



email : info@mtar.in website : www.mtar.in

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To,

BSE Limited, P. J. Towers, Dalal Street, Mumbai-400001. (BSE Scrip Code: 543270)	NSE Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai- 400051. (NSE Symbol: MTARTECH)
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Dear Sir/Madam,

Subject: Disclosure under SEBI (Listing and Disclosure Requirements Regulations, 2015) -Transcript of Earnings call held on 14 August 2024.

Unit: MTAR Technologies Limited

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find enclosed the transcript of the earnings conference call conducted on Wednesday, 14 August 2024 at 10:00 a.m.

The transcript of the earnings call is also available on website of the company i.e. www.mtar.in You are requested to kindly take the aforesaid on your record.

This is for your information and records.

Thanking you,

For MTAR Technologies Limited

**Naina Singh
Company Secretary and Compliance Officer**

Encl: As above.



MTAR Technologies Limited
Q1 FY '25 Earnings Conference Call
August 14, 2024



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 the MTAR Technologies Limited Q1 FY25 Earnings Conference Call hosted by Orient Capital. 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 touchtone phone. Please note that this conference has been 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, Sumit. Good morning, everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all participants on Q1 FY25 business discussion call. Today on our call, we have Mr. Srinivas Reddy sir, 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 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 guaranteed for our future performance and involve unforeseen risks and uncertainties. With this, I would like to hand over the call to Srinivas, sir, for his opening remarks.

Srinivas Reddy:

Thank you and hello and good morning to everyone. Thank you for taking the time to join us today. Today on the call, I am joined by Mr. Gunneswara Pusarla, Chief Financial Officer, Ms. Srilekha Jasthi, Head Strategy and Investor Relations and Orient Capital, our Investor Relations partners.

We have uploaded our updated investor deck, press release, and results highlights on the stock exchanges and company website. I hope everybody had an opportunity to go through the same. In Q1 FY25, we have posted a revenue of INR128.3 crores with an EBITDA of INR16.6 crores at a margin of 13% and a net profit stand at INR4.4 crores. We have an increase of employee benefit expenses in this quarter to the tune of 22%, which would eventually come down because of the establishment of new business verticals.

On an annual basis, the employee benefit expense would drop to about 16% with a robust revenue growth in the subsequent quarters. Also, as guided earlier, we are still maintaining a 22% EBITDA margin for the year with plus-minus 100 basis points and with a revenue growth of 30-35% year-on-year basis. I just would like to mention and guide for the Q2 numbers as well, which is just about 45 days from now

We estimate that the highest ever revenues to be around INR200 crores plus with an EBITDA margin of 20% plus-minus 100 basis points. Going back to Q1, in Clean Energy, we have executed roughly around INR86 crores of orders and we have dispatched around 814 units of Hot Boxes and around 22 units of electrolyzers.

This is in line with the overall dispatches that we have mentioned earlier, close to 3,300 units for this financial year. The closing order book for Bloom Energy stands at Rs. 468 crores by end of Q1.

In addition, we have received around INR140 crores of orders last week and the company will be receiving further orders during the current financial year for the various requirements of the Clean Energy segment, especially with Bloom Energy as well. We expect to execute around Rs.104 crores of orders in Q2 and INR323 crores for FY25 in this sector. The past few quarters have been challenging for us for various reasons, which was explained earlier.

I am pleased to inform everyone that our main customer, Bloom, is witnessing a rise in commercial demand, primarily from various data centers and posted a strong Q2 CY25 as well. The revenues of Bloom are projected to grow 18% per annum on average during the next three years, compared to the 8% growth forecast for the electrical industry in the U.S., while the past few quarters have been challenging for the company. The reasons for which have been explained very clearly in the past quarters.

In the case of civil nuclear power, in the first quarter we were building the systems for dispatches for the subsequent quarters. We have done a marginal sales of INR1 crore plus. We built a lot of work in progress that shall be dispatched over the coming quarters. We look forward to deliver around INR16 crores of orders in Q2 and the company shall be executing around INR62 crores in FY25.

The contract of Kaiga5 and 6 reactors has been awarded to a private player and as per the tender terms, they have to outsource the subsystem orders for the nuclear island to pre-qualified vendors of NPCIL. We are definitely expecting around INR600 crores of orders coming in from Kaiga5 and 6 in the second half of this year and orders from refurbishment of reactors are expected over the coming quarters as well.

