AZAD

August 14, 2026

To,
The Listing Department
BSE Limited
Department of Corporate Affairs
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai, Maharashtra - 400 001
Scrip Id-544061

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai, Maharashtra - 400 051
Scrip Code-AZAD

Dear Sir/Madam,

Subject: Transcript of the earnings conference call organized on August 8, 2026.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed the transcript of the earnings conference call conducted on Saturday, 8th August 2026 at 11:00 a.m. (IST).

The transcript of the earnings conference call is also available on website of the Company i.e. www.azad.in , under the Investors Relations section.

This is for your information and record.

Thanking you.

Yours truly,

For Azad Engineering Limited

PRANEETH ABHISHEK GUNDA

Digitally signed by PRANEETH ABHISHEK GUNDA
Date: 2026.08.14 10:27:21 +05'30'

G. Praneeth Abhishek
Company Secretary, Compliance Officer and Head Legal
Membership No.: A35583

Encl.: As above

"Azad Engineering Limited

Q1 FY27 Earnings Conference Call"

August 08, 2026

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 08, 2026, will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to the Azad Engineering Limited Q1 FY27 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rakesh Chopdar, Chairman and Chief Executive Officer, Azad Engineering Limited. Thank you, and over to you, sir.

Rakesh Chopdar: Thank you. Thank you, Team SGA. Good morning, everyone, and a warm welcome to our first quarter earnings conference call for fiscal year 2027. Joining me today is Mr. Vishnu Malpani, our Whole-Time Director; Mr. Ronak Jajoo, our CFO; and our Investor Relations advisers from Strategic Growth Advisors.

Our standalone and consolidated financial results, along with our latest investor presentation have been uploaded to the stock exchanges and our website for your reference. We will start with capitalization on global industry megatrends. Before we review our specific operational milestones, it is critical to look at the powerful macroeconomic tailwinds driving our businesses. We are currently witnessing an unprecedented synchronized high growth cycle across all sectors.

In the energy domain, the global push for energy security and the transition towards advanced gas turbines have triggered massive multibillion-dollar global equipment upgrade cycles. Concurrently, the aerospace and defense sector has experienced structural supply chain shifts, driven by a global surge in aircraft demand and an intense domestic focus on defense self-reliance.

These are not short-term spikes. They represent structural multi-decade growth shifts. Because Azad has spent years securing strict OEM qualifications and building specialized heavy infrastructure, we are uniquely positioned at the epicenter of these dual megatrends.

These powerful industry tailwinds provide a strong compounding foundation that will fuel Azad's long-term scale and order book expansion for the years to come. Now a very historical national milestone, India's first indigenous turbojet engine. I want to begin today's call with an announcement that fills me and our entire team at Azad with immense national pride.

I'm thrilled to share that Azad Engineering has successfully manufactured, assembled and delivered India's first indigenous expendable turbojet engine to the Gas Turbine Research Establishment, DRDO and the Ministry of Defense.

As highlighted in the official press release from the MoD, jet engine technology represents one of the final frontiers of sophisticated engineering. It demands a level of extreme precision, advanced metallurgical expertise and uncompromising manufacturing quality that is mastered by only a select handful nations globally.

For Azad, this milestone is a profound architectural shift. We have successfully evolved from being a precision component manufacturers into a fully integrated propulsion system player. By taking up the end-to-end manufacturing, assembling and integration of this complete engine assembly, we have moved right up the value chain.

This significantly expands our total addressable market and firmly seals our position as an indispensable trusted partner in the India's long-term aerospace and defense sovereignty. We have also been advised to prepare for a significant scale-up in production volumes once the ongoing sequence of testing is completed, which will, in turn, accelerate development across all of India's past and future critical indigenous engine programs.

On the capacity expansion, another feather added the new Baker Hughes facility. Our physical infrastructure footprint is scaling up right alongside our technical capabilities. I'm proud to report that our massive multi-facility expansion roadmap at our Tuniki Bollaram Industrial Park is progressing exactly as planned.

Following the successful commissioning of our dedicated lines for Mitsubishi, GE Power Systems and Siemens Energy, we hit our next major milestone recently. In April 2026, we officially inaugurated our fourth dedicated lean manufacturing facility, a state-of-the-art 7,600 square meter facility, custom-built for Baker Hughes. Operating dedicated plants represent the deepest possible level of customer integration in our industry.

It creates immense operational stickiness and provides long-term multiyear supply chain visibility with global marquee OEMs. Civil construction across the remaining units at Azad Center of Excellence is on track to wrap up within this fiscal year, while we are undertaking a measured calibrated ramp-up across these new lines to satisfy stringent customer qualification schedules. We expect the more substantive revenue contributions to begin crystallizing in the second half of this financial year.

Now on the Q1 FY27 financial performance snapshot, our unwavering focus on operational discipline, operating efficiencies and optimized product segment mixes has enabled us to kick off the new financial year on the strongest note ever. Looking at our standalone financial performance for Q1 FY27, I'm happy to mention that we have met our guidance.

Revenue from operations grew by 26.8% year-on-year, reaching to INR170.5 crores, up from INR134.5 crores in Q1 FY26. Reported EBITDA expanded at a faster pace of 32.1% year-on-year to arrive at INR64 crores, reflecting the compounding benefits of our operating leverage. EBITDA margins expanded to robust 37.6%, up from 36.1% in the same quarter last fiscal.

