

AZAD ENGINEERING LTD.

Sensex	70,506
Nifty	21,150

ISSUE DETAILS

Date of Opening	20 th December 2023
Date of Closing	22 nd December 2023
Price Band(₹)	499 – 524
OFS (₹ crs)	500
Fresh Issue(₹ crs)	240
Issue Size (₹ crs)	740
No. of shares	1,48,29,659 – 1,41,22,137
Face Value(₹)	2.0
Post Issue Market Cap (₹ crs)	2,961 – 3,098
BRLMs	Axis Capital, ICICI Securities, SBI Capital Markets, Anand Rath Advisors
Registrar	KFin Technologies Limited
Bid Lot	28share and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%
Employee Reservation	76,335 equity shares aggregating upto ₹4crs

Listing: BSE & NSE

Category of Investors	Allocation of shares under IPO
Employee Reservation	76,336 shares (0.54% of IPO size)
Anchor Allocation	To be carved out of the QIB portion
QIB Shares Offered	70,22,901 shares (49.73% of IPO size)
NII (HNI) Shares Offered	21,06,870 shares (14.92% of IPO size)
Retail Shares Offered	49,16,031 shares (34.81% of IPO size)
Total Shares Offered	1,41,22,138 shares

Shareholding Pattern			
Pre-Issue	No. of Shares	%	
Promoter & Promoter Group	4,28,67,570	78.6	
Public & Others	1,16,65,272	21.4	
Total	5,45,32,842	100.0	

Post Issue @Lower Price Band	No. of Shares	%	
Promoter & Promoter Group	3,87,60,055	65.3	
Public & Others	2,05,82,406	34.7	
Total	5,93,42,461	100.0	

Post Issue @ Upper Price Band	No. of Shares	%	
Promoter & Promoter Group	3,89,56,024	65.9	
Public & Others	2,01,56,970	34.1	
Total	5,91,12,995	100.0	

Source: RHP, Way2Wealth

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COMPANY BACKGROUND

AZAD ENGINEERING LTD (AEL) is one of the key manufacturers of the qualified product lines supplying to global original equipment manufacturers (OEMs) in the energy, aerospace and defence, and oil and gas industries, manufacturing highly engineered, complex and mission and life-critical components. The company manufactures complex and highly engineered precision forged and machined components that are mission and life-critical and hence, some of the products has a zero parts per million defects requirement. It competes with manufacturers from China, Europe, USA and Japan. Its customers include global OEMs across the energy, aerospace and defence, and oil and gas industries such as General Electric, Honeywell International Inc., Mitsubishi Heavy Industries, Ltd., Siemens Energy, Eaton Aerospace and MAN Energy Solutions SE.

For the **Aerospace and Defense industry**, AEL manufactures medium and highly complex precision components, along with assemblies/sub-assemblies crucial for both civil and military applications. These play a mission-critical role in various platforms, including airfoils/blades for aircraft engines and APUs, body valves, housing mounts, housing compressors, fan blisks, mixed flow impellers, housing fans, shells, housings, aero-structures, turbine wheels, nozzles, unison rings, lever arms, hydraulic systems, fuel inerting systems, flight control systems, actuating systems, and others. **For the energy industry**, it produces high-precision rotating and stationary 3D airfoils/blades, special machined parts and combustion component assemblies for land-based turbines with applications in industrial and energy plants using different fuel types such as nuclear, hydrogen, natural gas and thermal. For the oil and gas industry, it manufactures components of drilling rigs such as drill bits and other critical components that are used in drilling equipment and are part of exploration and production phase.

AEL's products include 3D rotating airfoil/ blade portions of turbine engines and other critical components for (a) gas, nuclear and thermal turbines used in industrial applications or energy generation, and (b) defence and civil aircrafts and spaceships. The demand for such precision, forged and machined components is driven by requirements relating to energy turbines (industrial, gas, nuclear and coal), aircrafts (commercial and military), amongst others. Airfoils/ blades are one of the most critical 3D rotating and stationary parts of a turbine in the compression section. To sustain the high pressure, airfoils/ blades are made up of exotic/ super alloys and manufactured with a unique process designed by AEL.

