

16 February 2026

India | Equity Research | Results Update

Azad Engineering

Defence

Robust order book giving higher-for-longer visibility

Azad Engineering (Azad)'s Q3FY26 EBITDA jumped 45% YoY to an all-time-high of INR 622mn (+18% QoQ), driven by strong revenue execution (+32% YoY) aided by new facilities. Azad has built up a robust order book (OB) of INR 65bn+ and is increasing its capacities, which should help treble revenues over the next 3–4 years. Given that most of its customers in the energy business are themselves enjoying record OBs alongside an added positive of India's improving outlook for the aerospace of segment, we believe Azad too would find an extensive revenue runway over the next decade. Revenue growth will likely only be limited by Azad's own ability to build and ramp up facilities and the necessary skilled manpower in a timely manner. We maintain **BUY** and our TP of INR 1,900 (based on 50x FY28E EPS).

Above expectations

AZAD's Q3FY26 EBITDA was better than consensus estimates, which was at INR 622mn, growing +45%/+18% YoY/QoQ. Highlights: 1) Energy segment's revenue, at INR 1,271mn, grew +34%/9% YoY/QoQ, while aero & defence (A&D) revenue was at INR 264mn, with growth of +33%/+10% YoY/QoQ. 2) Improved EBITDA margins to 39.2%, which is an expansion of 370bps/310bps YoY/QoQ, amid ongoing expansion-related costs and ramp-up activities. 3) Bagged contracts from Safran and Pratt & Whitney for critical aerospace rotating engine components. 4) Dedicated plants for GE, Mitsubishi and Siemens have been commissioned and are undergoing their respective stabilisation phases. 5) Incurred capex of ~INR 2.5bn in 9MFY26 for infrastructure of the new plants. Management reaffirms its confidence of achieving ~25% CAGR while maintaining EBITDA margins of 33–35% ahead.

Revenue growth hinges on capacity commissioning

Azad has book-to-bill of over 10 years at FY26 estimated revenue rate. The company has inaugurated three new dedicated facilities that are ramping up. We expect four more to come over the next year, boosting revenues. At the same time, the Indian aerospace ecosystem is at an inflection point and ripe for exponential multi-year growth. Therefore, we believe, Azad is unlikely to face issues with orders, but revenue growth would now largely be dependent on its own ability to add and ramp up capacities in a timely manner.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	4,574	6,061	8,011	10,608
EBITDA	1,613	2,176	2,900	3,968
EBITDA Margin (%)	35.3	35.9	36.2	37.4
Net Profit	865	1,341	1,769	2,472
EPS (INR)	14.6	20.8	27.4	38.3
EPS % Chg YoY	47.7	41.8	32.0	39.7
P/E (x)	107.8	76.1	57.6	41.3
EV/EBITDA (x)	47.3	47.9	36.1	26.3
RoCE (%)	11.5	11.6	13.8	17.3
RoE (%)	8.5	9.2	11.0	13.5

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Market Data

Market Cap (INR)	102bn
Market Cap (USD)	1,124mn
Bloomberg Code	AZAD IN
Reuters Code	AZAD.BO
52-week Range (INR)	1,899 / 1,128
Free Float (%)	44.0
ADTV-3M (mn) (USD)	2.7

Price Performance (%)	3m	6m	12m
Absolute	(2.3)	4.0	11.0
Relative to Sensex	(0.1)	1.4	2.5

ESG Score	2023	2024	Change
ESG score	NA	46.7	NA
Environment	NA	19.6	NA
Social	NA	52.0	NA
Governance	NA	68.0	NA

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

Source: SES ESG, I-sec research

Previous Reports

04-11-2025: [Q2FY26 results review](#)

06-08-2025: [Q1FY26 results review](#)

Outlook: Execution pace key monitorable

Azad has showcased an impressive revenue CAGR of 39% over the past five years driven by building niche capabilities in critical components. The company hopes to replicate the same journey and expand capacity by 8x in phases. Azad already has an impressive OB of over INR 65bn+, sufficient for nearly a decade at its current run rate. The OB additions are largely dependent on the timely completion of the 95,000sq.mt facility at Tuniki Bollaram (3 dedicated units, out of 7, have been commissioned).

