"MTAR Technologies Limited
Q2 and H1 FY '25 Earnings Conference Call"
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MODERATOR:	**MR. PARTH PATEL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the MTAR Technologies Limited Q2 FY Earnings Conference Call. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Parth Patel from Orient Capital. Thank you, and over to you, sir.

Parth Patel: Thank you, Nami. Good morning, everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all participants on Q2 and H1 FY 2025 earnings discussion call. Today on our call, we have Mr. Srinivas Reddy sir, Managing Director and Promoter; Mr. Gunneswara Rao sir, Chief Financial Officer; Ms. Srilekha Jasthi, Head Strategy and IR. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and the company's website.

I would like to give a short disclaimer before we begin the call. This call may contain some of the forward-looking statements, which are completely based upon our belief, opinion and expectations as of today. The statements are not guaranteed for our future performance and involve unforeseen risks and uncertainties. With this, I would like to hand over the call to Srinivas sir. Over to you, sir.

Srinivas Reddy: Hello, and good morning to everyone. Thank you for taking the time to join us today. Today on the call, I'm joined by Mr. Gunneswara Rao Pusarla, Chief Financial Officer; Ms. Srilekha Jasthi, Head Strategy and Investor Relations; and Orient Capital, our Investor Relations partners. We have uploaded our updated investor deck, press release and results highlights on the stock exchanges and company website. I hope everybody had an opportunity to go through the same.

I'm pleased to inform you all that we have delivered a strong quarter with 48% increase in revenues Q-o-Q basis and 122% increase in EBITDA Q-o-Q, in line with the guidance given in Q1. The second half is expected to be stronger than the first half. We expect to achieve revenues of around -- overall revenues for the year for around INR725 crores with a margin around 21% by end of FY '25. We are working on several strategic projects in the company over the past three years across all the sectors, which will give us a progressive growth in revenues over the next two, three years.

There shall be a sequential improvement in margins in the coming quarters as we ramp up the production of new products and aerospace and clean energy sectors as well. The company has added a lot of new products such as sheet metal assemblies, ASP assemblies and enclosures in cleaan energy vertical over the past two years that are generating substantial revenues now.

MTAR continues to innovate and add new products across all verticals. We have been working on maximizing the order inflow in our areas of focus such as engine subsystems, aerostructures and specialized products across space, MNC aerospace and defense sectors. Accordingly, we have enhanced our aerospace customer base, secured the combustors order for Scramjet engines and entered into long-term agreements with MNC customers as well.

Going forward, we expect to deliver a robust growth in Clean Energy and MNC Aerospace verticals because of the product portfolio we have developed over the past two years and the new products we are currently working on. I would like to give a detailed overview across all the sectors. In clean energy, we have executed around INR192 crores of orders in the first half of the year.

We have dispatched 1,808 units of hotbox units and 36 units of electrolyzers. The closing order book for Bloom Energy stands at INR493 crores. We are expecting similar execution in H2. We are optimistic about growth in clean energy in FY'26 as Bloom gave an indication for execution of 4,000 units in calendar year 2025 as against an initial indication of 3,000 units. We expect a 20% growth in revenues from this vertical alone in FY'26.

We have witnessed a substantial growth in space in line with our predictions in the first half where we have delivered around INR17 crores of orders in MNC aerospace for the first time. We expect to execute around INR45 crores of orders from MNC aerospace with H2. We estimate a robust growth in this vertical over the next three to four years with 45% revenue increase. We have delivered around INR16 crores of orders to ISRO in first half and we project around INR25 crores of execution in second half of the year to ISRO.

While ISRO is projected to grow at 20% year-on-year basis over the next 2-3 years due to the strong industry tailwinds. We have closing order book of INR158 crores in space of which INR50 crores is from MNC aerospace and INR108 crores is from ISRO. The execution in civil nuclear power plant that includes in the first half, the execution in second half will be stronger as we are building, working on the projects, major projects like FMBC and FT Systems and we are working on it in the first half and deliveries will commence in the second half.

So, we expect to deliver around INR60 crores of orders in FY '25 in this sector on a cumulative basis. This sector is expected to witness a 40%-45% growth in FY '26 backed by robust order book and strong order pipeline from refurbishment of reactors and Kaiga - five and six reactors. The revenues from defense for first half stand at INR8.6 crores. The annual execution is estimated to be around INR20 crores. We are emphasizing on this sector and working on increasing our market share by securing strategic orders related to engine subsystems and aerostructures that have been our core competencies of MTAR.