AEL is one of the fastest growing manufacturers (in terms of revenue growth for the period between FY20-23) with one of the highest EBITDA margins among the key players for machined components for the key industries serviced by it. Its vision is to revolutionize the global precision manufacturing industry and disrupt the industries in which it operates in with cutting-edge technology while contributing towards India's evolving manufacturing ecosystem.

View

Azad Engineering Limited (AEL) is valued at FY23 P/E multiple of 387.2x and 68.6x reported PAT and adjusted PAT respectively, at the upper price band on post-issue capital. The PE ratio may appear high but it comes down after adjusting for debt reduction following the IPO. The company plans to repay debt amounting to ₹138.2crs from IPO proceeds. Since its current long-term borrowings stand at ₹213.7crs, repayment will bring a significant reduction in debt and interest payments. The company is a preferred manufacturer of mission & life-critical components serving highly regulated industries with significant entry barriers. The company is a niche player in its segment and enjoys virtual monopoly. It supplies to OEMs with high global market penetration and has long-standing and deep customer relationships. The market size of aerospace and defence components and energy turbine components is expected to grow at a CAGR of 7% to ₹1,81,000crs by 2027. This can be a good indication for the company. The revenues grew at a CAGR of 43% between FY21-23 achieving an adj. RoCE of ~21.2%. It commands an industry leading adjusted EBITDA margin of ~31.6% as of FY23. Hence we recommend it as **SUBSCRIBE** for long term.

Brief Financial Details*

	(₹ crs)			
Particulars	FY21	FY22	FY23	1HFY24
Revenue from operations	123	194	252	159
EBITDA	28	62	72	53
Profit	12	29	8	27
EBITDA Margin(%)	22.9	32.0	28.7	33.1
PAT Margin(%)	9.4	15.1	3.4	16.9
EPS(₹)	2.3	5.9	1.7	5.4*
RoE (%)	12.7	24.5	4.2	11.7*
RoCE (%)	12.1	16.9	13.9	9.6*
Debt/Equity(x)	1.0	1.64	1.32	1.41*

* Not Annualized Source: RHP, Way2Wealth

OBJECTIVE OF THE OFFER

The total issue size of the IPO of Azad Engineering Ltd. will comprise of the issue and sale of 1,41,22,138 shares (141.22 lakh shares approximately), which at the upper price band of ₹524 per share translates into total IPO size of ₹740crs. The Telangana-based engineered precision forged and machined components maker, has decided to open its maiden public issue for subscription on 20 December 2023. The offer will close on 22 December 2023, while the anchor book will be launched for a day on 19 December 2023. The company intends to raise ₹240crs via the fresh issue component, and ₹500crs via the offer-for-sale (OFS) portion. The fresh issue portion will be utilized for purchase of funding capital expenditure (CAPEX) and to repay / prepay outstanding loans of the company. Some portion of the fresh funds will also be used for general corporate purposes.

Promoter Rakesh Chopdar will be selling ₹204.97crs worth of shares and investor Piramal Structured Credit Opportunities Fund ₹260.85crs shares in the OFS, while other selling shareholder will be DMI Finance for the remaining ₹34.18crs shares. The promoters hold 78.61% stake in the company, including 77.46% shares owned by Rakesh Chopdar. The public shareholding stands at 21.39%, including a 9.13% stake by Piramal Structured Credit Opportunities Fund. It also counts **Sachin Tendulkar, PV Sindhu, Saina Nehwal, and VVS Laxman** among its minority shareholders.

Objects of Issue	Estimated utilization from Net proceeds(₹ crs)
Funding capital expenditure of the company	60.4
Repayment/pre-payment, in part or full of certain borrowings availed by the company	138.2
General corporate purposes [^]	-
Total Proceeds from fresh issue	-

