"MTAR Technologies Limited

Q3 FY '25 Earnings Conference Call"

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MANAGEMENT: **MR. SRINIVAS REDDY – MANAGING DIRECTOR AND PROMOTER – MTAR TECHNOLOGIES LIMITED**
MR. GUNNESWARA RAO – CHIEF FINANCIAL OFFICER – MTAR TECHNOLOGIES LIMITED
MS. SRILEKHA JASTHI – HEAD STRATEGY AND INVESTOR RELATIONS – MTAR TECHNOLOGIES LIMITED

MODERATOR: **MR. PARTH PATEL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to MTAR Technologies Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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. Please note that this conference is being recorded.

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

Parth Patel: Thank you, Muskaan. Good morning, everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all participants on Q3 and 9 months FY '25 earnings discussion call. Today on our call, we have Mr. Srinivas Reddy, Managing Director and Promoter; Mr. Gunneswara Rao, 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, everyone. Thank you for taking the time to join us today. Today on the call, I am joined by Mr. Gunneswara Rao, 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 result highlights on the stock exchanges and company website. I hope everybody had an opportunity to go through the same.

I'm pleased to share that this quarter, we have delivered a good revenue growth of 47.4% year-on-year growth in revenue and 39.4% year-on-year increase in EBITDA. Our EBITDA margins came in at 19.1%. There has been sequential improvement in margins thereafter due to operating leverage and commencement of volume production for MNC customers.

We've also received significant orders of more than INR400 crores in Clean Energy and aerospace sectors recently, strengthening our order book. So far, this is an inflow of INR817 crores of orders across various sectors in FY '25.

Furthermore, we have received orders worth INR2.7 crores the beginning of the relations with Fluence Energy, which we always spoke about to execute the proto units. And once we complete the proto units probably by end of June, we are expected to move into the progressive growth in volumes.

We anticipate to receive orders from Kaiga 5 & 6 reactor soon and also from the various refurbishment reactors almost close to 5 reactors, which we are looking forward. We're looking forward for a very strong Q4 as well and falling in line with the guidance given by us with INR700 crores-plus revenues overall with EBITDA of 21% plus minus 100 basis points for FY '25.

The company has been taking strategic measures over the past years, adding several new customers and expanding the product base that will start benefiting us in the quarters to come and the years to come. Currently, we are executing first article orders for various MNCs like Fluence, IAI, and Weatherford, etc. We expect to enter into volume production with various customers in a progressive way starting from FY '26.

Based on the kind of work we have done over the last couple of years, looking at the future roadmap for the company, we predict a 30% revenue growth in FY '26 and similarly an equivalent kind of growth moving forward for the next 2 years as well with a progressive improvement in EBITDA starting with 24% for next year FY '26 and 2 percentage basis points -- like 200 basis points improvement each year moving forward as well, ending up with a FY '28 at 48% EBITDA percentage based on the revenue growth and the kind of work we have done over the past couple of years.

We will be able to bounce back very comfortably with larger revenues and higher EBITDA margins, as mentioned earlier. And we expect to enter into clear volume production for new products in various Clean Energy and aerospace sectors. Now I would like to give a detailed overview across all the sectors.

In Clean Energy fuel cells, we have executed around INR 304 crores orders year-to-date comprising power units, heat cycle assemblies and enclosures for Bloom Energy. There shall be around INR100 crores of execution or more in Q4. The outlook of Bloom Energy looks quite optimistic. Bloom has signed a supply agreement with American Electric Power for up to 1 gigawatt of its products, the largest commercial procurement of fuel cells in the world to-date.

AI-powered data centers are a huge case for Bloom Energy as per various market sources. Such AI-powered data centers are predicted to require 1 gigawatt power for their products. We expect to execute more than INR430 crores in fuel cells moving forward for the next year, for which we have already received the majority of the orders, and there could be an upside to this based on the commencement of execution of AEP orders.

We continue to witness phenomenal growth in space and MNC aerospace division. We have delivered INR24 crores of orders year-to-date for ISRO and INR24 crores of orders year-to-date for MNC Aerospace. We expect to deliver another INR25 crores of orders for MNC aerospace and INR15 crores of orders for ISRO in Q4.

