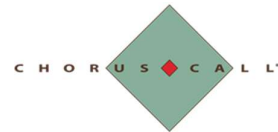




**“MTAR Technologies Limited
Q3 & 9 Months FY '26 Earnings Conference Call”
January 30, 2026**



MANAGEMENT: **MR. SRINIVAS REDDY – MANAGING DIRECTOR AND
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MODERATOR: **MR. PARTH PATEL – MUFG INTIME**

Moderator:

Ladies and gentlemen, good day, and welcome to MTAR Technologies Limited Q3 and 9 Months FY '26 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Parth Patel:

Thank you, Rudra. Good morning, everyone. On behalf of MTAR Technologies, I extend a very warm welcome to all participants on Q3 and 9 months FY '26 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 the exchanges on 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 a guarantee for our future performance and involves unforeseen risks and uncertainties.

With this, I would like to hand over the call to Mr. Srinivas sir. Over to you, sir.

Srinivas Reddy:

Thank you, Parth. Hello, and good morning, 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, 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 that, as highlighted in our previous earnings call, we anticipated a stronger second half of the year, and we have delivered accordingly with phenomenal growth in Q3. The company recorded revenues of INR278 crores, representing a robust year-over-year growth of 59% with EBITDA of INR64 crores. This marks the highest quarterly revenue achieved by the company to date, and we are confident of sustaining this momentum and achieving further milestones in the coming periods.

One of the most encouraging structural developments in the strong growth witnessed across all our business verticals, supported by favourable industry tailwinds. Since inception, the company has strategically focused on technology-intensive products in high-growth sectors and has built a strong export wing, creating a robust foundation for long-term sustainable growth. I'm pleased to inform that our current performance is a direct outcome of this long-standing strategic position.

During the current fiscal year-to-date, the company has received its highest ever order inflows in the Clean Energy Fuel Cells and Civil Nuclear Program segments, underscoring the strength

of our growth trajectory. The closing order book as of Q3 end stood at INR2,394 crores, where INR1,370 crores of orders across all sectors are received in Q3, reflecting robust industrial tailwinds.

In the clean energy fuel cells vertical alone, the company received orders worth INR1,080 crores during the first 9 months of the fiscal year, of which approximately INR645 crores was secured in Q3. This reflects the strong market share of our products and our role as a strategic partner in our customers' growth journey.

Both the clean energy fuel cells and aerospace verticals are expected to witness exponential growth in the coming years, driven by favourable demand trends and expanding market opportunities. Furthermore, we have also received the much-anticipated orders of INR500 crores plus for the Kaiga Units 5 and 6 nuclear reactors, reinforcing our strong positioning and long-term growth within the Indian nuclear energy ecosystem. We expect the closing order book to be at INR2,800 crores by end of FY '26 that will enable for sustaining our growth momentum over the coming quarters.

Clean energy fuel cells is one of the most exciting sectors and is poised for significant growth driven by the global transition towards clean and sustainable energy sources. In addition to this energy transition, the rapidly growing demand for power for AI-driven data centres is accelerating the need for reliability, 24/7 power generation solutions, thereby driving strong adoption of solid oxide fuel cells.

In this context, we are further encouraged by the recent development wherein our customer has entered into a \$2.65 billion agreement with AEP for supply of solid oxide fuel cells. Driven by strong demand from AI-powered data centres, conventional data centres and the global clean energy transition, our customer is projected to grow at an average rate of approximately 30% through 2030. As part of this expansion, the customer is expected to add 2 gigawatts of capacity by the end of CY '26 and further scale this to approximately 4 gigawatts in the subsequent years.

Aligned with this growing demand and forecast from our customer, we are augmenting our in-house manufacturing capacity in a phased and sequential manner. We are currently in the process of increasing capacity to 12,000 boxes by end of the current fiscal year and plan to further scale this to 20,000 units by end of FY '27. And further, we are planning to actually create facilities to augment capacity up to 30,000 units in the subsequent year.

Given our strong engineering capabilities, cost competitiveness and execution track record, we expect to retain a majority market share in these units withstanding previous global uncertainties. Accordingly, the company has recorded revenues of INR387 crores in the Clean Energy Fuel Cell segment alone during the first 9 months of the fiscal year and expect to deliver revenues of INR250 crores by end of the current fiscal year in Q4.

We are also anticipating significant growth in the civil nuclear sector starting from next fiscal year, supported by robust order pipeline from Kaiga 5 and 6. In addition, we expect to receive further orders from the refurbishment reactors during the quarter and beginning of the next quarter. Furthermore, the government is likely to announce a dedicated production-linked

incentives, PLI scheme valued at INR18,000 crores to INR20,000 crores for manufacturing of critical nuclear components in the upcoming union budget.

Such initiatives aimed at strengthening India's domestic nuclear supply chain are expected to provide further impetus to the growth of the nuclear ecosystem. We believe the company is well positioned to capitalize on emerging opportunities in the nuclear sector, which is marked by high barriers to entry.

Another sector witnessing strong growth momentum is aerospace and defence. In light of recent European defence security initiatives and push by Indian government on exports, we believe that Indian aerospace sector is at a structural inflection point. With our expanding capabilities, proven execution track record, growing customer base and participation in next-generation programs, the company is well positioned to capture this emerging growth opportunity. In the Aerospace and Defence segment, we achieved revenues of approximately INR72 crores for the 9 months ended FY '26 from various customers.

