy & Oil & Gas as the dominant segment, while Aerospace & Defence continues to scale steadily.
- FY26 is positioned as a stabilization year with new plants for GE, Mitsubishi and Siemens now capitalized and under qualification/ramp-up.
- Management expects stabilization in FY26, steady-state operations in FY27 and peak utilization levels by FY28. No speculative capex; all expansions are backed by firm long-cycle contracts.
- Order book remains robust at over ~₹6,500 crore, providing strong multi-year revenue visibility with consistent QoQ accretion post listing.
- Lean manufacturing principles have been embedded in new facilities through workflow-based layouts and digital monitoring systems to enhance repeatability and compliance.
- Supply chain capabilities have been strengthened with higher domestic sourcing, improving agility and working capital efficiency.
- Workforce capability building remains a focus area with structured recruitment and training initiatives to support scale-up.

- Capital deployment remains aligned with secured orders, reflecting financial prudence despite ongoing expansion.
- Development of India's first indigenous jet engine (in collaboration with GTRE) is ~75% complete, with completion targeted in the coming months.
- Easing US-India trade environment provides incremental comfort for global customer engagements.

Exhibit 1: Q3 and 9MFY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY25	YoY(%)
Operating Income	158.7	120.5	31.7	145.6	9.0	Operational performance remained strong during the quarter	441.4	330.4	33.6
Other income	8.1	5.1		12.2			29.1	7.2	
Total Revenue	166.9	125.6		157.9			470.5	337.6	
Raw materials costs	13.1	16.3		17.2			47.1	47.5	
Employees Expenses	34.2	24.8		33.7			97.2	67.5	
Other Expenses	49.2	36.5		42.2			133.2	99.7	
Total Expenditure	96.5	77.7		93.1			277.4	214.7	29.2
EBITDA	62.2	42.8	45.3	52.5	18.4		164.0	115.7	
EBITDA margins (%)	39.2	35.5	366 bps	36.1	312 bps	Steady on account of evolving sales mix, better operating leverage and operational efficiencies	0.4	0.4	6.1
Interest	8.3	6.4		6.7			21.0	14.6	
Depreciation	14.2	7.4		11.7			36.0	20.2	
Tax	13.1	10.3		13.8			39.3	26.4	
PAT	34.7	23.7	46.4	32.6	6.5		96.8	61.7	56.7

Source: Company, ICICI Direct Research

Exhibit 2: Growing order-book over the years

Arabelle Solutions	BHEL	Baker Hughes	GE Vernova	GTRE
Signed a supply agreement for the supply of critical and highly complex rotating and stationary components. The value of this agreement for the entire term is at USD 40 Mn	Secured a purchase order from Bharat Heavy Electrical Limited (BHEL) for the supply of advanced, high-complex rotating airfoils for supercritical turbines. Prestigious collaborative indigenization project; evaluation and approval by the Central Electricity Authority Ministry of Power, NTPC, & BHEL	Signed an MoU to setup a facility to manufacture and supply of precision components, sub-assemblies, assemblies to cater the requirements within the kingdom of Saudi Arabia Signed an additional Strategic supply Agreement with Nuovo Pignone srl, a corporation of Baker Hughes company, that involves the supply of high-complex and critical components	Secured agreement to supply of highly engineered, complex rotating and stationary airfoils for Advanced Gas turbine engines, the contract is valued at USD 112 Mn Secured agreement for manufacturing and supplying of highly engineered and complex rotating and stationary Airfoils for advanced nuclear, industrial, and thermal power industries, contract valued at USD 53.5 Mn	Secured a prestigious nation pride contract from GTRE one of the pioneering Research and Development Organizations under DRDO and the Ministry of Defense, Government of India. The contract is of end-to-end manufacturing, assembling and integration of a complete assembled Advanced Turbo Gas Generator Engine
Honeywell Aerospace	Mitsubishi	Pratt and Whitney Canada	Rolls Royce Plc London	Siemens Energy Global
Received a business award from Honeywell Aerospace ISC, USA, for manufacturing and supply of high complex components to meet the global demand in the Aviation industry. This Phase 1 of the Award, valued at USD 16 Mn spend over the contract period has added to its strategic collaboration with Honeywell Aerospace	Signed a Long-Term Contract & Price Agreement (LTCPA) with Mitsubishi Heavy Industries for supply of highly engineered & complex rotating and stationary airfoils for Advanced Gas & Thermal power turbine engines. This current Phase of contract is valued at USD 83 Mn for a period of 5 years	Master Terms Agreement & Purchase Agreement for development and manufacturing of aircraft engine components. This agreement establishes a framework for long-term collaboration aimed at strengthening Azad's manufacturing capabilities in the aerospace sector, in alignment with national strategic priorities	Signed a deal to produce Civil Aircraft Engine Components and supply super critical complex machined parts for a period of life of the Engine Program on a long-term basis	Secured agreement to manufacture and supply critical rotating components for the global demands of advanced gas and thermal turbine engines Secured agreement for manufacturing and supplying essential components like combustion commodities, cold blades, and machined parts, valued at USD 90 Mn