We are expecting a strong closing order book of around INR700 crores in civil nuclear power by end of this fiscal year itself. We have executed around INR8.5 crores of orders in space in Q1, constituting 7% of total revenue. We expect a three-fold increase in revenues in space in FY25 compared to FY24 and also we have increased volumes from MNC aerospace as well.

In Q2, the company shall be delivering around Rs.12 crores of orders to ISRO and Rs. 25 crores of orders to various MNC customers as we have now gone into the production mode for the various first articles we have done earlier. On an annual basis, we are estimating an execution of Rs. 120 to Rs. 130 crores of orders in this sector of which around Rs. 50 crores of orders will be delivered to ISRO which includes Semicryo as well and the balance Rs. 70 to INR80 crores will be from the MNC aerospace customers as we have taken up the production orders from these customers after completing the first articles.

Batch production orders are being placed by the MNCs as and when a set of first articles are being executed on a continuous basis by the company keeping the future growth in mind. We could have further order inflows in this sector with the tune of INR120 crores over the coming quarters.

As you are aware, the company has also entered into a long-term agreement with IAI, Thales and we will be signing a long-term contract with GKN Aerospace soon. Apart from this, we are also in discussion with various MNC aerospace customers for several other projects.

The revenues from defence for Q1 stand at Rs. 4 crores and in Q2 we will execute around Rs. 5 to 6 crores of orders and an annual execution is estimated at around INR30 crores. Products and others have been doing extremely well based on our earlier efforts with very robust growth prospects. It is emerging stronger as we have dispatched around Rs. 28 crores of orders. We shall be executing around INR37 crores from this segment in Q2 as well and Rs. 130 crores of orders shall be executed on an annual basis. In INR130 crores, around INR20 crores of orders are being executed for new customers in other sectors. We plan to execute around INR12 crores in Q2 from other verticals of Clean energy like hydro, wind etc. and other sectors and end up with about INR45 crores of orders being executed in FY25.

We are very confident of achieving the 30-35% growth in revenues and achieving a 22% EBITDA margin with plus-minus 100 basis points and the long-term growth of the company remains intact. In addition, we also target to improve our cash flows further by end of this fiscal year and reduce the net working capital days to 220 days.

While the company has clear targets with respect to revenue growth, improvement in margins and reduction of working capital base, I am confident of achieving the same, we are taking necessary steps to ensure a sustainable growth in long term.

Although Clean Energy is witnessing a bounce back due to stronger demand, which is a positive sign for us, we are primarily focusing on also diversifying and strengthening our revenues from other verticals as well. The growth in other verticals over the next 2-3 years is going to be very strong based on the efforts being made in developing various first articles for customers in various fields. Accordingly, the company is in final stage of discussion with clients in oil and gas field as well.

We are expecting a strong inflow of orders in this segment as well in the current fiscal year where we start with the first articles and then move on to the volume production in the next financial year. In addition, we are commissioning our new aerospace facility in Hyderabad by end of September and it will be fully operational by end of December with all the certifications done and this unit is expected to further impetus the growth of our aerospace vertical.

Further, we are also planning to close out the oil and gas vertical itself by establishing the required facilities for which we have enough equipment within the company and we will be adding further equipment to take care of the bottleneck areas in this field itself.

The primary focus of the company is on increasing the inflow of orders entering into long-term agreements with customers and building new verticals which will definitely ensure a strong growth outlook moving forward and that's the focus in which we are working upon on a regular basis. Our CFO, Mr. Gunneswara Pusarla will discuss in detail on the financial performance of Q1 FY25.

Gunneswara Pusarla:

Thank you Mr. Srinivas Reddy. Good morning everyone and a warm welcome to our earnings call. First and foremost, I would like to express my gratitude for your continued trust and support for MTAR. I will now cover the various financial performance parameters for Q1 FY25 post which we will open the floor for questions and answers.

When compared to QoQ, Q1 FY25 versus Q4 FY24, on the revenue front at consolidated level, revenue from operations stood at 128.3 crores in Q1 FY25 as against rupees INR143 crores in Q4 FY24, a decrease of 10.3% when compared to QoQ.

Moving on to EBITDA, reported at 16.6 crores in FY25 as compared to 18.2 crores in Q4 FY24. Profit before tax stands at 6.2 crores in FY25 Q1 as against 7.2 crores in Q4 FY24. Profit after tax was at 4.4 crores in Q1 FY25 as against 4.9 crores in Q4 FY24. Our EBITDA margins will improve starting from Q2 due to operating leverage and increase in revenues.