Profit after tax registered a healthy growth of 21.2% year-on-year to stand at 36.4 % maintaining an exceptional PAT margin of 21.3%. On a consolidated level, our revenues came in at INR172.6 crores with an EBITDA of INR64.4 crores and PAT of INR35.2 crores. Our business segment across energy, oil and gas and aerospace and defense continues to grow symmetrically and strictly in tandem with our long-term structural targets.

On the closing outlook, very important for me to give this message. As I have mentioned this earlier, FY26 was a year of expansion, during which we undertook a wide range of foundational activities to position Azad for its next level of revenues, performance and growth.

I'm pleased to report that we have already stabilized 80% of these initiatives in Q1 with the remaining major activities on track for completion by mid-Q2 and full closure by Q3. Our manufacturing infrastructure is now running at full throttle, and we expect this to propel Azad into its next phase of accelerated growth from Q3 and Q4 onwards.

At Azad, we have never chased reckless scale at the expense of our margins. Our growth is anchored entirely against firm long-cycle contracts, multiyear order book visibility. We do not engage in speculative expansions. Backed by an incredibly strong growing pipeline and a world-class manufacturing infrastructure that is rapidly maturing.

We enter the rest of FY27 with absolute clarity and complete execution confidence. We proudly reiterate our long-term annual revenue growth guidance of over 25%, while maintaining our stellar industry-leading profitability profile.

We remain dedicated to building a high moat, high resilient global precision engineering platform. I want to thank our customers, partners and our exceptional team at Azad for their relentless execution and our shareholders for their continued confidence in our journey.

I now hand over to our CFO, Mr. Ronak Jajoo.

Ronak Jajoo: Thank you, Chairman sir, and good morning to everyone. Now I will take you through a comprehensive review of our financial performance, capital structure and operating efficiency metrics for the first quarter ended June 30, '26. As the Chairman summarized, this quarter was marked a highly successful phase of execution.

The financial data demonstrate that our front-ended capacity investments are successfully translating into a scalable, highly predictable revenue line. Most importantly, we are beginning to see the true power of structural operating leverage as our asset space moved through its planned stabilization curve.

Let me take you through the financial highlights and operating leverage. Our standalone financial performance for quarter 1 FY27 underscore our robust business momentum across both sequentials and year-on-year per region, top line expansion. Our standalone revenue from operations reached INR170.5 crores, reflecting a stellar growth of 26.8% year-on-year basis against INR134.5 crores in quarter 1 FY26.

On a sequential basis, our revenue grew by 8.3% over INR157.4 crores reported in quarter 4 FY26. This sequential growth highlights a steady acceleration in customer schedules and manufacturing delivery right at the start of the fiscal year. Operating leverage in EBITDA growth.

Our reported EBITDA grew at an impressive pace, hitting INR64 crores, representing a growth of 32.1% year-on-year basis from INR48.5 crores in quarter 1 FY26 and strong sequential jump of 10.9% from INR57.8 crores in quarter 4 FY26.

Operating margin expansions. This outpaced growth directly expanded our standalone reported EBITDA margin to 37.6%. This is an expansion of 150 basis points over the 36.1% recorded in quarter 1 FY26 and solid 90 basis points set up from 36.7% achieved in quarter 4 FY26. This margin progress proved that our pure-play manufacturing operations are absorbing fixed corporate overhead efficiently as production scale rises, and we are confident to maintain the same in coming quarters and so.

Core material margin sourcing efficiency. This expansion was heavily supported by our cost indigenization program. This reduction reflects our long-term effort to lower core manufacturing costs by onboarding domestic suppliers and increasing backward integration through our subsidiaries.

Let me take you through the analysis and variance on other income and net profitability. To evaluate our pure core performance accurately, it is essential to analyze the structural change within our nonoperating income segment occurring on account of volatile foreign currency momentum, which we saw in quarter 4 FY26 because of macroeconomic environment, which is not in control of the company.

The foreign currency element in other income. Other income came to INR4 crores in this quarter. This line shows a sharp moderation from INR9.1 crores in quarter 1 FY26 and substantial decrease from elevated INR17 crores recorded in quarter 4 FY26. I must emphasize that the sequential drop is entirely a function of foreign currency dynamics.

In quarter 4 FY26, other income was heavily bloated by major nonoperating foreign currency gain due to macro reason, as I mentioned, beyond the control of the company. In contrast, quarter 1 FY27 witnessed currency volatility that normalized the nonoperational tailwind.

Furthermore, our treasury income is expected to moderate, as I mentioned in last call also as we steady deploy our cash reserves into active factory infrastructure and machines. Net profit metrics. Our standalone PAT grew at 21.2% year-on-year basis to INR36.4 crores, up from INR30 crores in quarter 1 FY26. Sequentially, net profit grew at 3.5% against 35.1% (To be read as INR 35.1 crores) reported in quarter 4 FY26. This yield an exceptional standalone PAT margin of 21.3%, basis EPS of INR5.63 per share.

On a consolidated metrics, our metrics remain equally strong. Consolidated revenue from operations grew at 25.9% year-on-year basis to close at INR122.6 crores (Wrongly spoken on the call; Correct number is Rs.172.6 crores). Consolidated EBITDA at INR64.4 crores, yielding an operating margin of 37.3%, while consolidated PAT reached INR35.2 crores. Our key subsidiaries are performing precisely on track with our turnaround target, which we have set for ourselves.

