



IPO NOTE

AZAD ENGINEERING LIMITED



Rating:

SUBSCRIBE

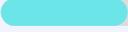
(FOR LISTING GAIN AND LONG TERM)



ISSUE OFFER

Issue Opens on	DEC 20, 2023
Issue Close on	DEC 22, 2023
Total IPO size (cr)	740.00
Fresh issue (cr)	240.00
Offer For Sale (cr)	500.00
Price Band (INR)	499-524
Market Lot	28
Face Value (INR)	2
Retail Allocation	35%
Listing On	NSE, BSE

ISSUE BREAK-UP (%)

QIB Portion		50%
NIB Portion		15%
Retail Portion		35%

SHAREHOLDING (No. of Shares)

Pre Issue	Post Issue
54,532,842	59,112,995

INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	26-12-2023
Refunds/Unblocking ASBA Fund	27-12-2023
Credit of equity shares to DP A/c	27-12-2023
Trading commences	28-12-2023

Azad Engineering manufactures and supplies high-precision forged and machined components to global original equipment manufacturers ("OEMs") in the energy, aerospace, defense, and oil and gas industries, manufacturing highly engineered, complex, and mission and life-critical components. The Company's products include 3D rotating airfoil/blade portions of turbine engines and other critical components.

OBJECTS OF THE ISSUE

- Funding capital expenditure of the Company.
- Payment of certain of the borrowings availed by the Company.

OUTLOOK & VALUATION

Azad Engineering stands as a prominent player within its segment, boasting strong, long-standing relationships with renowned global OEMs. Its diverse product offerings and technologically advanced manufacturing facilities position it for continued growth. Additionally, the company's consistent financial track record instills confidence.

However, investors should carefully consider potential risk factors. Stringent compliance and quality requirements inherent in the business, reliance on a limited number of key clients, and global market exposure all require careful monitoring.

Currently, the IPO is fully priced at a P/E ratio of around 50x. While this may appear fully priced, Azad Engineering's strong market position, promising future growth prospects, and current optimistic market sentiment could still present a potential opportunity for investors. Thus, we suggest Subscribe rating for this IPO.



KEY MANAGERIAL PERSONNEL

01

Rakesh Chopdar

Chairman and CEO of the Company. He has completed his education until the 10th standard from Trinity Public School, Hyderabad, Telangana. He has been involved with the Company since 2003 and has more than two decades of experience in engineering and manufacturing activities.

02

Ronak Jajoo

Chief Financial Officer of the Company. He has previously worked with Pransa Financial Consultants Private Limited as vice president. He joined the Company on April 15, 2021.

03

Ful Kumar Gautam

Company Secretary and Compliance Officer of the Company. He has passed the examination in relation to bachelor's degree in commerce (insurance) from Loyola Academy Degree & P.G. College and is an associate member of the Institute of Company Secretaries of India. He is also an associate member of the Insurance Institute of India.



COMPANY PROFILE

- Azad Engineering's components have been supplied to countries such as the USA, China, Europe, the Middle East, and Japan since its inception.
- Its customers include global OEMs across the energy, aerospace, defense, 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.
- The demand for its precision, forged and machined components is driven by requirements relating to energy turbines (industrial, gas, nuclear, and coal), and aircraft (commercial and military), amongst others.
- In the energy industry, its Company produces high-precision rotating and stationary 3D airfoils/ blades, special machined parts, and combustion component assemblies.
- Its aerospace and defense products include airfoils/ blades and components for engines, auxiliary power units ("APUs"), hydraulics, actuating systems, flight controls, fuel, and inerting sections of commercial and defense aircraft and spacecraft.

COMPETITIVE STRENGTHS

- A preferred name in the manufacturing of highly engineered, complex, and mission and life-critical high-precision components for global OEMs.
- Supplying to OEMs with high global market penetration.
- Long-standing and deep customer relationships.
- Advanced manufacturing facilities with a diverse range of products and solutions.
- Consistent track record of financial performance.
- Experienced Promoter and management team backed by marquee investors.

KEY STRATEGIES

- Leverage its industry-leading capabilities by continuing to diversify its customer base.
- Augment its manufacturing capabilities, including by way of inorganic acquisitions.
- Strengthening its core capabilities across the focus industries.
- Further reduce operating costs, improve operating efficiencies, and deploy new technologies.

KEY CONCERNS

- Business is dependent on the sale of its products to key customers.
- The Company faces competition globally in its business against other manufacturers of high precision and mission-critical components manufacturing.
- The global nature of its operations exposes it to numerous risks that could materially adversely affect its business.
- There may be problems with the products it manufactures that could result in liability claims against it.
- It is subject to strict compliance with quality requirements which results in incurring significant expenses to maintain its product quality.
- The company had negative cash flows in prior periods and may continue to have negative cash flows in the future.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	P/E	Total Income (ML)	NAV	RoNW (%)
Azad Engineering Limited	1.79	-	2,615.21	42.30	4.23
Peer Group					
MTAR Technologies Limited	33.62	67.85	5,932.28	201.13	16.72
Paras Defence and Space Technologies Limited	9.25	77.50	2,306.50	10.60	8.69
Dynamatic Technologies Limited	67.32	88.73	13,255.30	79.47	7.93
Triveni Turbine Limited	5.97	75.64	12,901.73	23.83	25.47

FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLIONS)	For the period ended 30 September 2023	FY 2023	FY 2022	FY 2021
Equity Share Capital	99.11	16.52	15.13	15.13
Other Equity	2,206.28	2,023.36	1,184.94	893.79
Net Worth	2,305.39	2,039.88	1,200.07	908.92
Total Borrowings	2,137.13	2,208.61	1,225.53	414.60
Revenue from Operations	1,587.47	2,516.75	1,944.67	1,227.21
EBITDA	525.29	722.78	622.68	281.54
Profit Before Tax	316.14	131.59	401.34	162.36
Net Profit for the year	268.89	84.73	294.57	115.00



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