In Q2 we estimate EBITDA of 20% plus or minus 100 bps as said by our MD. Sequentially it will improve in subsequent quarters so that we will end up with 22% plus or minus on an annual basis. The company has reduced its long-term debt by 15 crores from 142.5 crores to 127.4 crores in Q1 FY25. During the year the company is repaying s INR41.9 crores in term loan. Another positive sign is the cash flow from operations stood at INR24 crores positive as compared to FY24 full year Rs 57.4 crores. The company will be achieving an improvement in cash flows by end of FY25 compared to FY24.

Our net working capital to revenue days for Q1 FY25 stood at 277 days. In absolute terms the working capital reduced to 390 crores from 400 crores. Though there is a reduction in RM and receivable on absolute terms, the number of days is still higher due to lower revenue. We are confident of reducing it to 220 days on increased turnover by end of this financial year.

As informed by our MD the company is working on various initiatives such as adding additional customers, expanding its presence in aerospace by setting up dedicated facility at Hyderabad as required by the OEMs, enhancing product portfolio with existing customers, venturing into new verticals like oil and gas sectors extra. We expect EBITDA and PAT margin to improve from Q2 and H2 of FY25 on account of higher revenue expected at 30% to 35% and also through operating leverage.

Going forward we continue to maintain EBITDA at 22% plus or minus 100 bps. So we are working on various initiatives such as process improvement, batch production in aerospace.

The company will reduce the debt substantially by end of this financial year. I am opening the floor for questions and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is on the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna:

Good morning sir. My first question is regarding the number of Hot Boxes delivered and electrolyzers this quarter?

Srinivas Reddy:

So we have delivered 814 hotboxes this quarter which is in line with the 3300 Hot Boxes that we are supposed to deliver in this financial year. And also we have delivered 22 units of electrolyzers this quarter. And apart from this in Q2 there is a lot of pull in and we are expected to deliver about 990 Hot Boxes this quarter.

So there has been a very increased demand from the Bloom Energy customers and also they have released orders for further INR140 crores which we have informed the stock exchange last week. So we are expecting an improved demand and coming back to the higher dispatches moving forward as well in the coming quarters which we will know further as we move forward.

Bala Murali Krishna:

Okay sir. Is there any update on the electrolyzers order, further orders and how much you have yet to deliver from the previous orders?

Srinivas Reddy:

We have executed all the existing orders that we have on electrolyzers. So we are expecting further orders coming in but we do not have a clear idea right now on when exactly we will get the further orders. But definitely Bloom is moving very aggressively in terms of implementing various projects in electrolyzers. So as and when the orders are booked we will get back-to-back orders from them and once we have it then we will definitely intimate everyone.

Bala Murali Krishna

Secondly on this aerospace unit which you are going to start, what is the product we are going to make here and oil and gas sector we are expecting orders and what is the product for the oil and gas sector?

Srinivas Reddy:

So basically in Aerospace we are working with various MNCs. For example, as you mentioned with IAI, GKN Aerospace, Thales etc for various of the requirements in the aerospace sector and we have already done the first articles. Now we have gone into the production mode. That is why you have seen growth in the revenues coming in from this sector already this year as compared to last year. Last year we hardly done 8 crores or 9 crores in terms of first articles and this year we are looking at about INR70 crores plus. So that is a substantial improvement in the aerospace revenue itself.

So once this unit is commissioned, we will see a lot more impetus in terms of revenue growth coming in from this which has been an exclusive state of the art plant which we are commissioning shortly in Hyderabad itself. So that is where we stand and as far as the oil and gas is concerned, we have just discussed with a number of customers and we are looking at executing certain first articles this year and then we move into volume production next year and that will also add to a new vertical which we intend to start and we are progressing very well in terms of discussion with various MNC customers in this line.

Bala Murali Krishna

That is helpful. Fluence Energy sir, any update on the progress on the deal with Fluence Energy?

Srinivas Reddy:

No, as I mentioned earlier Fluence has already concluded the discussions with us. The only thing is they have to win orders within India to begin with, for us to get back-to-back orders. They are participating in various tenders so as and when they win the orders then it will probably commence that particular area. We will be able to get some orders.

But as far as exports are concerned, as I mentioned earlier they are working with a couple of companies to establish the battery manufacturing units in India. Once that is done then we will be able to even handle the exports for Fluence Energy in the long run.

Bala Murali Krishna: Okay sir, lastly on this order intake I think we have a target of closing orders at INR1500 crores. We are on track for that?

