AZAD

November 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 November 7, 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, 7th November 2026 at 12:00 Noon (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: 2026.11.14 11:32:43 +05'30'

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

Encl.: As above

“Azad Engineering Limited

Q2 FY27 Earnings Conference Call”

November 07, 2026

E&OE: This transcript is edited for factual errors. ln case of discrepancy, the audio recordings uploaded on the stock exchange on November 07, 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 Q2 FY27 Earnings Conference Call. Before we begin, a brief disclaimer. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants lines will be in 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 call, 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 from Azad Engineering. Thank you, and over to you, sir.

Rakesh Chopdar: Thank you, team SGA. Good afternoon, everyone and a very warm welcome to Azad Engineering's Earnings Conference Call for the second quarter and first half of Fiscal year 2027. On behalf of the board and the entire team Azad, my warm wishes to you and your family for Diwali and the festive season.

Joining me today are Mr. Vishnu Malpani, our Whole-Time Director, Mr. Ronak Jajoo, our CFO, and our investor relationship advisors from Strategic Growth Advisors. Our standalone and consolidated results, along with our latest investor presentation, have been uploaded to the stock exchanges and our website.

In August, I began by saying that we are living through a synchronized high-growth cycle across energy, oil and gas, aerospace, and defence, and that these are structural multi-decade shifts, not short-term spikes. Three months on, every single we track has strengthened. In our segment, engine makers continues to raise output, and precision rotating parts remain one of the tightest links in the supply chains.

In defence, India's push for self-reliance in engines is moving from intent to programs, and our capability in complete defence assemblies is opening long-cycle domestic and international opportunities. The backdrop I described in August is intact and stronger. For Azad, the question is not demand, it's how quickly we convert capacity into revenue and that is the key message for this quarter.

The foundation is now complete. H1 FY27 was another period of steady progress for Azad. Our capital deployment plans have stayed on schedule. In September, we inaugurated two new dedicated lean manufacturing facilities for GE Vernova. All six customer-dedicated facilities are now commissioned. 44,800 square meters for four global OEMs, namely Mitsubishi Heavy Industries, GE Vernova, Siemens Energy, and Baker Hughes.

We are also in discussions with our aerospace customers about following a similar model as we have done for our energy customers. In August, I told you that 80% of our foundation initiatives have stabilized. Today, I can tell you that the full foundation needed to convert capacity into revenue is in place.

Talking on the capital deployed, our treasury funds have now gone into capex and the infrastructure and plants that we have commissioned. Teams in place, we have hired the skilled manpower needed to run the installed capacity which we have installed recently. Production readiness, we have built up enough raw material, tooling, and consumables to keep every facility production-ready.

Customer qualifications, we are running multiple delta qualifications at our new facilities with various customers at the same time. This setup phase is mandatory in our business. With it complete, our capacity is now ready to deliver the throughput.

On the Q2 and H1 FY27 financial snapshot, our operation performance remains in line with our guidance. In Q2 FY27, we delivered our highest-ever quarterly revenue of INR187.8 crores, which is up by 31.6% year-on-year and about 10% over the first quarter. EBITDA grew faster by 37.1% YoY, which is to INR70.4 crores, and the EBITDA margin expanded to 37.5% from 36% a year ago. Profit after tax was INR30.8 crores, a margin of 16.4%.

For the first half, revenue grew 29.3% to INR358 crores, ahead of our 25% guidance. EBITDA grew 34.7% YoY to INR134.5 crores at a 37.5% margin. Profit after tax grew by 6.6% YoY to INR67.2 crores.

On a consolidated basis, H1 revenue was INR363.5 crores, EBITDA stood at INR136.6 crores, and a PAT of INR66.1 crores. Growth was balanced across segments. Energy, oil and gas grew 28.5% to INR290 crores, at 81% of revenue. Aerospace and defence grew 28.3% to INR60.4 crores, at a 17% of revenue.

Domestic revenues grew more than two and a half times to INR43 crores, and is now 12% of our business, up from 6%, helped by our indigenization work with BHEL. Let me speak plainly about the profit after tax, because I know it matters to you all. This quarter's PAT reflects the expected lag between investment and revenue.

Treasury income fell from INR12.7 crores to INR4.7 crores, as our IPO and QIP funds went into the plants. Depreciation doubled to INR21.8 crores as the new facilities were capitalized. Finance cost rose to INR12.2 crores on the working capital loans that support our growth. We have hired ahead, so employees costs are INR50.3 crores against INR32.5 crores a year ago.

All of this cost we carry before the revenue from the new capacity flows through fully. That phase is now largely behind us. Orders and milestones. BHEL approved as a long-term source with a two-year rate contract worth about INR52.68 crores for their gas turbine airfoils. This deepens our domestic energy business. Baker Hughes, our supply agreement with Nuovo Pignone, has extended up to 2030.

Oil and gas, the ramp-up of our dedicated oil and gas facility, tied to the customer's delivery plans, adds a further growth lever from Q4 FY 2027. Defence, after delivering India's first indigenous expendable turbojet engine to GTRE, we are now positioned for end-to-end manufacture, assembly integration of complete engine assemblies of their demands.