We recently secured a developmental order for combustors of standard engines based on air-breathing technology for INR15 crores. Similarly, we are working on Wing-kit assemblies, airframes and other structure-related orders for some of the prestigious defense programs. We have registered a final growth in products with INR71 crores of execution in the first half. We expect to execute nearly INR140 crores of revenue from products on an annual basis by end of FY '25. This vertical is predicted to register a growth of more than 30% over the coming quarters.

From fabrication vertical, we expect to execute around INR22 crores of orders from hydropower, wind energy and other sectors. The company estimates a robust closing order book because of the increased order inflow in H2. We have improved our cash flows over the past three quarters and target to improve it further going forward as well. Also, we aim to reduce our net working capital base progressively over the next 2-3 years.

I would like to reiterate that we are working on achieving robust revenue growth, sequential improvement in margins, reduction of working capital base and improvement of cash flows. We can look forward to consistent improvement in these areas on a progressive basis over the next 2/3 years as well. In the short term, we have targeted to achieve around INR725 crores of revenue with around 21% of EBITDA by end of FY '25. Our CFO, Mr. Gunneswara Rao, will discuss in detail on the financial performance for Q2 FY 2025. Over to you, Mr. Gunneswara:

Gunneswara Rao: Yes. Thank you, Mr. Srinivas Reddy. Good morning and warm welcome to our earnings call. I would like to extend my gratitude to all the shareholders and prospective shareholders for your continued trust and support. Today, I will be discussing key financial performance metrics for Q2 FY 2025 on a consolidated basis, along with our strategic priorities on cost optimization growth and operational efficiency.

Quarter-on-quarter, when it comes to quarter-on-quarter performance, we achieved a robust quarter with revenue growth of 48.3%, reaching INR190.2 crores in Q2 FY 2025 compared to INR128.3 crores in Q1 FY 2025. EBITDA improved significantly, standing at INR36.8 crores in Q2 FY '25, up to 121.7% from INR16.6 crores in Q1 FY '25. Profit before-tax saw a remarkable growth, reaching INR25.3 crores in Q2 FY '25 representing 307.9%increase from INR6.2 crores in Q1 FY '25.

Profit after-tax reached INR18.8 crores in Q2 FY '25, marking a 324% increase from INR4.4 crores in Q1 FY 2025. When it comes to year-on-year performance, revenue from operations grew by 14% Y-o-Y to INR190.2 crores in Q2 FY 2025 from INR166.8 crores in Q2 FY 2024. EBITDA recorded a modest increase of 2% Y-o-Y, reaching INR36.8 crores in Q2 FY 2025 versus INR36.1 crores in Q2 FY 2024.

PBT slightly decreased by 1.5% to INR25.3 crores in Q2 FY 2025 from INR25.7 crores in Q2 FY 20 '24. PAT was INR18.8 crores in Q2 FY 2025, when it compares to INR20.5 crores in Q2 FY 20 '24. So when it comes to operational improvement strategic focus, we anticipate EBITDA margins will improve in H2 because of higher operating leverage due to increased revenues and optimization of costs driven by the improved operational efficiencies once we enter into batch production in MNC Aerospace division and also other verticals.

The company has reduced the long-term debt by INR16 crores bringing it down to INR142.5 crores to INR126.4 crores, out of the total repayment obligation of INR45 crores by end of this year. Cash flow from operations stands at INR18 crores in Q2 FY25 with the goal of surpassing FY24's annual cash flow of INR57.4 crores by end of FY 2025 with increased revenue projections. Our net working capital to revenue days are 247 days and we are targeting to reduce to 220 days by end of financial year FY25.

So as told by our MD, the company has been focusing on various strategic initiatives to drive growth and risk mitigation including expanding our customer base, establishing a dedicated aerospace facility in Hyderabad, increasing our product portfolio with current clients and exploring opportunities in new verticals such as oil and gas. Looking ahead, we are looking forward to EBITDA margins around 20%, driven by higher operating leverage and by enhancing cost efficiency through process improvements. With this, I open the floor for discussion and welcome any questions you may have. Thanking you once again.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead.

Vipraw Srivastava: So first question on the guidance. What's the management guiding for full year? Can you please reiterate margin and revenue?

Srinivas Reddy: As our guidance is around INR725 crores revenue and EBITDA around 21%.

Vipraw Srivastava: And for FY '26, I mean, any thought process what kind of road map are you seeing?

Srinivas Reddy: So for FY '26, we are looking at a growth of 20% with improved EBITDA margins moving forward from there.

Vipraw Srivastava: 20% right?