Our closing order book stands at INR187 crores in this particular segment at the end of Q3. We are projecting around INR145 crores of executions in MNC aerospace and around INR50 crores of executions for ISRO in FY '26, backed by strong flow of orders. As you are all aware, we have signed a long-term agreement with IAI. We have received around INR28 crores of orders so far from IAI this fiscal year.

IAI remains a key strategic customer for us and we are expecting orders for various other projects from them. Currently, as I mentioned earlier, we are working on the first articles for IAI and also with respect to the other MNC customers. And we expect to commence batch production for next fiscal year. In addition, we have executed around INR8 crores of orders for GKN Aerospace in FY '25 and we expect to ramp up increased volumes with these MNC customers significantly from FY '26..

While we have executed INR16 crores of orders year-to-date for Civil Nuclear Power , we expect to execute around INR30 crores of orders in Q4. The execution of FY '26 is projected to be around INR75 crores as we have built a work-in-progress for existing orders, that can be dispatched in FY '26.

Moving on to Defence. The revenues stand at INR12.2 crores year-to-date and annual execution is estimated to be around INR30 crores. This year, we have witnessed an increase in inflow of orders and our Defence order book is expected to grow further over the coming quarters because of which we shall -- have an exponential growth in Defence starting from FY '26.

We project around INR40 crores-plus of execution in FY '26 as well. And we have initiated the execution of development order for combustors of scramjet engines for hypersonic missiles. In addition, we have been declared L1 in some of the projects in which we are dealing with Defence in the recent time.

Products vertical continue to register a significant growth with an execution of around INR100 crores year-to-date. We expect another INR30 crores of revenues from products in Q4 FY '25. This vertical is projected to record revenues of more than INR170 crores to INR180 crores in FY '26.

We continue to improve our cash flows and our net working capital days, we have generated a positive operating cash flow of INR102 crores which is far higher than what we were able to do in the past few quarters. And our NWC days have also come down to about 222 days by end of Q3 in line with our target.

We target to improve further the operating cash flows and NWC days over the coming quarters. We are focusing on strengthening our product portfolio, diversifying our customer base and improving our margins, which we believe will be reflected in our performance over the coming quarters and over the coming next few years as I mentioned earlier.

Now I would request our CFO, Mr. Gunneswara, who will discuss in detail on the financial performance of Q3 FY '25.

Gunneswara Rao: Thank you, Mr. Srinivas Reddy and good morning and warm welcome to our earning 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 Q3 FY '25 on standalone basis, along with our strategic priorities around expansion into potential growth sectors, increasing wallet share of existing customers, cost optimization and operational efficiency.

Now the financial performance Y-o-Y Q3 FY '25 versus Q3 FY '24. Revenue from operations stood at INR174.5 crores in Q3 FY '25 as against INR118.4 crores in Q3 FY '24, reflecting a 47.4% year-on-year growth. EBITDA was INR33.3 crores in Q3 FY '25 compared to INR23.9 crores in Q3 FY '24, registering a 39.4% increase.

Profit before tax stood at INR21.4 crores in Q3 FY '25, up from INR12.9 crores in Q3 FY '24, representing 66.3% growth. Profit after tax increased 52.8% year-on-year, reaching INR16 crores in Q3 FY '25 compared to INR10.4 crores in Q3 FY '24.

When it comes to the strategic focus and operational improvements, as we continue our strong growth trajectory, we anticipate further improvement in EBITDA margins from Q4 supported by operating leverage and increased revenue scale. The company has been strengthening its financial position with a reduction of INR10 crores long-term debt, bring it down to INR142.4 crores to INR132.5 crores. The total repayment obligation for FY '26 stands at INR46 crores.

Cash flow from operations was robust at INR102 crores in Q3 FY '25, significantly outpacing FY '24's total annual cash flow from operations of INR57.4 crores. The improvement was driven by efficient working capital management with INR58 crores generated through reduction of receivables and increasing payable days.