The testings are ongoing. Customer recognition this year, Baker Hughes presented us its Growth Collaboration Award and GE Vernova for its Delivery Partnership Award. Closing outlook. As we have said on earlier calls, throughput from the new capacity begins in Q3 of FY27.

We expect revenue to ramp up Q4 of FY27 onwards, and all the plants will be fully ramped up by Q2 of FY 2028. Our current installed capacity positions us to reach an annual revenue run rate of over INR1,300 crores by the end of FY28, more than double of our FY 2026 revenue. With the cost base largely in place, rising revenue should translate directly into better profitability.

At Azad, we have never chased reckless scale at the expense of our margins. Every facility we have built is anchored to customers' commitment and long-term contract. We do not engage in speculative expansion. We are at inflection point, and we reiterate our long-term annual growth guidance of over 25% plus. I want to thank our customers, our partners, and Team Azad for their relentless execution, and our shareholders for their continued confidence in our journey. Now, hand over to our CFO, Mr. Ronak Jajoo. Thank you.

Ronak Jajoo: Thank you, Chairman, sir, and good afternoon to everyone. I will now take you through a review of our financial performance, capital structure, and operating efficiency for the second quarter and the half year ended September 30, 2026. As the Chairman has summarized, this quarter completed our setup phase.

Our front-end investment in capacity, people, and production readiness is now in place, and the numbers show our operating performance tracking our guidance, even while we carry the cost of that investment. Unless I mention otherwise, the figures are standalone and in crores. Let me take you through the financial highlight and the top-line growth first. For the first half year, revenue grew at 29.3% to INR358.3 crores, ahead of our guidance of over 25%.

Our standalone revenue from operation reached INR187.8 crores in quarter 2 FY27, our highest ever quarterly revenue. This is a growth of 31.6% year-on-year basis, over INR142.7 crores in quarter 2 FY26. On a sequential basis, revenue grew 10.1% over the INR170.5 crores reported in quarter 1 FY27. Our focus as a company remain on exports.

Export contributed 88% of revenue this quarter, and we expect them to remain about 85% of our sales as we serve the world-leading OEMs in energy, oil and gas, and aerospace segment. Energy and oil and gas grew at 30.02% year-on-year basis to INR152 crores, and aerospace and defense grew at 31.6% to INR31.7 crores.

Both the segments had witnessed the growth over and above our guidance of 25% given to the market consistently over the last few quarters. Let me now take you through the gross margin to EBITDA, how operating leverage is playing a role in our business. Let me explain our margin the way we track internally, starting from the gross margin.

Our gross margin before depreciation, which is a revenue less material and all direct cost, was INR84.9 crores in quarter two, or 45.2% of revenue. That is an extension of 150 basis points over the 43.7% of quarter two FY 2026, and up from 45% in quarter one. This came from

operating leverage, local sourcing, backward integration into special process, to name the few of the initiative which we have taken in the past.

We achieve it while absorbing the running cost of new facility, which are not yet billing at a full rate, and the plant are at different stage of ramp-up. Our indirect cost, the corporate and administrative overheads, were around approximately INR14.4 crores or 7.7% of revenue. The same share as a year ago, even though the business is a third larger.

As a result, our reported EBITDA grew 37.1% year-on-year to INR70.4 crores and 9.9% over quarter one. The EBITDA margin was 37.5%, an extension of 150 basis points, as I explained earlier, over 36% of quarter 2 FY26, in line with the 37.6% in quarter one. That is operating leverage at work.

And we are confident of meeting our long-term margin guidance in the coming quarter or so. For the first half, gross margin before depreciation was 45.1% against 44.1% in H1 FY 2026, and indirect cost fell to 7.6% of revenue from 8.1%. EBITDA grew at 34.7% to INR134.5 crores, a margin of 37.5% against the 36% in the same period year before.

Let me now take you through the bridge from EBITDA to PAT and try to explain the PAT margins. To evaluate our core performance accurately, it is important to look at the item below EBITDA. Other income was INR4.7 crores against INR12.7 crores in quarter two FY 2026 and INR4 crores in quarter one.

As I mentioned in last call, treasury income is moderating as we deploy our cash reserves into factory infrastructures and machines. Interest on fixed deposit was INR1.7 crores against INR6.8 crores, and the foreign exchange gain was INR2.4 crores against INR5.4 crores, which is a macro and not in control of the business.

Depreciation was INR21.8 crores against INR10.9 crores a year ago and INR17.9 crores in quarter one, as we capitalized INR251 crores of new assets during the H1. Quarter three and quarter four will carry a full quarter of GE Vernova facility inaugurated in September, so depreciation step up once more before it stabilize.

Finance cost were INR12.2 crores against INR6.4 crores a year ago and INR10.1 crores in quarter one, reflecting the term loan for our capex and the working capital loan that support our growth. EBITDA covers finance cost to the 5.8 x, which is a very healthy metric from the risk perspective.

Together, these three item move our PBT margin from 32.8% to 21.9%, 6.4 percentage points from the other income, 4% from depreciation, and 2% from finance cost. None of it's operational, and the cost structures are now freed for our growth, as Chairman has told that by FY28, we will be at INR1,300 crores ARR. I am quite confident that we will reach to the same margins or same cost structure percentage as it was there in FY 2024.