Srinivas Reddy: 20% revenue growth for FY '26.

Vipraw Srivastava: Why this decline? I mean, in the past the company has grown 70%, 50%. Why this 20% number? I mean, why this decline?

Srinivas Reddy: We are looking at -- we would prefer to be a little bit on the conservative side when we look at the guidance numbers. So at this point of time we're looking at about 20% revenue growth which comes out to roughly around INR860 crores of revenue for next FY '26.

Vipraw Srivastava: Okay. Fair enough. And I mean, how is Bloom going to contribute to this, Bloom's Energy revenue? I mean, are you seeing a ramp-up there or what's the outlook on that side**?**

Srinivas Reddy: See, Bloom, as I mentioned in my speech what I've said earlier they initially forecasted 3,000 units and now they have ramped - they have increased confirmed forecast for 4,000 units for the next calendar year. So what we are looking here, the good news is that we are looking at going back to complete the original normal demand situation of Bloom, which is what we're looking at for the next financial year, the way we are looking at things right now.

Vipraw Srivastava: But Bloom's comment has been very positive, right? I mean they are saying that they're expecting a strong growth in next calendar year. So I mean, why is it not translating to your revenue growth?

Srinivas Reddy: See, the forecast given by Bloom as of now, they have given from 3,000 units to 4,000 units already. So they might further improve it over the next two, three months. So it goes in a step-wise manner. So as of today, what information we have is what I'm trying to communicate. But definitely, it might be much higher. So it depends on how they would like to forecast and release orders accordingly.

Vipraw Srivastava: Okay. So Bloom does a quarterly forecast for you? Or how long forecast do they give quarterly or half yearly?

Gunneswara Rao: See, they normally -- presently, they're releasing orders based on quarter-to-quarter basis, but they give forecast for the calendar year, in fact. So right now, from 3,000, they have increased it to 4,000 units for next calendar year, which can even go up further. So that depends on a quarter-to-quarter basis, they up their forecast. So mostly, it is going to be in the upward trend. So probably by end of this quarter, we'll know more about the increased forecast what they would like to give. And based on that, all the materials are planned accordingly.

Srinivas Reddy: I just want to add one thing. We never have given 70%, 80% guidance. FY '23, we achieved 78% revenue growth. And FY '24, we gave around 40%. But later on, some of the transition issues, there we could not achieve. But FY '25, we have given 30%. We are sticking to around 725 Crs we are saying. So we are sticking to that. We have never given 70%, 80% growth year-on-year.

Vipraw Srivastava: No. The anticipation was that from FY '26, the group numbers will come in so that number increase, no issues. Just a last question. So for the nuclear energy part, so how is that shaping up? What kind of revenue numbers are you expecting in FY '25 for that?

Srinivas Reddy : See, nuclear energy basically is working on two major projects right now and the deliverables will start from Q4. And the new order inflow from Kaiga 5 & 6 and refurbishment reactor are expected in the second half of the year, mostly by Q4, I guess. And the execution part will start from next year. So we are seeing a very strong growth happening in nuclear sector based on the kind of orders that we're going to receive. As I said, we're expecting more than INR500 crores worth of orders coming in from nuclear in the second half of this year.

Vipraw Srivastava: Okay. And last question, sir, for Q3, do you -- so I mean to achieve your target, you would be need to do INR200 crores plus revenue, right? So you would be able to do that, right, for the Q3?

Srinivas Reddy : No. As I said, the second half is going to be much stronger. I cannot precisely say how much we are going to do as of now, but we will be doing -- we'll be having a strong revenue base in Q3 and Q4 as well. But overall, we'll achieve revenues of about INR725 crores for this year.

Vipraw Srivastava: But in Q2, you told that -- last quarter, in Q1, you told you will do INR200 crores plus in Q2. So what's stopping you from giving a number for Q3?

Srinivas Reddy : No, we'll do similar -- I'm not trying to not to give numbers, but we'll do more or less similar numbers in Q3 and slightly more in Q4. That's what we're going to do.

Moderator: The next question is from the line of Balamurali Krishnan from Oman Investment Advisors. Please go ahead.

Balamurali Krishnan: So any update on the electrolyzer orders

Moderator: Sorry to interrupt…

Srinivas Reddy: We don't have any update as of now, but that's not what is included in our plans even for this year or for next year. But what I'm hearing is that as soon as Bloom books the orders for the electrolyzers, we'll get that additional revenues or the orders that we're expecting from them. We'll have more clarity by end of this quarter. And hopefully, we will start the electrolyzers vertical from next financial year for sure.