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

BUSINESS HIGHLIGHTS

BUSINESS VERTICALS

PRODUCT PORTFOLIO

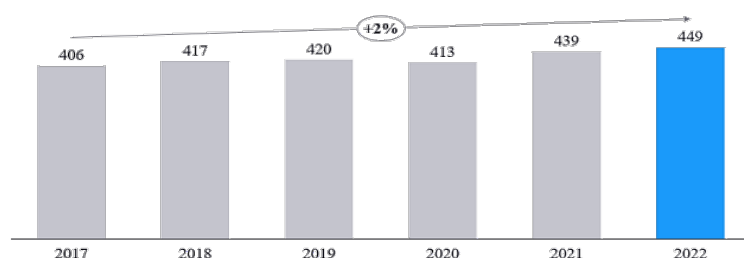
Application	Product Category	Product Sold
Natural Gas Turbine	Turbine Airfoil Assembly	Stator/Rotor/Compressor Airfoils; other Parts
Nuclear Power Turbine	Turbine Airfoil Assembly	Fixed airfoil/blade; Last Stage Airfoil/Blade- Rotary & welding chamfers; Last Stage Airfoil/Blade-Stationary
Thermal Power Turbine	Turbine Airfoil Assembly	Fixed airfoil/blade; Moving Airfoil/Blade; Last Stage Airfoil
Actuator Systems In Aircraft	Actuator Systems In Aircraft	Cover Actuator; Housing Actuator; Cover Housing Actuator; Guide Poppet
Military Jet/Commercial Aircraft Engine	Aero Engine Assembly	Airfoils; Impeller; Blisk; Unison Ring; Arm Levers
Auxillary Power Unit	APU system in aircraft	Housing Fan; Housing Compressor; Housing Mount; Housing Support Spring; Body Assembly
APUs And Aero Engines	Air Generation and Valve Assembly in Aircraft Engine	Body Valve; Plate Butterfly; Seal Shaft; Bearing Rod; piston plate; sealing ring
Missile System	Airframe and booster	Aft end skirt; fore end skirt; BB2KP Base; B1 Igniter body 1; B1 Igniter body 2
Oil and Gas	Up & Mid-stream- Sub systems	Slips; Flex Shaft; Drill Bits; Hatch Cover; Frame; Bonnet

- ENERGY** – Airfoils/blades are among the most crucial three-dimensional (3D) rotating and stationary components within the compression section of a turbine. These components play a pivotal role in energy generation through natural gas, nuclear (clean energy), and thermal operations. To endure the elevated pressure levels, airfoils/blades are crafted from exotic/super alloys, employing a distinct manufacturing process developed by the company. These components are sophisticated and intricately designed, posing a substantial entry barrier in both qualification and production aspects. The company has established a stage-wise process engineering approach to fabricate and create these parts. This involves an in-house process for forging and machining turbine blades, encompassing the design and manufacture of forging dies, tooling, and fixtures.

There has been a steady increase in energy consumption, which is rebounding from setback due to COVID-19 pandemic. Over the last 5 years, the global energy consumption has witnessed a steady upward trend with annualized growth rate of ~1.8% from 2017-2022, driven by macroeconomic factors such as increase in income levels, urbanization, and industrialization.

Natural Gas as a bridging fuel -Natural gas is referred as a transitional or bridging fuel to reduce carbon-di-oxide emissions ; Realignment of Supply Contracts- The supply chain disruptions made European Union enter discussions with Qatar for long term supply contracts, with Germany entering a 15-year long contract with QE (Qatar Energy) to supply LNG, 2 Mn Tons of LNG annually starting from 2026.

Global total energy consumption (EJ), (2017-22)



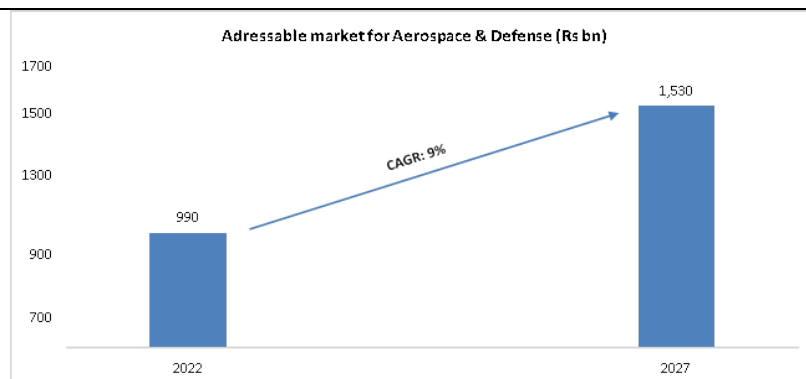
Source: IEA World energy outlook, dated October 2022, Enerdata, accessed August 2023

- 2. AEROSPACE and DEFENSE** – AEL manufactures medium and highly complex precision components, along with assemblies/sub-assemblies crucial for both civil and military applications. These play a mission-critical role in various platforms, including airfoils/blades for aircraft engines and APUs, body valves, housing mounts, housing compressors, fan blisks, mixed flow impellers, housing fans, shells, housings, aero-structures, turbine wheels, nozzles, unison rings, lever arms, hydraulic systems, fuel inerting systems, flight control systems, actuating systems, and others.

