

To,

Date: 16.07.2021

The Manager
BSE Limited
P. J. Towers, Dalal Street
Mumbai-400001
(BSE Scrip Code: 543270)

The Manager,
NSE Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai- 400051.
(NSE Symbol: MTARTECH)

Dear Sir/Madam,

Sub: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Conference Call held on 03.06.2021

Unit: MTAR Technologies Limited

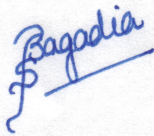
With reference to our letter dated June 03,2021 regarding conference call with Analysts/Investors held on June 03,2021, please find attached the transcript of the aforesaid conference call.

This is for your information and records.

Thanking you.

Yours Faithfully,

For MTAR Technologies Limited



Shubham Sunil Bagadia
Company Secretary & Compliance Officer

Enclosed



“MTAR Technologies Limited Q4 FY 2021 Earnings Conference Call”

June 03, 2021



**MANAGEMENT: MR. SRINIVAS REDDY – MANAGING DIRECTOR,
MTAR TECHNOLOGIES LIMITED
MR. SUDIPTO BHATTACHARYA – CHIEF FINANCIAL
OFFICER, MTAR TECHNOLOGIES LIMITED
MR. DEVESH DWIVEDI – CHIEF OPERATING OFFICER,
MTAR TECHNOLOGIES LIMITED
MS. SRILEKHA JASTHI – MANAGER, STRATEGY &
OPERATIONS, MTAR TECHNOLOGIES LIMITED**

Moderator: Good evening, ladies and gentlemen. Welcome to the Q4 and FY 2021 Earnings Conference Call of MTAR Technologies Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties and are difficult to predict.

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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded

I now hand the conference over to Mr. Srinivas Reddy, Managing Director of MTAR Technologies Limited. Thank you and over to you, sir.

Srinivas Reddy: Thank you and good evening to everyone. First and foremost, I hope you all are keeping safe and healthy during these unprecedented times. Today on the call I am joined by Mr. Sudipto Bhattacharya, Chief Financial Officer; Mr. Devesh Dwivedi, Chief Operating Officer; and Mr. Srilekha, who is Manager, Strategy & Operations; and Oriental Capital, our investor relation partners.

We have uploaded our updated investor deck on the stock exchanges and company website. I hope everybody had an opportunity to go through the same.

I would start by thanking all the shareholders for supporting us during IPO and showing trust in our company. Since this is our maiden earnings call, I would like to share a brief overview about MTAR, its journey so far and growth strategies going forward. This will be followed by the operational and financial performance for the Q4 and FY 2021. Post that, we will open the floor for Q&A.

As we know by now, MTAR is a leading engineering solutions company engaged in the manufacture of mission critical precision components with close tolerance of 5 to 10 microns. and in critical assemblies to serve projects of high national importance through our precision machining, assembly, testing, quality control and specialized fabrication competencies. Some of these have been indigenously developed and manufactured by MTAR over a period of time.

The engineering capability of our company evolved over decades and has enabled us to consistently offer quality complex precision manufactured components and assemblies, with simulated timelines, allowing us to forge a robust relationship with our customers. We primarily serve customers in the Clean energy, Nuclear and Space & defense sectors.

Since inception, we have strived to grow continually, contributing to the Indian civilian Nuclear power program, Indian Space program, Indian defense and aerospace sector as well as to the global Clean Energy sector and the global defense & aerospace sector. Over the years, we have also developed import substitutes such as ball screws and water lubricated bearings, that are specialized and used in the abovementioned sectors.

We operate in sectors which have very high entry barriers because of qualification processes which are involved here. And as there is no scope of any kind of faults in terms of manufacturing, which is completely unacceptable. We believe that based on our past experience in the supply for our products, agreed to meet specific technical requirements of our customers, repetition of quality and safety features present in our products has not only strengthened our position in the market, but also has enabled us to establish and maintain relationships with our customers.

I would also like to highlight our association in supply of very complicated products to some of the prestigious projects like the PSLV-C25 which launched the Mars Orbiter Mission Spacecraft. We were an integral part of the GSLV Mark III engine for the Chandrayaan II Mission. And we have also undertaken complex assemblies such as base shroud assemblies for the Agni missiles.

Now I would request the Chief Operating Officer, Devesh Dwivedi, to take you through the next part of the presentation.

Devesh Dwivedi:

Good afternoon, everybody. We currently operate through seven manufacturing facilities, including 100% export-oriented unit, all located in Hyderabad. We have all the advanced equipment and the machinery required to undertake precision machining and assembly. This makes us a leading one stop solutions company for all our customers across various sectors for the precision engineering requirements.

MTAR has recently received certification for ISO 14001 & ISO 45001 for its 100% Export Oriented Unit and for Unit Two in Telangana. So, this is basically a very good step in the process of continuous improvement at MTAR in the pursuit of quality and being responsible towards the society.

At MTAR, we also continuously strive to achieve excellence in our processes, in our capabilities, products, etc. So, in this respect, our special emphasis on R&D has allowed us to evolve our own process technologies, and thereby enabling us to achieve design specifications with the accuracy, irrespective of the size of the products.

We have also recently established an engineering cell which works on cycle time reductions to enhance cost effective manufacturing solutions in niche engineering segments. Given that our operations are specialized, our manufacturing facilities also employ extensive stringent quality control mechanisms at various stages, including that of materials issue and manufacturing

processes. This ensures that our finished product conforms to the quality and traceability requirements which are very specific for our customers.

Owing to the critical end applications of our products, we believe that it becomes very difficult for new players to get qualified for the projects that we undertake, thus creating a high entry barrier and a good customer to attain his dependency on MTAR.

We operate in three broad sectors, Clean Energy, Nuclear power and Space & defense. Now, I will give some more information about the segments.