Balamurali Krishnan: Okay. That's helpful. And for Fluence Energy, any update sir?

Srinivas Reddy: Bala, can you repeat your question? I can't hear you.

Balamurali Krishnan: On Fluence Energy, any update on Fluence Energy?

Srinivas Reddy: Fluence, as I said, we have already -- we are in agreement with them. So they have to win orders in the domestic market, which they're yet to win any orders. So the moment they win the orders, we'll get back to back orders. So we're just waiting for that to happen.

Moderator: The next question is from the line of Meet Jain from Motilal Oswal.

Meet Jain: Sir, first question is this quarter, we saw a major jump in order book in the defense. Can you touch...

Srinivas Reddy: Can you speak a little louder. I am not able to hear you well.

Meet Jain: So this quarter, we have seen a very good jump in our defense order book. So can you just throw some light on that, which segment and which profile are we doing that?

Srinivas Reddy: I can't hear you well. Can you just repeat your question again?

Meet Jain: On the defense part, we have seen a very strong growth in the order book. So can you just touch upon that?

Srinivas Reddy: See, we have been working on various defense projects and what you're seeing right now is a result of that. So in any vertical that we are working on, like, for example, the scramjet engines and a lot of other projects we're working on. So our -- the new product development team and the R&D team has been working with various defense labs over the last six months to nine months.

So this is a result of that. So basically, we are going to even further work on various of such projects, not only in defense, but in the space sector where they're asking us to develop various valves for them. Defense also, they're doing the same thing with us. So these are all the result of what efforts we have been putting in, which does not reflect in numbers, but it is definitely showing the kind of results what we are seeing today, and you'll see that more happening over the next quarters coming in. So that's what it is.

Meet Jain: Okay. Any update on the defense JV that we're looking for?

Srinivas Reddy: Not as yet. See, the good news is that we have finalized various agreements with very good MNCs, as we have said earlier, with IAI, with GKN Aerospace and stuff like that. So we are continuing to work on various projects with them on the first artical basis. And the real ramp-up in the batch production and volume production will happen in the next financial year, but we've already entered into certain production batches this year.

That's why you can see a much larger numbers in the MNC business right now. And that's going on the right track. And we are very happy about it that they have certified us to produce for them. And we're also waiting for certain certifications by end of Q4. So this will result in a substantial growth in this sector moving forward.

Meet Jain: Okay. And one thing on the receivables. And we have seen a very strong increase in the receivable days this quarter. So what this is regarding also, we saw a lower inventory. So can you throw some light on that as well?

Srinivas Reddy: Yes. Based on the revenues, what we have done and the dispatches what have happened, so obviously, the receivable days have gone up. But during this quarter, the receivables will obviously come down. But most of the dispatches happened in the second half of this quarter. And that's why you see a slightly higher receivables, but probably it will come down during this quarter as we move forward.

Meet Jain: So does it relate to any particular order or particular client which has been delayed in the payment or something like that?

Gunneswara Rao: There is no delays. 90% of the 90%, 95% of receivables are current and only 5% based on the quality clearances, it will be paid. There won't be any overdue receivables.

Meet Jain: Okay. Okay. And last is on the production side. We are anticipating a strong growth in this segment for second half as well as for coming years. So can you help me understand that any new products that we have launched or that will be launched in the coming quarters in this segment -- under the defense offset -- defense embargo side?

Srinivas Reddy: See, the first thing is, as I said, we got the orders for some of the new product developments that we got Scramjet engines. The Roller Screws were already certified and approved by the defense. We're just waiting for the paperwork now. It's a long-drawn process with defense to get the approvals. It's a 100% import substitute. And finally, they have tried it, they have tested it, they are functioning very well. That's one good news. So we're just waiting for the official documentation to be done. So once it is done, then we'll be able to launch the roller screws as well.

And we're also looking at exports of next products, not only for India, but also for exports. Because we can compete with Roller we've done easily. It's not an issue at all. So we are working on various other projects. Like, for example, we are working on heaters, electrolyzers to reduce the cost. The R&D is working on that. So we're working on various valves for defence and as well as space right now.

So all this is under work in progress. And you will see the way we have seen the results now, you'll see it happening quarter-on-quarter basis.

Meet Jain: What is the key products that is driving this segment as of now?

P. Srinivas Reddy: Which one, the product division?

Meet Jain: Yes, product division.

P. Srinivas Reddy: So it's got a combination of various things. We have the ASPs, we have the ball screws. We have the water lubricated bearings. These are the key products that is driving the product division right.