Source: Company, ICICI Direct Research

Exhibit 3: Manufacturing Facilities

		Area	Customers
Existing facilities	➔	7 facilities in Hyderabad 42000 sq. mtr	Multiple Customers
Upcoming facilities	➔	Multiple Sub facilities Phase 1: ~ 72900 sq. mtr (excludes 3 facilities which have been already inaugurated) Phase 2: 67267 sq. mtr	Dedicated for Specific Customers

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	341	457	600	774	986
% Growth	35.4	34.2	31.2	28.9	27.5
Other income	32.0	10.6	31.5	34.7	38.1
Total Revenue	341	457	600	774	986
% Growth	35.4	34.2	31.2	28.9	27.5
Total Raw Material Costs	46	64	66	85	108
Employee Expenses	74	93	132	165	206
other expenses	104	139	186	250	322
Total Operating Expenditure	224	296	385	500	637
Operating Profit (EBITDA)	117	161	216	274	349
% Growth	61.3	38.4	33.7	26.9	27.7
EBITDA Margin	34.2	35.3	35.9	35.4	35.4
Interest	47	18	29	28	16
PBDT	101	154	218	280	371
Depreciation	21	29	50	64	79
PBT before Exceptional Item:	81	124	168	216	292
Total Tax	22	37	50	65	88
PAT before MI	59	87	117	151	205
PAT	59	87	117	151	205
% Growth	59.1	49.1	34.4	28.9	35.1
Diluted EPS	9.9	13.5	18.2	23.4	31.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash Flow Statement

(₹ Crore)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	59	87	117	151	205
Depreciation	21	29	50	64	79
Interest	47	18	29	28	16
Cash Flow before WC changes	126	135	197	244	300
Changes in inventory	(47)	(56)	(59)	(48)	(68)
Changes in debtors	(51)	(54)	(69)	(78)	(88)
Changes in loans & Advances	-	-	-	-	-
Changes in other current assets	(34)	(24)	(9)	(40)	(35)
Net Increase in Current Assets	(132)	(137)	(138)	(168)	(193)
Changes in creditors	2	30	25	30	37
Changes in provisions	(2)	0	-	-	-
Net Inc in Current Liabilities	17	72	27	33	40
Net CF from Operating activities	11	70	86	109	147
Changes in def tax assets	-	-	-	-	-
(Purchase)/Sale of Fixed Assets	(101)	(248)	(200)	(200)	(180)
Net CF from Investing activities	(115)	(281)	(168)	(211)	(193)
Dividend and Dividend Tax	-	-	-	-	-
Net CF from Financing Activities	72	849	18	(128)	(116)
Net Cash flow	(32)	638	(64)	(230)	(162)
Opening Cash/Cash Equivalent	91	59	697	633	403
Closing Cash/ Cash Equivalent	59	697	633	403	242

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	11.8	12.9	12.9	12.9	12.9
Reserve and Surplus	633	1,381	1,496	1,647	1,852
Total Shareholders funds	645	1,394	1,509	1,660	1,864
Total Debt	37	244	293	193	93
Total Liabilities	707	1,704	1,834	1,885	1,989
Gross Block	255	505	705	905	1,125
Acc: Depreciation	59	89	139	203	282
Net Block	255	417	566	702	843
Capital WIP	40	80	80	80	40
Total Fixed Assets	298	516	665	801	902
Non Current Assets	73	148	81	92	104
Inventory	133	189	248	297	365
Debtors	170	223	293	371	459
Other Current Assets	60	84	93	133	167
Cash	59	697	633	403	242
Total Current Assets	422	1,197	1,271	1,209	1,240
Current Liabilities	50	80	105	136	173
Provisions	4	90	91	91	92
Total Current Liabilities	85	157	184	217	257
Net Current Assets	337	1,040	1,087	992	983
Total Assets	707	1,704	1,834	1,885	1,989

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Diluted EPS	9.1	13.5	18.2	23.4	31.7
Cash per Share	9.1	107.9	98.1	62.5	37.4
BV	99.9	215.8	233.6	257.0	288.7
EBITDA Margin	34.2	35.3	35.9	35.4	35.4
PAT Margin	17.2	19.1	19.6	19.6	20.7
RoE	9.1	6.3	7.8	9.1	11.0
RoCE	18.8	8.7	10.9	13.2	15.8
RoIC	15.4	14.0	14.1	14.5	15.8
EV / EBITDA	88.4	61.2	46.3	37.0	29.1
P/E	176.4	118.3	88.0	68.3	50.5
EV / Net Sales	30.3	21.6	16.6	13.1	10.3
Sales / Equity	0.5	0.3	0.4	0.5	0.5
Market Cap / Sales	30.3	22.6	17.2	13.4	10.5
Price to Book Value	16.0	7.4	6.8	6.2	5.5
Asset turnover	0.5	0.3	0.3	0.4	0.5
Debtors Turnover Ratio	2.4	2.3	2.3	2.3	2.4
Creditors Turnover Ratio	7.0	7.0	6.5	6.4	6.4
Debt / Equity	0.1	0.2	0.2	0.1	0.0
Current Ratio	5.8	3.3	3.6	3.9	4.1
Quick Ratio	3.7	2.1	2.2	2.5	2.6

Source: Company, ICICI Direct Research

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Sell: <-15%

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