Together, these three item move our PBT. Net profit metrics. Profit before tax was INR41.1 crores, tax was INR10.3 crores, an effective rate of 25%. The half year rate was 17.2% because

Q1 included deferred tax credit of INR4.3 crores as a one-time adjustment from moving from old regime to the new regime.

Our normal rate is about 25% distant and own profit after tax was INR30.8 crores, a PAT margin of 16.4%. For the first half, profit grew at 6.6% to INR67.2 crores, a margin of 18.7%. Our consolidated performance. On consolidated basis quarterly, revenue from operation grew at 31.1% year-on-year to INR190 crores.

Consolidated EBITDA was INR72.3 crores, a margin of 37.9%, and consolidated PAT of INR30.9 crores. For half year, a consolidated revenue was INR363.5 crores, EBITDA of INR136.6 crores at 37.6%, and PAT of INR66.1 crores. Let me take you through the capital structures of the company. Our net worth stand at INR1,619.6 crores.

Bank borrowing at the end of September was INR536.4 crores, INR340.6 crores of term loan, and INR195.8 crores of working capital facility. With cash and bank deposit of INR112.6 crores, net debt stood at INR423.8 crores. That is 0.26x of equity and 1.6 x of annualized EBITDA, which is a quite healthy metrics to track from the debt risk perspective.

Of the INR700 crores raised through the QIP, INR621.8 crores has been used, and the remaining INR78.2 crores is held in fixed deposit for balance of our capex. in first half, we spent INR139.3 crores on capex, funded by INR80.8 crores of QIP money and INR28.6 crores of term loan and internal funds.

Our fixed assets, including capital work in progress, now stand at INR1,169 crores. The chairman spoke about an annual revenue run rate of INR1,300 crores by end of FY 2028 on this asset base. Let me now take you through the working capital and the cash flow. Inventory rose by INR98 crores in half year to INR425 crores.

INR72 crores of that increase is work in progress on a new line, including part in delta qualification or ramp-up stage that we can invoice only after customer approval. This is a production readiness the chairman described, and 72% of our ageable inventory is less than six months old.

Trade receivable rose by INR92 crores to INR402 crores in line with higher revenue. 69% of regular receivables are not yet due, and those more than a year old are only INR7 crores. Operating profit before working capital change grew at 29% to INR130.6. Working capital after INR157.5 crores, almost the same as INR153 crores of last year first half, on a business of 29% larger.

After tax, operating cash flow was negative at INR45.8 crores, a clear improvement of INR-76.5 crores in H1 F26. As throughput convert into revenue from quarter four, the inventory turn into receivable and then into the cash, and that's where we are expecting our working capital cycle to be stabilized.

An important update for you that we started a conversation with few of our OEMs to give the advance on which the PO, so that it will help us to stabilize our working capital requirement. We are fortunate that one of the OEM has agreed to give 50% advance on each PO, and we are

expecting $4.5 million from that particular update. Based on this template, we are trying to talk with all other OEMs and try to see what best we can do on this particular front.

To summarize, revenue grew ahead of guidance led by export, gross margin expand while overhead held steady, which lifted EBITDA margin by 150 basis points. The cost below EBITDA reflect the investment phase, and they are now largely in our base. Our balance sheet remain conservative from Q4, rising revenue on base should flow through to profit and cash. I now hand over the call to Mr. Vishnu Malpani, our Whole-Time Director to take us through the operating metrics from here. Thank you, and wish you a very happy Diwali.

Vishnu Malpani: Thank you, Ronak, and good afternoon, everyone. The Chairman has spoken about the macro tailwinds and the foundation that we have completed, and our CFO has taken you through the numbers. Let me give you an operational and strategic build, where our build-out stands, how the capacity is turning into revenue and cash, and where Azad Engineering goes next.

The ramp-up that we started at the time of IPO is now at its final stage, with two additional GE Vernova gas facilities that we inaugurated in September, six customer-dedicated facilities in Tuniki Bollaram now commissioned, 44,800 sq m in total for Mitsubishi Heavy Industries, GE Vernova, Siemens Energy, and Baker Hughes.

GE Vernova now has three dedicated facilities with us. The capital has been deployed, the teams are hired and trained, and the lines are production-ready. Each facility follows the same model. A customer commits to the volume. We build to their specification and build capacity ahead of the schedule.

We qualify the line to their standard, and it is important to understand that no capacity that is either deployed or commissioned is built speculatively. We build it on the basis of the guidance that we receive from the customers in the form of contracts. Let me explain why revenue follows the commissioning by a few quarters.

When a part that is already qualified moves to a newer facility or a newer machine, the customer requires us to do a delta qualification. This qualification process is shorter than qualifying a newer part. A new part can take anywhere up to 30- 48 months, but a delta qualification is still not as lengthy, but is a rigorous process.

It goes through inspection, process validation, customer's own audit, and we are running several of these delta qualifications at the same time across all our customer lines. The throughput for the business begins improving in H2 FY 2027. Revenue starts ramping up from Q4 as parts that we are qualifying clear customer acceptance, and we expect all plants to be fully ramped up in the H1 of FY 2028.