Going forward, we intend to focus on next-generation technologies and structural assembly orders. We are actively engaged in strategic next-generation programs, including AMCA, where we have commenced participation in structural assembly tenders. Recently, the company was declared L1 for the main landing gear test setup assembly, marking a key developmental milestone. We'll continue to participate in subsequent structural assembly tenders as the program progresses.

With multinational customers, we plan to progressively graduate to structural assembly orders over the coming years as we enter into volume production for the existing parks. In line with this strategy, the company is actively working on multiple new inquiries. In the Products and Other vertical segments, the company has generated revenues of approximately INR84 crores, and we expect to close the year with revenues of around INR130 crores.

Overall, the company remains confident of sustaining the growth momentum and expect to grow rapidly over the next 3 years, driven by healthy order book, favourable industrial trends and continued execution excellence. The company also anticipates a meaningful improvement in margins over the coming quarters, supported by operating leverage and favourable shift in product mix towards higher volume production.

Return on capital employed is expected to improve even further, supported by high asset turnover ratio in the Clean Energy segment. While there may be a short-term impact on working capital days, we expect this to improve substantially over the coming quarters as we continue to optimize inventory levels, secure customer advances in a big way and strengthen receivables management. We're also expecting significant advances from customers, which will enable us to reduce our working capital cycle.

Now our CFO, Mr. Gunneswara Rao will discuss in detail on the financial performance of Q3 FY '26. Please go ahead, Gunnes.

Gunneswara Rao:

Yes. . Good morning, all. Thank you for joining us over the earnings call. We registered a robust growth in this quarter as explained by our MD compared to previous years. So, I would like to update on the financial performance for this quarter.

On Y-o-Y performance, Q3 Y-o-Y for this year versus last year Q3, our revenue from operation at INR278 crores in Q3 FY '26 as against INR174.5 crores in Q3 FY '25, which translates to 59.3% increase on the Y-o-Y basis.

EBITDA reported at INR64 crores in Q3 FY '26 as compared to INR33.3 crores in Q3 FY '25. This translates 92.5% increase on Y-o-Y basis.

Profit before tax stands at INR46.1 crores in Q3 FY '26 as against INR21.4 crores in Q3 FY '25, 115.2% increase on Y-o-Y basis. Profit after tax was at INR34.7 crores in Q3 FY '26 as against INR16 crores in Q3 FY '25, which is 117.3% on Y-o-Y basis.

The company is well positioned to capitalize growth opportunities across the clean energy, civil nuclear and aerospace sectors as informed by our MD and is actually augmenting the infrastructure support the future expansion amid the strong growth momentum is visible in these sectors. The company continues to place a strong emphasis on cash flow discipline and working capital management.

As explained earlier, the working capital days are 260 days during this quarter, primarily due to the higher receivables associated with increased turnover. The company is targeting working capital levels is approximately around 200 to 210 days in the next fiscal year, supported by ongoing initiatives to optimize our receivables like we are discussing on various advance opportunities from customers. And also, we actually work on inventory management to see what else we can reduce inventories l.

While there has been a short-term impact on cash flows due to elevated receivables, we are confident that we are going to manage our working capital and cash flow from operations by discussing with customers on advance initiatives. In addition, we are confident that we will improve and sustained margins over the coming quarters.

And our order book stood at INR2,394.90 crores by end of December. And we are going to -- our forecast for the end of this financial year is INR2,800 crores. And other things are, we are working on various growth engines in the company, which will enable the company to achieve sustained growth over coming years.

While the company has delivered a strong performance this quarter, we remained focused on sustaining this movement, achieve further milestone in the coming quarters and coming years. And we thank you, our shareholders, for the continued trust and confidence. With this, I open the floor for the discussion. Thank you, everyone.

Moderator:

Thank you very much. The first question is from the line of Piyush Sevaldasani from Sundaram Alternates. Please go ahead.

Piyush Sevaldasani:

Congrats for a strong set of results. Sir, my first question is on the offtake visibility for the capacity expansion, which we are doing for Bloom, taking hot boxes from 8,000 to 20,000. Now we are talking about taking it to 30,000. So, we understand that Bloom is seeing increased acceptance of its products, but can you give some more confidence on the offtake because India is having a higher tariff rate compared to our competitors? And how should we think of market share evolving over time?

Srinivas Reddy:

Thank you for your questions. First, I would like to emphasize on the visibility on the expansion for the Clean Energy segment. So basically, we have a capacity, as you mentioned, 8,000 units, but we are expanding to 12,000 by end of March. Everything is on track with that. And then based on a clear visibility given by the customer, we are expanding in a phased manner to 20,000 units, hopefully by end of December. And then with that, we'll have a capacity of about 20,000 units.

And then we move on to the Phase 2 of the expansion plan to about 30,000 units in the subsequent year. The infrastructure will be built for 30,000 units, but the equipment will be planned in such a way that it's done in 2 different phases or I would say, 3 different phases. Phase 1 is 12,000, which will be ready by March end.

And Phase 2 is about -- overall 20,000 by December end and Phase 3 to 30,000 by the subsequent year. So, this is being done purely based on the kind of demand forecast what we have received from the customer, and that's how we are doing it.

And as far as tariffs are concerned, as I mentioned even in my earlier call that we are not anyway concerned with being a technology company and the way we have progressed in terms of our competitiveness and various developmental programs we have done for the customer. The demand continues to be the same. And hopefully, in the future, we hope that the tariffs would come down, but that's not going to affect the company's growth momentum as we see right now, which we have clearly seen in the current quarter as well.

Piyush Sevaldasani:

Sir, my next question is -- yes, I think that's very clear. Sir, my next question is on the gross margins. We have seen a decline in gross margins this quarter. Could you explain why -- I think we were going through pricing negotiations with Bloom last quarter. Can you help us understand what would be the sustainable gross margins?