The net working capital to revenue days stood at 222 days, which is in line with our targeted working capital days by end of FY '25. As explained by our MD in detail, so we are in exciting growth phase. As of now, we're actively expanding our market presence and strengthening our position across multiple sectors.

Under the leadership of our MD, the company is focusing on key strategic initiatives to drive the growth and risk mitigation, including expanding our customer base, increasing wallet share of our existing customers, and we are commissioning dedicated aerospace facility in Hyderabad to cater the growing demand in the sector.

Also, we are venturing into oil and gas and battery storage systems, and we are expanding our presence in aerospace in a big way. And also other priority sectors to diversify our revenue streams. Looking ahead, we remain committed to sustaining EBITDA margins in the range of 24%, supported by an anticipated 30% revenue growth in FY '26 compared to FY '25.

So with this, I open the floor for discussion and welcome any questions you may have. Thank you everyone for your time and thanks.

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.

Vipraw Srivastava: Today, on the guidance you provided a 30% revenue growth. Can you just say how much you expect the Clean Energy business to grow in FY '26?

Gunneswara Rao: Can you repeat your question, please?

Vipraw Srivastava: Yes, what I was saying was that you have guidance for 30% revenue growth in FY '26. How much do you expect the Clean Energy business to grow Y-o-Y?

Srinivas Reddy: See basically, we're looking at a conservative estimate of 30% revenue growth not only for FY '26, but the kind of work we have done over the last couple of years with various customers in terms of first practices, not only in Clean Energy, but also in aerospace. We expect a similar revenue growth over the next 3 years with improved EBITDA margins. As I said, starting from 24% to 26%, we end up at 28% by FY '28.

Now Clean Energy segment looks a very comfortable number, whereby the Santa Cruz boxes have been streamlined. We're adding more wallet share into the system with the customer as well. So we're looking at almost close to about INR500 crores plus in terms of sales that we will be doing with respect to Clean Energy for the next year.

Vipraw Srivastava: Okay. So in terms of hot boxes, how much it will be?

Srinivas Reddy: The hot boxes would be close to about INR470 crores and all for next year.

Vipraw Srivastava: Okay, fair point. And secondly, since you're seeing a quick ramp up on the Aerospace and Defence side, what kind of numbers you are seeing in this? When do you see this business ramping up? FY '27, is that correct?

Srinivas Reddy: Yes. See, basically, we have -- some of the customers we have already ramped up into volume production and some are doing first articles as well. So it will be a mix of first articles and volume production for FY '26. And FY '27, you would really see a major volume breakthrough, especially in MNC aerospace sector, since our new plant is getting commissioned at the end of this month.

Vipraw Srivastava: And sir, how much was the -- I mean not guidance but what's the kind of range you're looking at for FY '27, for A&D?

Srinivas Reddy: For which one?

Vipraw Srivastava: For Aerospace and Defence, A&D.

Srinivas Reddy: Yes. So Aerospace and Defence would really drastically improve. Like, for example, next year, we'll be doing around -- only in MNC aerospace itself, we'll be doing about INR125 crores next year, which is a phenomenal growth, right? And that's a combination of first articles and volume production and then FY '27 will be much larger than that.

So that's where we stand as of now. And all this effort, I would appreciate my team. They've done a great job, especially in the last 1, 1.5 years, to actually build this vertical. And also, we're getting certified by NADCAP and also by the various MNC customers for our special processes and for our new plant, aerospace plant as well, which is very critical for Aerospace.

Vipraw Srivastava: And so, the global tailwind is also helping, right? I mean, the whole Aerospace and Defence industry is in a tailwind because of these wars so that also helps, right?

Srinivas Reddy: Yes, definitely.

Vipraw Srivastava: And sir, lastly, on the nuclear orders, so when do you expect to get them, the nuclear orders?

Srinivas Reddy: Look, there are two types of orders that we're expecting, which I would like to explain. One is on the Kaiga 5 & 6, recently, I think the LOA has been given to Megha Engineering for Kaiga 5 & 6. So hopefully, we'll be having those orders coming in probably by the end of March or beginning of next quarter. That's the major orders, which I've said, at least INR500 crores to INR600 crores.