Each facility that we are building dedicatedly for our clients is in line with the customer's delivery plans. Once a global OEM has qualified a dedicated facility into its primary supply chain, moving that business carries a very high switching cost, and this is what gives us a multi-year visibility with all of our customers across each of our segments.

I know that working capital has been on your minds, and so let me tell you that what is already in motion. Mr. Chopdar and Mr. Jajoo also covered briefly how the attempts that we've done and the results and the outcome of some of them. Let me take you through the three aspects from a macro perspective.

Inventory is moving through the pipeline. It is worth noting that the raw material that we built earlier in the quarters has moved up into work in progress on the newer lines. As the ramp-up continues to progress, this work in progress converts into finished products and then receivables and then into cash. So that is point number one.

The second one, which Mr. Jajoo briefly touched upon, our attempts to reach out to our customer has now given a positive result. One of our OEMs have agreed to give us a 50% advance against purchase orders, and we expect to receive close to about $4.5 million under this arrangement.

This reflects the strength of our customer relationships and directly funds our ramp-up. $4.5 million on a customer account is a good start for our business and is in line with the commitment that we had given to all our shareholders that we will bring working capital in check through various things.

The third point that we are now doing is the bill discounting line, which are in reserve. So far as a business, we had not used bill discounting aggressively because we had surplus treasury funds, and drawing on those lines would have added finance cost further. We now have these lines in place with ICICI Bank and DP World, which can be used from Q4 FY27 onwards.

This will reduce the debtor days directly with a modest addition to our finance cost, which the business can take. Our business model remains export-led, with more than 85% of our revenue coming out of exports. For the first half, energy and oil and gas grew significantly to 28.5% and INR290.5 crores. This was supported by a strong global demand for power generation and our dedicated facilities moving through qualification.

Our dedicated oil and gas facility for Baker Hughes also added a growth lever from will also add a growth lever from Q4 FY 2027. Our agreement with Baker Hughes Company has been extended to 2030. Aerospace and defence grew at 28.3% and delivered INR60.4 crores. This vertical now contributes to about 16.8% of our revenue.

In India, we also received a long-term source contract with BHEL for gas turbine blades under a two-year rate contract, which was close to about INR52.68 crores, a strong start for indigenization in the power sector in the country. With the IPO build-out now complete, it is now time to move to the next stage of growth for Azad.

Azad has already started working on the programs that will drive our growth beyond FY 2030. To name a few, we have started working on hot section parts, nozzle vane segments for Mitsubishi Heavy Industries under our eight-year single-source contract. This is the next step in our complexity and our value chain that we are moving up for Azad.

Aeroengine airfoils with Rolls-Royce and Pratt & Whitney and Safran, extending our airfoil expertise from power turbines into aircraft engines. We are now going to be starting to delivering

this from the next fiscal onwards. The developments that we did on aero engines for GTRE, building on a delivery for India's first indigenous expendable turbojet engine, with end-to-end manufacturing, assembly, and integration complete.

Azad has demonstrated that we have the capability to manufacture engines in India and to help India's objective on indigenizing most of our defence systems. The capability that we built for aero engines and for GTRE around aero engines is also being discussed in advanced discussion with other OEMs who want to use Azad for the capability building in this front.

Along these programs, we will keep gaining market share with our existing customers on our proven capabilities to serve newer global OEMs, look at selective acquisitions for large components, full-stack production, and co-locate with key OEMs. The first stage of Azad's growth as a listed company, the build-out that we started, is now in its final stage.

Our capacity is now ready, and the next six quarters are about to convert this revenue into cash. We have already begun building the growth engines for the decade and beyond. With that, we are happy to take your questions. Thank you very much, and happy Diwali to everyone.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Amit Dixit from Goldman Sachs. Please proceed with your question.

Amit Dixit: Yes, hi. Congratulations for the great performance and for a good set of numbers. I have a couple of questions. The first one is essentially on the building blocks that are ready now. We have now six facilities in the new facility. I just wanted to understand the next phase of development more. I mean, how are these contracts, particularly in aerospace, going to move from development to production stage? I just wanted to understand that part, the kind of revenue growth that will accelerate from here. That is the first question, sir?

Rakesh Chopdar: Okay. Thanks for the question. Last quarter also, I had a similar question, and we were telling that we are setting up things. The buildings were almost done. The machines movement was ongoing last quarter. This is the main thing which we were trying to give a message. But now, as mentioned, we are ready with that. The buildings are ready.

The capex is deployed. Major of the machines are inside. The foundation is completed. The spindles are now running, and we are seeing the throughput which we planned. Of course, we saw some two, three weeks delay, and that is, I think, quite normal to see in this large scale. But beyond that, today we can say that we have done that piece of work which is going to really see the revenues coming up, and it has started already.

Now, we talk about the growth factors or we talk about when it is visible. I think I have been very consistent in giving a guidance that what was the status of the factory. Now the machines are up and running, and this is now we see from Q3 onwards, we ourselves have started seeing the throughput. So that is the situation right now, Mr. Amit.

Rakesh Chopdar: Capacity-wise, you can see an ARR. The capacity which is now installed, which we should see an ARR from FY28 of roughly more than around INR1,300 crores or so. So that is the capacity right now.