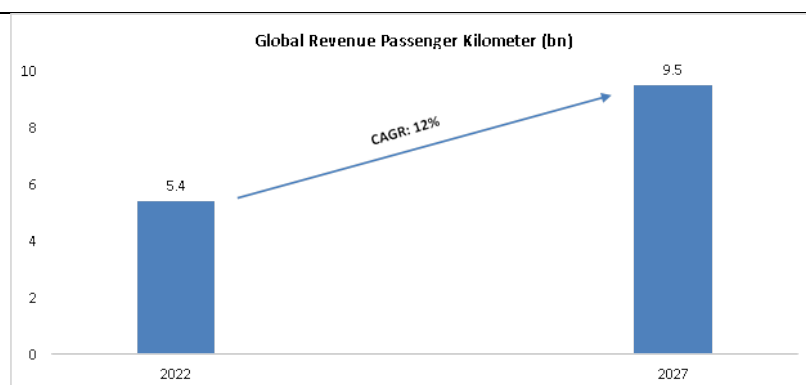
These components are commonly manufactured using castings, forgings, bar stock, tubes, and plates, finding extensive applications across diverse commercial and military platforms. The sub-assemblies involve rigorous processes, including precision machining, testing, specialized procedures, and thermal spray coatings, such as high-velocity oxygen fuel coating.

The company also produces industrial aerospace standard fluid distribution components integrated into the hydraulic systems of aircraft.

The global addressable aerospace and defense components market is valued at ₹990bn in CY22 and is expected to grow at a CAGR of 9% to reach ₹1,530 bn by CY27. As of CY23, GE Aerospace is the player with the largest addressable market size, followed by The Boeing Company & Honeywell International Inc.



The commercial aircraft industry was facing significant headwinds post the Covid-9 pandemic, recovered in CY22 and CY23. The outlook for global air traffic is positive with Revenue Passenger Kilometer (RPK) expected to increase to 9.5 bn by CY27, growing at a CAGR of 12%.

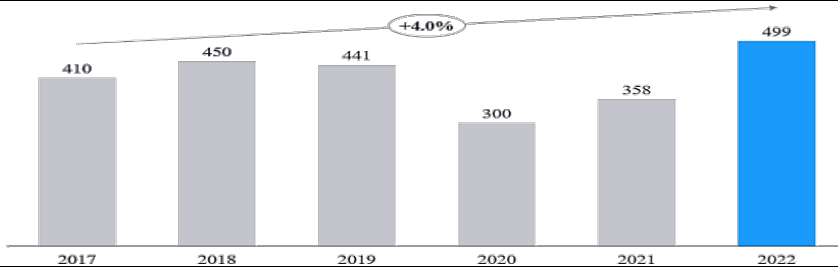


- 3. OIL & GAS** – AEL has expanded its operations into the oil and gas sector, leveraging its specialized precision manufacturing capabilities. It supplies components to the oilfield industry such as drill bits, slips which are used in the drilling equipment and are part of the exploration and production phase. The company has supplied components to one of the global manufacturers of drilling equipment. It holds the belief that this industry holds significant importance, given the diverse applications of oil and natural gas in transportation, electricity generation, heating, and manufacturing. The oil and gas sector encompasses activities such as exploration, extraction, refining, and the distribution of fossil fuels, primarily oil and natural gas.

The global spending on upstream capex has been growing at 4% historically and currently stands at 499 Bn (2022). Although the spending witnessed a significant fall in 2020 during COVID but has now bounced back above pre COVID levels. One of factors responsible for this increased spending is also the rising costs along with the increase in E&P activity.

As per world oil estimates, India, Asia, and Australia are expected to lead the growth in 2023 as spending in these regions remained relatively consistent even during the pandemic. Along with these countries, The MENA region is also expected to witness accelerated growth.