Srinivas Reddy: We are definitely on track for that. The majority of the orders are going to come in obviously from the nuclear sector which is very clear right now and once the private player who is getting it will get back-to-back orders from them because we are supporting in the case of manufacturing of the nuclear island which we specialize in that. Also in aerospace sector and Clean Energy sectors we are expecting a lot more orders coming in including the defense sector as well. So, we are definitely in line with what we have said earlier as having a strong closing order book for next year.

Bala Murali Krishna: Okay sir, that's all from my side and all the best sir. Thank you.

Moderator: The next question is from the line of Sunidhi Joshi from KM Capital Advisors. Please go ahead.

Sunidhi Joshi: In the press release you had mentioned about Q2 being very strong and post that can we expect H2 also showing good momentum and our guidance for FY26 also remains intact?

Srinivas Reddy: Absolutely, that's what we have clearly mentioned that it's not about Q1 for us, it's about how we are taking this company forward and we are just like 45 days to 50 days from Q2 and we are pretty confident of recording the highest ever revenue for MTAR in the history of MTAR which is around INR200 crores plus. And the second half is also going to be very strong for MTAR based on the kind of work we have done over the past 8 to 9 months and based on that our revenue growth which we have mentioned 30 to 35% year on year is very much intact including the margins which we mentioned at the end of the year at 22% plus minus 100 basis points. We are right on track with that as well.

Sunidhi Joshi: Okay, fair enough and it would be great if you could comment on how this breakup would be across all the segments.

Srinivas Reddy: Are you talking about Q2?

Sunidhi Joshi: Yes

Srinivas Reddy: So basically, if you look at nuclear, we'll be executing orders worth about INR16 crores roughly. We are very specific in this because we know what's going to happen and then we are closing out the fuel machining head contract completely well within the time frame of NPCIL without incurring any LD charges, so we are well ahead of time. And space and aerospace sectors, space we're doing about INR13 crores and odd and aerospace we'll be doing around close to about INR20 crores as such.

Products we'll be doing roughly about 37 crores and odd and clean energy segment in hydro wind we'll be doing roughly close to about 11 to 12 crores and in the sheet metal vertical we are

looking at about INR17 crore of business coming in and in the Hot Boxes segment which I said the demand has gone up to 990 units right now from 814 of last quarter and which is far more than what we anticipated and we touch around close to about 88 to 90 crores of sales from there. So this is the approximate breakup of the revenues that we're expecting for Q2 and that's why we have mentioned that we'll touch around 200 crores plus in Q2 where we stand right now that's the breakup of the whole sales.

Sunidhi Joshi: Okay got it got it and also can you help us know the total L1 orders being bid for the quarter?

Srinivas Reddy: Basically we have a bid for number of orders in the defense sector, in the space sector, in various other sectors and we are expecting all the orders to come in this quarter and the next quarter as well. We can't really quantify that but it depends on when exactly they will release the purchase orders. So we're waiting for that. We have won orders even from defense we have won roughly around 30 crores of orders for various products including wing kit assemblies, scramjet engines and all that. So all these things will come into play for the future years and those orders are expected to come in any time now.

Sunidhi Joshi: Okay thank you sir all the very best.

Moderator: Thank you. The next question is on the line of Meet Jain from Motilal Oswal. Please go ahead.

Meet Jain: Hi sir good morning. One question regarding our guidances, how confident are we to achieve that in that Q2 we have given a break up of all the revenues and like what can be a downside risk on this?

Srinivas Reddy: I don't see any kind of downside here at all because they are well on track with the revenues for Q2 and that's why we specifically are guiding for Q2 as well this year. And we have given also the clear breakup in various segments that we're going to achieve these revenues and we are right on track with that. So I don't see any kind of downside with this.

Meet Jain: Okay even on the margins are like we are riding on 20% kind of margin plus or minus 100bps. So we foresee such kind of product portfolio that can help us achieve this kind of margin.

Srinivas Reddy: Yes that's right so we will be achieving a margins of EBITDA of 20% plus minus 100 basis points, that's what we're looking at for Q2. And in the second half also we are having a strong revenue outlook and as well as improved margins. So ultimately we'll end up with what we've guided in terms of revenue growth and the EBITDA margins what we have said 22% plus minus 100 basis points for this year.

Meet Jain: Okay and any guidance on the closing order book by FY25 including L1?