Meet Jain: Understood. And one last question is any guidance on the closing order book side for FY '25?

P. Srinivas Reddy: Can you repeat that?

Meet Jain: Any comment on the closing order book for FY '25?

P. Srinivas Reddy: See, as I said, we said earlier that we'll be closing at INR1,400 crores to INR1,500 crores. It all depends on the Kaiga five and six orders kicking in the second half, which should definitely happen because everything is done and dusted. So it's only a matter of paperwork to be done by NPCIL and the bidder who has won the contract. So we're just waiting for that. So once that is done, mostly either by end of Q3 or definitely in Q4, we should have those orders kicking in, and then we'll be able to close the order book at INR1,500 crores and all.

Meet Jain: Got it. So our closing order book mix remains…

Moderator: Sorry to interrupt you, sir. I request you to re-join the queue for follow-up questions as there are many participants. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: Just wanted to get a sense of what is the overall order book currently? And how much of orders have you won in the first half? And how much of orders do you expect to get in the full year?

P. Srinivas Reddy: So the overall order book as of end of Q2, I think, is around INR940 crores. And the orders that we have won for this quarter is around INR247 crores in all. So that's what it is. And by end of the year, as I mentioned earlier, that we're looking at INR1,400 crores to INR1,500 crores. That includes also the orders coming in from Kaiga. But we'll get a lot more orders in the clean energy sector and as well as MNC Aerospace sector in the second half. So we are pretty much confident that we should close at INR1,400 crores to INR1,500 crores.

Mithun Aswath: So you have about a INR1,500 crore order book, is it?

P. Srinivas Reddy: By end of the year. As of now, it is about INR940 crores.

Mithun Aswath: Okay. And out of this INR1400 crores. Bloom Energy's contribution

P. Srinivas Reddy: It should be around INR500 crores and odd. That's what we're expecting.

Mithun Aswath: And INR500 crores assumes the 4,000 unit number or INR3,000?

P. Srinivas Reddy: So, as of now, we have constructed 4,000 units. So as and when it keeps going higher, then probably we get higher orders coming in. It's not only the units, but also the sheet metal assemblies and other things that we are doing for the Bloom. So even that will also go proportionately higher, like enclosures and assemblies and all that.

Mithun Aswath: Understood. And what is the execution timeline for the Bloom Energy orders technically?

P. Srinivas Reddy: So, technically, it is for one year. Orders that you -- when I say 4,000 units, it's for the next calendar year over the next 12 months.

Mithun Aswath: Understood. So, the INR500 crores, you will be able to execute in the next fiscal?

P. Srinivas Reddy: Yes.

Mithun Aswath: Right, right. So that gives us some good guidance or at least visibility for execution next year. So, I'm just trying to understand, obviously, your margins were much higher in the last couple of years, and they have deteriorated as operating leverage went down when the revenues came down.

Are you -- and in the second half, you need to report very good margins in order to achieve the full year 21%. Obviously, last year was slightly disappointing. I'm just trying to understand, can we go back to the mid-20% range of margin? Or is it as the Bloom Energy gives you more business, the margin trajectory is coming down? Just wanted your thoughts on that.

P. Srinivas Reddy: Yes, that's a good question. See, as I said earlier, we'll have sequential improvement in margins quarter-on-quarter basis moving forward. But when you look at -- we are ending up at around 21% margin for this year. But one thing you should understand is that we're also looking at expanding our management bandwidth, the kind of revenues that -- the way we are growing.

So, we're also investing in a lot of human resources areas and other areas in which we are looking at. And that's how we are looking at right now. And a lot of outsourcing which we are doing right now will be done in-house moving forward. For example, the plasma coating which we are outsourcing in the United States right now for some of our products.

Now, we have the equipment coming in and the qualification is going on. So, a lot of activities happening in that area to reduce our costs drastically down. If you look at the other expenses those things are going to come down drastically moving forward. And if you look at FY26, the kind of estimates we have, we will definitely improve our margins better and better and we're looking at 2023, 2024. I can't just say exactly right now, but definitely there will be a progressive improvement moving forward in mid-20s. That's what we are looking at over the next year and year and a half.

That's what we're looking at and going back to the normal margins what we're looking at. But we are making all our efforts to not only expand our management bandwidth, reducing our outsourcing costs, getting qualified for various things that we are outsourcing right now and improving our MNC business in a big way in aerospace as well. All this will contribute to better margins going forward as we can see right now.