Srinivas Reddy:

Gunneswara, do you want to answer that?

Gunneswara Rao:

Yes. While this current period is -- current quarter is 46.1% gross profit, whereas 9 months ended, if you look at, it is 49.5%. It is purely on the product mix. Just because gross margin is lower, it doesn't mean that our EBITDA will affect. As we explained it many times, the gross margins in the fuel cells is lower, in case of domestic, it is higher.

But however, the efforts required to make the domestic sales is more compared to the fuel cells because it is continuous production, and we were doing over the year. So, our EBITDA margins will not impact because of the gross margins.

- Piyush Sevaldasani:** Sure. So, our EBITDA guidance, which we have earlier mentioned, that continues to stay same, right?
- Gunneswara Rao:** Yes, we will -- we have said around 21% plus or minus 1%. And as you know, by end of this 9 months, our EBITDA percent is 19.2%. With the strong forecast in the Q4, we are confident to achieve those numbers, whatever is guided.
- Piyush Sevaldasani:** Sure. And then, sir, on the nuclear order, which we have received for INR500 crores, can you please help us understand what could be the execution cycle for this?
- Srinivas Reddy:** The INR500 crores orders should be executed within a period of -- over a period of 3 years. That's how it is done. That's the timeline that we are looking at. There are various projects out of this INR500 crores. Some will be executed within a year, some 1.5 years, some in 2 years and some projects within 3 years. So, it's a combination of all this. So, all this INR500 crores should be executed within the next 36 months.
- Moderator:** Our next question is from the line of Renu Baid from IIFL Capital.
- Renu Baid:** Congratulations, sir, for the good results. The first question is just trying to understand the clean energy portfolio more closely. Can you help share what has been the utilization levels for 9-month period of the current capacity of 8,000 units?
- And the capex target that we plan over the next 2 years as we take this capacity to 20,000 and 30,000 in the next 18 months, what is the quantum value we are targeting to spend and whether it would be entirely brownfield expansion at the current units or we may need a combination of a new greenfield facility as we move towards 30,000 units by early part of CY '27. And I probably -- it was not very clear in terms of audio. Can you repeat what was the revenue which you guided for clean energy for fiscal '27 for the current year?
- Srinivas Reddy:** Okay. See, the 8,000-capacity utilization, I think we are doing it in the current quarter, Renu, because it's not only about the equipment, but also ramping up, there are a lot of activities involved in the manufacturing process. So, we are fully geared up for that. And the subsequent quarter, that is Q1 of next year, we'll be moving up to utilizing the 12,000 capacity, which will get commissioned by end of March.
- And beyond that, we are moving the entire facility to the SEZ near the airport for the entire Bloom operations to expand to up to 20,000 and then subsequently to 30,000 unit. So that will be completely a new plant which we are trying to establish near the airport, everything under one roof so that it becomes more operationally more efficient. That's the basic plan, what we are looking at.
- What was your second question, Renu?
- Renu Baid:** When we look -- what is the value spend capex that you're looking for this expansion? Initially, we had guided that it would be something like INR25 crores, INR30 crores for the first phase. So how are we looking at the overall capex for clean energy expansion?

Srinivas Reddy:

So basically, that's right. For 12,000, it's about 35,000 to 40,000 whatever numbers we have given earlier. But for the -- going from 12,000 to 20,000, the infrastructure is being done for 30,000. The building, everything is being constructed for the long-term requirement of the company. But the equipment installation will be done for additional 8,000 units. And subsequently, we'll do for the next phase up to 30,000.

So, we are looking at roughly about INR50 crores to INR60 crores of capex that might be required, it's an approximate number. We're still working on it. It should be finalized in the next couple of weeks. So that's the approximate number what we are looking at.

Renu Baid:

Sure. Second, in terms of the -- you did mention that for landing gear assembly, recently L1. So, what kind of revenue opportunity we expect in the aerospace business from the customer here?

Srinivas Reddy:

No, that's landing gear test set up assembly that's referred to the AMCA program. We are just working on the prototype. It's just the beginning of the whole program, right? So, the prototype is worth around INR4 crores, but the requirement would be very huge in the coming years. So, there are various segmental orders that we are being released. So that's just the starting point, and we'll see how it goes over the coming years.

But the Aerospace segment, as I said earlier, we are doing extremely well. We are doing a lot of MNC customers right now. We are growing pretty rapidly. We are still doing some first articles. We enter into volume production with the customers simultaneously, working on a number of packages. So that's the kind of -- that segment is growing pretty well as a growth engine for MTAR, and it will move further up in the coming years.

Renu Baid:

Got it. Sir, lastly, would you want to share what is the revised guidance for fiscal '27 and -- sorry, for fiscal '26? And any initial guidance that you would like to indicate for the next fiscal year '27?

Srinivas Reddy:

No, the guidance would remain the same. We would -- as I said earlier that we would do 30% to 35% growth guidance for this year. So, we'll cross about INR900 crores plus for the financial year FY '26. And FY '27, we're expecting growth of about 50% revenue growth for FY '27 based on the current growth what we have, about INR900 crores plus in the current financial year.

And obviously, the margins, what we said 21% plus/minus 100 bps will -- we are very confident to maintain or do slightly better than that. And the margins would further improve in the next financial year based on the kind of improved margins we have shown in this quarter.

Moderator:

Our next question is from the line of Meet Jain from Motilal Oswal.