In Clean Energy, we are working with Bloom Energy, with which we have been associated since the past nine years. We are the sole supplier to Bloom Energy from India as of FY 2021. Bloom is one of the largest and the fastest growing players globally in the stationary hydrogen fuel cell segment and has 70% of its revenues coming from these product segments, the balance comes from services. We are also supplying multiple components to Bloom Energy and are in the development stage to expand our product portfolio with them and penetrate deeper into the Clean Energy segment. The revenue contribution from the Clean Energy was Rs. 122.9 crores in FY 2021 as compared to Rs. 137.5 crores in financial year 2020.

In Nuclear energy, we have been serving customers for more than 35 years now, and have established relationships with NPCIL(Nuclear Power Corporation of India Limited) having served them for over 16 years. The revenue contribution from the Nuclear segment was Rs. 62.4 crores in FY 2021 as compared to Rs. 30.5 crores in financial year 2020. This is a growth of 105% and a very welcome increase.

We are also a key supplier of mission critical assemblies and components to customers within the Space and the defense sectors for their programs of national importance. We have decades of relationship with customers like ISRO and DRDO. ISRO is Indian Space Research Organization, DRDO is Defense Research and Development Organization. We also supply to Israel based defense technology companies as part of our international client base. The revenue from the defense and Space sector stood at Rs. 53.4 crores in financial year 2021 as compared to Rs. 39.3 crores in financial year 2020, this is a growth of 36%.

Let me now speak on the future strategies and the roadmap for our company. We are working to strengthen our existing product portfolio and diversify into products with high growth and profitability prospects across various sectors. We are indigenizing the roller screws and have made significant progress in the development activity. We have also initiated the development of electro-mechanical actuators which find applications in the Space and the defense sectors.

Further, we are building an exclusive specialized fabrication facility at Adibatla to take up high end fabrication jobs which shall enhance our existing capabilities. This assembly should be functional by second half of FY 2022. At the same facility, we are also diversifying into

manufacturing of high precision sheet metal products. And this facility should also be operational in the second half of financial year 2022.

Initially, we will be catering to ISRO and Bloom Energy, however, the new capabilities are expected to add more customers across sectors to MTAR. Going forward, we will be capitalizing on upward trend of the Nuclear sector in India, increasing indigenization and policy initiatives in the defense sectors are expected to help us achieve our aims.

We also believe in the Make in India initiative, and being Vocal for Local will boost the manufacturing capabilities in India and the dependency on the imports will be reduced as a result of that. In March, we had received an export order of Rs. 93 crores. This strengthened our order book to become Rs. 416.9 crores as of 31st March 2021, giving us a healthy visibility on revenue for the future.

We have also added three new MNC customers during FY 2021, namely Andritz, Kongsberg and Tata Advanced Systems. We continually strive on increasing our wallet share from existing customers and add new customers from India, and across the globe, by developing customized solutions and newer products as per the demands of the customers.

With this I hand over the call to Sudipto to take you through the operational and the financial highlights for Q4 and FY of 2021.

Sudipto Bhattacharya:

Good evening, everybody, and welcome to our call. This is first earnings call after listing, and I will take you through the financial highlights and then we will open the floor for question and answers. Leaving about two months in the beginning of the financial year due to COVID disruptions, we have actually grown in revenue around 15.3% growth over last year and standalone is about 16.7%. We grew at 12.3% year-on-year to Rs. 69 crores for Q4FY21.

The revenue breakup customer sector wise for FY 2021 is – Space and defense improved a little bit and is contributing about 21% of the total revenue, Nuclear energy which was improved considerably and now contributes around 26% of total revenue and Clean Energy fell to 50% as against 64% in FY 2020.

These customers sectors are not accounting sectors for us, which may kindly be noted.

Devesh has spoken about the order book, which is about 1.7x the revenue of FY 2021. As far as EBITDA is concerned, Q4 EBITDA stood at Rs. 30 crores, which is up about 107%. Our full year EBITDA is Rs. 83 crores, 43% improvement over the last year.

See, our cost as a percentage of revenue has also improved, both the employee costs and other expenses, which is indicative that the organization is taking advantage of the operating leverages which exists even today.

We have improved PAT also which stood at about Rs. 18 crores for quarter four of financial year 2021, growing at 103%. The profit after tax for FY 2021 grew by 47% and stood at Rs. 46 crores. And PAT margin grew by about 400 basis points for FY21.

On the balance sheet side, from the IPO proceeds, we have reduced our working capital debt which was one of the objects. Our debt-to-equity ratio on 31st March stood at 0.03. There has been an increase in our working capital cycle to 198 days due to COVID related disruptions, both increase in inventory due to we not being able to dispatch large orders at the year end and also due to supply chain disruptions which have affected our credit terms and therefore the net trade creditors have decreased.

The Board has recommended a final dividend of Rs. 3 per share for the financial year March 31, 2021, subject to approval of the members in the AGM.

To conclude, we would like to highlight that the increase in revenue and sustainable margins due to operating leverage layout will significantly improve our return ratios and free cash going forward. I look forward to questions on this.

Moderator: Thank you very much. Ladies and gentlemen, we will start with the questions-and-answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: I have three questions. First is, if you look at the Clean Energy portfolio for us, last year we had a bit of decline because of the COVID challenges. If you can help us elaborate what is the volume growth last year and how are we expecting the volumes to stack up in FY 2022-2023 from this portfolio, especially on the new product lines for Bloom? Some insights on that side. And how is the overall growth outlook in this segment?

