



# A Z A D

Sector: Engineering.

Issue Opens - December 20, 2023 to December 22, 2023

**Price Band**  
₹499 to ₹524

**Face Value**  
₹2

**Lot Size**  
28 Shares

**Issue Size**  
₹740.00 Cr

**Issue Type**  
Book Built

[Research@ganeshstock.com](mailto:Research@ganeshstock.com)



# Important Events

**Issue Size**

14,122,138 shares / ₹740.00 Cr)

**Fresh Issue**

4,580,153 shares / ₹240.00 Cr)

**Offer for Sale**

9,541,985 shares of ₹2 / ₹500.00 Cr)

**Basis of Allotment**

Tuesday, December 26, 2023

**Initiation of Refunds**

Wednesday, December 27, 2023

**Credit of Shares to Demat**

Wednesday, December 27, 2023

**AZAD Eng. IPO Listing date**

Thursday, December 28, 2023

## Promoters

- **Rakesh Chopdar (Chairman and CEO)**
- **Ronak Jajoo (Chief Financial Officer )**
- **Jyoti Chopdar (Whole time director)**
- **Ful Kumar Gautam (Company Secretary)**

Promoters collectively hold 56.38% (Post Issue) of the Equity Share.

Sources: DHRP

# About The Company.



Azad Engineering Limited, a formidable presence in the Indian braking industry, stands out as the leading manufacturer of brake-shoes and advanced braking systems for two-wheelers. With a legacy spanning over three decades, they have been the stalwart guardians of journeys, providing high-quality and reliable brake solutions to both Original Equipment Manufacturers (OEMs) and the aftermarket. Going beyond brakes, their proficiency extends to aluminum lightweighting, wheel assemblies, and safety control cables, catering to a wide range of vehicles from motorcycles to four-wheelers. Azad's unwavering commitment to innovation and technological excellence has not only positioned them as a major player in India but has also earned them recognition on the global stage. With a dedicated focus on safety and a commitment to surpassing industry standards, Azad Engineering Limited is at the forefront, ensuring smoother and safer rides on every road.

## Description of Their Business

They are one of our qualifying product line's key manufacturers, serving global original equipment manufacturers ("OEMs") in the aerospace and defense, energy, and oil and gas industries, making highly designed, complicated, and mission and life-critical components (Source: EY Report). They produce sophisticated and highly engineered precision forged and machined components that are mission and life-critical, and as a result, some of their products must have "zero parts per million" flaws (Source: EY Report). We compete with manufacturers from China, Europe, the United States, and Japan (EY Report). Global OEMs in the aerospace and defense, energy, and oil and gas industries, including General Electric, Honeywell International Inc., Mitsubishi Heavy Industries, Ltd., Siemens Energy, Eaton Aerospace, and MAN Energy Solutions SE, are among its customers.

Their diversified product ranges across aerospace and defence, energy, and oil and gas industries. The products that we manufacture are highly engineered, complex, mission and life critical high precision forged and machined components, which they believe, makes them stand out as a strategic partner to OEMs in the industries in which they operate. As of June 30, 2023, They have approximately 45 qualified manufacturing processes and 1,400 qualified parts and components.



Their products include 3D rotating airfoil/ blade portions of turbine engines and other critical components for







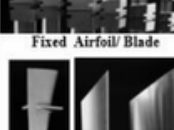

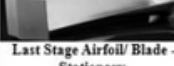
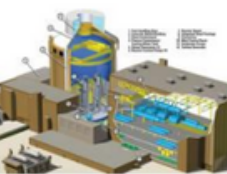


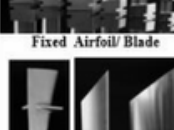

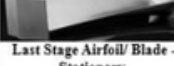
(a) defence and civil aircrafts and spaceships, and

(b) gas, nuclear and thermal turbines used in industrial applications or energy generation.

The demand for such precision, forged and machined components is driven by requirements relating to aircrafts (commercial and military), energy turbines (industrial, gas, nuclear and coal), amongst others (Source: EY Report).

Their Company's aerospace and defence products include airfoils/ blades and components for engines, auxiliary power units ("APUs"), hydraulics, actuating systems, flight controls, fuel and inerting sections of commercial and defence aircrafts and spacecrafts, among other defence systems and various critical components for missiles. They have supplied critical components to major commercial aircraft manufacturers such as B737, B737 Max, B747, B777, B777X, A320, A350, A355, A350 XWB, Gulfstream G550 and are currently in discussions for supply of components for new engine platforms to various kinds of aircraft manufacturers (Source: EY Report). In the energy industry, Their Company 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, They manufacture 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.