Meet Jain:

Sir, my first question is regarding our aerospace business. As you indicated that we are doing multiple first articles. I just wanted to understand in terms of order book. So, in the last 3 quarters, we have seen a stable order book, like a very muted order book from aerospace and defence. So, I just wanted to get some clarity. Is this for a long-term contract? Or how can we look into this?

- Srinivas Reddy:** See, we have the long-term contracts, but the orders, what we show in the order book is based on specific orders being given based on the long-term contract. The long-term contract is for 5 years, 10 years like that. But the orders what we reflect in the order book is based on the orders that they keep releasing to us on a quarter-on-quarter basis. So, we have the overall order book of around INR325 crores in the aerospace and defence sector.
- Specific to aerospace, we have INR120 crores of MNC orders. And then space, we have INR120 crores odd and defence about INR80 crores. So, the total is INR325 crores. But this particular vertical is going to grow more and more in aerospace sector as and when we convert the first articles into volume production, which we have already done in the case of a few customers. And it's an ongoing process. They're adding more of the packages based on our performance and achievements that we have done over the last 1 year.
- Meet Jain:** Understood. So, this quarter, we grew by almost 70% in the aerospace division. So, can you just break it up in terms of how much was the new orders that the completion of first articles and the batch production and how much was the old orders, just a ballpark number?
- Srinivas Reddy:** You want the breakup of what the order received.
- Meet Jain:** We did almost INR31 crores of revenue in this quarter for aerospace. Just want to understand, as you mentioned that the first articles has been completed and we started batch production for a few of the customers. I want to get a sense of the quantum of that?
- Srinivas Reddy:** Yes, it's about INR18 crores and odd is what we have done for the aerospace export orders for this quarter minus a INR1 crore here and there. I'm giving an approximate number.
- Meet Jain:** Got it, sir. Apart from that, my second question is regarding the products and other segments. In terms of order book expansion, we saw almost INR137 crores of order we added in this quarter. So, as we know that during this segment, we also cater to fuel cells, we cater to nuclear power. So INR137 crores order is also linked to the strong order influence of Bloom part?
- Srinivas Reddy:** Yes. On the ASP division, yes, we also have a lot of orders coming in from that division. Apart from the other products that we do for ball screws, water lubricated bearings. And we're also -- we also got qualified for export of ball screws with our MNC customer recently. So that's something which is very positive for the company. So, we started doing exports of our other products as well in terms of ball screws right now.
- Moderator:** Our next question is from the line of Bala Murali Krishna from Oman Investment Advisors.
- Bala Murali Krishna:** First of all, congratulations on good set of numbers. In Audible:28:11 And you also delivered a great quarter. So, the first question is regarding, sir, BES opportunity. There's a lot of things going on in the country when it comes to battery energy storage system. So, fuel cell has one of our customers, fuel cell energy is also related to energy storage system. So, do we have any opportunity in this BES boom in terms of domestic?
- Srinivas Reddy:** No, I actually mentioned about this last time as well. So, it's taking its own time to get this going in terms of what we need to do in the battery storage systems. For domestic, there is a market,

but still, it is not -- it's going to take a lot more time than what we can anticipate right now. So, let's see how it goes. That's something which we need to see as and when there's a major development, then we'll let you know about it, Bala.

Bala Murali Krishna: Okay. Sure, sir. So, in terms of the PLI scheme for nuclear, so maybe it would be like we need to deploy much capital on yearly basis. But do you think that including these orders is the capital intensive or we can do with very little capital of existing infrastructure also?

Srinivas Reddy: We already have the infrastructure for the nuclear programs that we are doing. So, the PLI -- whatever the details of the scheme are not yet known, but once the union budget is done, then we'll know more details. which will be definitely beneficial to the company to do more and more. But we have the infrastructure to handle that already.

Bala Murali Krishna: Sure, sir. Lastly, on this Adani for the AMCA program, any update on that and also on the defence licenses. So, any products are in the pipeline to get the defence license?

Srinivas Reddy: That's being still assessed by ADA right now, the defence program, they are assessing it. So probably they are saying it will take another 2, 3 months for them to shortlist the company. So, let's see what happens.

Moderator: Our next question is from the line of Akshay J from Xponent Tribe.

Akshay J.: Congratulations on a very good set of numbers. Sir, I have a couple of questions. One is on -- specifically on aerospace. You said that your MNC aerospace revenue this quarter was about INR18 crores. Could you give us some colour on sort of how do we see this ramping up in terms of batch processes because we've been hearing a lot of FAIs going on. And I mean, the business has supposed to scale up and it has been scaling up. Is this INR18 crores now a quarterly recurring that we should at least think of as a base case? That's one.

Second, sir, could you give some thoughts or update on Fluence, the First Article Inspections have been done, and we are expecting it to commercialize in some time. So, if you could give some colour on what is it that we are getting to because Fluence in the -- it's assisted and it's kind of scaling really, really well. So, I would imagine that you would be keen to get to the value chain sooner than later?

Srinivas Reddy: So, when it comes to the first question, the aerospace, what you're looking at INR18 crores, INR19 crores is just the beginning, right? We have been growing step by step in aerospace. So, part of the first articles, what we are working on, once it gets converted to volume production, we're looking at almost twice the number as what you can see right now, closer to INR40 crores or even up to INR50 crores per quarter. So overall, next year, we can look at that kind of a situation where we can do about INR150 crores to INR160 crores in aerospace itself.

And as far as Fluence is concerned, we're still working on it. So, we are working -- we have done the first article. Now they are a little bit -- there are a lot of design changes. They have not given us any specific feedback on that as of now. They're still working on it. But as and when something goes -- some improvements are done on that, then we'll see how it goes. But as of today, it is still a work in progress for us.