Mithun Aswath: Just one last one. Obviously, Bloom Energy is a large contributor to the overall revenue and its volatility also impacts your company and obviously for you to give guidance quarter-on-quarter is also stressful. I'm just trying to understand how will you kind of diversify out of Bloom. MTAR should not be linked just with Bloom. So it should be a company which is beyond just Bloom Energy. So, I'm just trying to understand how would you try to do that?

P. Srinivas Reddy: Yes you are absolutely right. I understand that. See, we are not depending on Bloom as such. If you look at our revenue growth like, for example, if you look at year-on-year basis the revenues from other sectors are growing rapidly. For example, if you look at nuclear with the Kaiga 5 and 6 coming in, the huge orders coming in flow. Obviously we'll see a very good revenue growth happening in nuclear sector. MNC Aerospace, especially we have done a lot of work.

What we were hardly doing anything earlier, now we are doing extremely well in that in terms of the first articles and now doing the production basis for the MNCs. So we are improving on every sector other than Bloom. So over the next two years we can see the other sectors revenues growing very rapidly higher. And if Bloom is growing, there's nothing wrong with that, but we're also growing in the other sectors. That's the way you should look at it.

Mithun Aswath: But I'm just saying as a company, wouldn't you want to make the exposure to Bloom maybe 25%, 30% of your overall revenues rather than having an exposure of 40%, 50%. That's what I'm just trying to understand.

P. Srinivas Reddy: Absolutely, you're right. So that's our target. How do we achieve that target is, one, grow in the other sectors as much as possible. So that's where our entire focus is. When we talk about margins, to grow in the other sectors, that's what I said. We have improved our management bandwidth. We are establishing a new exclusive aerospace facility by end of December this year.

We are doing -- we are taking all the required steps to achieve what we are trying to tell us that's the goal for the company. And the virtue of which is Bloom is growing much faster and like they introduce electrolyzers, it will even grow higher, but there is a very conscious effort of improving the revenues in every vertical that we're working on right now.

Mithun Aswath: Got it, sir. Thanks and all the best.

Moderator: Thank you very much. The next question is from the line of Nilesh Soni from JM Financial. Please go ahead.

Nilesh Soni: Yes. Hi. I have two questions. One, can you give us the update of the new client addition in Clean Energy? How is the traction being over there? And secondly, on the roller screw what's the status over there? And once the mass production starts after all the trial process are done, so what can be the revenue potential for them from that product in first year and then going forward? These are my two questions actually?

P. Srinivas Reddy: Yes, sure. So basically, in the Clean Energy segment, as I mentioned earlier in the various sectors of fuel cell, hydro, wind everything, we are working with various customers right now. Already a lot of first articles have been done. We are moving into the batch production like we're looking at voice, we're looking at Andritz, GE, Regen Power is another company which has joined us. So we are adding a lot of clients.

And basically, these are the -- this is the area which we are trying to grow more and more moving forward, and we'll continue to do that. But when it comes to fuel cells, we have not seen -- other than Bloom, we have not seen any company which has grown to the level of Bloom right now where MTAR can get involved. Probably we'll look at it as and when any company has come to a stage where we can be their OEM moving forward as well. Now, what was your second question on the Roller Screws?

Nilesh Soni: Roller Screws, as I've said -

Srinivas Reddy: Yes, Roller Screws, I have said that all our Roller Screw have been qualified. We're just waiting for the documentation part of it, which is a 100% import substitute. The Government of India, the defense programs and the space programs have been importing this at a very high cost from Rollvis Sweden. Now we'll be able to substitute that completely moving forward. I won't be able to quantify the exact numbers, but they have a huge demand for it.

So as and when we get the certification done over the next one month, and then the entire imports of Roller Screws would stop and MTAR would start supplying for all the programs within India. And we're also looking at some part of it for exports as well. So we're working on the overall quantum of business that we can get.

It is pretty much -- over the next one, two years, we are looking at about INR50 crores to INR60 crores or INR70 crores of business coming in from Roller Screws as well. So that's something which no one has done it till today in this country, and we are able to achieve that. Until now, they have been importing from so many years from Sweden. So we're able to stop that moving forward.

Nilesh Soni: So is there any delay going from defense department side because on the certification front because we were supposed to get this around two months back when we last interacted in the last call, you were saying that this might be coming in?

P. Srinivas Reddy: Yes, there has been a delay but the issue here is that to certify a product which is a 100% import substitute they have to do all the trials to ensure that it is at par with the import product what they're getting it right now which they have now it's been done so the process itself took that much time. I won't blame the defense department for that because they have to be 100% sure before they take a call on that. So fortunately we are through with that right now and it's only the paperwork which is pending which will be done in a month's time.