Srinivas Reddy: The Clean Energy, if you look at last year, we are actually manufacturing SOFC units. And we had a disruption in the month of April, as earlier we were under a complete lockdown. And we were still able to manage revenues of Rs. 122 crores. But in the current year, we have much higher numbers in terms of the SOFC units by itself where we are looking at a forward looking number of almost like Rs. 172 crores to Rs. 176 crores in Clean Energy itself. And then we also have developed the hydrogen units, which I have mentioned earlier, in terms of the prototypes, which have been installed in South Korea already for a customer. And then now we are manufacturing the second batch of hydrogen units which will again be installed for one of the customers, and then we go on to the volume production by end of this year. We are expecting a large traction coming from the hydrogen units by end of this year, Q4 of FY 2022. And the third product what we have developed is the electrolyzers, that is for manufacturing of green hydrogen. We have already manufactured the prototypes and shipped them out. So, we are expecting further prototypes to be manufactured in Q2. And then we move on to the batch production and subsequently we are also expecting a good ramp up in the third product as well. So, overall if you look at it, we are actually having a very positive outlook on the Clean Energy



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portfolio in terms of the volumes that we can generate, not necessarily in one product, but three different products over the next couple of years. That's what we are looking at right now.

Renu Baid:

Sure. So, secondary, if we see on the order pipeline side, order inflows have not been as strong, fairly flattish. So, what is the outlook in this segment? Have we seen orders from government owned sectors like Nuclear phase getting delayed due to COVID? If you can share some insights in terms of the order pipeline status for FY 2022 and the outlook.

Srinivas Reddy:

Yes, let me take you through the segment wise. If you look at Nuclear, to start with, obviously, you all know in Q1 most of the offices were literally shut down due to the second wave of COVID. But we have substantial orders which we have been expecting from the Nuclear segment. We have already quoted for a number of tenders for the Nuclear segment. At some of them we have become L1, it is not officially declared, but that's what we know. But most of the orders are going to kick in, somewhere in Q2 and Q3. But the most important thing is that we all should understand is that the fleet reactors which NPCIL has announced, we have actually started receiving the tenders, we have received a couple of tenders already in the last one month. Basically, in calendar year and vision column, all these are the projects that MTAR undertakes. So, we are expecting a lot more tenders to be released over the next two, three months. So, we are expecting at least about Rs. 300 crores to Rs. 400 crores of orders coming in from the Nuclear segment itself in FY 2022, or even more, and some can spillover to FY 2023. But the important thing is, our FY 2022 numbers do not get affected by any of these orders. So, we will be well geared up for this for FY 2023, as we have planned in our business plan.

So, when you look at Space, we already have confirmed orders from ISRO for additional Vikas engines. The modules if you all remember, we had developed the modules over the last four or five years. And we have been qualified for that and we are going to receive a fresh set of orders for that in Q2. So, we are expecting at least Rs. 80 crores to Rs. 100 crores or more of orders from Space itself. And the third area, we are looking at, in defense we have quoted for a number of projects, we're actively engaged in various areas with different organizations. And we have started receiving orders from them as well. So, overall, if you look at it, our order book would be very strong by end of the year in FY 2022. We are looking at least about Rs. 700 crores of closing order book as a conservative number as of now. If things are more favorable, then you would get a lot more orders. But that would really not affect the business plan of the company for FY 2022. Clean Energy, as you all know, we receive orders every six months. So, we are expecting a huge order, again, coming back from Bloom Energy and others in Q2 itself. So, that's going to be a major order which is going to come in because of the enhanced requirements for the future. We have the forecast given already. And we are planning the supply chain and various other issues to gear up for that order. We already have orders until December end, and we will be receiving the orders till next September by end of Q2. So, that's where we stand on order book. So, we stand a very good chance in building our order book over the next couple of quarters.



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Renu Baid: Sure. And if one last question I can ask on working capital. Sudipto mentioned that there was an increase in inventory because delay in dispatches, so if you can highlight which segments were these, were they largely government oriented Nuclear Space dispatches? And where are we in terms of status of these projects, which were delayed from last year? Thank you.

Srinivas Reddy: Yes. Let me answer this slightly differently,. In this case, when we talk about working capital of 198 days, the first thing I keep saying this to everyone, basically we are in a pandemic situation. But, we have to think out of the box and do certain things to ensure that we achieve our business targets. So, what we have actually planned very well is, we signed various contracts with our suppliers much ahead of time to actually ensure that they are protected from any of these inflationary costs, the price increases on the raw material which all of you are seeing over there last three, four months or six months. So, we have been well protected in that. And we also planned in orders not to affect our production or operations, we have actually increased our inventory levels and bought these raw materials much ahead of time. And indirectly, the company is benefiting in a big way. So, that's one of the reasons.

And secondly, some of the dispatches, because of COVID were not cleared in the case of Nuclear and Space sectors. And that has happened because none of the officers were here for stage inspections, you have final inspections, because we cannot have any kind of quality issues, especially in these high niche areas. So, those things were held back by the company. And now slowly, hopefully by June second week or third week once things stabilize, we are expecting we can easily probably catch up on all these dispatches and take care of it so that our inventory levels also on the finished goods side will come down drastically.

And the third area which we are looking at is the receivables also. We have received substantial receivables, more than 50% in the first two months of the current year. But such receivables were delayed earlier because of, certain issues related to COVID. So, all these factors and the suppliers, for example, when we are trying to get the material much faster, we not only negotiated a better price, that's why you can see good margins in the company, which we procure at a good price and the payments were done right away. So, we normally didn't look at the credit terms to be taken by the supplier but we look at the price point of it. Because of the COVID situation, as a management, we all together took that decision to move in that direction. So, what I would like to say is, you might be seeing a higher number of working capital days by end of March. But during the course of the year, we would see dropping down back to about 140 days, very comfortably over quarter on quarter basis. We will have substantial improvement going forward in that area.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: My first question is related with the Bloom Energy. So, you stated your revenue targets for next year, as you said Rs. 170 crores plus. Can you elaborate in terms of volumes, what kind of

volumes you have done for FY 2021? And what kind of volumes you are expecting in 2022?
That's the first part of the question.