- Akshay J.:** Sure, sir. So, if I ask a follow-up, just on the aerospace bit, commercial -- a lot of our clientele is currently defence-led aerospace globally, IALs. I mean, GKN is definitely commercial. But what is our kind of -- are we working with Airbus, Boeing, other commercial aerospace companies that make larger planes for products because, I mean, that would really bring scalability to the business, right? I mean, could you give some thoughts on where are we on that part of the business?
- Srinivas Reddy:** So that's the plan, right? So, the plan is to work with companies like GKN and IAL, which are very good companies, who also supply to Airbus and Boeing, not that they don't supply. So, to get Boeing and Airbus and such companies for Indian parts, we are also looking at establishing that as well moving forward over the next 1, 1.5 years.
- So that's how we look at the aerospace vertical in a very aggressive manner in terms of building it more and more. And moving -- by end of the third year, we're looking at revenues of at least INR350 crores to INR400 crores coming in with various of such customers. So that's our vision and the road map, what we have over the next 3 years.
- Akshay J.:** Okay. Next 3 years from now, right? Okay. Okay. And that is MNC aerospace, right?
- Srinivas Reddy:** Exactly, because there's a lot of certifications and processes that are involved. We are almost there in terms of various certifications. So, it's a matter of time that we can get into those kind of activities moving forward.
- Moderator:** Our next question is from the line of Mohit Kumar from ICICI Securities.
- Srinivas Reddy:** Mohit, we can't hear you at all.
- Moderator:** I don't think Mohit is on the call with us. So, our next question is from the line of Balasubramaniam from Arihant Capital.
- Balasubramanian:** Sir, ASP assemblies are nearly 126,000 per quarter with 16 ASPs plus hot box. I just want to understand like how this implies whether -- how we are going to take as a bottleneck for this capacity expansion. Right now, we have 8,000 units, and we are planning to reach up to 30,000 units maybe in 1 or 2 years' time frame. I just want to understand how the capex moving like concerning about ASP assemblies?
- Srinivas Reddy:** So yes, that's a good question. So, we have already planned for the increased quantity of ASPs each quarter in terms of the capacity. And as and when we increase the capacity of the hot boxes, the ASP capacities also will go up accordingly. So that's also being planned simultaneously.
- Balasubramanian:** Okay. And how much capex we have planned for to increase to 30,000 units, sir?
- Srinivas Reddy:** I've said earlier about this. It's a rough number right now, but it's approximately between INR50 crores to INR60 crores. That's what we're looking at for 20,000 and 30,000 comes later, right? So that's probably an additional INR40 crores and odd to increase it from 12,000 to -- sorry, from 20,000 to 30,000. The infrastructure is being built for 30,000.

- Balasubramanian:** Okay, sir. Sir, in Q2, I think some of the dispatches has been delayed nearly 4 weeks. And I just want to understand right now, we have INR278 crores. How much revenue came from these 4 weeks dispatches in Q3?
- Srinivas Reddy:** That's very marginal, right? I mean whatever we did -- see a lot of projects in nuclear are under work in progress because of the long gestation period. So once that is done, the dispatches from nuclear will happen from Q1 of next year in a big way. So that's how it is. But majority of the orders have been executed based on the Clean Energy segment and on the Aerospace segment as well.
- Balasubramanian:** Okay. Because why I'm asking this question is because our inventory days came down from 282 days to 210 days in Q3. Just want to understand, we have like again, we restocked for execution in Q4, sir.
- Srinivas Reddy:** Yes, because as the dispatches have gone up, the inventory days have also come down because of the exports that we have done. And we are trying to maintain -- the CFO is trying to maintain a very tight control on the inventories being positioned based on the needs on a quarter-on-quarter basis and the lead time by the suppliers. So, we are monitoring that very closely right now so that our working capital days also gets reduced as much as possible.
- Balasubramanian:** Okay, sir. Sir, my last question, BOM cost is hardly less than like a single-digit percentage, which is impacted by tariffs. Whether we are completely absorbing right now or it's passed through to the customers?
- Srinivas Reddy:** No, we are not concerned with tariffs at all with any of our MNC customers.
- Moderator:** Our next question is from the line of Charvin from Share India.
- Charvin:** Yes. So, my question was on the nuclear energy side. What is the opportunity size we are expecting once this INR20,000 crores, if it is PLI is allowed on the nuclear energy side? And what are we supplying on the civil nuclear side to the government?
- Srinivas Reddy:** So basically, we have been in the nuclear business for the last 40 years. So, we are supplying all the core nuclear reactor components and assemblies to government of NPCIL. We are doing some major projects right now for them and the PLI would help, obviously. We are waiting for more details on that.
- And also, there is a lot of requirements which are coming in with further reactors coming in and where the government has given clearance for the private sector to set up the nuclear reactors. So, a lot of -- if you look at the road map for the next 5 to 10 years, a lot more reactors are going to come into place, where MTAR would play a very key role in establishing such reactors by supplying the key assemblies to the nuclear reactors that we are looking at.
- Charvin:** Okay. Okay. So, majority of the opportunity we are expecting from the SMRs that are going to be constructed. Is it right?