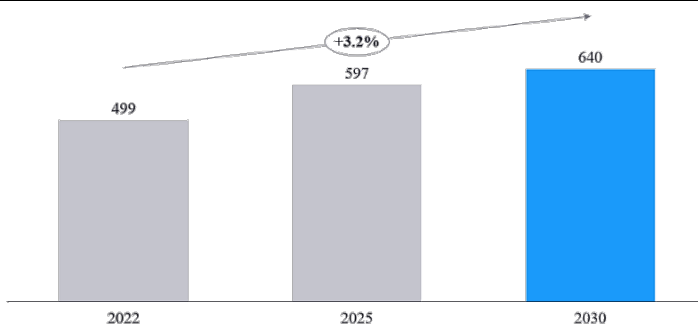
Global O&G upstream capex (US\$ Bn), (2017-2022)



Source – IEF, S&P Global Upstream Oil and Gas Investment Outlook, dated February 2023

As per IEF and S&P estimates, the global O&G upstream spending would reach 640 Bn by 2030. Along with the rising costs, the other key drivers for this spending are demand and production. Since historically production growth lagged the demand growth, this further creates a need for increase in E&P to ensure stable supply.

Global O&G upstream capex forecast (US\$ Bn), (2022-2030)



Source – IEF, S&P Global Upstream Oil and Gas Investment Outlook, dated February 2023

REVENUE BREAK UP

Industry	1H FY24		FY23		FY22		FY21	
	Revenue from purchase orders (₹ crs)	% of revenue from operations (%)	Revenue from purchase orders (₹ crs)	% of revenue from operations (%)	Revenue from purchase orders (₹ crs)	% of revenue from operation (%)	Revenue from purchase orders (₹ crs)	% of revenue from operations (%)
Energy (I)	140.884	88.75	219.040	87.03	165.070	84.88	110.541	90.08
Aerospace and defence (II)	13.685	8.62	22.528	8.95	20.278	10.43	7.591	6.18
Oil and gas (III)	0.00	0.00	.047	0.02	0.00	0.00	.026	0.02
Scrap (IV)	3.507	2.21	9.690	3.85	7.838	4.03	2.637	2.15
Others* (V)	0.671	0.42	0.370	0.15	1.281	0.66	1.926	1.57
Total (I+II+III+IV+V)	158.747	100.00	251.675	100.00	194.467	100.00	122.721	100.00

Source: RHP, Way2Wealth

- It has in-house capabilities and proficiency in engineering, design, tooling, material development coupled with a range of finishing and assembly operations focused on continuous improvements to manufacturing and quality processes. AEL's process design capabilities and several years of experience of manufacturing life and mission critical portions of turbine engines enable it

to develop high quality and cost-effective solutions for the demanding applications of global OEMs, which differentiates AEL from our global competitors. It is a technology-driven and innovative company with manufacturing facilities and high-quality products meeting global standards.

- **Robust product portfolio** – AEL products include 3D rotating airfoil/ blade portions of turbine engines and other critical components for (a) gas, nuclear and thermal turbines used in industrial applications or energy generation, and (b) defence and civil aircrafts and spaceships. The demand for such precision, forged and machined components is driven by requirements relating to energy turbines (industrial, gas, nuclear and coal), aircrafts (commercial and military), amongst others. Airfoils/ blades are one of the most critical 3D rotating and stationary parts of a turbine in the compression section. To sustain the high pressure, airfoils/ blades are made up of exotic/ super alloys and manufactured with a unique process designed by the company.
- The components manufactured by AEL are critical for the functioning of, inter alia, energy applications (nuclear, gas, oil and thermal) and worldwide air travel (military and civil). Considering that the company manufactures life-critical and mission-critical components, the margin for error is zero in its manufacturing process for some of components, which it adheres to by way of strong quality control systems. Airfoils/ blades and other products are designed to operate at extreme conditions and require a multi-level safety protocol as such engine products are life critical. Considering that the costs are very high in the energy and aerospace and defence industries given the stringent quality checks and certifications that are required to qualify as a supplier, there are significant entry barriers, which makes finding a manufacturing partner a lengthy process of many years for OEMs .AEL believes that it would ideally take 15-20 years for a new player in industry to reach the position the company currently occupy in the market. As of 30 September 2023, it had 1300 employees on its payroll and additional force of 248 contract workers.
- **Significant entry barrier due to the lengthy qualification process for components due to their criticality** – The qualification process imposed by OEMs is characterized by a significant entry barrier due to a lengthy and stringent qualification process. The vendors are required to go through separate qualification processes for each component that they supply. The qualification process for a new vendor is stringent and includes multiple steps (such as assessment and audit of technical capabilities of the vendor, vendor registration, evaluation and test of the product qualifications). This entire process is time intensive and often takes more than 15 months to qualify as a supplier during which the vendor is evaluated by the OEM. The vendors also need to institute quality and tracking procedures for all products that are supplied which demands a higher order quality control.
- **Advanced manufacturing facility** – AEL has four advanced manufacturing facilities in Hyderabad, Telangana, India, capable of producing high precision forged and machined components with a total manufacturing area of approximately 20,000 square metres. The company also has two manufacturing facilities in the pipeline at (a) Tuniki Bollaram village in Siddipet district, Telangana and (b) Mangampet village in Sangareddy district, Telangana with a total manufacturing area of 94,898.8 square metres and 74,866.8 square metres, respectively. The upcoming manufacturing facility at Tuniki Bollaram village in Siddipet district, Telangana is proposed to have dedicated and exclusive manufacturing for the production of critical and complex components such as airfoils/ blades and other special machined parts for gas and thermal turbines for Mitsubishi Heavy Industries Ltd., one of the long-standing customers.
- **Long-standing relationship with customers** – AEL has a well-diversified customer base spread across various geographies such as USA, Europe, Japan, Middle East, United Kingdom and China. The company has existing