Now I'd like to give -- hand over to Mr. Vishnu Malpani, who is our Whole-Time Director, to take you through the strategies. Thank you.

Vishnu Malpani: Thank you, Ronak, and good morning, everyone. The Chairman, Mr. Chopdar spoke about what 22nd of July meant to the nation. Our CFO, Mr. Jajoo, has given you the critical numbers that drove this quarter. Let me give you the corporate view because from where we sit, the delivery of an engine was much more than a successful engineering milestone. It is a permanent upgrade in Azad's market positioning. Three things that changed on 22nd of July.

First, we moved up the value chain, global value chain by managing end-to-end integration and balancing of a complete propulsion system, we have broken out of the traditional component supplier tier. We have proven that Azad can act as a primary technology integration partner for any of the global OEMs or defense needs of the country.

Second, the moats got deeper. Azad was placed within a highly exclusive tier of global manufacturers capable of executing complete defense assemblies. The regulatory qualification and technical barriers to entry here are immense and they protect our business from a standard competitive pressures.

Third thing that changed was our addressable market expanded. This successful execution opens long-cycle monetization opportunities across domestic defense programs and international aerospace supply chains as well. In effect, an entirely new structural growth engine for Azad happened on that day.

Now let me connect that to what we build. Our physical expansion at Tuniki Bollaram Industrial Park is governed by a strict risk-free mitigated asset model. We do not build speculative capacity. We have built dedicated customer-aligned infrastructure.

This quarter, our new 7,600 square meter facility for Baker Hughes commenced operations. Following the same deployment model, we have proven with each of our other customers, namely Mitsubishi, GE Steam Power and Siemens Energy.

Why does this model matter so much to us? Because once a global marquee OEM integrates a dedicated qualified facility into their primary supply chain, shifting that business carries a huge switching cost. This is what operational stickiness means in our industry, and this is what gives us exceptional multiyear revenue and volume visibility.

And we are facing this expansion with discipline. Civil construction for the remaining units at the new plant, Azad Center of Excellence is on track to wrap by the end of this financial year. Machine installations are being executed in modular back-to-back phases aligned strictly with the road map of our customers. You also see the strategy coming live in the numbers that we delivered this quarter.

On a consolidated basis, our revenue from operations grew by 25.9% year-on-year to about INR172.6 crores, driven by steady delivery schedules and strong operational execution across all our facilities. Aerospace and Defense also registered one of the highest growth acceleration, up approximately about 38.4% (Wrongly spoken on the call; Correct is 24.7%) year-on-year, reflecting our increased share of wallet with some global aviation majors and initial tailwinds from our advanced propulsion and defense system deliveries.

And our energy and oil and gas vertical also grew by 21.6% (Wrongly spoken on the call; Correct is 26.7%), driven by healthy demand across gas turbine components and operational launch of a new customer dedicated production lines. Acceleration where we are investing, resilience where we are established, this is what we are shaping.

Let me close by a section with the long view because Azad's operating engine is designed to compound value over long cycles. By scaling multiple customer dedicated plants within a single centralized geography, we are capturing significant operational synergies. This structure lets us expand operating leverage rapidly. We have built an infrastructure that is incredibly difficult to replicate.

Our technological moats across sectors are widening and getting deeper. Our customer relationships are structurally locked in, and our execution framework is fully geared to deliver steady, high-margin growth for years and to stay firm on the guidance that we've communicated in the long term.

With that, I would like to end our speech, and we would be happy to take questions from everybody. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Vikas Singh with ICICI Securities.

Vikas Singh: And first of all, very congratulations on your budget engine. Sir, my first question is related to the turbojet engines only. So how is the roadmap now once you have delivered the first. I believe that you need to deliver 4, 5 different prototypes and then it will go to testing phase, etcetera. So, could you give us some time line that how many years down the line or months down the line, this would actually translate into the orders to us?

Rakesh Chopdar: So finally, yes, we have delivered the need of the hour of the country. We have delivered this engine, which have been currently being imported by other OEMs. India is importing, MoD is importing these engines for the platforms, multi-platform they're using. So it was very -- indeed a very pride moment while we delivered this engine and the GTRE, especially the DG she herself was here to receive this engine.

And it was a very, very pride moment for us to this. So on the note, what we know is limited, what we know as being an MoD program, they don't share much of an open things. But what they have been told us now, this engine is under testing. The next phase of this is going to go on the weapon. I think in next 4 to 6 weeks is what we know, okay?

These are just a time line, which we heard about it. We have no base for it or we have nothing in written or something. So, this is -- the next steps will go on the testing on the weapon, which is 4 to 6 weeks away. And probably with that, their worthiness certification will happen, and it's good to go for production. So, this is not some years story. These are a few months story. So, this is what you have told. And we have been guided to prepare for massive production on these engines.

Vikas Singh: Noted, sir. Sir, now that in newer plant location, we would have only 3 sheds left in terms of either sell it for a dedicated player or utilize for the other customers. How should we look at if this engine comes in, which -- you would dedicate one shed to this engine or it would get it done by the existing segment?

And my second part of the question is largely related to -- for your growth beyond FY29, you need to plan the next phase of capex now. So, if you could give us some highlight that how is that planning because market size is still pretty large and now the domestic engine manufacturing is also getting added in your fort.