Moderator: Mr. Amit.

Amit Dixit: Advance, and we are going to do bill discounting. I just wanted to understand that when we may see the peak cash burn now, considering that the fixed cost is all there, it is now going to be amortized. The fixed cost base is not there. Maybe working capital will also kind of plateau from here. I just wanted to understand the cash, when will we see cash become more sanguine, and when we will see the free cash flow generation by the company?

Rakesh Chopdar: I believe we can see that. As I mentioned, now we are in Q3, right? The Q3, as the throughput is now started coming out. It is not that it is going to come. It started. The supplies will start from the end of the Q3 and Q4. As we mentioned, we started the bill discounting. We started taking things.

I think by Q3 end and Q4, sorry, Q4 end, and Q4 is where we can see the cash flowing out of the company now. That is the period we see that coming in. Consistently, if you talk, Q1 of next year would be perfectly in thing, but we can see something in Q4 as well, the cash coming out of the company.

Amit Dixit: Wonderful, sir. That is all from my side. Thanks.

Rakesh Chopdar: Yes.

Moderator: Thank you. The next question is from the line of Gaurav Nagori from Avendus Capital Private Limited. Please proceed with your question.

Gaurav Nagori: Thanks. Thanks for the opportunity. Sir, I want some more color on this capacity now that you have fully commissioned with six lines. Correct me if I am wrong, if I am right, that the existing capacity, excluding Tuniki Bollaram, has a potential of about INR500 crores odd, and this new facility would have a potential of about another INR1,200 crores-INR1,300 crores odd revenue, which means in totality of the total capex or all the capacities put together, you have a potential of INR1,800 crores-INR1,900 crores. Of that, you are saying that you would reach INR1,300 crores by next year itself. Is that understanding correct?

Rakesh Chopdar: Yes. The ARR, what we start seeing is INR1,300+ crores , okay? And how we move ahead, it definitely will cross more than that, right? And we being always conservative in giving any kind of guidance. We are very, very conservative in giving the guidance. This is the bare minimum we have said, this will cross. It definitely will grow to the levels, but I do not think, maybe next quarter I can update you exactly what would be the range, but what capacity we see now and what throughput we are seeing now has gone beyond INR1,300+ crores .

Gaurav Nagori: Understood. Understood. And second question is for the discussions that you are having with the GE Nuclear, with your aerospace client. Given that Tuniki Bollaram is now fully leased out with these six lines, what about- The additional contracts that you win, would you have to buy a separate land or where those capacities would come in?

Rakesh Chopdar: No, we have left one or two buildings which is still in Tuniki. As I mentioned in my call, as we are dedicating facilities for the energy, oil, and gas, now aerospace also has come forward. So

few of the customers, I cannot name them now, and we are going in the similar model of dedicating a facility there, and they want to book us for next whatever years they want to book, and that is ongoing right now. So very soon we will inform you on that, and that capacity is also well taken care.

Gaurav Nagori: Understood. As Vishnu mentioned, you would be start delivering the aero engine airfoils from next year. Have you received the qualifications or you are expecting that to come?

Rakesh Chopdar: That's exactly Vishnu mentioned. We'll give you very good news very soon, right? After this qualification which we completed, almost completed, you know? 2024 is when we start. Finally, we are in the last leg of things, and very soon you will have information that we have delivered our first qualification batch. That's the start. Once that qualification batch is done, this is how we really will show that, yes, the parts are now in production.

Gaurav Nagori: Understood. Just last question.

Rakesh Chopdar: It's a very good progress overall. Very, very good progress, and things went flawless in the qualification period.

Gaurav Nagori: Understood. But I'm assuming that, let's say, to get the qualification, you have to incur a new capex for the commercial line. That probably you would plan next year?

Rakesh Chopdar: No. Sorry, it's already done. The capex is done. The production, we have production ready now.

Gaurav Nagori: All right. Okay, got it. Last bookkeeping questions from Ronak. Just one on when you said that you already had a discussion with clients for the advances, did this discussion also about, let's say, the margins? Because I'm assuming that clients would not be paying you the same margins and yet giving you the advances also?

Ronak Jajoo: No, we have not given any material discount. It's hardly 1% or so. That is not something we have given very large discount for these advances. This is in line with our discussion because we are incurring capex and also investing into the working capital all the time. So we requested customer that why don't you support us for the working capital at least, so that it keep the ball rolling from both the sides.

Gaurav Nagori: Understood. What has caused this sharp increase in the other operating income in first half?

Ronak Jajoo: Other operating income?

Gaurav Nagori: Yes.

Ronak Jajoo: Decreased. That I mentioned because of the treasury, because we have a treasury which was, we raised in Q1, which was there in the.

Gaurav Nagori: No, it is other operating income, Ronak, that I am talking about, not other income?

Ronak Jajoo: Other operating income?

Gaurav Nagori: Yes.

Ronak Jajoo: There is no decline, I don't think, Gaurav, which number you are talking about.

Gaurav Nagori: Okay, I'll take it separately, Ronak. Thanks for the answers and wishing the team a happy Diwali.

Rakesh Chopdar: Thank you, Gaurav. Thank you.

Gaurav Nagori: Thank you.