And then there are 5 refurbishment reactors where tenders are getting floated shortly. I don't want to get into the numbers there because of being a tender, open tender, but there are substantial orders that will flow in over the next 3 to 6 months. So overall, we're expecting close to 1000 Crs of orders, in history, it never happened, but finally, it's happening now. Close to about INR1,000 crores of orders, which can flow into MTAR over the next 6 months.

Vipraw Srivastava: And the last question from my end. The Government of India, this term, the Act -- which was repealed by Government of India for nuclear sector. So now foreign companies can also participate in India nuclear story. So do you see any impact of that, positive or negative? What's your take on that?

Srinivas Reddy: It has to be positive. You see, basically, we have enough on our plate with our domestic nuclear reactors and PHWR reactors, what we're working on, and other specific research projects that we're working on right now. So any MNCs who would like to participate, obviously, MTAR will contribute to them in a big way.

So let's see how it happens. So I am -- as it is we have enough on our plate right now with our own reactors, which are being expected to come, more and more of these reactors are expected to come. So we are actually thinking of having an exclusive plant for the nuclear division as well, the kind of orders which are flowing into the company.

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

Balamurali Krishnan: Congratulations on good numbers, sir. So the electrolyzer parts are -- so in the -- from the Bloom Energy order, do we have any electrolyzer order also, or it is all about hot boxes only?

Srinivas Reddy: No, electrolyzers would take some time, as I said earlier, but as of now, we have enough on our plate in terms of the regular hot boxes that we are doing for them, and also adding additional wallet share into there. We are slowly moving into the assembly part of the business with Bloom. That's going to add more wallet share into the system, so that's what I am trying to explain.

So whenever electrolyzers happen, we have already proved it, we have exported to Bloom, they have also proved it to the customers. So hydrogen is something which would take a little time, but it will happen. So I wouldn't be able to comment much on that right now, but if it happens, it's great. So let's see how it goes.

Balamurali Krishnan: Then some electrolyzer manufacturers have participated under the PLI scheme for manufacturing the electrolyzers. Whether that is that kind of business is different from us, or we are also eligible for that one? And do you want to participate in that PLI or not?

Srinivas Reddy: No, we can. As and when we get the orders, and how we can progress, not only for supplying with India and internationally, then probably yes, we can do that.

Balamurali Krishnan: Okay. And then on nuclear parts, sir. So we are expecting INR1,000 crores of orders in the maybe next 12 months. So what kind of capacity is required to execute those orders, and how much amount is assigned?

Srinivas Reddy: So we already have the capacities in place for nuclear division. We have been doing for the last 35 years to 40 years. So except of few bottlenecks here and there to address that kind of orders, we are fine with that.

Balamurali Krishnan: Okay. And lastly on this batch production, mass production, we are going to -- we are supplying first articles to the customer. So how much revenues can we expect from this mass production for this first article in this next fiscal year, FY '26?

Srinivas Reddy: That's what I said, we are looking at almost like INR125 crores of revenues coming in from MNC aerospace itself for next year, based on a combination of first articles and batch production for FY '26. And then for FY '27, it will be a much higher number because we have established the first articles for some more customers.

So we are focusing on growing the aerospace sector in a very big way, and our new plant also is getting commissioned by the end of this month. So that's a very positive trend and a lot of effort has been done over the last 1.5 years to get where we are today. And also all the certifications of NADCAP are in progress.

We also got NADCAP certifications recently for pre-treatment process and special process, I think hopefully we should get it by April. So we are on track with all this, and all these are the efforts of the last 18 months what we have done.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Congratulations for a good set of numbers. Sir, I just want to understand about import content for our raw material side. And you mentioned about 28% kind of EBITDA margin by FY '28. What are the key triggers to achieve those margins?

Srinivas Reddy: See, the most important thing is we have been investing on our team leadership over the last 1 year and just looking at the future growth of the company. And as the revenues grow, our employee benefit expenses will drastically drop. We have been investing ahead of time for that. Obviously, we need to do that. We are looking at the future roadmap for the company.