And in terms of hydrogen, now this is the third year where the Bloom has again guided their global analysts for the next year, it is the third time they have delayed the hydrogen launch. I just want to understand from you when you say the dispatch has already gone for the prototypes, how's the success of that particular prototype, how is their reaction and how's their feedback, if you can throw some light? And if this hydrogen gets delayed further, is that a bigger number what you are assuming in Rs. 170 crores this year? That's my first question. And then I have a follow-up.

Srinivas Reddy:

Yes, sure Nitin. See, basically, what I have mentioned is very clearly the actual production is on the SOFC unit, what we are looking at. Hydrogen units is basically a bonus to the company. But let me explain that to you, what we are doing in hydrogen units. In hydrogen units, we have done the first prototypes, we have installed it in South Korea and we have got very good acceptance. But in engineering, as you all know, we try to improvise on things on a step by step basis. So, the second batch of hydrogen units are again being manufactured right now with certain improvements, where we are looking at higher efficiencies which will take place in the second batch, and once that is done and installed, then we move on to the third batch, which I have clearly mentioned even in the past. Once the third batch is also done, then we are pretty much sure to wrap it up by

end of the year. So, we are not looking at the hydrogen as a number per se, but we are looking at what developmental activity we are doing for the future. We are very comfortable in the numbers what we are looking at for SOFC right now, but hydrogen is the one which is the second vertical which will definitely ramp up in FY 2023 in a big way. Because we are doing that developmental activity, we have proved the product already. But now we are only looking at higher efficiencies. And that's going to happen in the next two quarters. And once that happens, then we will look at definitely a good amount of ramp up on the hydrogen units as well as SOFC units.

The second thing which I want to mention to you is, in the SOFC unit, in the current year we are also going for the advanced version of the SOFC unit, which is called **Keeylocko** compared to the **Yuma** units. And those had been about 40 numbers this year, and then in the next financial year we will be doing almost like 800 numbers of **Keeylocko**, is what our expectations are, along with the **Yuma** boxes, and then it gets phased out. So, here you get about 1/3 of extra power generation from the new units what we are developing right now. So, a lot of developmental activities in technology is going on currently. And that's where we are right now. And eventually that will give you the growth much bigger way in the future. I hope I answered your question.

Nitin Arora:

Got it. And sir, if you can share the volume numbers of SOFC this year versus last year.



Devesh Dwivedi: I don't know the exact number, but I think it was around 1,700 or something like that. But this year, it's about 1,500 or something. I am not exactly sure about the number, but we are looking at about 2,200 to 2,400 number this year.

Nitin Arora: My second question is related to the gross margin. It's abnormally high versus what we have done in last two, three years, can you throw some light on it? What led to such high gross margins?

Srinivas Reddy: See, the first thing is, as I mentioned earlier, as a team we planned much in advance procurement of raw metal at very good prices. We planned for the entire year, even in FY 2022 or 2021 we have done that. Secondly, we have done a lot of value addition in the Space sector where there is issue of metal, as you must have heard Devesh, that we have improved our Space by about 35% in sales. So, that's another area. The kind of revenues we have generated, innovations we have done in the Clean Energy sector, where earlier we were importing a lot of these products, some of the assemblies we were importing, like for example fins, and bellows, we are now manufacturing and forklifts we were importing earlier, most of this we have actually started manufacturing in-house. So, the various developmental activities what we have undertaken, see I don't really believe that we should say that, okay, our manpower cost is less, we differently don't believe that as a management team. We believe in improving the margins by innovation, that's what we have done in Clean Energy sector and also in Space and Nuclear, where we have reduced, good cycle time reduction we have achieved in various areas. And also innovating a lot of products indigenously, instead of importing from abroad. That's exactly what we have done and how the margins have improved. And we continue to do that even in the future and we are doing that even now.

Nitin Arora: Sir, I can understand some indigenization would have happened. So, if that would have happened, we would have taken it on a recurring basis. But has the skewness of mix amongst the revenue, which is also leading to that? Because there is an increase in stock which is also benefiting you, I understand the procurement of inventory what you have done. So, that's about Rs. 10 crores extra versus a Q3. So, is there a skewness of mix of revenue also which is driving that? Because all other factors which you are saying, I am assuming inventory will normalize, will go away. Rest of the factors then should not lead to such high gross margins, right?

Srinivas Reddy: Yes, absolutely. That's right what you are saying. But within the given period itself, that's what I am coming back to. The answer to your question is, if you are able to reduce our cycle times and try to do more value addition within a given period of time, that's what we are able to do right now and execute the projects also much faster. So, that's something which we have done very aggressively in the last one, two quarters, and we continue to do so. But overall, if you look at the margins, we stabilize at a certain level, can't go way beyond certain level, but that will also help us to generate more revenues which would give us better margin. So, it's all interrelated.



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Moderator: Thank you. The next question is from the line of Alok Ranjan from L&T Investment Management. Please go ahead.

Alok Ranjan: My question is related to the Clean Energy segment, where we are supplying solid oxide fuel cell and hot boxes. Is it Bloom Energy the only company we are supplying? That means, is there any exclusive agreement that we have with Bloom Energy? Or we are also in partnership with the other companies which are in the similar products?

Srinivas Reddy: Let me explain this, first, to answer this question, I have to explain it in a slightly different way. The relationship between MTAR and Bloom Energy is not a buyer and seller relationship, it's a relationship of developmental activity, developing the technology together over the last nine years. So, yes, we are working with Bloom Energy as of now. But we have the core capabilities to actually address this technology with any other company, for example, we can also work with **firms from** U.S., and also from Europe. But what we are trying to do with Bloom Energy, we have achieved certain huge levels of efficiencies, and advanced technologies with Bloom Energy working jointly with them. And this, obviously, we are looking at a lot more customers, as Devesh has mentioned earlier, new customers are joining us with all the certifications which we have received off late. And we definitely are looking at other customers as well. And our main target is to add a lot more customers during the current year and as well as next year, in a similar segment. But the technologies are different, we have the capabilities to do it now the way we have developed the whole thing, but each company has its own technologies, which we can adapt very quickly and develop it. So, that's the capabilities which we have right now and that's what we are looking forward for.