APPLICATION	PRODUCT CATEGORY	OUR PRODUCTS
 Natural Gas Turbine	 Turbine Airfoil Assembly	 Stator and Rotor Airfoils  Guide Vane  Compressor Airfoils  Hot Gas Parts  Fixed Airfoil/ Blade  Last Stage Airfoil/ Blade - Rotary & Welding Chamfers  Last Stage Airfoil/ Blade - Stationary
 Nuclear Power Turbine	 Turbine Airfoil Assembly	 Cover, Actuator  Housing, Actuator  Cover, Housing Actuator  Guide, Poppet

APPLICATION	PRODUCT CATEGORY	OUR PRODUCTS
 Thermal Power Turbine	 Turbine Airfoil Assembly	 Fixed Airfoil/ Blade  Moving Airfoil/ Blade  Last Stage Airfoil/ Blade - Rotating  Cover, Actuator  Housing, Actuator  Cover, Housing Actuator  Guide, Poppet
 Actuator Systems in Aircraft	 Actuator System in Aircraft	 Cover, Actuator  Housing, Actuator  Cover, Housing Actuator  Guide, Poppet

APPLICATION	PRODUCT CATEGORY	OUR PRODUCTS
 Aircraft	 Hydraulic System in Aircraft	 Nipples  Adapters  Tees  Elbows  End Fittings  Caps
 Oil and Gas	 Up and Mid Stream - Sub-Systems	 Flex Shaft  Slips  Drill Bits  Hatch Cover  Frame  Bonnet

# Track Record Of Financial Performance

The table below sets out some of our financial and other metrics as at and for the three months period ended June 30, 2023 and the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021:

Particulars	As at and for the three months period ended June 30, 2023	As at and for the Financial Year ended March 31, 2023	As at and for the Financial Year ended March 31, 2022	As at and for the Financial Year ended March 31, 2021
Revenue from operations <sup>(1)</sup> (₹ in million)	759.10	2,516.75	1,944.67	1,227.21
Revenue Growth <sup>(2)</sup> (year on year) (%)	-**	29.42	58.46	-*
Gross Profit <sup>(3)</sup> (₹ in million)	681.28	2,215.24	1,737.05	1,089.12
Gross Profit Margin <sup>(4)</sup> (in %)	89.75	88.02	89.32	88.75
EBITDA <sup>(5)</sup> (₹ in million)	262.15	722.78	622.68	281.54
EBITDA Margin <sup>(6)</sup> (in %)	34.53	28.72	32.02	22.94
Adjusted EBITDA <sup>(7)</sup> (in %)	263.43	795.44	631.65	370.90
Adjusted EBITDA margin <sup>(8)</sup> (in %)	34.70	31.61	32.48	30.22
Profit before tax <sup>(9)</sup> (₹ in million)	114.67	131.59	401.34	162.36
Profit for the year/period <sup>(10)</sup> (₹ in million)	74.04	84.73	294.57	115.00
Profit margin <sup>(11)</sup> (in %)	9.75	3.37	15.15	9.37
Adjusted Profit for the year/period <sup>(12)</sup> (₹ in million)	134.16	452.53	331.77	204.36
Adjusted Profit margin <sup>(13)</sup> (in %)	17.64	17.30	16.65	16.34
Asset Turnover ratio <sup>(14)</sup>	12.62**	50.66	58.90	-*
Return on Capital Employed (ROCE) <sup>(15)</sup> (%)	4.02**	12.99	16.95	12.09
Adjusted Return on Capital Employed (AROC) <sup>(16)</sup> (%)	5.57	22.05	28.31	-*

The table below sets forth the breakdown of their income from sale of goods across geographic markets, as a percentage of their total revenue from operations for the 3 months period ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021:

Country	Revenue from operations (₹ in million)	%	Revenue from operations (₹ in million)	%	Revenue from operations (₹ in million)	%	Revenue from operations (₹ in million)	%
	Three month ended June 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
Japan	158.80	20.92	892.61	35.47	652.34	33.54	413.36	33.68
USA	274.67	36.18	579.09	23.01	466.74	24.00	312.75	25.48
India*	73.03	9.62	496.93	19.75	432.23	22.23	219.89	17.92
UAE	55.50	7.31	222.60	8.84	169.97	8.74	89.60	7.30
Germany	25.11	3.31	158.98	6.32	66.27	3.41	87.93	7.17
Switzerland	-	-	0.97	0.04	16.26	0.84	41.79	3.41
UK	22.90	3.02	11.85	0.47	35.56	1.83	35.34	2.88
Hungary	8.60	1.13	0.56	0.02	12.81	0.66	11.65	0.95
France	139.57	18.39	152.85	6.07	84.13	4.32	7.02	0.57



# Statement of Profit and loss

(All amounts in INR millions, unless stated otherwise)