And also our margins would improve more because we are diversifying into aerospace and we are doing more of the nuclear division orders which are of higher margins. And we have better operating leverage with volume production with various MNC customers that we are working on right now.

So by FY '28, you would see a comfortable 28% kind of EBITDA margins based on all this work that we have done in the recent past for the future growth of the company and to achieve better EBITDA margins moving forward.

Balasubramanian: So what is the import content, sir?

Srinivas Reddy: Which one?

Balasubramanian: Import content, percentage terms. Any target to achieve?

Srinivas Reddy: Import content see, imports, we do a very few import contents like Inconel and all those raw materials that we import. But most of the materials, we are trying to localize it and trying to buy from various companies within India as much as possible. But some of the moving forward, we'll also evaluate and see how much less we can import so the company can benefit better and better, especially with the forex fluctuation that we have today.

Balasubramanian: So like in new vertical areas like oil and gas, I think we have started executing on first articles. And how do we see this business over the next 2 years to 3 years? And you have mentioned about the battery storage system. So it's good to throw some light on that. What are the opportunities we have?

Srinivas Reddy: See, one is on the battery storage system, we've been talking about Fluence Energy for quite some time. But fortunately, finally, we are designing and developing along with them the new battery storage system for them, which we have received the purchase orders already. And that we're hoping that by June, we'll be able to complete all the prototypes. And then we slowly move into volume production.

But we will see the real ramp up happening, which will be close to about INR2 crores, INR3 crores plus in FY '27, with respect to the battery storage systems as well. So this is the kind of growth they're looking at. A lot of effort is being made in terms of getting qualified and moving towards the growth phase for the next few years. And what was the next question on the oil and gas?

Balasubramanian: Oil and gas. Yes, sir.

Srinivas Reddy: We already received the purchase orders for the first articles, which we are doing now. We're establishing an exclusive plant for oil and gas, which will translate into a volume production from FY '27, partly in FY '26, but mostly in FY '27, close to about INR150 crores to INR180 crores in the first year, FY '27.

And then we move on to close to about INR250 crores in FY '28. So that's the kind of planning we have done in terms of how to achieve our growth parameters in various divisions that we're working on right now.

Balasubramanian: Sir, I think the nuclear side, we have seen a lot of good announcements from the budget. And sir, what's the update on this Kaiga 5 & 6 nuclear reactor order?

Srinivas Reddy: I just mentioned it right now that we can expect those orders sometime by the end of March or beginning of next quarter, which are substantial, more than INR500 crores plus. And there are also another 5 refurbishment reactor standards that are being quoted in a month or a couple of months. So we're expecting close to about overall INR1,000 crores worth of nuclear orders coming in over the next 3 to 6 months.

Balasubramanian: Okay. Sir, just a bookkeeping question. What's the cash balance and debt side for Q3?

Srinivas Reddy: GR, can you answer this please?

Gunneswara Rao: Yes. Our long term debt is INR132.5 crores. And the cash is INR25 crores we have. That also we received on the last working day of the financial year. And another INR20 crores we kept as a deposit for the bank guarantees, 10% margin money.

Moderator: The next question is from the line of Nikhil Agrawal from Kotak AMC.

Nikhil Agrawal: So just wanted some clarity on the guidance that you have given for FY '25, if you could repeat it, a little bit unclear.

Srinivas Reddy: Yes, sure. So FY '25, we said we'll achieve revenues of about INR700 crores-plus with EBITDA margin of 21% plus-minus 100 basis points. That's what I've mentioned earlier. We are on track with what we've said earlier. And we should have a better Q4, much better than Q3 as well. And then the margins also, to maintain that margin, we'll be expecting close to EBITDA margin of 24% for Q4 is what we're looking at is plus minus 100 basis points. So that's how we'll be able to achieve the overall annual margin guidance what we have given and the revenue guidance what we have given.