Alok Ranjan: Got it. Sir, just wanted to understand the hot box opportunity in a better way. For a given hot box product, what is the value addition that is done by the MTAR? So, out of Rs. 100 product, what kind of value addition is done by MTAR, if you can just highlight that?

Srinivas Reddy: See, the value addition part of it is almost close to about 52% to 53% as of now.

Alok Ranjan: And sir, out of that, what kind of product we might be pursuing directly from outside, which is not the still indigenized?

Srinivas Reddy: No, basically what we manufacture, we import the raw materials and certain raw materials from abroad, and the landed cost of raw materials if you look at it, and the rest is the value add or how we manufacture the boxes. So, that's what we do. So, it's a complete unit what the manufacturer.

Alok Ranjan: Got it. So, sir, out of Rs. 100 product, Rs. 52, Rs. 53 of value addition is done by MTAR, right?

Srinivas Reddy: Yes, that's right.



Alok Ranjan: Sir, another question is related to the replacement of these hot box. So, out of the total revenue that we generate, how much of the revenue comes from the replacement, and what is the life cycle of the hot box products?

Srinivas Reddy: See the replacement, the life cycle of the hot box product are not 100% sure, but it ranges from five to seven years. Basically, average of about five years and then there's certain parts in the hot box is what we replace, which we call it as fuel replacement units which we supply to Bloom, which we call it as "fuels". So, that depends on how many of those hotbox needs certain replacements in those units and that's what we supply to them.

Alok Ranjan: So, we are already supplying those products as a part of the replacement to the Bloom Energy?

Srinivas Reddy: Absolutely. We have done that in the last year also, yes.

Alok Ranjan: Sir, my last question is related to understanding the precision engineering capability that we have. Given the domestic revenue that we generate, what percentage of the revenue comes from our products where we are the only sole supplier or having the capability in India?

Srinivas Reddy: See, we are doing ball screws and water lubricated bearings as a product right now, which we are the only people who are doing it for the nuclear space and defense segments. And it ranges around Rs. 18 crores to Rs. 20 crores right now. But what we are looking at is to even improve that, as reactors go up and requirements of space go up, that number keeps going higher. But we are introducing couple of more products which Devesh has explained earlier, one of the roller screws which we are in advanced stage, which is 100% import substitute where all the organizations right now are importing it. And we have already manufactured the prototypes and we are waiting for final approvals which will happen in the second quarter of this year, that's a major product which is very critical, and we are very excited about it. And the fourth one is the electromechanical actuators which are used in the missiles program which we started developing it right now. The requirement of EMAs itself is close to about Rs. 400 crores over the next three to four years. So, these are all being imported at this point of time. So, that's where our R&D is working on it. And we will be able to establish the EMAs,(electromechanical actuators) used in missiles and in the space programs also, wherever they need it, probably by fourth quarter of this year.

Moderator: Thank you. The next letter from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: The question is on the Nuclear segment; L&T Hydrocarbon did report a very large order flow of Rs. 1,200 crores for the fleet reactors. Where are we in terms of the order flow? What is the kind of opportunity that we are looking from the fleet? Secondly, we had also highlighted about opportunity in terms of spent fuel for the bridge and column reactor, so an update on that will be useful.



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Srinivas Reddy:

Yes, sure. See, basically what order L&T has received is, I think with BHEL you are talking about is the headers, in which MTAR is not involved in that because there is not much of technical or value added headers, because most of the value add is done in Italy, in Europe, and then it's imported to India, and the rest of the finishing is done in India, that's what happens. But important thing for us to know is, the good news is that a lot of people are skeptical about when will these orders come in. So, I would like to now really confirm to each and every one of you that the tenders have started coming in, we have already received a couple of tenders for the first phase of the fleet reactors, the four reactors we have received. Pan-India, for eight reactors we have received one tender, we have received tender for the bridge and column, bridge and column is the bread and butter equipment which MTAR manufactures for NPCIL.

So, already we have received a couple of tenders. And what we have come to know is that we are going to continuously receive these tenders over the next two three months. There have been a little bit delay of, I would say, a couple of months. We should have got it a couple of months earlier itself, but we already got a couple of tenders, now we will get the rest of the tenders during the course of this year. And we are very confident of getting very good orders for the fleet reactors which is happening for the first time in volume basis. And that's where we stand right now.

And when it comes to spent fuel, we have quoted for three tenders, out of which we are awaiting for NPCIL to finalize the tenders. So, to be very clear on this part, we have joined hands with ROSATOM (Rosatom State Nuclear Energy Corporation) to do for the first time a spent fuel technologies being done in India indigenously, primarily because of the Prime Minister's Office taking initiative based on Aatmanirbhar initiative that an Indian company has to get involved, before it was directly being done by the Russians. So, ROSATOM is one of this, it is the biggest company in Russia, they celebrate MTAR, we joined hands together and we have submitted our tenders to the department, we have bid for the tenders.

So, they are right now in technical evaluation, but to be very clear, there's hardly anyone there to really get qualified, we have qualified in every aspect of it. So, we are hoping that these tenders is right now going into the committee level, and then probably in Q2 we will be able to see the orders flowing in from the spent fuel as well.

Bhavin Vithlani:

This is helpful. The last question from my side, we have been seeing a significant inflation on the metal commodities. How will this impact MTAR over the next financial year? And what is the way to mitigate the impact on the input cost inflation?