Particulars	Note	For the period ended 30 June 2023	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Income</b>					
Revenue from operations	21	759.10	2,516.75	1,944.67	1,227.21
Other income	22	1.47	98.46	47.96	23.09
<b>Total income</b>		<b>760.57</b>	<b>2,615.21</b>	<b>1,992.63</b>	<b>1,250.30</b>
<b>Expenses</b>					
Cost of Materials Consumed	23	117.17	495.22	376.10	222.21
Changes in inventories of finished goods, work-in-progress	23	(39.35)	(193.71)	(168.48)	(84.12)
Employee benefits expense	24	154.76	592.69	462.71	325.96
Finance costs	25	101.25	523.82	136.16	53.54
Depreciation expense	26	47.70	165.83	133.14	88.73
Other expenses	27	264.37	899.77	651.66	481.62
<b>Total expenses</b>		<b>645.90</b>	<b>2,483.62</b>	<b>1,591.29</b>	<b>1,087.94</b>
<b>Profit before tax for the period/year</b>		<b>114.67</b>	<b>131.59</b>	<b>401.34</b>	<b>162.36</b>
Tax expense:					
Current tax	37	20.22	25.74	86.68	41.49
Tax pertaining to earlier years		-	2.42	-	-
Deferred tax	37	20.41	18.70	20.09	5.87
<b>Total tax expense</b>		<b>40.63</b>	<b>46.86</b>	<b>106.77</b>	<b>47.36</b>
<b>Profit after tax for the period/year</b>		<b>74.04</b>	<b>84.73</b>	<b>294.57</b>	<b>115.00</b>
<b>Other comprehensive income/(loss)</b>					
Items that will not be reclassified subsequently to profit and loss					
Items that will not be reclassified subsequently to profit and loss		0.52	2.90	(4.83)	(0.57)
Income Tax relating to these items		(0.15)	(0.84)	1.41	0.17
<b>Total Other comprehensive income/(loss) for the period/year</b>		<b>0.37</b>	<b>2.06</b>	<b>(3.42)</b>	<b>(0.40)</b>
<b>Total comprehensive income for the period/year</b>		<b>74.41</b>	<b>86.79</b>	<b>291.15</b>	<b>114.60</b>
<b>Earnings per share (Face value of share Rs.2 each)</b>					
- Basic (Rs)	31	1.49	1.79	6.49	2.53
- Diluted (Rs)		1.49	1.79	6.49	2.53

# Objects of The Offer



The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- Funding capital expenditure of the Company;
- Repayment/prepayment, in part or full, of certain of the borrowings availed by the Company; and
- General corporate purposes.

## Strengths

- The company is a preferred name in the manufacturing of highly engineered, complex and mission and life critical high-precision components for global OEMs despite growing global competition.
- The company supplies components to OEMs with high global market penetration.
- It has long-standing and deep customer relationships.
- It has advanced manufacturing facilities with a diverse range of products and solutions with a focus on innovation and cost competitiveness.
- Its business is financially stable with consistent performance.
- Experienced Promoter and management team backed by marquee investors.

## Risks

- Operates in a highly competitive global industry.
- The business is subject to changing consumer preferences.
- It is required to comply with certain restrictive covenants under financing agreements.
- Negative cash flow reported in the past.
- A downgrade in the credit rating could adversely affect its ability to raise capital in the future.
- It has substantial working capital requirements.
- The company depends on its brand recognition and thus any negative publicity can have a severe impact on its business

# Valuation and Outlook

The issue's price range, in terms of valuation, is ₹266 to ₹280 per share. A P/E ratio of Credo Brands Marketing Limited (Mufti Menswear) is 23.21x is based on a price range above INR 280 and FY23 EPS of INR 12.06 with an industry average of 95.19x.

## COMPARISON WITH LISTED INDUSTRY PEERS ( As of Mar 31,2023)

Name of Company	Face value Per equity share (₹)	Total income, for Fiscal 2023 (in ₹ million)	EPS (₹) for Fiscal 2023		P/E as on September 28, 2023	Return on Net Worth (%) for Fiscal 2023	Net Asset Value per equity share (₹) for Fiscal 2023
			Basic	Diluted			
Azad Engineering Limited	2	2,615.21	1.79	1.79	N.A.	4.23	42.30
<b>Peer Group</b>							
MTAR Technologies Limited	10	5,932.28	33.62	33.62	73.33	16.72	201.13
Paras Defence and Space Technologies Limited	10	2,306.50	9.25	9.25	82.28	8.69	10.60
Dynamatic Technologies Limited	10	13,255.30	67.32	67.32	91.23	7.93	79.47
Triveni Turbine Limited	1	12,901.73	5.97	5.97	89.12	25.47	23.83

Sources: RHP

Azad Engineering holds a prominent position in its sector, fostering robust and enduring partnerships with globally recognized Original Equipment Manufacturers (OEMs). Its diverse range of products and state-of-the-art manufacturing facilities positions it for sustained growth. Moreover, the company's consistent financial performance inspires confidence. It maintains a niche presence in its sector, essentially enjoying a virtual monopoly. Despite reporting a steady growth in its top line for the specified periods, a significant decline in the bottom line for FY23 is attributed to one-time adjustments in line with new accounting norms. With the FY24 annualized earnings indicating a fully priced issue, it appears to be a worthwhile investment considering the promising prospects.

Considering the potential for favorable listing gains, we recommend **subscribing** to this Initial Public Offering (IPO) and including it in your portfolio for the long term.



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