And moving forward, FY '26 to FY '28, based on what I've explained earlier in the call, with the various projects and qualifications that we are going through, we are expecting a comfortable revenue growth of 30% year-on-year basis consistently for the next 3 years. And with improved margins of 24% in FY '26 and then moving on to 26% in FY '27 and stabilizing at 28% in FY '28.

Nikhil Agrawal: All right. Understood. And so you mentioned INR1,000 crores of orders in FY '26 from nuclear only, right? Which includes the refurbishment as well as Kaiga orders.

Srinivas Reddy: Yes. That's right. So basically, you have the order breakup from Kaiga 5 & 6. And also, there are 5 reactors which are coming into refurbishment, which MTAR specializes in that. One is 2 reactors of Tarapur, one in Rajasthan, one in Kaiga as well, and the other one is in MAPS reactor.

So basically, there are 5 reactors which are getting into refurbishment mode. So all this together, we have enough on our plate over the next 6 months. Knowing the procedures, within 3 to 6 months, we'll have this INR1,000 crores of orders flowing into the company. That's the latest update that we have on the nuclear side.

Nikhil Agrawal: The refurbishment order, how much time would that take to actually generate, translate to revenue?

Srinivas Reddy: It's about 18 months. So what you're looking at here is what's most important is all these orders have to be executed in a 3-year period. If you look at Kaiga 5 & 6, it's a fast-track project which the government of India is looking forward for, right? That's all they've structured on one company and then subcontracting it. So overall, if you look at it, refurbishment reactors are 18 months and Kaiga 5 & 6 is a maximum of 3 years.

Nikhil Agrawal: 3 years?

Srinivas Reddy: Yes.

Nikhil Agrawal: All right. So lastly...

Srinivas Reddy: We see a major revenue growth happening. By the time these orders come in, we get the raw material and all that. So you'll see a part of the revenue growing in FY '26, but a majority of the revenues will kick in in FY '27 and '28.

Nikhil Agrawal: Right. And sir, lastly, any impact of DeepSeek on the Bloom Data Center business? Have you heard anything from them regarding this?

Srinivas Reddy: Absolutely not. And I have not heard anything of that. In fact, not only they are looking at improved volumes, which they will keep updating us from time to time. And also, we are increasing our wallet share within -- we're moving it to the assembly mode as well with that. So there is no such information of any impact as far as the data center is concerned.

Nikhil Agrawal: Because, sir, as far as I remember, in the previous calls, you mentioned that the next big trigger for growth for Bloom would be the data center business. And with DeepSeek coming in, I've read that it's a major threat to data centers all across the world. So that's why I was a bit curious about this?

Srinivas Reddy: No, that's not going to really affect the way Bloom is moving forward with the data centers, especially the kind of orders they have received. And they have not -- they have held back a lot of information because they are expecting a lot more orders kicking into their system over the next couple of quarters is what I've heard.

Moderator: The next question is from the line of Ayush Bansal from Niveshaay Investment Advisors.

Ayush Bansal: I would also like to ask about the Kaiga 5 & 6 nuclear reactor. Like in the previous con call, you mentioned that MTAR has exclusive capabilities in 14 packages. So can you tell us more about those areas and does no other company has these capabilities to execute those areas?

Srinivas Reddy: There are two aspects to it. One is on the capabilities side, MTAR is obviously rated number 1 in all these 14 packages. There are a few companies which in few of the packages, they can get qualified, which is listed in the tender. But what is most important is the execution time, because these are fast-track projects with a lot of LDs which will get imposed on the main contractors.

So it's important that these projects have to be executed, especially Kaiga 5 & 6 on a fast-track basis within the given timeframe. So we have proven in the past that we have done projects where NPCIL has given us 3 years, we have done in 1.5 years to 2 years, or even less. So we have a major advantage in terms of execution of these projects, if you look at the overall bigger picture of the entire project as well. So that's why we are pretty confident of getting these orders through for the next couple of months or 3 months.

Ayush Bansal: Okay. Sir, and as we know that these are the first 2 reactors in the line of 10 reactors to be built in India. So can we expect similar orders for other reactors as well?