We have built in revenue/EBITDA/PAT CAGRs of 32%/35%/42% over FY25–28E with EBITDA margins of ~36% in FY26E, potentially progressing to 37% by FY28E on the back of a higher proportion of A&D orders. Maintain BUY with an unchanged TP of INR 1,900 (based on 50x FY28E EPS).

Key risks

- Delay in approvals from OEMs.
- Further escalation of tariff against India.
- Slowdown in energy/aerospace sector may result in lower revenue growth.

Q3FY26 conference call: Takeaways

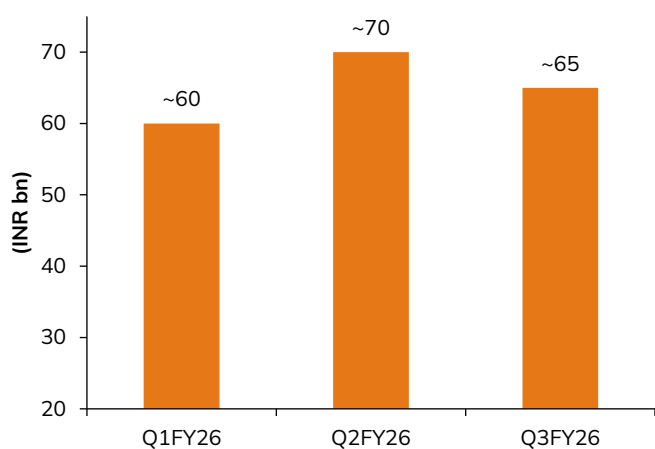
- **In Q3FY26:** 1) OB is at INR 65bn+. 2) Received contract for highly engineered, critical rotating aerospace components from Safran and Pratt & Whitney. 3) New plants dedicated to GE, Mitsubishi and Siemens' programs have been capitalised; while each plant is at a different stage of stabilisation.
- **Guidance:** Management expects new dedicated plants for clients to be stabilised by FY27 and achieve max utilization levels by FY28.
- Management remains confident of achieving ~25% growth beyond FY26, while it being a year of transition.
- Management guides for EBITDA margins in the range of 33-35%, as utilisation levels improve FY27 onwards.
- **WC:** Targets of 140-150 days are in place, as per management for H2FY26 working capital days.
- **Capex:** In 9MFY26, incurred capex of ~INR 2.5bn towards infrastructure of the new plants.
- **GTRE engine:** Azad has completed ~75% of the work; expected to be completed and delivered in couple of coming months.
- **QIP fund utilisation:** Out of the INR 7bn; ~INR 2.5bn is going towards infrastructure of the plants and ~INR 4.5bn is going towards machinery over a period of two years.

Exhibit 1: Azad Q3FY26 performance review

(INR mn)	Q3FY26	Q3FY25	% Chg YoY	Q2FY26	% Chg QoQ
Net sales	1,587	1,205	31.7	1,456	9.0
EBITDA	622	428	45.3	525	18.4
Margin (%)	39.2%	35.5%		36.1%	
Other Income	81	51	60.4	122	(33.6)
Depreciation	142	74	91.4	117	22.2
EBIT	561	405	38.7	531	5.6
Interest	83	64	30.0	67	24.3
PBT	478	340		464	2.9
Tax expense:	131	103	26.5	138	
PAT	347	237	46.4	326	6.5

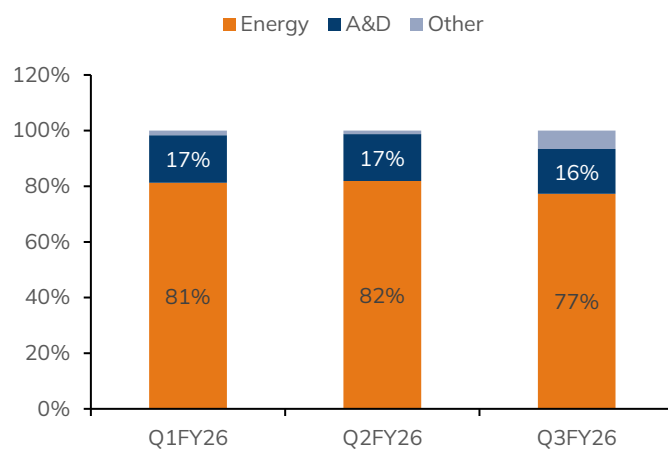
Source: I-Sec research, Company data

Exhibit 2: Order book



Source: I-Sec research, Calculated data

Exhibit 3: Revenue breakdown



Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	55.4	55.4	55.8
Institutional investors	25.1	25.5	26.0
MFs and others	8.0	8.7	9.4
Insurance / Bank	1.0	0.9	1.1
FIIIs	16.2	15.9	15.5
Others	19.5	19.1	18.2