- Srinivas Reddy:** Yes, that's an added opportunity, but a lot of the other reactors the government itself is planning to establish 700-megawatt reactors over the next 5 to 8 years. So, let's see how it goes. Right now, we have enough orders on hand to handle the existing orders itself.
- Moderator:** Our next question is from the line of Aman from Astute Investment Management.
- Aman:** My first question is on the nuclear side. You've talked about scaling to start from FY '27 itself. So, do you expect it to happen in Q1, Q2 itself? Or will it be back-ended in Q3, Q4?
- Srinivas Reddy:** No, it will start from Q1 itself. Hopefully, we're going to start from Q1 itself and then move on from there. We already have started working on the existing orders and the new orders which have come in will slowly start kicking in from Q3, Q4, but the existing orders will start executing from Q1, Q2 onwards.
- Aman:** And do you expect around, say, INR150 crores to be done in FY '27 itself in nuclear?
- Srinivas Reddy:** I think very comfortably. That's a pretty conservative number for us, but we'll do much more than that.
- Aman:** Okay. And FY '28 will be further ramp up because we'll get additional orders, say, in Q4 and maybe FY '27 or so.
- Srinivas Reddy:** Yes, exactly. So, we have to -- so it's a very simple calculation. If we have order book of INR800 crores in nuclear, let's say, by end of the year, we need to anyway exclude that within the next 3 years, so.
- Aman:** Sure, sir. And in terms of, say, next 2, 3 years, where do you see this nuclear order book? Do you think this can grow on top of this INR800 crores or INR800 crores to INR1,000 crores is, say, a ceiling before anything newer happens?
- Srinivas Reddy:** I will not talk about the -- how much of orders, but definitely, I see a huge ramp up. One is on the operations side, the ramp-up on the operations side, but the number of orders which are going to kick in over the next 2, 3 years is going to be phenomenal because of the new reactors coming in and the government announcing the privatization. So, a lot of things are happening.
- So right now, we are very comfortable with this INR800 crores plus a lot more orders are going to kick in over the next 1, 2 years in any case. So, in the past, we should have -- we never had a very strong order book. We used to do a lot of reactors, but with a break. But now I don't see that break happening. So, there will be a nice exponential kind of a graph or a growth happening year-on-year basis based on where we are today.
- Aman:** Sure, sir. And just completing this part. So, we got most of the orders from Kaiga 5 and 6 and obviously, refurbishment is different. But what I see is every year, 2, 3 nuclear reactors are supposed to start or at least be part. So, is it fair to assume INR300 crores, INR500 crores additional order book every year on the conservative side?
- Srinivas Reddy:** That's a very fair number what we are looking at because now they're planning Mahi Banswara 4 reactor, 700 megawatts with NTPC and NPCL combination, which is called ASHVINI. So, a

lot of such projects are coming in, the tenders will be floated. So obviously, that's how I said this area, nuclear division also is going to -- it will be a very good growth engine for MTAR moving forward on a year-on-year basis.

Aman: Sure, sir. Next set of question is on, say, Weatherford and IAI. So, the First Article Inspection is taking a little longer than maybe our expectation. So, do you expect Weatherford to start scaling in FY '27 itself or maybe it is delayed to FY '28, '29?

Srinivas Reddy: That's a good question. We have already completed the Weatherford first articles. It's been approved already. The only thing is we are waiting for is for the volume production. Now to do the volume production, our plant is getting ready. We are pushing it to be ready by June, but by September, we should be in a full-fledged commercial operations. So, then we get into the volume production.

We're expecting the volume orders also to come in this quarter. So that's where we stand as far as Weatherford is concerned. It's all about doing the volume production. The infrastructure is getting ready for that in the SEZ near the airport. And so those revenues -- part of those revenues will kick in, in FY '27, and then it will go in a full-fledged manner from subsequent year onwards.

Aerospace, we are not -- the first articles are not taking time. There are a lot of parts, a lot of assemblies for IAI. Already one of the customers, we are already doing into volume production. And they've added a lot more packages. So, both happen simultaneously, the volume and the first articles. IAI, the complete batch of first articles should be done and dusted by June, July. So that's the timeline we're looking at. And once it is done, then they look at volume production.

So, in aerospace, the requirements are very stringent, as we all know, right? It's for aircrafts and all that. So, we are right on track with that as far as we are concerned. There are a lot of R&D and development program happens in first articles, which we are successfully doing it. And each month, we are doing more than close to about 100 parts per month, which is phenomenal.

The average -- industry average is 300 parts per year, whereas we're doing 100 per month. So, we can't do faster than that. So, we're averaging around 80 to 100 per month to be very realistic.

Aman: That is a very good run rate. I think most of the leading aerospace players are doing that much only, and we have scaled this number pretty soon?

Srinivas Reddy: Yes, exactly.

Aman: On that sir, just on Weatherford. So earlier, you had talked about maybe INR150 crores, INR200 crores kind of opportunity. So, FY '27, maybe INR50 crores, INR70 crores and FY '28, that full INR150 crores ramp-up. Is it a fair assumption?

Srinivas Reddy: That's a fair assumption, yes.

Aman: Sure, sir. Final question is on the clean energy on the other side, hydro power, wind and the other parts scaling. Could you quantify, I don't have the numbers. What is it today, excluding Bloom

and where do you see the scaling of any of these customers where you can see scaling to, say, INR100 crores kind of number for us?

Srinivas Reddy:

No, it's not just one customer. We're working with GE, working with Andritz, Voith, a number of customers, right? Recently, we finalized with Andritz about INR40 crores of orders in hydro to be executed every year. We have done that recently. So that's purely based on our past kind of deliverables that we have given to all these customers. A lot of work has been done in that sector over the last 2 years.

So [inaudible 0:46:20] is another company. So, we are working with various customers. So, we're looking at about INR100 crores to INR120 crores of orders that we can execute next year. We are almost there, INR100-plus crores purely with these customers. A lot of work has been done.