Moderator: Thank you. The next question is from the line of Vikash Singh from ICICI Securities. Please proceed with your question.

Vikash Singh: Thank you for the opportunity. Good afternoon, everyone, and happy Diwali to you as well. Sir, my first question is that now that we have a revenue target set for FY 2028, and probably the growth would come from the existing facility in FY 2029, beyond that, the growth factor basically, because we haven't heard any new investment plans from you beyond FY29, because I believe that still we are very little on our wallet share of the customers, and there's ample growth with the existing customers as well beyond 2029. Could you just give us road path beyond 2029 if you have?

Rakesh Chopdar: Good question, Vikash. As Gaurav asked this same question on the Rolls-Royce, this is an example what we are going to talk about. Rolls-Royce, we invested. We invested 2024, you know? A large portion of capex has gone in that. You know the qualification cycle. Without that, you can't go for production mode.

Now there are certain two engine programs which are going on right now, and we have finished, almost finished the qualification line, and the production starts for these two lines. capex, what we have done, what was visible to us. The visibility, the customer, what it does is, say example, it has got 10 engine or 20 engine programs, but they will not open up everything.

They'll share, okay, this is what we have. These two engines we are offering you, and you finish this qualification. Basis two engine, what is visible, we invested the capex. As we deliver, hence the confidence is up, as the qualification is through, then they open up. We will know this, as I mentioned to Gaurav as well, that I will be able to give you more colour maybe next quarter.

Same thing I am informing you as well. What happens is the next phase of capex is once we qualify this and once we go to the next phase, then they open up, and then we will plan our capex for FY 2029 onwards. That is what we are trying to figure out. As we see the growth, definitely we will go for a QIP or maybe when it is required, we will go in that section, but today as we speak, what we have invested, what we have done, that has now moved on to the next phase.

Vikash Singh: Noted, sir. Sir, just regarding this new facility which you have commissioned, especially the recent two one, had the associated order was already received and it was a part of the INR6,500 crores, or there is a chances that these facilities getting booked for next five years and the order book would increase from here in next few weeks or so?

Rakesh Chopdar: See, these contracts and requirements are rolling. We really have the visibility. We already have the contracts, we already have the visibility. But how long, what beyond it is going to go, and we cannot say something which is a bit forward-looking. But we definitely have a visibility on that, for sure. Yes.

Vikash Singh: No, sir. Sir, just one last question if I can squeeze.

Rakesh Chopdar: Yes, sure.

Vikash Singh: Any update on the engines side, basically?

Rakesh Chopdar: I am also eagerly waiting for the testings are ongoing right now, and they are quite restrictive in giving the information out. But we are just waiting for the testings are ongoing, that I know. All right? We are about to deliver the second engine as well. When this engine flies on the weapon, that is where they are really going to open up, and we are 100% sure it is going to be a big one, for sure.

So we just wait. We all have to have, especially me, I am super excited for the results of the engine coming out. So once it comes out, maybe the second engine, third engine, fourth engine, whichever flies the weapon, that means we are very close to going in the production mode. And which is very, it is not far away. I have very limited information on this.

Vikash Singh: Yes, that's great to hear, sir. Thank you and all the best.

Rakesh Chopdar: Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Suraj Malu from Catamaran Ventures. Please proceed with your question.

Suraj Malu: Yes. Hello, sir. Thank you for this opportunity. Sir, can you help understand, like, what is the current order backlog and across segments, and what was that in the previous quarter?

Vishnu Malpani: Thank you for your question. Our current order book is close to over INR6,500 crores. Like Mr. Chopdar mentioned, this is a rolling order book. Across each of our segments, today this is our order book, and there are contracts that are under discussion. If you look at our projections.

Suraj Malu: Can I just?

Vishnu Malpani: Yes. If you look at our projections with a 25% growth over the next few years, you will be able to see that this order book over time will, one, it will keep getting consumed from. But it is a rolling order book, right? These are not project-based demands. These are annual demands that occur across these product lines. But you will also see that new parts, newer contracts are added to this over time. This is how the order book will grow.

Suraj Malu: Right. Understood. As you mentioned rightly, right, these are like rolling order books. As and when six months are executed, we will get for another six months, right? Because these are continuously manufactured. As and when we add like newer components, like let us say hot section and all those, do we see a step up in this order backlog somewhere?

Vishnu Malpani: Do you see what? I am sorry.

Suraj Malu: A step up in this order backlog, like when we have like new components with a large order inflow, like the INR6,500 can become like INR7,000, INR8,000?

Vishnu Malpani: Yes. So, of course, that will happen, but I would like to just make a slight correction to what you said. So this is not order backlog. This is a set of contracts that we are working on, so we should not look at it as an order backlog. This is based on the demand that the customer has given it to us over the next five to seven years, which is detailed by product and by customer.

So we understand that, so we should not be looking at it as an order backlog. That is why if you look at our capacity build-out, we are not building infinite capacity on day one. We are building capacity on the back of what we need to deliver to our customers based on the schedule. So this is not order backlog. Just wanted to bring that slide to one side.

Suraj Malu: I see. Okay.

Vishnu Malpani: Thank you.

Suraj Malu: Thank you.

Vishnu Malpani: Thank you.