relationships with both Indian and global OEMs. The company's long-standing customer base comprises of leading product OEM companies, key strategic and globally preferred partners such as General Electric and Mitsubishi Heavy Industries Ltd., with whom they have an average relationship of over 10 years.

- For the six months ended 30 September 2023 and FY23, FY22, and FY21, (a) contribution to revenue from operations from the **top five customers** was ₹96.34crs, ₹158.82crs, ₹106.61crs, and ₹73.51crs, respectively and (b) constituted 60.69%, 63.11%, 54.82% and 59.90%, respectively, of the total revenue from operations. In the six months ended 30 September 2023 and FY23, FY22, and FY21 the company has a diversified customer base with the **top 10 customers** accounting for 79.71% and 79.76%, 73.64%, and 81.47%, respectively of the revenue from operations.
- AEL derives ~90% of the revenue from overseas market. The energy sector accounted for 88.7% of total revenue in 1HFY24, followed by 9% from aerospace and the balance from the other segments. The sales of airfoil accounted for 72% of total revenue in 1HFY24 while the remaining was from other products.

GROWTH STRATEGY

- **Strengthen core capabilities** – Continue to strengthen core capabilities across focus industries by expanding existing relationship with customers and acquiring new and more strategic customers across focus industries.
- **Increase penetration and market share** – Increase penetration and market share by leveraging relationship with existing customers and continue to maintain strong record of repeat orders from existing and new customers.
- **Augment manufacturing capabilities** – Continue to augment manufacturing capabilities by organic and inorganic acquisitions and better serve customers, while building scale and delivering state of the art execution.
- **Improve operating efficiencies** – Offer quality products at optimal prices and deploy new technologies to reduce operating costs and improve operative efficiencies.

REVENUE FROM OPERATIONS – PRODUCT-WISE/GEOGRAPHY

	FY21		FY22		FY23		1H FY24	
Industry and Product Particulars	Revenue (₹ crs)	% of revenue from operations (%)	Revenue (₹ crs)	% of revenue from operation (%)	Revenue (₹ crs)	% of revenue from operations (%)	Revenue (₹ crs)	% of revenue from operations (%)
Energy	110.5	90.1	165.1	84.9	219	87	140.9	88.8
Airfoil/ blade	96.2	78.4	145.8	75	198	78.7	114.3	72
Non-airfoil	14.3	11.7	19.2	9.9	21	8.4	26.6	16.8
Aerospace and defence	7.6	6.2	20.3	10.4	22.5	9	13.7	8.6
Air generation system	1.7	1.4	8.8	4.5	3.4	1.4	5.1	3.2
Hydraulic system	0.3	0.2	2.2	1.1	7.5	3	3.5	2.2
APU/ engine	1.9	1.5	1.2	0.6	1.9	0.8	0.7	0.5
Airfoil/ blade	1.4	1.1	1.8	0.9	1.3	0.5	0.8	0.5
Engine	0.3	0.3	1.4	0.7	2	0.8	1	0.7
Generator	0.2	0.2	0.5	0.2	1.9	0.7	1.5	0.9
Engineering charges	0	0	3	1.6	0	0	0	0
Propulsion system	0	0	0	0	1.9	0.8	0.4	0.3
Structural joints	0.7	0.6	0.2	0.1	0.3	0.1	0	0
Missile	0.3	0.2	0.3	0.2	0.4	0.2	0.1	0
Others	0.7	0.6	0.9	0.5	1.9	0.7	0.6	0.4
Oil and gas	0	0	0	0	0	0	0	0
Drillingservices	0	0	0	0	0	0	0	0
Scrap	2.6	2.2	7.8	4	9.7	3.9	3.5	2.2
Others	1.9	1.6	1.3	0.7	0.4	0.2	0.7	0.4
Total	122.7	100	194.5	100	251.7	100	158.7	100