Nilesh Soni: Okay. So it's only the paperwork, which is remaining and else our product is totally qualified, right, if I am....

P. Srinivas Reddy: Absolutely, yes. Yes.

Nilesh Soni: Okay, okay. That's it from my side. Thank you and all the best, sir.

P. Srinivas Reddy: Thanks.

Moderator: Thank you very much. The next question is from the line of Jinesh Shah from RSPN Ventures. Please go ahead.

Jinesh Shah: Yes. So my first question would be with respect to the new segment that we are entering, which is oil and gas fields. So I would like to -- we are like the facility in Hyderabad, right? So I would like to know the status of that, like we were in talks with the customers. So what's like the status of order and from when we can expect the execution going to see...

P. Srinivas Reddy: So basically, we had inquiries from various companies. I would like -- the first company, we have already received the first articles order to do the first articles for Weatherford right now. We are right up there. So we have received the purchase order for the first article. So once we execute the first article, the qualification process is about four to six months.

But what they have indicated to us is that they're not going to wait for the qualification. They're going to work on a couple of major products with us for which we are doing the first articles, and we get qualified across the board for two or three products up there. And once we finalize the pricing and everything, we enter into a long-term agreement with them.

And then we are looking at a substantial revenues coming in from the oil and gas itself. So right now, we are not considering this in our guidance as well because we would like to be a little bit conscious about the fact of getting qualified for the first articles and then getting the batch and volume production into place. So this has not been included in our revenue guidance for now. So -- but it is going very well right now, and we are on track with that.

Jinesh Shah: Okay. So, like this vague idea together, we can expect execution from probably the second half of the next year, right?

P. Srinivas Reddy: Probably the second half of the year, the overall order book - orders for these products can be between $25 million to $30 million per year. So we can expect the - we'd have established a specific line for it and we are looking at probably in the second half of next year, probably we should be able to start the real batch and volume production for that. And you can see in FY '27 a full-grown revenue from oil and gas like I said.

Jinesh Shah: Okay. Thanks a lot. And my second question would be since we have a significant amount of revenue from Bloom Energy. So I would just like to know the reliability of the statement that the product of Bloom Energy which is solid oxide fuel cells, like I read somewhere that solid oxide fuel cells of Bloom Energy emits more carbon than the power grids which can in long-term, have an adverse impact, though Bloom is having a good response as of now. So I would like to just know the reliability of the statement and which can have an adverse impact on MTAR as well in the long run?

P. Srinivas Reddy: That's absolutely not right. See, if you look at -- it's a very simple thing. When you're converting a natural gas that is methane, you have a very low carbon footprint. That's what the current model is. Now when you go to electrolyzers it's zero carbon footprint. So this is where we stand. So there's no way that you can compare with the power grid and say that it is more or less. It doesn't work like that.

Jinesh Shah: Okay, That's it.

Moderator: Thank you. The next question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead.

Vipraw Srivastava: Hi. Thanks for allowing me a follow-up question. I'm audible, right?

P. Srinivas Reddy: Yes, you're audible. Please go ahead.

Vipraw Srivastava: So regarding the commitment for FY '26, so I mean for fuel cell, so basically the forecast which has been given by Bloom. So on those forecasts, what kind of margins to expect? I mean this year you're doing around 21% margins. So next year, we expect that to increase or to stay flattish? How do we see this?

P. Srinivas Reddy: For FY '26, we are looking at, as I said, closer to mid-20s. That's around 24% plus, minus 100 basis points. That's what we are looking at.

Vipraw Srivastava: Fair enough, sir. And sir, second question on the other expense for this quarter, it's around 12.5%. I mean, I know operating leverage will kick in, that will bring it down. But again where do you see it stabilizing? I mean, other expense as a percentage of sales on a sustainable basis, how do you see it stabilizing?

P. Srinivas Reddy: See, there are two aspects of it. As I mentioned earlier, the outsourcing costs have gone up mainly because of the plasma coating for our products, which we are sending it in US. Now, that plasma coating qualification is going on in MTAR right now. We already have the equipment. We have received it. The qualification process is going on. So that's going to come down drastically. So these are the various steps that we have taken to reduce our cost and improve our margins. So that's exactly what the other expenses, what you see there is going to come down over the next two quarters.

Vipraw Srivastava: So tentatively by the end of this year, we expect this to stabilize to normal levels, other expense?

P. Srinivas Reddy: Yes, exactly because our outsourcing costs are going to come down drastically, because of the cost. Once we are qualified, our costs are going to come down.