Srinivas Reddy: Yes the closing order book as I said will be roughly around INR1,500 crores and we are expecting major orders coming in from nuclear, aerospace, defense and also the space sectors and the new verticals we are entering into as such. So we have estimated all that based on the time frame most of those orders will kick in in second half of this year and we'll end up with a strong order book by end of this year.

Meet Jain: Okay apart from that, in the product and other segments, are we developing any new products. Like we have few products which we were able to generate a very good revenue out of that. So any new products that we are supposed to launch this year or in the pipeline?

Srinivas Reddy: The R&D and the new product development team is working on various products including valves for defense and space sectors as well. So we are looking at a lot of areas where there are quick wins for us, we are focusing more on that right now. So those things will come into play probably by end of this year we'll be able to see the light of some of those products for sure.

Apart from that which we had mentioned earlier finally our roller screws have been proven in the defense department and they're releasing a certification by end of this month. And with that the import it will become a 100% import substitute for us moving forward. And the government need not further import from Rollvis Sweden as we will be the first company who has developed this product which is useful in all the defense areas and space sectors as of today.

Meet Jain: So the new products that will be launching by the end of FY25 and the roller screws also which have been approved in the defense so this all will be contributing from FY26 onward?

Srinivas Reddy: Yes, absolutely yes. So what was the idea behind this is that we are clearly focusing on various products as import substitute products and all this will definitely contribute for the future growth in the next financial year FY26 for sure.

Meet Jain: Okay and one last question is on this defense, so where are we on this defense JV that we highlighted earlier.

Srinivas Reddy: We already have the defense license but we are looking at the right opportunities in the right partners in terms of the JVs right. It has to be beneficial for MTAR to move forward with such JVs. So we had couple of opportunities which we looked at it but we are not convinced with the kind of returns that we're going to have but we are still working with various companies to see how best we can do to have a jump start in terms of taking this forward. So once that happens then we'll be able to let you know about that.

Meet Jain: Got it. Also sir I just wanted to understand the capex guidance for FY25.

Srinivas Reddy: So basically, as I said we're already implementing the aerospace sector which we mentioned last time. We are looking at oil and gas as well and we're expecting the first orders to come and kick in sometime this quarter or beginning of next quarter. And as I said most of our unit equipment are fungible in MTAR so we're going to use our existing capex for what is already implemented in the company for the oil and gas field for the first articles.

But in order to establish an independent facility for them we might look at about we'll be shifting a lot of machines out there in a separate facility and also add a few bottleneck machines. We're estimating the capex requirement which can be between 35 to 40 crores which will enable the company to do volume production for next year hopefully we're looking at about 150 crores of revenues coming in from there from oil and gas itself. So we are working on that it's still work in progress and once that is done we'll be quickly establishing all this to ensure that we book those revenues for next year after completing the first articles in the current financial year

- Meet Jain:** Okay so only around 35 to 40 crores, this is the capex guidance for FY25?
- Srinivas Reddy:** For the oil and gas field yes they are around 40 crores and odd and aerospace already we have mentioned the capex requirement which is already under implementation right now and should be done by September and fully commissioned by December end
- Meet Jain:** How much is that capex sir?
- Srinivas Reddy:** See we have exclusive facility in Hyderabad which we have taken for 16 crores earlier and we're looking at probably around 20-25 crores of expenditure that we've incurred to set up the full-fledged state-of-the-art plant for the aerospace industry that's what it is.
- Meet Jain:** That has been spent in this quarter and the previous year?
- Srinivas Reddy:** It's in the process and that's why I said we're commissioning part of it in September and fully commissioned by December so it's a work in progress in implementation state it will be done by December end.
- Meet Jain:** Got it sir thank you
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead
- Harshit Kapadia:** Hi thanks for the opportunity, I just wanted to understand sir on the hot boxes side are we now completely moved to Santa Cruz from Yuma or there are still some inventory for Yuma left in the system that's the first question. And secondly sir on the quarter two number you mentioned 200 crores, is that a correct number and what margin are you looking at for q2 is what you have also mentioned.
- Srinivas Reddy:** Yes so we have completely moved to Santa Cruz. See what is important here, it took some time because a lot of field tests also Bloom has to do as a company, which has been successfully done and that's how the whole thing has changed right now. And we have completely moved to Santa Cruz block 2 and it's fully implemented right now and Yuma is completely out of the picture. And as far as q2 is concerned I did clearly mention that we'll be doing our highest ever revenue around 200 crores and with a margin of 20 plus minus 100 basis points understood then where
- Harshit Kapadia:** And where are we in the value chain of increasing our share on the you know hot boxes and the green hydrogen chain you are looking to add more products, pie from just from the Santa Cruz boxes as well. So if you can share some details on that, that would be helpful.
- Srinivas Reddy:** See I can't go to specifics but we are just working on a few of those items right now. The first articles are being established and which will come into play in the next half of the year and full flesh in the next financial year. So we're working on those things right now and probably we'll see some traction happening over that over the next quarter or so
- And as far as the electrolyzers are concerned as I said earlier we're completely manufactured the entire units for Bloom and we are looking forward for the new set of orders from them. It depends upon the orders which Bloom will receive which actually they're going in the right direction as