Srinivas Reddy: Yes. Definitely yes. And either -- it might be direct orders or it can be indirect, so it all depends on how NPCIL will look at it. But definitely yes. We are part of the whole system in which, we are part of the whole nuclear core reactor technology which we have excelled over the last 30-35 years. We definitely will be part of the future reactors as well.

Ayush Bansal: And sir, will MTAR benefit from the INR20,000 crores being allocated by the government for the nuclear sector in this budget?

Srinivas Reddy: Yes. Definitely yes, right? So whatever nuclear reactors, the government can allocate the budget, but there is a time frame for everything. So it depends on how the tenders are floated and how it is done, when it is done. So obviously, if you look at a 3 to 5-year roadmap, we will have enough order books from the nuclear division, that's what this country needs.

And MTAR has always worked along with NPCL to develop all these nuclear reactors over the last 30-35 years. We worked jointly on the 4 reactor fuel groups. So basically, MTAR is going to get benefited based on how it progresses moving forward.

Ayush Bansal: Okay. Sir, and any update on the roller screws segment?

Srinivas Reddy: Roller screws, we have already been qualified. In fact, probably from next month or so, they might have this import substitution done, certified with us. And once that is done, we are through with it. So it's a process by itself. They do various tests. Right now, the final tests are going on. It's already through with what they have told me.

So once that is done, then the roller screw from Sweden will be stopped. Government of India will stop importing it and it will be an import substitute where MTAR will start supplying the roller screws for all the requirements.

Moderator: The next question is from the line of Mamta Agarwal from ABS Investments.

Mamta Agarwal: I have a couple of questions. Partly the receipt order, which we have received from you, as well as few other first article orders like…

Srinivas Reddy: Mamta your voice is breaking and too much of disturbance. Could you repeat your question, please?

Mamta Agarwal: I have a question regarding the receipt order, which we have received from you, as well as other first line articles from Fluence, Weatherford, IAI. So if you could give a sense of what is the quantum of securing orders, which we are expecting from this first line articles, whether this would be helpful?

Srinivas Reddy: Whatever I could hear from you, you are talking about the first article orders from IAI, Weatherford, GKN, etc. See, basically, IAI, we have signed a very long-term agreement with them for 15 years, which we have mentioned earlier as well. We already received orders for about INR28 crores to INR30 crores of orders from IAI for first articles to be done from various project groups.

Similarly, with GKN, we are doing a combination of volume production plus further projects we are doing first articles. Weatherford, right now, we are doing the first article. So what it translates to is a much higher number moving forward. That's what I have explained earlier. If you look at Weatherford, we are looking at INR150 crores to INR250 crores of volume production over the next 3 years, year-on-year basis. Similarly, with IAI, we are looking at more than INR100 crores, INR150 crores doing execution of the projects.

GKN is close to about $10 million. So these are all the efforts of the team over the last 18 months to see where we are today. Today, we are pretty confident of looking at the company where it is going over the next 3 years with a consistent revenue growth of 30% year-on-year basis. This is a reflection of what we have done in the last 1.5 years to build the various other verticals and with improved margins as well.

Mamta Agarwal: Okay. So just to follow up on this. So like these orders, let's say after -- like entry barriers for competitors. And what efforts are you putting to get more orders from this MNC?

Srinivas Reddy: I am really not able to hear you well. There's a lot of disturbance, noise. I didn't get your question.

Mamta Agarwal: Sir, I was asking about what are our efforts to get more orders from this MNC?

Srinivas Reddy: More orders from where?

Mamta Agarwal: From MNCs?

Srinivas Reddy: From L&T?

Mamta Agarwal: MNC.

Srinivas Reddy: Can you repeat that?

Mamta Agarwal: Sir, more orders from this first line article other MNC?

Srinivas Reddy: Yes. See, it's a continuous process. I understood you now. See MNC business as I said, we are working with various MNC customers. In fact, we have number of visitors, number of -- I'm not even talking about those customers right now. As and when we move forward, we will be adding more of the first article orders with various other MNC customers as well.

Moderator: The next question is from the line of Ayush Bansal from Niveshaay Investment Advisors.