Rakesh Chopdar Yes, Vikash, this engine itself is a big story. The volumes, what we have heard and what we have seen, this is -- see, if it is a 2-digit volume, definitely, yes, we can manage with the existing capacity. We have got so many buildings, shops ready for our different customers. The best part is all the capacity what we have are fungible and can manufacture these engine components also.

We don't need to really add some great capacity for a 2-digit volume, which is there. But what we could see, it's not 2-digit volume. 2 digits or 4 digits, we don't know. So basis that, we have to do a planning. So, I think in the next few weeks, we will know what exactly the volumes are. But we are prepared, it's 2 digit, 3 digit or 4 digit.

And however, this engine, what we have predicted is definitely what we see in the coming time. But we have other commitments, we have other businesses, which are there in hand. And we are also having the priority to finish whatever the commitments are being given. So now main focus is to speed up the infrastructure, which is about to finish.

As I mentioned, 80% of the infrastructure is now ready. FY26 was our stabilization year. Q1 is where we started the production step by step, building by building. Q2 is what we are right now talking the machines are -- all the spindles are fully running on full throttle. And the expectations, as again, I mentioned earlier, you see that Q2, everything will be settled down and the production starts coming out.

Vikas Singh: Noted. And on the capacity buildup road map?

Rakesh Chopdar Yes. So that is all planned. If you talk about the coming years, I'll ask Vishnu to jump in this question. And what we see is major plan is from FY29 is what we have to start sketching -- already sketched, but we have to really work on it. I'll pass on this remaining answer to Vishnu.

Vishnu Malpani: So, thank you, Mr. Chopdar, for this. Vikash ji, the idea for us is we fill capacity basis the contracts that we have to deliver every year. Now for us, we have been working on quite a few opportunities that are there right now at Azad, and we are evaluating what is the total need that we would need over the next 5 to 6 years, and we are doing that planning.

But as for the next couple of years, Azad has built -- deployed and built capacity to cater to the next couple of years in terms of where we want to grow in terms of revenue. However, you are absolutely right in spotting the fact that there are opportunities that we are working on.

So, we're doing our math internally to figure out what is the capital -- how much is the quantum of capital do we need and when do we actually need that. So once that internal discussion gets closed and that loop gets closed, I think we should be able to maybe address this in the next quarter with far more accuracy in my view.

Vikas Singh: Noted. And sir, if I can pitch in one last question. Our mostly sales in export markets, so I presume it's a dollar-denominated. So, the rupee depreciation benefit is built in above EBITDA in the margins or below basically?

Ronak Jajoo: This is below the EBITDA margin, this is not build into the EBITDA margin.

Moderator: Our next question comes from the line of Amit Dixit with Goldman Sachs.

Amit Dixit: First of all, congratulations for delivering the ATGG engine. I think it's a great achievement for the company. The 2 questions I have is the first one is actually on the MHI contract that we closed for hot section. Now we already have given in the presentation the TAM that is for the cold section.

Now hot section typically, in my view, should have much higher TAM. So I wanted to understand if you are in discussion with some of your vendors for getting more such contracts, extending the adjacencies across. So just wanted to get your thoughts on this.

And given the fact that some of your global peers like Howmet and all have reported very excellent numbers, I mean, very significant growth. So yes, as you said in your opening remarks, the market looks very, very promising. So how do you see from a growth perspective that technically, we are at a low base essentially.

We have just started the aerospace part. So how do you see the growth curve for Azad growing? I mean we have -- I know you mentioned that H2 onwards, the growth would be -- would go to the next level. But I just wanted to understand your broad thesis on that?

Rakesh Chopdar: Okay. Amit ji, I'll try to recollect the first question you have. So the first question, what you asked is on the stabilization of the hot section, the market. Now as you are aware, how critical these components are, it's not -- of course, the cold section itself is so tough to come where we are -- Azad is playing around with that.

But in the hot section, definitely, other OEMs have shown super interest and asking us when is your facility ready. The beauty, the best point is the facility what we are going to set up -- what we are setting up for Mitsubishi can -- is exactly a model, which will be utilized for other OEMs as well.

And another good news, I'll tell you, it's not just for the land base, it's not just for the energy, the same facility will cater the hot section of the -- for the aviation engines as well. So the first point is to establish this, which is around 7 to 8 months away from now.

And then we do the qualification. While we do the qualification, we will invite the other OEMs. And to be honest, we don't need to invite. They're already here. So that answers the thing. Any other questions you have on this, Amit ji?

Amit Dixit: No, no. I mean, that's fine. I just wanted to get the broad time line, that's fine, yes. And the B part was on actually the growth that we are seeing in this market. You mentioned in your prepared remarks that the -- both the vectors are seeing excellent tailwinds.

Now as I mentioned that some of the peers, Howmet and all they have -- despite being a much higher base, they have reported like 37.7% EBITDA margin, 50% EBITDA growth. So what is the growth trajectory for Azad we see? And are there any constraints that you see at your end to grow by that number?

Rakesh Chopdar: No, no. Actually, it's a very valid and very nice question, Amit ji. People who know about this subject, they will also obviously know this is not a million story. This is all a billion story. And we also know, as you could name only 2 or 3 in our names, there are only 2 or 3 players in the world who have cracked this.