mentioned in their earnings call as well and hopefully we'll get that is an independent vertical and right now we have not considered that in our revenue budgets for this year. But if it happens then it will be a separate new vertical which we have already established.

Harshit Kapadia:

And what kind of opportunity would you associate electrolyzer with sir.

Srinivas Reddy:

See electrolyzers is something very new right. Production of green hydrogen so that's something which a lot of countries are looking for and already bloom has established it and already executed some projects. I heard they've also executed one project in Europe as well. So we are looking at that vertical growing really in a very big way but it would take a little time but it will definitely happen. We're already there and hopefully I know even if you get the orders this year you're not budgeted in our revenue outlook but definitely we'll see some kind of revenues coming in next financial year for sure.

Harshit Kapadia:

And in terms of client diversification from Bloom, we had also submitted some of prototypes to some US companies and we were looking to add more clients so where are we in that growth phase sir

Srinivas Reddy:

We are actually very strong in that. As I said we are working with US companies we're also working with Israeli aerospace industries, we're working with GKN and American companies, Dallas, European companies. So a lot of other companies we are working with us in a very big way.

See in engineering what happens is we have to build the product we have to do the first articles establish it, do batch production we have gone through all that right now. That's why we are into the volume production right now. We're also getting into the oil field which I mentioned earlier. So all this will enable us to diversify more and more and strengthen our other verticals in a big way and especially with nuclear sector becoming stronger and stronger for us finally because of the orders which will come in flowing for us I see the nuclear division is going to grow very rapidly over the next and we'll have enough on our plate for the next 10 years. And plus a lot of private industries are looking at smaller nuclear reactors to be established they're working with the government for that which has been announced in the budget as well. So we have a lot of scope in improving our area because we really specialize in the nuclear division for the last 40 years. So all this will enable us to diversify well and drastically reduce the customer concentration risk over the next two years for sure.

Harshit Kapadia:

Fair enough sir and on space industry now you have been doing a lot of amount of product additions, so if we can give some highlights where are we in terms of growth in the particularly space sector. And any pipeline which you can share in terms the Gaganyaan etc which is there and where you will be able to delve more into this.

Srinivas Reddy:

See all those projects we're already working with, you know space from 1989 we're working with them and we're very exclusive in terms of supplying the liquid propulsion engines, cryogenic upper stage engines for them. And the major product that we're working on hopefully we're going to end up dispatching it is the Semicryo engine for the first time so we're developing that as well. So also the growth in the space also depends on the number of launches they do and

how they want to take it forward. So we have to look at that but we are very stable in this space business because of our exclusive relationship with ISRO and the kind of technology we have developed with them and that will continue for us.

Harshit Kapadia: Understood sir. Wishing you all the best sir. Thank you.

Moderator: Thank you. The next question is from the line offer of Arafat Saiyed from InCred Research. Please go ahead.

Arafat Saiyed: Yes hi sir thanks for taking my question. Sir can you take us through the outlook of Clean energy and especially Bloom energy. So what kind of let's say the growth they are guiding you in terms of revenue and value addition?

Srinivas Reddy: See as I said right now, we are seeing a spurt of demand from Bloom energy which we anticipated but we were waiting for the time to come in. So if you look at the first quarter we have done 814 boxes. Now we are doing 990 for Q2 and probably progressively we'll do such increased requirements from Bloom we have to wait and see. So we are in line with what we have said earlier.

In terms of the number of units we're going to dispatch but probably that might increase or that might fortunately will be there for sure, the kind of growth we're looking at right now. It was like sudden requirements which are coming in from them because of the various orders they have won the kind of outlook they have. So we would see a positive growth coming in from Bloom as I mentioned earlier and in the long run they're also looking at about 18 percent kind of growth and we'll also see that kind of growth. Plus, we're trying to increase our wallet share with Bloom as well. So I think now we are back on track with Bloom completely and we're hoping to do better and better moving forward.