Ayush Bansal: Sir, can you just broadly line out the margins which we have in the hot box segment, nuclear and aerospace segments?

Srinivas Reddy: See, the -- GR, you want to explain this?

Gunneswara Rao: At the margins, across all divisions, we are pretty much having similar margins. Less than 20% margins we don't take normally. But in case of space, we have little bit more margins, say around 5% to 7% because of the free-issue raw material. Like some 4-5 years, 3 years back, maybe Bloom is lower margin compared in.

But today, with operating leverage, Bloom is also in line with the other margins, even domestic also. In EBITDA margins, I am talking. So gross margins may be lower in case of Bloom, whereas domestic gross margins are higher. So across all divisions, we have pretty much the same EBITDA margins.

Ayush Bansal: So sir, the margin for Yuma hot boxes and Santa Cruz hot boxes are in the same line?

Gunneswara Rao: Yes. Same line because it is almost 95% the same only. There is not much difference in terms of the pricing and also in terms of the bill of materials.

Moderator: The next question is from the line of Sahil Vohra from MNF Associates.

Sahil Vohra: Congrats on the good set of numbers. My first question is, we have been trying since a few quarters to bring down our working capital days close to 200-odd days, but then it shooted to 250-odd days. How do we see the same in the near future since now we have completed the first order articles for few of our customers?

Srinivas Reddy: GR you want to answer this?

Gunneswara Rao: Yes. Actually, our working capital days for this as of December is 222 days and we have projected around 225 days by end of this financial year. We are trying our best to reduce the inventory levels, increase the payable days. As you know, since we are in various sectors and also the credit terms with the customers of Bloom and other things.

So we are planning in the long run, we wanted to reduce to 175 days, so maybe FY '27 onward, but 200 days is required because of the various projects and the increased revenue, 30% increased revenue we are projecting in FY '26. But as of now, 222 days is our working capital days, not 250.

Sahil Vohra: Okay. Understood. My next question is, where do we see our debt levels going ahead? Do we foresee or reduce debt levels as we move ahead or are we largely comfortable at the current level? If you can shed some light on that.

Gunneswara Rao: See, our debt levels are very low, like INR132.5 crores is only long-term debt we have. Every year repayment obligation is INR46 crores, so we have for next 2 years. After that, it is 25 -or-so because of some loans we are repaying in next 2 years. After that, some other loans are there. So INR132 crores is not a big number because of the growth.

See, all these establishments of aerospace sectors, fabrication, sheet metal, last 2 years, we have a lot of internal accruals we have put in the company. So definitely our aim is to reduce the debt and again, as and when, suppose the oil and gas, we are doing the first articles now. And as and when we sign the contract, we get the orders for the batch production, we will have to incur separate hanger for that.

As explained by our MD earlier, we are setting up a new facility for the oil and gas sector. So for which I think around INR60 crores to INR80 crores of capex required to set up at 100%. But that is not going to be incurred in a same immediately next financial year, starting of the financial year. So over the next 9 months, we will incur that money.

And also, some of the -- there is a bottleneck missions across all the plants and also sustenance capex is required for us. So next year, we are planning to take a debt of around INR60 crores to INR80 crores for the oil and gas and other areas and remaining we will spend from our internal accruals.

And we repay INR46 crores and take maybe INR60 crores to INR80 crores of debt. So incremental debt may be INR25 crores or INR30 crores next year. But the most important thing is we have put lot of internal accruals in the system over a couple of years for our growth projections.

Moderator: Ladies and gentlemen, in the interest of time, we will take this as a last question. I would now like to hand the conference over to Mr. Srinivas Reddy for closing comments. Over to you, sir.

Srinivas Reddy: Thank you very much. Thank you, everyone, for joining the earnings call today. And as I mentioned earlier, we are in definitely a very nice space right now in terms of what we have done over the last 18 months to ensure that we have a consistent growth moving forward over the next few years. And we continue to make our best efforts to improve our margins. As I mentioned earlier, year-on-year basis and also to adhere to the revenue projections that we have given as guidance over the next few years. Thank you so much.

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