Azad will be the next to crack this. Once this is cracked, the league itself will change. So if you talk about engines, that is a different league. Now we talk about this hot section, this itself is in a big league. So definitely, the market is massive, and there is a long queue of the products what are required in this field and Azad is preparing for that.

So, it's a very, very good situation now. On the margins, you can imagine these high-cost countries like U.S. and Europe are making that healthy EBITDA margins. So definitely, what would Azad make? It's a good thing to understand and guess.

Amit Dixit: Great. Great. That's reassuring. The second question is essentially on the working capital side. Now in Q1 FY27, we saw that there was a bit of increase in finance costs, possibly due to the working capital thing. Now since we are in expansion mode, so I mean, I'm not asking for a time line, but just wanted to understand that this working capital in terms of days, when we can expect it to plateau?

Ronak Jajoo: Yes. This is Ronak. So, from the finance cost side, if you see, I have already told FY26 presentation, I have told that finance cost will going to continue because you have a bill discounting charges, which will go into the finance cost only. So, there is a betterment of the cash flow -- operating cash flow, not on the financial cost side.

And coming to the specific question of when it get tapered, so we are targeting H1 around 200 days. And by H2, we are targeting in the range of 160 to 180 type of days. So this is largely back on the bill discounting facility where our current debtor stage, which are around 170, 180 days will go down to 90 days. That's how we look at this entire situation to be unfold.

Moderator: Our next question comes from the line of Gaurav with Avendus.

Gaurav: I have 2 questions. First one, again, on the ATGG engine. And the question is that, as you mentioned in your opening remarks that this engine required you to do -- have done the metallurgy, machining, various other processes. I understand obviously is that Azad right now has machining and now with the joint ventures in place, you have the surface treatment capabilities. For the other capabilities, I'm assuming that those were outsourced or were done outside Azad. So is it possible to quantify in this engine how much of the value add was by Azad in-house and how much was done outside Azad?

Rakesh Chopdar: (35:11) Lot of work this side.

Rakesh Chopdar: No, but we have done everything in-house. There's nothing that we have outsourced any of the parts or something. Maybe some small washers or some we have gone with -- some specific requirement, which Azad's capability is not available. We have gone to GTRE, and they have either done it in-house or they have got it done by their approved sources. So it's not that we have gone out somewhere, except from small washers or some kind of small machining or some kind of welding operations. So that's all.

Gaurav: All right. Okay. And the second question was on the margin bit. For last 2 years, you are consistently doing about 27%, 38% EBITDA margin, which used to be about 30% to 35% before in the prior years. Now you continue to guide your margins around 35% level. What I'm trying to understand is that you are doing 37%, 38% margin when you are yet to utilize the facility. So why is the conservative guidance on the margin split when there will be a little bit of operating leverage, which would come back from the new facilities there?

Rakesh Chopdar: Yes. Gaurav, as you can see, we are consistent 30%, 35% plus. But the guidance, what we are always on it and for the calculation purpose, it's always nice to use a 32% to 35% window. Of course, you can see that we have been delivering precisely going above 35%. But for calculation purpose and for the guidance purpose, I think 32%, 35% is a good number, which we are holding for since long.

Gaurav: Is it possible to kind of explain what has led to this margin range shifting from 35% to 37%, 38% in the last 1.5 years. What is the sustainability of these margins?

Rakesh Chopdar: Yes, it's the skill set what we are obtaining on the shop floor and this continuous improvement, which is not only the last 3 years, we've been seeing since inception, where we -- I remember the days, we were operating at 18%, 19% EBITDA. On the same product line, we are now operating this EBITDA level. So definitely, there's some magic happening on the floor.

Gaurav: So, you mean the process engineering or...

Rakesh Chopdar: It's not just process. There are many factors which we should be -- if at all, I would love to take it on the floor, and I would like to demonstrate what exactly lies between these margins and where -- what all is lying from 18% to 35%, 36%, why not we can see further also. So we are trying to find where we find, we'll pick it up.

Moderator: Our next question comes from the line of Subhi Gupta with Trinetra Asset Managers.

Subhi Gupta: First of all, congratulations on the turbojet engine. Sir, my first question is that since we'll be looking at double-digit growth in these kind of projects moving ahead, as you just mentioned, what are the margins that we are looking at for similar projects? And second question is that we have signed a deal with Rolls-Royce for a civil aircraft engine. What is the time period for that? If you could just tell me that?

Rakesh Chopdar: Could you repeat the question number one, please?

Subhi Gupta: Yes, sir, I'm saying that congratulations on the turbojet engine. Since you'll be looking at double-digit growth in similar kind of projects moving forward, so what is the margin that we are looking at for these kind of projects?

Rakesh Chopdar: Okay. Thank you so much. We have just finished -- we have just made the first engine, okay? We can never come to a costing out on the first engine as it takes a lot of time to stabilize in the production. So we have been producing the first 20 engines. So it would be appropriate for me to answer this question once we have done at least 5, 6 engines in a row, and then we can come to a level what we hold and how do we fare in this.

Subhi Gupta: And if you could just tell me what would be the time line for these 4, 5 engines?

Rakesh Chopdar: I think it's just not far away, 8 to 12 weeks or you can say, 3 to 4 months. And it is a continuous process, which we are going to see. So maybe by next call, when we see you or you'll be free, you are most welcome to visit us, and we can share more details with you here.