Srinivas Reddy:

Actually, I have answered this question, but I can explain this very clearly. See, looking at the COVID situation, the management team got together and we took a decision. This is another reason about a slightly higher working capital days also, but we have to look at the major advantages what we are getting out of it, is that we have signed contracts with our raw materials

suppliers' way ahead of time for the entire year, including FY 2022. So, we are able to get the entire raw material without being affected with the increased costs.

And secondly, we have also started getting to ensure that we are not affected by the supply chain issues for FY 2022, we have started getting in this raw material much ahead of time, which was not required in the earlier phase, but because of COVID we took a decision which we felt that it will not affect our operations in the future, so we have done that. So, we are definitely not affected as far as the increase in the prices is concerned on all our projects, in fact.

And the third thing is that we also do have a price escalation clause in our contracts up to 20%, linked to labour indices, and raw metal indices. So, we are also protected there. So, that way, we are pretty confident that we will not be affected by the increase in cost of raw materials. And we have planned this in a way that even though our number of days have gone up, but actually that's given good business benefit to the company if you look at in realistic terms.

Bhavin Vithlani: Sure. Just a follow-up on this, what proportion of our revenues is where we will have pre-issue from the customers?

Srinivas Reddy: It's basically only in case of space we have pre-issue material.

Moderator: Thank you. The next question is from the line of Rita Tahilramani from Invesco. Please go ahead.

Rita Tahilramani: Two questions from my side. First, we currently constitute almost 60% of the Bloom volumes, if I am right. This was from the year 2021, correct?

Srinivas Reddy: Absolutely. Right.

Rita Tahilramani: Sir but despite that the volumes have declined from 1,700 to 1,500, is it true?

Srinivas Reddy: No, you are looking at the 60% of the volume for the current year, not the last year. They have released the order for 60% starting from January. See, the U.S. works from January to December, calendar year, we work for financial year, right, so they have given 60% volume from January to December.

Rita Tahilramani: Sir, I am just trying to understand, is there a reduction in the volume quantum compared to the last year in the absolute volume quantum? Because I hear you speak that the total volume...

Srinivas Reddy: Yes, I will explain that. So, last year what has happened, there was actually no reduction. What has happened is, if you remember, from March 23rd to May 5th, we were completely under lockdown. So, we are not able to actually produce anything during that period. So, we lost out on that quantity during that period. And for business continuity where Bloom will have a line shut down, so they took from the supplier from Taiwan at that point of time. So, that's why you



see a slight reduction in that number. Technically, we had a lot more orders, but we lost out on 1.5 month.

Rita Tahilramani: So, on absolute basis you are still up because the 60% share?

Srinivas Reddy: Yes.

Rita Tahilramani: Secondly, in terms of the margins, so incremental orders coming in from Nuclear, as I hear you right, where do you think your margins could stabilize at? What could be the sustainable margins for you in that process or keeping in mind also the commodity price rise that we have taken some kind of hedge against?

Srinivas Reddy: See, the sustainable margins, in a realistic way really if you were to look at on a long term basis, EBITDA margins would hover around 35% for sure, because the kind of niche area we are in, but there might be a few percentage points more than that based on how the revenue grow, and our various developmental activities what we are doing within the company itself on the shop floor. So, there will be a few percentage points more than what we can normally average at this point of time, but that's what our aim is. But definitely we will sustain around 35% of EBITDA levels going forward.

Rita Tahilramani: And sir, if I could just squeeze in one more. In terms of these hot box, you mentioned that there are income declines in from Europe on the hot boxes side. Have we been able to focus on any one of them or do you see any visibility in the near future?

Srinivas Reddy: We are definitely seeing, that the issue is there is a process in engineering that we all know that the customers also they have to visit the facilities. We are in discussions with various customers, even in the U.S. also. So, we are just waiting for these COVID restrictions to die down, so that we can take it forward in a more aggressive manner. The most important thing is now, the customers or various potential customers do know our capabilities right now. And we are hoping that we will be able to add more and more customers during this year and even next year. So, we are also not in a rush, we have enough volumes to handle for Bloom. But at the same time, we have the new facilities coming up in Adibatla, near airport, a couple of new facilities which will get commissioned this year. So, that will also give us a lot of impetus in capturing a lot more customers in new capabilities as well. So, it's a matter of time that the customers will start coming in to MTAR to execute all their requirements.

Rita Tahilramani: Both the sheet metal and special fabrication facility you are saying would get commissioned by year end?

Srinivas Reddy: That's right.



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- Moderator:** Thank you. The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.
- Deepak Narnolia:** Actually, I had this question on margin only, just somebody asked this question. But again, you said 35% of EBITDA margin, if I am not wrong?
- Srinivas Reddy:** Yes, we are talking about the EBITDA level, EBITDA margins of 35%.
- Deepak Narnolia:** So, when you said long-term margin, means you are targeting to achieve this level in the next two, three years? Or you are going to deliver this kind of margin in FY 2022 itself?
- Srinivas Reddy:** Well, we have already delivered close to 34% and odd during FY 2021. So, with the kind of growth plan what we have, we will sustain at that level is what I have mentioned, so around 35%. That should not be an issue at all.
- Deepak Narnolia:** Sir, why am I asking this is because in this 34% margin, your fourth quarter margin of 44% looks broadly high for the quarter, so that's why, this 43% is quite normal or something non-recurring in nature is there in this 43% margin?
- Srinivas Reddy:** No, basically we have done a lot of value addition work in the fourth quarter, we are moving forward with such similar progress in developmental activity in the first quarter of this year as well. So, when I say about certain margins, I would always like to be very clear and conservative that this is the average margin that we will do. But obviously, we have taken very aggressive steps in various areas to improve upon our margins. And let's see how it goes. And overall, what I am trying to say is, the sustainable margin of 35% EBITDA levels, that should be very good for the company in the long run. So, we might do more, but I don't want to say anything right now.
- Deepak Narnolia:** And sir, about your order inflow revenue. Earlier, I think in my prior meeting you had mentioned Rs. 1,000 crores kind of order book for FY 2022 end. And now you are saying somewhere around Rs. 700 crores order book by FY 2022 end. So, is there anything specific which had got delayed or you are being conservative because of COVID or something that's not coming up? Can you throw a little light on that?
- Srinivas Reddy:** No, the main issue is, it's not about the number. Obviously, we have the very clear potential that we will be there, for sure. But the only thing is, it might probably slip over to the next quarter which probably can happen, because the first quarter we have lost because of COVID. And also, we might look at third wave or all these offices are to work continuously. So, on what I mentioned was, it is not really going to affect our growth targets per se because we are going to get Rs. 700 crores or Rs. 1,000 crores. But instead of getting 700 by end of March, we might go into another Rs. 200 crores or whatever, Rs. 300 crores in the first quarter. There can be certain