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	4,574	6,061	8,011	10,608
Operating Expenses	2,324	2,965	3,714	4,652
EBITDA	1,613	2,176	2,900	3,968
EBITDA Margin (%)	35.3	35.9	36.2	37.4
Depreciation & Amortization	295	388	474	546
EBIT	1,318	1,788	2,426	3,422
Interest expenditure	-	-	-	-
Other Non-operating Income	106	310	258	240
Recurring PBT	1,240	1,921	2,536	3,543
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	375	581	767	1,071
PAT	865	1,341	1,769	2,472
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	865	1,341	1,769	2,472
Net Income (Adjusted)	865	1,341	1,769	2,472

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	11,971	11,532	11,642	12,941
of which cash & cash eqv.	6,970	5,169	4,308	3,995
Total Current Liabilities & Provisions	1,053	1,143	1,429	1,811
Net Current Assets	10,918	10,389	10,213	11,130
Investments	-	-	-	-
Net Fixed Assets	4,166	6,676	8,302	9,356
ROU Assets	-	-	-	-
Capital Work-in-Progress	798	-	-	-
Total Intangible Assets	193	193	193	193
Other assets	1,479	1,479	1,479	1,479
Deferred Tax Assets	-	-	-	-
Total Assets	17,554	18,738	20,187	22,159
Liabilities				
Borrowings	2,957	2,800	2,480	1,980
Deferred Tax Liability	274	274	274	274
provisions	46	46	46	46
other Liabilities	347	347	347	347
Equity Share Capital	129	129	129	129
Reserves & Surplus	13,801	15,142	16,911	19,383
Total Net Worth	13,930	15,271	17,040	19,512
Minority Interest	-	-	-	-
Total Liabilities	17,554	18,738	20,187	22,159

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	338	633	1,707	1,907
Working Capital Changes	(1,070)	(1,273)	(685)	(1,230)
Capital Commitments	(2,259)	(2,100)	(2,100)	(1,600)
Free Cashflow	(1,922)	(1,467)	(393)	307
Other investing cashflow	(752)	-	-	-
Cashflow from Investing Activities	(3,012)	(2,100)	(2,100)	(1,600)
Issue of Share Capital	11	0	-	-
Interest Cost	(184)	(177)	(148)	(120)
Inc (Dec) in Borrowings	2,791	(157)	(320)	(500)
Dividend paid	-	-	-	-
Others	6,437	-	-	-
Cash flow from Financing Activities	9,055	(334)	(468)	(620)
Chg. in Cash & Bank balance	6,381	(1,801)	(861)	(313)
Closing cash & balance	6,970	5,169	4,308	3,995

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	14.6	20.8	27.4	38.3
Adjusted EPS (Diluted)	14.6	20.8	27.4	38.3
Cash EPS	19.6	26.8	34.7	46.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	235.7	236.5	263.9	302.1
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	34.2	32.5	32.2	32.4
EBITDA	38.4	34.9	33.3	36.8
EPS (INR)	47.7	41.8	32.0	39.7
Valuation Ratios (x)				
P/E	107.8	76.1	57.6	41.3
P/CEPS	80.4	59.0	45.5	33.8
P/BV	6.7	6.7	6.0	5.2
EV / EBITDA	47.3	47.9	36.1	26.3
P / Sales	23.3	17.6	13.3	10.0
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	86.1	84.8	82.6	81.3
EBITDA Margins (%)	35.3	35.9	36.2	37.4
Effective Tax Rate (%)	30.2	30.2	30.2	30.2
Net Profit Margins (%)	18.9	22.1	22.1	23.3
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.3)	(0.2)	(0.1)	(0.1)
Net Debt / EBITDA (x)	(2.5)	(1.1)	(0.6)	(0.5)
Profitability Ratios				
RoCE (%)	11.5	11.6	13.8	17.3
RoE (%)	8.5	9.2	11.0	13.5
RoC (%)	11.7	12.3	12.9	15.2
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	197	171	184	159
Receivables Days	233	257	195	199
Payables Days	84	69	69	69

Source Company data, I-Sec research

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