Arafat Saiyed: The next question on oil and gas so what kind of opportunity are you looking at in this space and also which clients you're tapping in this space and what's let's say major outlook on this segment and how this revenue will grow over the next three to five years, any guidance on that

Srinivas Reddy: See oil and gas, we have just over the last three to four months discussed with various customers who have visited our facilities. I don't want to spell out the names right now, but they visited our company, they have certified, they were very convinced with what our capabilities are. In the past we had also worked with Schlumberger as a customer, I am talking about 10-12 years back. So, we know what that oil field is all about.

As I said most of our equipment is fungible so we're trying to use our existing equipment for the first articles this year and then moving forward we're going to establish independent facility for the volume production next year. Now what is the growth outlook yes, it is actually very interesting because we are looking at, as I said earlier at least about INR150 crores plus for next year, we can execute if we do the first articles on time which we will focus on in the current financial year and in the long run this vertical can grow as big as Bloom as well or even more. The existing customer what we have so that's our goal in which we are trying to move ahead.

- Arafat Saiyed:** Okay and adding to that sir, what kind of product are you looking at in this space and what's your usp and also what is the investment in this space, are you looking to invest in the next couple of years.
- Srinivas Reddy:** I can't specifically specify a product, there are various requirements are given to us most of them are assemblies some of them are products. It's a multiple kind of requirement that they have. And the investment as I said will be roughly around, with the existing equipment what we have and the additional around INR40-INR45 crores of equipment that we need to implement, which is not much based on the existing capex. Already machines that we have right now so that's the kind of outlook we have for this year to implement
- Arafat Saiyed:** Okay fine sir that's it from me, thank you.
- Moderator:** Thank you, the next question is from the line of Gaurav Uttrani, from IIFL Securities. Please go ahead.
- Gaurav Uttrani:** Hi Sir, thank you for the opportunity. Sir just wanted to check on the nuclear power orders for the same because see we have received the notification that Megha Engineering already received the order from them, for Kaiga 5 and 6. So when can we expect our inflows to sort of build enough which we are actually expecting to the extent of 500 crores
- Srinivas Reddy:** Yes, so it should be in the second half. So, the tender has won by them. Basically, the process is that NPCIL has to release the order for them in turn for us to get back to back orders, so we are hoping that we'll definitely get it in second half of this year
- Gaurav Uttrani:** And sir apart from that we have also talked about 14 refurbishments for this nuclear reactor fleet which you were expecting. So any sort of inflows from that as well would be contributing to our inflows in FY25?
- Srinivas Reddy:** Yes, that is for sure. They're saying that by mostly that's a fast-track project. Any refurbishment of reactors is on fast track. So, this is the Tarapur reactor which they are taking up and they're saying they'll float the tenders in third quarter of this year. So, if they float the tenders in third quarter of this year. we'll have those orders coming in before March.
- Gaurav Uttrani:** Okay and sir revenue build up we would be seeing from FY26 for nuclear segment.
- Srinivas Reddy:** Yes, for sure definitely okay.
- Gaurav Uttrani:** And sir, apart from that on the oil and gas which you were talking about, if you're able to sort of qualify for our first article any margin differential which we are seeing in terms of how margin accretive these orders could be for us going forward say from perspective of next three to four years
- Srinivas Reddy:** No we don't want to specify the margins at this stage but definitely. We are entering into a very niche area of oil and gas. Unless the margins are reasonably good, we don't do that so we have done that study already. So it is in line with the kind of margins we are looking at on a long-term basis somewhere between 24% to 26% EBITDA margin, so that's not the issue