	FY21		FY22		FY23		1H FY24	
Country	Revenue from operations (₹ crs)	%	Revenue from operations (₹ crs)	%	Revenue from operations (₹ crs)	%	Revenue from operations (₹ crs)	%
Japan	41.3	33.7	65.2	33.5	89.3	35.5	33	20.8
USA	31.3	25.5	46.7	24	57.9	23	55.7	35.1
India*	22	17.9	43.2	22.2	49.7	19.8	16.8	10.6
UAE	9	7.3	17	8.7	22.3	8.8	17.4	11
Germany	8.8	7.2	6.6	3.4	15.9	6.3	3.5	2.2
Switzerland	4.2	3.4	1.6	0.8	0.1	0	0.1	0.1
UK	3.5	2.9	3.6	1.8	1.2	0.5	3.9	2.5
Hungary	1.2	1	1.3	0.7	0.1	0	0.9	0.5
France	0.7	0.6	8.4	4.3	15.3	6.1	20.6	13
Italy	0.4	0.4	-	-	-	-	-	-
Sweden	0.4	0.3	-	-	-	-	-	-
South Africa	-	-	0.4	0.2	-	-	-	-
Poland	-	-	0.4	0.2	-	-	6.8	4.3
Saudi Arabia	-	-	-	-	0	0	-	-
Singapore	-	-	-	-	0	0	0.3	0.2

*Includes export incentives Source: RHP, Way2Wealth

RISK FACTORS

- **Customer concentration risk** – AEL derives a significant portion of its revenue accounting for 59.9%, 54.8%, 63.1% and 60.8% of its FY21, FY22, FY23 and 1H FY24 revenue respectively from its top 5 customers. The loss of any of these customers could have a material adverse effect on the business, financial condition, results of operations and cash flows.
- **Raw material sourcing risk** – AEL depends on third party suppliers for raw materials, plant, machinery and components, which are on a purchase order basis. The company ordered 63.2%, 61.4%, 66.8% and 83.2% of its raw materials in FY21, FY22, FY23 and 1H FY24 respectively from its top 5 suppliers. Further, the company does not have any exclusive suppliers, and the suppliers could engage with competitors and prioritize supplies of other customers, which could adversely impact the company's ability to procure a sufficient quantity of raw materials, plant, machinery and components at competitive rates.

- **Export risk** – AEL generated 82.1%, 78.1%, 80.4% and 89.7% of its FY21, FY22, FY23 and 1HFY24 revenue respectively from outside India. As a result, the company is subject to several complex and regulatory requirements. The concentration of revenue from other countries could adversely affect business, results of operations, financial condition, cash flows and future prospects in case of risks that are specific to each country where the company's customers operate.
- **Competition** – AEL faces significant competitive pressures in the business. Any inability to compete effectively would have a material adverse effect on the business, prospects, operations and financial results.