So, this is what I keep saying. What you don't see in the balance sheet is the kind of work MTAR has been doing on the background with various customers, developing various first articles, proving our capabilities to the customers and all that you will see the results over the next year and moving forward as well.

Moderator:

Our next question is from the line of Dhavan Shah from AlfAccurate Advisors.

Dhavan Shah:

Congratulations on a great set of numbers. So, my question is on the order inflow. I think you mentioned that this year we'll close with the INR2,800 crores kind of the order book, and you also mentioned the revenue could be around INR900-odd crores for this year. So, if I reverse calculate the order inflow, it comes to roughly INR700 crores, INR800 crores of order inflow that can come in the fourth quarter. So, if you can share the breakup of the order inflows that you are expecting that can come during this quarter, the INR700 crores, INR800-odd crores?

Srinivas Reddy:

See, it's a combination of the fuel cell orders, the nuclear orders, the space and aerospace orders. All this put together, should be roughly around close to INR700 crores to INR800 crores that we are expecting in this quarter. So that's how the closing order book would be around INR2,800 crores.

Dhavan Shah:

Understood. Understood. So full year order inflow would be roughly INR2,800-odd crores this year. And then next year, what kind of the order inflows are we expecting?

Srinivas Reddy:

Much more than this. I can't really quantify the number right now, but we'll have a pretty good strong order book next year as well, much higher than what we have today.

Dhavan Shah:

Understood. Understood. And the incremental opportunity from the Bloom would be how much next year, if you can give some guidance on that?

Srinivas Reddy:

It's very straightforward. I mean, basically, it's not on how much, how much are we able to deliver? That's the big question there. It's not about the order, right? So, it's based on the expansion plans that we have.

So, they're asking for a lot more. But we are -- we have positioned ourselves to deliver 12,000 units and the expansion plan to 20,000 will happen by December, hopefully. Then we add another additional hot boxes to them. So basically, it is 12,000 units is what conservatively we have taken for next financial year.

Dhavan Shah: Understood. Understood. And the margins can reach up to 25-odd percent. That's what we are expecting because of the operating leverage, right, next year?

Srinivas Reddy: Yes. As I said earlier, I don't want to comment on the exact number. But if you look at the current quarter margins, it will further improve from there. And obviously, with higher operating leverage and better revenues next year, our margins will substantially improve.

Moderator: Our next question is from the line of Amar Ahir from Raedan Capital.

Amar Ahir: Is it possible for you to give like what would be your utilization right now?

Srinivas Reddy: What is it? The utilization of what?

Amar Ahir: All the capacity that you are having?

Srinivas Reddy: On the fuel cell side, you're talking about or.

Amar Ahir: Yes, on the fuel cell side?

Srinivas Reddy: Yes, we are up to 100% capacity. Literally, we are right on the top prim right now at 8,000 capacity. And then by end of March, we'll go up to 12,000 capacity. So, we'll utilize the full capacity utilization what we have.

Amar Ahir: Okay. And if you could give any guidance on the upcoming orders coming in FY '27? And where will your order book stand in FY '27?

Srinivas Reddy: FY '26, I've given already just now. We're expecting around INR700 crores to INR800 crores worth of orders this quarter. And then we closed the order book at INR2,800 crores. And if you talk about FY '27, then we'll have a lot more orders coming in. It's too premature to comment on that right now, but we'll have even more stronger order book -- closing order book next year.

Amar Ahir: Okay. And would it be possible for you to give a growth guidance for FY '27 and margins?

Srinivas Reddy: I mentioned this earlier; we're looking at about 50% of revenue growth guidance for FY '27 as of now and a lot more better margins and improved margins next year. compared to --.

Amar Ahir: Okay. 50%, you mean, 5-0, 50% right, for the FY '27?

Srinivas Reddy: That's right.

Amar Ahir: Okay, sir. And margins?

Srinivas Reddy: Margins, we have seen in Q3, we'll have a lot more improved margins beyond that, so in FY '27.

- Moderator:** Our next question is from the line of Naman Parmar from Niveshaay Investments.
- Naman Parmar:** So firstly, I just wanted to understand on the nuclear side, like thorium-based deposit, right? So, we are aggressively working on to create a FBR for the thorium-based reactor. So, any capability that we are creating on that side?
- Srinivas Reddy:** We have already done for the FBR. The majority of the requirements of FBR reactors were done by MTAR in the past. Now those reactors have to get commissioned. That's the first step. We're expecting those reactors to get commissioned over the next 6 months is what they have said.
- And the next cycle is the thorium-based reactors. As you know, we have 40% of thorium deposits in the world. That's the nuclear cycle which was created by Baba Atomic Research Centre many years back. So that's the cycle which we want to achieve. We are not yet there, but ultimately, we will be there. So that's the idea behind this whole situation.
- Naman Parmar:** Okay. Understood. And secondly, on the bookkeeping side. So currently, what is your cash flow in the current quarter?
- Srinivas Reddy:** Gunneswara?
- Gunneswara Rao:** Yes. The cash flow from operations was INR22 crores negative for this year because of the higher revenues, which are actually sitting in receivables. But we are working with our customers on the various advance opportunities for this quarter in Q4. Let us see how the discussions goes on. And definitely, we are confident of getting advances from our customers.
- Our Q4 and year-end cash flows will be better than the last year, will be better by getting these advances, yes.
- Moderator:** Our next question is from the line of Dev Thacker from ithought.
- Dev Thacker:** Sir, on the nuclear side, how should we see the opportunity per reactor? Like will it be in line with Kaiga's INR250 crores per reactor or should we see this increase for the newer set of reactors?
- Srinivas Reddy:** Slightly more because we are going to add additional assemblies for the new reactors called End Shield and Calandria. So probably it should be going up to about INR350 crores to INR400 crores of opportunity per reactor. That's what we are looking at. That's an opportunity. We have to see how it goes.
- Dev Thacker:** Got it. Sir, on the clean energy side, sir, as the data centre power demand is expected to like in the various estimates double from 60 gigawatts to 140 gigawatts. What percentage of this incremental share can be captured by fuel cells in next 3 years or 5 years?
- Srinivas Reddy:** The majority is by the fuel cells, right? People -- that's how the Bloom demand has gone up so much. There's a huge shortage right now. And over the next 5 years, it's going to be phenomenal. It only depends on how you can cope up with that kind of demand in terms of the expansion plans, the execution cycles and all that.