Subhi Gupta: Okay. And sir, Rolls-Royce deal, the time for that?

Rakesh Chopdar: Yes. So, I think very soon, within this quarter, I think we should be delivering the first batch of the qualification parts. It's almost finished. The first delivery is quite nearby.

Moderator Our next question comes from the line of Aditya Bhartia with Investec.

Aditya Bhartia: Congratulations on a lot of positive development. My first question is on our asset base and the revenue potential from that asset base. Now in the last 1.5-odd years, we have undertaken a big capex plan. And including capital WIP, I think we may end the year with maybe INR1,200 crores, INR130-odd crores of net block, maybe around INR1,500-odd crores of gross block.

Just wanted to understand what will be the peak revenue generation potential from this capacity, at what utilization we may be operating in some of the earlier ships that we have made operational? And how would you anticipate it to be ramping up?

Vishnu Malpani: Hi, Aditya, Vishnu here. Thank you for your question. So, Aditya, I think I will take you back to our conversation that we had a few months ago. So this entire Tunikibollaram plant that we are building is built with a mindset of building dedicated factories for all of our customers. So we are building 8 plants there, and each of these plants would be dedicated to a certain customer, right?

And what is going to happen there is each of these plants overall -- without getting into specifics at a customer level, I'd like to say that each of these plants are poised to generate at full utilization and full capacity from INR150 crores to, let's say, about INR180-odd crores, right?

So that would give you a good sense of roughly about INR1,200 crores out of the newer plant revenue, right? And then as and when we keep growing based on the contracts that we have, we will keep building capacity as well. So our idea is to finish this plant from a civil construction perspective by this financial year.

And then while the plants are in our control, we are constantly going to focus on improving the utilization and capacity ramp-up on that, right? But we are fully geared up for the contracts that we're supposed to be delivering over the next 2 years in terms of capacity or in terms of infrastructure. So we don't have any risk from there.

Aditya Bhartia: Sure, sure, sure. That makes sense, Vishnu. And Vishnu, we also spoke about acceleration in revenue momentum from second half. So is it because of maybe some qualifications that are pending for some of these new ships? And as they happen from second half onwards, we would anticipate a much stronger revenue momentum?

Rakesh Chopdar: I'm Rakesh this side. So we knew that this is a plant, okay? And maybe last 2 or 3 calls, if you can recollect what has been mentioned FY26 Q4, we could up these buildings, got the machines inside, done the foundations, do the delta qualifications. And then Q1 was something we switched on a lot of machines, production started very slowly, the qualifications were done. Now as we speak, in Q2, those machines are now on full throttle production ongoing right now as we speak, okay?

And to reflect these numbers, you could see reflection from Q3 onwards, the sales what we do. And this is exactly consistently we have been guiding the market last 3, 4 quarters what exactly is the status. So that's what I mean is 80% done is these plants where the machines have been deployed, foundation done, qualification done.

And these are not -- this doesn't happen in 1 week, 10 days. You know that very well, right? So it takes a lot of time, there's customs, there's travel plans, each and every parts being reproduced, requalified. So that all is done now. It's -- 80% is done now and the production is switched on. So that's the whole reason we say that we see a major breakthrough coming next.

Aditya Bhartia: Understood. And instead of just looking at this 1 year, let's say, we look at a slightly longer-term picture, a 3-year period, then where do you see the company's revenue number kind of settling in? Do you think that instead of this 25%, we should be looking for a much stronger growth, maybe closer to 35%-odd on an annual basis as we'll be having capacities, we already have certifications. We already have some decent sized orders. So it's just about getting some of the formalities done and we can scale up the business at a much faster pace.

Rakesh Chopdar: Of course, Aditya, of course. See, right now, the reason we are guiding 25% plus because we know what situation we are in. As we shift to the next level, we'll change this guidance. What's your second question?

Aditya Bhartia: Understood. My second question is, given that a lot of our contracts will be maybe dollar-denominated, do we get a big benefit out of rupee depreciation? Is it a case that this year, maybe revenues get a lift of maybe 7%, 8% purely on account of how forex numbers have moved? And to that extent, even if volume growth is somewhat similar to what we are speaking about, in revenue terms, we may end up doing a lot better.

Rakesh Chopdar: I would say one thing, Aditya, it can be. It is not a significant number. It can be some -- few percentages, which in large growth of this should not be really taken as a beneficiary thing or it changes the volume because we also import a lot of things, right? So, we also import a lot of things. So it is vice versa, what we see is not a major benefit we see or a major problem to be seen. So we should consider this as a normal thing. Being natural -- you can say it's a natural hedging.

Aditya Bhartia: Sure, sure. No, I'm saying from the perspective that our material cost is not very high. So to that extent, we don't get significantly impacted by rupee depreciation on the cost side, but we may have a disproportionate benefit on the revenue side. So which is why I was just trying to understand that can it really boost the revenue growth as well? Can it be an additional lever from the perspective of this year, given how sharply rupee has depreciated in the last couple of months?

Vishnu Malpani: Aditya, Vishnu here. I think -- see, we don't look at that largely when we're looking at business growth, etcetera, right? Our revenue growth is a function of how capacity is coming up online because we know this is -- this could be a factor for a particular quarter or for a particular year. So that is not really something that we do. But you're right to mention that rupee depreciation could probably help us to an extent of 5%, 6%. That's true, but not that an important factor for us while we are planning our business. We don't look at it from that lever at all.