FINANCIAL SNAPSHOT

Particulars	FY21	FY22	FY23
Revenue from Operations	123	194	252
YoY growth(%)	-	-	29.4
Cost Of Revenues(incl Stock Adj)	14	21	30
Gross Profit	109	174	222
Gross margins(%)	88.7	89.3	88.0
Employee Cost	33	46	59
Other Operating Expenses	48	65	90
Reported EBITDA	28	62	72
Adjusted EBITDA	37	63	80
Reported EBITDA margins (%)	22.9	32.0	28.7
Other Income	2	5	10
Net Interest Exp.	5	14	52
Depreciation	9	13	17
Exceptional Items	0	0	0
PBT	16	40	13
Tax	5	11	5
Reported PAT	12	29	8
Adjusted PAT	20	33	45
Reported PAT margin(%)	9.4	15.1	3.4
Reported EPS (₹)	2.3	5.9	1.7

RATIOS	FY21	FY22	FY23
Profitability			
RoA (%)	4.5	7.3	1.4
RoCE (%)	12.1	16.9	13.9
RoE (%)	12.7	24.5	4.2
Margin Analysis			
Gross Margin (%)	88.7	89.3	88.0
EBITDA Margin(%)	22.9	32.0	28.7
Net Income Margin(%)	9.4	15.1	3.4
Short-Term Liquidity			
Current Ratio(x)	1.1	1.1	1.9
Quick Ratio(x)	0.8	0.7	1.3
Avg. Days Sales Outstanding(x)	156	140	172
Avg. Days Inventory Outstanding(x)	102	108	125
Avg. Days Payables	111	80	69
Fixed asset turnover (x)	1.0	1.3	1.2
Debt-service coverage(x)	0.3	0.3	0.2
Long-Term Solvency			
Total Debt/Equity (x)	1.0	1.6	1.3
Interest Coverage Ratio(x)	4.0	3.9	1.3
Valuation Ratios			
P/E(x)	225.8	88.2	306.5
EV/EBITDA(x)	94.7	44.6	38.9
P/B(x)	28.6	21.6	12.7

Source: RHP, Way2Wealth

Particulars	FY21	FY22	FY23
Assets			
Net Block	121	144	217
Capital WIP	0	24	38
Other Noncurrent Assets	9	69	51
Current Assets			
Inventories	34	57	86
Trade receivables	53	75	119
Cash and Bank Balances	17	18	53
Other Current Assets	22	18	26
Total Current Assets	126	168	284
Current Liabilities & Provisions			
Trade payables	37	43	48
Other current liabilities	28	30	19
Short-term provisions	1	1	2
Total Current Liabilities	66	73	68
Net Current Assets	60	94	215
Total Assets	190	331	521
Liabilities			
Share Capital	2	2	2
Reserves and Surplus	89	118	202
Total Shareholders Funds	91	120	204
Total Debt	88	197	301
Long Term Provisions	1	2	3
Net Deferred Tax Liability	10	12	14
Total Liabilities	190	331	521

Cash Flow	FY21	FY22	FY23
Cash flow from Operating Activities	4	21	-10
Cash flow from Investing Activities	-35	-114	-101
Cash flow from Financing Activities	24	96	126
Free Cash Flow	-16	-96	-96

FINANCIAL SNAPSHOT

	Azad Engineering Limited	MTAR Technologies Ltd.	Paras Defence and Space Technologies Ltd.	Dynamatic Technologies Ltd	Triveni Turbines Ltd
CMP	524.0	2,226.8	703.3	4,300.0	404.2
Sales(₹crs)	251.7	573.0	214.0	1,316.0	1,248.0
EBITDA(₹crs)	72.3	154.0	56.0	184.0	235.0
Adjusted EBITDA(₹crs)	80.0	-	-	-	-
Net Profit(₹crs)	8.5	104.0	36.0	43.0	193.0
Adjusted PAT(₹crs)	45.0	-	-	-	-
Market Cap(₹ crs)	3,097.5	6,849.0	2,742.0	2,920.0	12,848.0
EBITDA Margin (%)	28.7	26.9	26.2	14.0	18.8
Net Margin (%)	3.4	18.2	16.8	3.3	15.5
P/E(x):Based on the Reported PAT	365.6	65.8	76.0	63.9	67.7
P/E(x):Based on Adjusted PAT	68.6	-	-	-	-
EV/EBITDA	45.8	28.7	28.3	12.2	37.3
RoE (%)	4.2	17.9	9.1	9.2	21.5
RoCE (%)	13.9	22.2	13.2	10.4	28.7

The data is based on FY23 financial data. For Azad Engineering Limited the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band. CMP as on 20Dec23.

Source: RHP, Way2Wealth

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Disclosure of Interest Statement: AZAD ENGINEERING LTD as on 21st December 2023

Name of the Security	AZAD ENGINEERING LTD
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst:	No
Analyst's Relative: Yes / No	No
Analyst's Associate/Firm: Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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