So, it's not only orders per se, it's on how you can take that as an opportunity, demand as an opportunity to convert that into the execution cycle to do it and how soon you can expand your capabilities in terms of the capacities and all that. So fortunately, it's the other way around, right? It's not about orders, but it's about how much you can produce. That's where we are right now over the next 3 to 5 years.

Dev Thacker: Got it, sir. Sir, on the -- next question would be on the EBITDA margin. So, at current quarter, we are already at 23% EBITDA margin. So, in FY '28, we had guided for 28% EBITDA margin. So, are we sticking with that guidance or like the 20%plus/minus 1% kind of EBITDA margin?

Srinivas Reddy: Yes. FY '26, as I said, is -- average is about 21%, but FY '27 would be a lot higher than that, right? So, we'll be in the high -- much higher range. It's a very clear indications for all of you to see.

Dev Thacker: Got it. Sir, one last question. What was the update on the roller screws? And we had also got the license on the ECM and the naval equipment for submarines. Is there any progress on that side?

Srinivas Reddy: We are already certified for that. As usual, the defence program has a lot of certifications for roller screws because it's an import substitute. It is done already. We're just waiting for the final papers to come in. They're very happy with the performance of the roller screws.

They have tried and tested it; everything is done. So, we're just waiting for it. EMA is also the same situation. Hopefully, this quarter, all those certifications will be closed and we'll be through with the normal regular production what they need for the future as an import substitute.

Moderator: Our next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Congratulation, sir, on excellent set of numbers. Sir, my only question is on the working capital side. I heard you earlier where you said that the quarter 4 will be heavier on execution side since we are targeting 35% revenue growth. I wanted to understand what would be the inventory and net working capital levels that we are targeting for end of quarter 4? And what is the steady state number that one should look at going forward?

Srinivas Reddy: Gunneswara, do you want to answer this?

Gunneswara Rao: Yes, yes. So, quarter 4, we are targeting around 235 days with as is condition. But we are discussing with some of our customers on advanced payments. I think most probably we will get advanced payment. I think our working capital will drastically reduce if we get advances, then it will be less than 200 days. Otherwise, the 235 days, we are estimating by end of this year as is scenario.

Vignesh Iyer: And what would be, sir, the inventory days?

Gunneswara Rao: Inventory days as like today, whatever absolute numbers are there, we will be there only here and there 10 days. But with increased turnover in Q4, days will come -- further come down to, say, another 5 to 10 days, it will come down.

Moderator: Our next question comes from the line of Jaitra from Ebisu Investment Advisors.

- Jaitra:** So, could you please share the current capacity utilization in your Aerospace and Defence segment?
- Srinivas Reddy:** See, I said we have enough capacity to handle up to even INR200 crores of business. We are setting up additional capacities; the machines are coming in as well. Right now, we are doing partial volume and partial first articles. But the kind of revenues that we can generate will be beyond INR200 crores plus once all the equipment comes in over the next 2, 3 months.
- Moderator:** Our next question is from the line of Nilesh Jain from Astute Investment Management Private Limited.
- Nilesh Jain:** My first question is on the clean energy side. So, during FY '23, we had done a peak revenue at that time and post which because there was a change in model which impacted the volumes, do you see anything such happening maybe next year or where because of change in technology, which might come into place?
- Srinivas Reddy:** I think that kind of a situation will not happen. There was a drastic change in the kind of event happened at that point of time. But even if there are some changes, there will be very minor tweaks, which can be manageable. That's not a problem. So, I don't see that happening moving forward.
- Nilesh Jain:** Okay. And in terms of realization, how do you see that going forward, given Bloom is also want to reduce further costs on their side?
- Srinivas Reddy:** Yes. The cost can be reduced based on -- primarily on the design side of the story, right, or reduction in the BOM costs and all that. Other than that, I don't see any kind of realization being changed. Suppose if they replace Inconel with SS or any change of materials based on the design engineers working together with MTAR, then the BOM cost comes down, then the realization, but that will not affect us because our value-add remains the same. So those kind of changes, subtle changes can happen. So that's the only thing. Other than that, the value-add would remain more or less the same.
- Moderator:** Ladies and gentlemen, in the interest of time, that was our last question. I would now like to hand the conference over to the management for closing comments.
- Srinivas Reddy:** I would like to thank all of you to attend this earnings call of MTAR Technologies. And I would like to also thank specifically the -- all the entire team of MTAR for putting together such great performance for this quarter and also for the coming quarters. We can clearly see that happening quarter-on-quarter basis based on all the hard work done over the years.
- And also, I would like to specifically thank all our investors and shareholders in supporting us over the years. And also, we have put in our best efforts to improve further and further quarter-on-quarter basis. 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.