Vipraw Srivastava: That gives you the conviction to achieve 21%. Fair enough. Thanks a lot.

Moderator: Thank you. The next question is from the line of Vansh Modi from Svan Investments. Please go ahead.

Vansh Modi: So, I just wanted some clarity on the outlook for exports for FY 2026 and FY 2027. Going forward, what is the expectation in revenue and contribution to the bottom line?

P. Srinivas Reddy: For FY26.

Vansh Modi: FY26 and if possible FY27.

P. Srinivas Reddy: No as I said earlier FY26 we are looking at substantial growth in MNC Aerospace business as well as the clean energy sector. Then the oil and gas might kick in slightly later in the second half of the year and then for FY27 it will be a full-grown revenue both on oil and gas as well. So you're looking at oil and gas for FY27 would be around USD25 million at least. And then obviously, the Clean Energy numbers, you all know about it.

The way we are doing if we grow at 20% year-on-year basis. And then MNC Aerospace business is going to grow at 40% to 45% year-on-year basis. So we're going to see a substantial growth in exports in three different sectors. One is aerospace; one is clean energy and the third one is the oil and gas by FY 2027. We'll see a full grown export potential in these three areas because by that time we'll be qualified for all the projects in MNC Aerospace business, oil and gas as well.

Moderator: The next question is from the line of Jinesh Shah from RSPN Ventures. Please go ahead.

Jinesh Shah: I might have missed one thing that I would like to know the FY '25 projections for these two segments specifically, which is clean energy and space segment, if you can reiterate that.

P. Srinivas Reddy: Clean energy and aerospace, right?

Jinesh Shah: Yes.

P. Srinivas Reddy: So, as I said, we're looking at about -- in the clean energy segment, probably we'll doing around INR380 crores to INR400 crores, INR380 crores odd for FY '25. And in the space sector, we're looking at around close to about INR55 crores to INR60 crores of revenues coming in, in the space segment as such.

And this is going to grow more and more because our new projects that we are doing right now, we get qualified for them, the first articles. And that's how I said, over the next two years, FY '26-'27 you will see a substantial growth in both these areas and also in the oil and gas in FY '27 as well.

Jinesh Shah: Okay. So like we were looking about 40% growth that you mentioned the big percentage, right, for aerospace?

P. Srinivas Reddy: For aerospace, yes, because we are not only looking at one company, we're looking at multiple companies, and we have an exclusive facility being commissioned by end of December, January for aerospace, specifically for MNC customers. And that's a state-of-the-art plant, which we are commissioning in Hyderabad by end of December. So that will really take us to the next level in terms of higher productivity and achieving those numbers what we're looking at in the growth target.

Moderator: The next question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead. Thank you.

Vipraw Srivastava: Thanks for allowing me one more follow-up question. So regarding the Bloom's forecast, so 4,000 hot boxes which you are telling. So this is for the full year just shared by Bloom or is this your internal forecast?

P. Srinivas Reddy: No, it is not internal. Whatever I'm talking about is what clear indication they have given us as far as the forecast is concerned. That's what I've communicated to you.

Vipraw Srivastava: Right. Why I'm asking this is actually because the street estimates of Bloom Energy is very bullish for calendar year 2025. They expect large data center orders coming in. So that's not collaborating, I mean, with what you are saying. So I mean, is there a...

P. Srinivas Reddy: Yes, so let me explain this to you. This is what they have given us as of recently in the last two, three weeks, okay? Now this gets revised upwards. There's no downward to this. See the good news is that we suffered last year because of the transition change from one product to the other, point number one. Point number two is that created reduction in shipments and all that. But we are back to normal right now. That's the great news.

And second is that the increased forecast will kick in by end of this quarter, the way the Bloom communicates to us because we have enough time for the year to procure all the material to adhere to their requirements. So that 4,000 can go up even higher. That is something which I can tell once they communicate to us by end of this quarter. So that's how it works. Normally, they do it by end of this year.

Moderator: Thank you. In the interest of time, this was the last question. And I now hand the conference over to Mr. Srinivas Reddy for closing comments. Please go ahead.

Srinivas Reddy: Thank you so much to everyone for attending these earnings calls today. As I said earlier that we are progressively improving in our revenue growth and as well as our margins, and we'll continue to do that. And I would sincerely thank all our shareholders and investors regarding supporting MTAR. And we'll definitely see better and better growth numbers and margins sequentially quarter-on-quarter and over the next two, three years. Thank you so much.

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