Moderator: Our next question is from the line of Kamlesh Bagmar with Lotus Asset Managers.

Kamlesh Bagmar: And lots of congratulations to Rakesh sir and team for achieving the milestones. Sir, my first question is regard to your capex. Let's say, like over the last 2 years, we have done a capex of roughly around INR900-odd crores. So going forward for like say, '27, '28, '29, how would be our capex trend?

Vishnu Malpani: So just to quickly address this. So one is our capex deployment in the current plant will be to bring the balance plants up and to ramp up the existing that have been operational to add further capacity to it, right? So over the next couple of years, whatever revenue or production output that we need, we are deploying capital in a phased manner to address that. So from a revenue perspective, we are tracking right to the contracts that we have to deliver over the next year, right?

And coming to the second question, yes, you're right to point out that there could be a larger capex requirement, given that Azad is surrounded with a lot of opportunities, but this is not needed for the next couple of years for whatever guidance we've given. We need them to collect these opportunities in bag and start working on them so that this could fuel the next level of growth from Azad's perspective.

There is a lot of excitement, a lot of opportunities that we're working on right now. And I think maybe in a quarter or so, we should be able to give a more comprehensive perspective that should probably address all of these things at a granular level.

Kamlesh Bagmar: Great. I appreciate that. And secondly, like you pointed out that you will guide in next quarter. But can we be looking at, like, say, investment castings and other segments because that also is booming in a big way. And there also, the margins are far superior. So can that agency be looked at in terms of investment and driving further growth?

Vishnu Malpani: So Kamlesh ji, I mean, sorry, I have to reiterate this, but it will be difficult to comment on what opportunities we will be going forward next. Why don't we have a meeting in person and show you the kind of opportunity that we're working on right now. But to put our pin down on a particular opportunity and talk about it, it would be slightly difficult on this call. However, I can only assure you that there is a lot of work across sectors and not just one area that you mentioned.

I think there are quite a few areas where there are opportunities that are getting unlocked. And given the bandwidth that we have, given the focus that we have, we will take the right calls, and we will be able to update you maybe in the coming call. And if there is a meeting that happens in Azad, we'll also share the developments that are coming forward in the next few quarters.

Kamlesh Bagmar: And lastly, like say, it may be particular to this particular quarter only. But if we see the global peers, the way they have grown like say, 25%, 26%, and that also in dollar terms. So were there some hiccups in terms of stabilization of new lines because 23%, 24% growth looks to be a little less, given the fact that rupee depreciation has also benefited us a lot. See in the dollar terms...

Vishnu Malpani: Kamlesh, I think we are not comparing the right things, right? These companies have been building capacities or have built capacity several decades ahead of the curve, right? And the scale at which they are operating, obviously, is very different than the scale that we are operating at.

We are in the process of starting to run off spindles, right? We are building capacity to address that. So for us, like we also spoke to Mr. Chopdar when he was talking about the quarter that this is the stabilization that we achieved in the last year. Foundation has been set. Now we are at the right point to gain an access to all of the growth drivers that are there in the industry and the tailwinds that are there.

But you have -- it will happen in the coming few quarters, right? But I don't see -- there are no hiccups. I mean, just because a larger player in this space is growing at a certain rate does not mean we have hiccups, right? I mean they are -- they do $2 billion plus a quarter, right? How much are we looking at?

We have done INR600 crores in the full financial year. So I think it's not right to compare that because capacities are online there. They have qualifications. They've been around for decades. So I would say no hiccups, again, summarizing it, but the growth is going to unlock basis stabilization that we are doing. The foundation is laid right now, and you will see this in the coming quarters.

Moderator: Our next question comes from the line of Prateek Shrivastava from Nivesh Wisdom.

Prateek Shrivastava: Sir, first of all, I think you guys are doing a great job, not just for shareholders, I think even for the country, right? And I think we are very fortunate -- India is very fortunate to have a company like you. Sir, my question -- because to build a high precision engineering company, which you guys are aspiring to do with a very high moat, requires a very special kind of talent.

So my question is on the talent, if you can sort of -- because you have also been -- I saw that your year-on-year has also gone up by 42%, right, the line item of the headcount. So can you talk a bit about the talent pool, which you are hiring to create such moat and such high precision engineering company, which can compete with the best of the world?

Vishnu Malpani: So thank you, Prateek, for your kind words, and we really appreciate whatever you said. Now as you've rightly pointed out, I think this is a sector that needs extremely high engineering skills, etc.. But if you look back at how Azad was built, it starts right from our founder, right? We believe that every technical person can -- our founder who was a high school dropper and he's built the most advanced precision manufacturing company that India has today, right?

So that culture is there everywhere in our business from the bottom to the top, right? So you would see that we have several training programs in the organization that bring in normal diploma operators. We put them through 60 to 90 days of training. He has trained people that are now training people, right?

So that culture is a continuous program. We've now built an engine of hiring roughly about 150 to 200 people every month, putting them into a 90-day training program. So this is a continuous cycle. And I think -- see, we think India has the talent, right? I think India just needs the right opportunity.