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spillover because of delays due to COVID, but that's not going to affect our growth plan absolutely.

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

Jonas Bhutta: Two quick questions. Sir, just wanted to understand this math. So, when Bloom Energy says that it has an order backlog or order book of 200 megawatts of equivalent hot boxes, how much does it translate in terms of volume? So, is that for MTAR or the Taiwanese supplier, so how many hot boxes will actually get into a 200-megawatt order book of Bloom? Secondly, based on your current manufacturing capacity, is this executable over a one or a two year period? That's my first question.

Srinivas Reddy: First question I will answer, there we go to the second. I will give you a very simple math. Four hot boxes, we generate about 1 kilowatt of power. That's what I know for sure. So, basically, it all depends on their installations as well. See, they can have an order book of x quantity, but also depends on inflation that they can do. So, we are catering to 60% of their requirement right now. And we are trying to even look at a much higher percentage over the next year. So, close to about 70% also. Based on what we are trying to do in improving your efficiencies in terms of cost reductions in terms of manufacturing. So, it all depends on the number of installations that Bloom can do. But they give a forecast for one year, and that's how everything is fixed and that's how we move forward.

Jonas Bhutta: Okay. So, this **Keeylocko** range of products that they have, which is 100 KWE, does that alter the number of hot boxes required or that remain constant, as in the number of hot boxes that go into fitting a **Keeylocko 57.10** product?

Srinivas Reddy: Yes. **Keeylocko**, it's only a technology change, where it can generate about 30% to 33% of higher power, that's what it is. And that's a new model which we are working on. So, this year, we are supplying about 40 numbers by December end, the first prototypes of 40 numbers. And then we are looking at certain quantities, about 25% to 30% next year, and then slowly **Yuma** will get replaced by Keeylocko. So, that's the plan.

Jonas Bhutta: And my last question was on the ASP. So, if you see Bloom Energy for the last three, four consecutive quarters, has shown that their selling price per megawatt is going down by 15% Y-o-Y every quarter. So, effectively by 15%, 20% every year. How does this reflect on our negotiations that we have? Because we have it once in six months, so how do you sort of figure out the kind of price decrease they are asking you versus you trying to maintain that 35% margin band that you want? If you can touch up on that. And that's my final question. Thank you, sir.

Srinivas Reddy: Sure. So, basically to start with, it is not once in six months the prices are negotiated, we negotiate a contract for one year, every year. That's what we do. And based on the quarterly

targets what they have they fix prices for each quarter, that's what happens. And secondly, as far as price is concerned, we are able to do a lot of design changes within the box. Plus, we are also able to indigenize a lot of the requirements what we are manufacturing for the Bloom. But it's not necessarily a hot box, hot box consists of lot of electronics and sheet metal work, it's a combination of everything. The whole server is a combination, plus the fuel cells also. The fuel cell tracks the manufacturing in U.S. itself, so there must be a lot of cost reduction there in U.S. itself. But we will not get impacted. We always maintain one thing, we maintain with Bloom a relationship which helps them and helps MTAR to build volumes. It's that way we do things. And we are able to maintain such margins because of the various indigenization methods that we use instead of importing. And that's what we had been doing, we continue to do that. For example, now we are manufacturing bellows, we are almost there in manufacturing bellows we use for both Yuma and Keeylocko versions of hot box, which we are importing from U.S. Now from Q2 onwards or Q3 we will be doing in-house. So, a lot of such innovations are being done to ensure that we are right up there in terms of margins, is what I have explained even earlier.

Moderator: Thank you. The next question is from the line of Vivek Sharma from PGIM Mutual Fund. Please go ahead.

Vivek Sharma: My first question is about the current situation of lockdown. And you mentioned that inspections and billings were delayed. So, what is the situation now, have they been resumed or we are still seeing some lag in those aspects?

Srinivas Reddy: Yes, sure. So, there has been situation of lockdown even in Hyderabad, but we are working. We are coming to the office, factory, shop floor, we are working continuously. As far as the customers are concerned, like Nuclear and Space, there have been certain restrictions, as we all know, they are not able to go to their offices, there was 15% attendance, some restrictions by Government of India. But the important thing is that we have not stopped our activity. The only thing is, certain inspections can get delayed, but we will catch up on that, so that's not an issue at all. So, we are able to manufacture, but if inspections are getting delayed a little bit, we will catch up on that once the June month we are stable in terms of the second wave and we are through with it, probably things will catch up very quickly. And I don't see any loss of time in terms of manufacturing. So, that's the most important thing which I look at personally. So, the rest of things can be easily taken care of once things stabilize.

Vivek Sharma: Got it. And my second question is regarding to the Nuclear sector, what is the status of tenders and order for the reactors? I mean, how many are we planning to bid and what is the capacity that we have that we can supply in a year, assuming we win more than what we have?