Moderator: Thank you. The next question is from the line of Alisha from TRUST Mutual Fund. Please proceed with your question.

Alisha: Hi, sir. Good afternoon and thank you for the opportunity. Sir, ex of Rolls-Royce, how many customers are we currently in delta qualification with?

Rakesh Chopdar: You talk about the aero engines. We have, apart from Rolls-Royce, followed by we have Pratt Whitney Canada (46:56), Safran. These are the two ongoing behind Rolls-Royce.

Alisha: On the oil and gas side or the energy side, we are done with all kind of qualifications, right? There is no delta qualification pending there?

Rakesh Chopdar: Delta is going on. Major qualifications are almost done, right? Delta is ongoing right now. What is delta? Example, I will tell you. With the existing, we have a facility which we have qualified maybe, say, three years before or four years before. The moment you shift to a new facility, when you move the machines, the location, because in their system, qualification says what are the parts, what are the machines, what is the location of the facility.

That is recorded. Once you change it, they have to update it. Basis that, there is not a full qualification. It is mandatory that they validate what the machine has moved properly, the processes are the same what we qualified here, and the parts are coming out well. The delta qualification is defined in that way. It is not a full qualification. It is as good as a revalidation.

Alisha: No, that I understand. We're just trying to understand how many of our customers are we still in that phase with, hence the question, but I get what you're saying?

Rakesh Chopdar: Yes.

Alisha: The next question was that, as now we're finalizing these delta qualifications and you've given us the ARR roadmap of INR1,300+ crores , what will the contribution be from the aero side, or will it still be oil and gas energy heavy?

Rakesh Chopdar: It will be mixed. We see this, as I mentioned, once the Rolls-Royce qualification is done, the revenue will just add up. We don't have any revenue with Rolls-Royce. We have revenue, but it's not for the production revenue. That's going to start. Then followed by Pratt & Whitney, then followed by Safran.

This is something that it will keep on going, but for your information, by FY 2030-2031, energy and oil and gas will be almost to a range where the energy will come down to, say, 55%-60%, and the rest, the growth will be I mean, not come down. The energy contribution will be 55%-60%, and the rest will be taken by the A&D.

Alisha: Understood. But some of this revenue we'll start seeing flow through from FY 2028.

Rakesh Chopdar: Yes.

Vishnu Malpani: Just to add to what Mr. Chopdar is saying, our plan for the next five years is based on. There is a revenue visibility that we have on the parts that are qualified with our existing customers and are ramping up. That will take care of the revenue projections that we have for the next five years.

While at the same time, we are also adding capabilities and qualifying newer products, which will keep getting added, like the Rolls-Royce qualifications that we are doing, Safran, Pratt & Whitney, et cetera, and the other qualifications. Qualification is a continuous process in this industry.

You would know that we are today catering to under 2% of the wallet share of our customers. For us to be able to cater to a large market, we will have to continue the process of qualification. What changes in the business is that the quantum of qualification versus production will now largely shift.

If you were to look at energy business, say, let's say, seven, eight years ago, you would see that we were still doing a lot of qualifications, but today, you will see that it is largely production and a little bit of qualifications going on. Aerospace, five years ago, would have seen a lot of qualifications, but last year we delivered INR100 crores. This is the process that continues. Over to Mr. Chopdar.

Rakesh Chopdar: I just explained to Gaurav of Avendus, like key question, what are the production cycles for the Rolls-Royce? As we mentioned, we were given only two engines, but Rolls-Royce has many engines, right? Once these two engine qualifications are done, these two engines come in production and rest of the engines will go into qualification.

This will be a continuous process. Same thing with Pratt & Whitney, same thing with Safran. That is why we say that massive growth, which we are going to see, this is how we have laid the foundation. It is now ready, and now you will definitely see the revenues coming from the qualifications part done, and then qualifications also keep adding to it. It is a continuous process, is what I mean to say.

Alisha: Understood. Just one last question on the energy and oil and gas side. We are not seeing any slowdown from our customers, right? Based on the visibility that they have shared, is that slowing down or is that getting slightly more delayed or pushed out?

Rakesh Chopdar: No, it will never happen for us, for sure, because Azad is now, when we started 2010, 2012, 2013, 2014, whatever years which we were doing qualifications and we were doing production, and the way the projections were shown to us, it is all in intact. As we said, the wallet share per customer is less, is a single digit right now.

We have a long journey to go ahead to pick up that two-digit number or whatever. We see a massive growth coming from the existing customer base without adding. You talk about this AI stuff and all this coming up, which didn't affect us before, and it doesn't affect now also. We have not come to that level. We are in our regular business mode where we are going with the inception where we started with single-digit to reaching to two-digit wallet share. We don't see anything affecting us or anywhere in kind of the growth factor what we have calculated for next five years.

Alisha: Understood. Great. All the best, then. Thank you.

Rakesh Chopdar: Thanks a lot.

Moderator: Thank you. The next question is from the line of Kanwalpreet Singh from Ambit Capital. Please proceed with your question.