So we are providing a platform to anybody who has engineering skills and then we are upgrading them to suit our sector. They also -- when people are deployed in the sector, they shadow the senior resources and then when they are ready, they get deployed on the real world. So that's why you see that we have more people than what we actually require for our revenue because we are also trying to create a bench strength of people that can be quickly deployed on the floor.

Moderator: Our next question comes from the line of Basant Bansal with NBG Investment.

Basant Bansal: I have a couple of questions on the P&L side. So while I see this raw material cost, so last year, it was around 12% raw material cost to sales and now it is 5%. So can you help me understand what has attributed to this? And is it a sustainable kind of development? Similarly, the employee cost has increased from INR29 crores to around INR42 crores. So can you also explain what has led to such increase? And so is the case with other expenses.

Ronak Jajoo: Sure. I will take you through the 2 line item what you have asked me. First coming to the consumption part. Consumption part has 2 things. One is the raw material cost and other is the process content of the WIP, what is there in the inventory. So raw material, what we are buying till last year are more or less imported.

And as I told you over the previous call also, we have tried to get 2 main qualified in India, Sunflag and Star Wire for a few of the critical raw material grades where we are getting the benefit of the cost for 1, 1.5 year, we have helped them to get qualified with the giants like GE and the Siemens, not for India, but for the global supply chain picture.

So there, we are getting a benefit of the price benefit and also transportation cost benefit since these are the local supplies, which have a very less transportation cost compared to a global transportation cost when we import these materials from overseas, which is around 4% to 5% type of situation. So that is one lever.

The other lever is also the process content because historically, we are chasing our lower sales and now the quarter we have closed with INR170 crores, but we are chasing a larger quarter in coming months that Mr. Chairman and Mr. Vishnu has also mentioned in their various questions and the speech.

So that 2 put together has implemented this particular thing from that particular perspective, and we are quite confident this margin can be sustainable over coming quarters and so. And coming to your second question of employee, Vishnu mentioned in the previous questions that we don't require that much of manpower to cater to the sales what we are doing.

This is for the future sales what we are targeting in quarter 3, quarter 4. Our WIP cycles are around 90 to 120 days, and we have to keep the inventories into place to cater to the quarter 3 and quarter 4 sales where all the spinners are running for quarter 3 and quarter 4. So that's why you see an employee cost on the face elevated, which will be normalized by coming in quarter 3 and 4 and the absorption will go down over a period of time. Hope it is clear to you.

Basant Bansal: What about other expenses? What has led to the increase in other expenses?

Ronak Jajoo: Other expenses, if you see as a percentage of sales is more or less stable. I don't think it has increased. The major costs that include are the power cost, tool cost, distros, maintenance and the job work, which we do the outsourcing are the 4, 5 major heading to that. You can go through the schedule of FY26 once it is published through the annual report. And if you have any further questions on that, more than happy to discuss the individual line items.

Basant Bansal: Okay. Now the other question, which is more of a strategic in nature from your opening remarks and also from the various question answers, one gets the impression that everything seems to be good and company is moving into a very positive direction. So what are the challenges that makes you worried?

Vishnu Malpani: So thank you. This is Vishnu here. So I think challenges are also the same. So while we are looking at doing this, this is -- from an execution perspective, this is a complex thing, right? Because if you imagine what we are attempting to achieve as an organization, our team put together, we are building factories at the same time, ramping up capacities in some hiring people, training people, growing and catering to all contracts.

So this is a really large execution thing. And for us, we are trying to do everything, right? So from our perspective, we have all the opportunities. I think it's just about stretching all of these things together.

We have the right customers in the sector. We cannot have better customers. There are -- all the customers that are noteworthy in the sector are with us. We have the best long-term contracts, which give us visibility over 5, 7, 8 years. We have capital, we have capability, and we have consistently proven that we can deliver over time. So I think it's all there. It's just about achieving each of these things.

All of these things have to work together for us to achieve all the milestones that we set out. So that, in my view, is -- I don't -- I wouldn't see it's a challenge, but it's something that we are all aggressively focusing on. And I mean this is a thing that every organization has to go through, right, when they're scaling up. So we are attempting to do that in our own way.

Basant Bansal: Yes, understood. And the last question from my side is, what is your hedging policy to raise your export receivables?

Vishnu Malpani: Sorry, I haven't -- I didn't hear your question correctly. Can you repeat that, please?

Basant Bansal: Yes, yes, sure. My question is that since you have export, so what is your hedging policy to hedge your export receivables?

Ronak Jajoo: Yes. To do that, we have some foreign currency loan, which will make it a natural hedge. And as I mentioned that we are going for bill discounting lines. So, the moment we book the sales, we get the bill discounted in the future. That will help us to take the natural hedge direction going forward by quarter 3 and quarter 4.

Basant Bansal: Okay. So that covers your entire export. So, you have a natural hedge to cover your entire export?

Ronak Jajoo: Entirely, it will be hedged by quarter 4 type of time once we have all the bill discounting facility in place.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Vishnu Malpani: Yes. So, we'd like to thank everyone on behalf of Azad Engineering, our Chairman, our Board of Directors and all of us in the team. We'd like to thank everyone for joining us today and for your continued trust. We are excited about the phase that Azad Engineering is in. The quarter you've seen and the milestone on 22nd of July tells you where we are headed. From this point, we are only looking upwards and onwards. Thank you again. We look forward to speaking with you in the next quarter.

Moderator: Thank you. On behalf of Azad Engineering Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.