- Gaurav Uttrani:** Any incremental capex we should be requiring to set this up or already we sort have the facilities to take such orders?
- Srinivas Reddy:** **As I mentioned earlier, we do have** some facilities but incrementally we might have to spend around INR40 crores plus to establish independent facility for this for volume production to begin with
- Gaurav Uttrani:** Okay, thank you sir, that's all for my side thank you.
- Moderator:** The next question is on the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.
- Bala Murali Krishna:** Thanks for the follow-up. So, any update on this defense like products which are going to pick up other than roller screws any other for advice for defense? [inaudible 45:15]
- Srinivas Reddy:** I did mention that Bala, see the roller screws we are getting a full certification by end of this month. And once that is done it will be certified as a 100% in process, so that's taken care of. And we are working on various other products which can be equipment's which is being done by our R&D and NPDT. So, once we do that then that will also add on to our product portfolio for the future coming years, so we're working on that.
- Moderator:** We will move to the next question is from the line of Narayan Danak an Individual Investor, please go ahead.
- Narayan Danak:** Good morning. The first question is in union budget finance minister has allocated some amount to small nuclear reactors the subsidies on that any benefits so far from that for us?
- Srinivas Reddy:** Because that's something which we have we have worked upon in the earlier years. We still don't have full clarity on that whether it's going to be 220 megawatts or even less than that we don't have that clarity but they're saying it's going to be 220 megawatts for a lot of private players who wanted to establish those facilities. So MTAR has built a lot of reactors, nuclear alliance in the past. And it depends on when they're going to get implemented, it might take a year or couple of years but we have to see how it goes.
- Narayan Danak:** Right. So far no orders from that, as I understand.
- Srinivas Reddy:** No you can't get orders overnight right, they have to implement that, it's a process by itself. But we have a great opportunity if that gets implemented and they're pretty serious about that.
- Narayan Danak:** Sure, thank you. My second question is the revenue decrease that we have seen in this quarter Q1, for next three quarters for FY25, the revenue run rate that we have to have is the same amount of revenue that we conquered in FY24 as a whole. If we are targeting 20 percent increase in the revenue YoY so, in this case uh do you see that it is achievable sir
- Srinivas Reddy:** Yes, I clearly mentioned in my earlier responses, that in Q2 itself we'll be doing our highest ever revenues of INR200 crores in all. And then we move forward to the second half being much stronger. So, we will be on track with our growth guidance of 30% to 35% year-on-year basis.

Narayan Danak: Sure thank you and my last question is, sir what do we see ourselves, as a big tech company or which vertical are we in the industry as leaders or we would like to be. See the question comes from the fact that we have expanded to many verticals, so which is our favourite and where do we like to grow?

Srinivas Reddy: See ultimately the verticals are different but everything is the technology and the engineering behind it. You can name it differently you can call it nuclear you can call it aerospace or whatever it is or clean energy but ultimately, it's the technology which we have built over the years. And that's our strength and that's how we're able to enter into number of verticals and that's the kind of technology we have in terms of manufacturing and in terms of doing various things in this company over the years. So that's our basic strength and that's how we're able to enter into different multiple verticals. So ultimately, it's the engineering which counts.

Narayan Danak: And if I can squeeze in the last one, the domestic contribution is higher in percentage terms. Is it due to the overall reduction in the revenue for this quarter or is it really something which is happening on domestic sales right now?

Srinivas Reddy: See domestic has been low in Q1 but moving forward in the next three quarters, the domestic sales are going to be higher because we have built a lot of work in progress in building the dispatches for the next quarters in the domestic sector in various areas. So that is why when I have given a breakup of Q2, I've also mentioned that. So, we are actually converting all of them into sales which you will see happening in the next three quarters. So that is what it is.

Narayan Danak: Sure, thank you. And if the last one the clean energy and civil nuclear vertical has shown the least revenue compared to others in terms of contribution. I have heard you saying that that would be compensated in the next quarters but why such a less order turnout or order completion in Q1?

Srinivas Reddy: See in nuclear we are actually building the WIP for Fuelling machine head which are closing the contract which were doing it in Q2, so that was work in progress. So that major contract is getting closed out in Q2 that is the main thing. And the rest of the other sectors lot of work in progress has been done all the dispatches will happen in Q2 so that is the main reason. So, these are long cycle projects which were closing out in the next three quarters.

Narayan Danak: Sure, and employee increase in expense, expense on employees is due to petroleum, energy, and aerospace vertical that we are entering is it due to that?

Srinivas Reddy: See there are two things, there see we are building up our management bandwidth the employees for the future growth of this company. Now as I said earlier it is at 32% right now in Q1 but eventually it end up there if you come down to 16% based on our revenue growth. So, it's also important of make a strong employee group to cater to the growth of the company which is also very critical

Narayan Danak: Sure, that that helps thank you very much.

Moderator: In the interest of time, this will be our last question. I will now like to hand the conference over to the management for closing remarks.



Srinivas Reddy:

So, I would like to thank everyone for attending this call today and as the CFO has mentioned, I really appreciate all your support and to have patience, we are right on track with our growth guidance and EBITDA guidance for the year and thank you so much for attending the call today.

Moderator:

Thank you, on behalf of Orient Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.