Kanwalpreet Singh: Yes. Hello, sir. Thank you so much for giving some visibility beyond FY 2030 as well. I wanted to ask you about how you see your factors of production in this regard. A few quarters ago, you spoke about hiring, seeking around 150, 200 people per month. As you ramp up your sales to INR2,000 crores, INR3,000 crores of revenue, how do you see labour being added to your roles, and do you look at more automation in that regard? How do you see turnover change because of this? If you can provide some colour on this?

Rakesh Chopdar: Yes. This is a classic example. Thanks for the question. This is a classic live thing which is going. If you notice, our manpower cost has gone high, right? Regarding this manpower, it is like we have installed the capacity, right? The capital from treasury moved to the capex. Capex was in transit, received, and then factory installed.

Now, as we are in a very sophisticated business, right, it is not some casual manpower between. We need highly skilled manpower. The reason the spike of the cost in the manpower is just because the capacity which is there is manpower is hired. We are not seeing revenue today.

As I mentioned, it just started. The spindles just started. But you do not get them ready-made today. We had a plan to go back a month or two before, and we started hiring, and we start preparing ourselves to have this manpower, and now the revenue starts. Next quarter or following quarter of that, you will see manpower cost going down because the revenue will activate to that.

Similarly, this cycle we would carry on of seeing in four to six quarters, you will see one quarter that manpower going high and then again coming down. This will be a continuous process going ahead in a way we have to plan in advance every aspect. It does not matter if we are at INR800 crores revenue or at INR3,000 crores revenue.

Kanwalpreet Singh: Okay. You are saying that labour will scale linearly with the sales growth, but it will be front-loaded.

Rakesh Chopdar: Yes. You will see next to next quarter, you will see a drastic downfall in the manpower cost, because that cost we are attributing now, and that will be compensated with the revenue which is going to as a throughput.

Kanwalpreet Singh: Right. Sir, my question was whether once you reach a scale of INR2,000 crores-INR3,000 crores, if it is still tenable to look for because at that time maybe you will be looking at 1,000 people in a month. So, if that will still be tenable or you will look for more automation?

Rakesh Chopdar: Okay. So, Yes. Okay. What we are doing is we are adopting lean manufacturing system, right? We are definitely, we have a target to depend more on automations and to the bit of the ERP systems, the new tools we are using to attribute to see that we dependency on the manpower is going to the lower side. That is the target we are already working on.

Kanwalpreet Singh: Okay. Great.

Rakesh Chopdar: Yes.

Kanwalpreet Singh: Sir, my question is about the aftermarket. As I understand, the OEMs make most of their profit on the MRO aftermarket and spares. If you can provide some color on what is the replacement cycle for airfoils and vanes, and whether today your parts reach the aftermarket either directly or indirectly. I understand that Azad as a supplier may still have fixed pricing, whether it is new build or aftermarket, but it gives visibility in terms of repeat revenue. If you can provide some information on that?

Rakesh Chopdar: The OEM, when they place an order on us, they are a part which we will not know whether these OEMs are buying these parts for their aftermarket sales or for the new build. We will not know about it. We will not know whether this part is being utilized in aftermarket or it is utilized in the new build, and we will not know about that on the aftermarket wing.

Kanwalpreet Singh: Okay. Sir, but any idea on the replacement cycle, like if you provide?

Rakesh Chopdar: Okay. Usually, on a gas turbine, between 10- 12 years, they have to be replaced. In steam, in the thermal other areas, it touches around 16- 18 years.

Kanwalpreet Singh: Okay. Is this similar across both hot and cold section? If you are making hot section?

Rakesh Chopdar: No, I am talking only about the cold. I am talking only about the cold. The hot section just started. We just started with Mitsubishi. That is a big story going to happen in the hot section, right? We are still in the cold section, but hot section is a different, very different to cold section.

That itself is something which we really. The volumes are super heavy and the cycles are differently looked after. The hot section parts, I really do not have a proper answer for you right now, but maybe as we progress with the current qualification, maybe in next few quarters I can answer you on that.

Kanwalpreet Singh: Okay, great. Sir, lastly, after FY2030, as you ramp up on your INR6,500 backlog or whatever is the run rate that you are seeing, do you expect to seek more land? Because what you have, including the Mangampet land that you have, would that get exhausted? How are you thinking to plan for land beyond FY 2030?

Rakesh Chopdar: See, I will tell you, this growth what we are seeing now, we could see this, we could project this in way back in 2022, 2023. 2021, 2022 is where we saw what is coming up. So the phase I of Tuniki Bollaram, which is now fully done, it is covered, and similarly, we could also foresee that you will need more land beyond this. So the Mangampet is all ready for the phase II. So that is also covered, very well covered. So once we are done with this, definitely we have a plan for that land and we are going to start up there.

Kanwalpreet Singh: Okay, great. Thank you, sir, for answering my questions. I will come back in the queue.

Rakesh Chopdar: Welcome.

Moderator: Thank you. Ladies and gentlemen, due to interest of time, that was the last question for today. I would now like to hand over the conference to management for their closing comments.

Vishnu Malpani: Thank you so much for giving us an opportunity to run you through our company's operational and financial performance for the quarter and half year that ended FY27. We hope that everybody has sought answers and clarifications on how we would be building the organization over the next few quarters and the year. We wish everyone a very Happy Diwali and festive season. Thank you.

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