Srinivas Reddy: See, we have always said, we have all capacities in place to handle four reactors at one time, no one else has the kind of capacity. So, you have built it much ahead of time. The good news is, I have mentioned earlier, the tenders have already started coming in for the fleet reactors. We have received a couple of tenders as of today, which we are quoting next month for these tenders, and



we are expecting a lot more tenders to flow in. There is a slight delay of one, one and a half months because of the April and May COVID situation. But I think what I am expecting is lot more tenders will flow in, in the month of July, August. And all these tenders will get converted into POs, as I mentioned before. And that's the very good news. And we are also very excited about that.

Vivek Sharma: As of now NPCIL plans to tender out 10 reactors, I mean 7,000 megawatt, am I right?

Srinivas Reddy: You are absolutely right. Actually 14, what they are doing is, they have taken up 10 right now, out of which they are giving four plus four plus two, they are doing it in three different phases.

Vivek Sharma: Okay. And is there a domestic manufacturing clause there itself or foreign player can bid also?

Srinivas Reddy: No, foreign players cannot bid for that, it's only domestic.

Moderator: Thank you. The next question is from the line of Sagar Gandhi from Future Generali. Please go ahead.

Sagar Gandhi: Sir, I have two question. So, first is, we have added three new MNC customers, Andritz, Kongsberg and Tata Advanced Systems. So, sir, which segments are going to address for these three customers?

Srinivas Reddy: See, Andritz is for the Clean Energy, for the hydro sector. And Kongsberg is on the shipping industry. And we are looking at Tata Advanced Systems on the aerospace sector.

Sagar Gandhi: So, incrementally, over the next two to three years, I mean, what level of contribution in our top line can these companies, I mean, contribute to our overall pie?

Srinivas Reddy: We can't really say that right now. But it's not about these three customers, we have lot more customers who have approached us where they are in talks. So, these are like the first articles we do, and then we go into batch production and volume production. So, our focus is on diversifying into a lot more customers, but we are doing it in staggered manner. So, we can't really predict how much of these volumes are going to come in from all these other customers, it all depends on how we move forward with them. Good news is that we have our certifications in place which we have mentioned earlier, which are created for some of the big MNC customers, we have them in place right now. So, let's see how it goes. And we are very pretty confident of adding a lot more customers and building volumes with them. So, it's a step wise process. That's what I can say.

Sagar Gandhi: Sir, my second question is, you said you have introduced three new indigenous products. First is electromechanical actuators, market size of which is roughly Rs. 400 crores. Can you give us

the same number for roller screws? And what are your thoughts on electrolyzers, how large it can become for the company over the next two years?

Srinivas Reddy:

Basically, if you look at the product size, roller screws right now I think there is an Rs. 80 crores to Rs. 100 crores are being imported every year. Or it can grow even higher based on year-on-year growth what we are looking at within a year. So, that as of today, the good news is that we have manufactured them, we are just waiting for this COVID to die down and they would be exhibited to the defense and space organizations, mostly in the month of July. And once that is done, we are through with it. So, that will give us a huge impetus to take it forward. So, by looking at the approvals, qualification process, by end of Q2 we are through with rollerscrews. And that's what the number you are looking at over a period of time, growing from there. And government of India has also strictly said that we need to indigenize everything, even if it costs more for these organizations to buy from India to start with. And then electromechanical actuators, it's something which we are working on right now and we should be able to get through with this by beginning of Q4. And that's a major step that we have taken. We have already started working on it. It's also another import substitute. So, these are the two areas which will give a lot of impetus for the company. And electrolyzers, as I said, it's on the Clean Energy segment. We have done the prototypes, they are in the testing right now. But as I said, it will come after the hydrogen unit, we are focusing on hydrogen units, we are in advanced stage there. And electrolyzers will pick in first quarter of FY 2023. So, that's timelines what we have for these products.

Moderator:

Thank you. The next question is from the line of Nitin Arora from Axis Mutual Funds. Please go ahead.

Nitin Arora:

My questions have been answered. Thank you.

Moderator:

Thank you. The next question is from the line of Nitin Agarwal from Elite Wealth Limited. Please go ahead.

Nitin Agarwal:

Congratulations for your best quarter that I have seen. Can you shed some light on the Space and Defense revenue, because right now 21% of your revenue comes from the Space and defense sector. So, can you throw some light on this composition, whether can we expect some change in the FY 2022 and FY 2023, more than 21% in the space and defense sector?

Srinivas Reddy:

Yes, so obviously, as I said earlier also, we are going to improve our wallet share in space, because we are going to introduce the semi-cryo engine for the first time in the country by Q3 of this year. So, we have worked on such products like for the last four, five years. Once is the semi-cryo engine, the second is the modules that we work on, which goes for all its launches. So, these new products that we are releasing this year would definitely increase our wallet share in the space business. And what numbers you see there are only value add, so raw material is a special material for space and most of the defense products. So, that's what we see there. So, we



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definitely will see growth happening And also, we are starting new facilities with new capabilities in sheet metal, and specialized fabrication, where in the sheet metal we are looking at motor casings, light alloyed structures to be supplied for the space department. So, we have clear plans to improve our wallet share in this business and moving forward it will happen.

Moderator: Thank you. Due to time constraints, that was the last question. I would now like to hand the conference over to Mr. Srinivas for closing comments.

Srinivas Reddy: Thank you. So, I would like to thank all of you for sparing your time. And I am very happy to answer all your questions any time. I would like to say one thing that I would request all of you to be very safe during this pandemic, but I would also like to say that, moving forward also, we are committed to take this company forward in the right direction with the right kind of growth. And also, try to improve our numbers quarter on quarter, year on your basis. More than the numbers, what I would like to say to all of you is that, we are working on some exceptional engineering products, which will help this nation and also help our portfolio of business that we are working with. And we will continue to do that with the number of engineers and senior management team that we have worked very passionately for the company. Thank you so much for your time.

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