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To,

Date: 31.05.2022

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)
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Dear Sir/Madam,

**Subject: Disclosure under SEBI (Listing and Disclosure Requirements Regulations, 2015-
Transcript of Earnings call held on May 25, 2022.**

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 May 25, 2022.

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



**Shubham Sunil Bagadia
Company Secretary and Compliance Officer**



“MTAR Tech
Q4 FY2022 Earnings Conference Call”

May 25, 2022



ANALYST: MR. IRFAN RAEEN – ORIENT CAPITAL

**MANAGEMENT: MR. SRINIVAS REDDY - MANAGING DIRECTOR &
PROMOTER – MTAR TECHNOLOGIES LIMITED
MR. GUNNESWARA RAO PUSARLA - CHIEF FINANCIAL
OFFICER - MTAR TECHNOLOGIES LIMITED
MS. SRILEKHA JASTHI – SENIOR MANAGER, STRATEGY
AND OPERATIONS - MTAR TECHNOLOGIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to MTAR Technologies Limited Q4 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you Sir!

Irfan Raeen: Thank you Neerav. Good morning everyone. Myself Irfan Raeen from Orient Capital. We are an investor relation advisor to the company. I hope that all of you and your families are safe and healthy. On behalf of MTAR Technologies Limited I extend a warm welcome to all participants on Q4 FY2022 financial result discussion call. Today on a call I am joined by Mr. Srinivas Reddy Sir Managing Director and promoter, Mr. Gunneswara Rao, Chief Financial Officer and Ms. Srilekha Jasthi, Manager, Strategy and Operations. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on company’s website. Before we begin with the call I would like to give a short disclaimer that this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. With this I hand over the call to Srinivas Reddy Sir, over to you Sir. Thank you.

Srinivas Reddy: Thank you Irfan. Hello and good morning everyone. Hope you and you dear ones are well and safe. Today on the call I am joined by Mr. Gunneswara Rao Pusarla, Chief Financial Officer and Ms. Srilekha Jasthi, Senior Manager, Strategy and Operations and we have Orient Capital as well our investor relation partners. We have uploaded our updated investor deck and results highlights on the stock exchanges and company website. I hope everybody had an opportunity to go through the same. Thank you for making the time to join us today. I am more than delighted to share with all of you with regards to the initial guidance given by us starting in the year beginning of the year we have given a guidance of revenue growth of 20% to 25%. We have revised our guidance upwards to 30%-35% during the last financial year and I am delighted to say that we have achieved based on our guidance given close to about 31% in revenues and EBITDA of close to 30% that is what we have clearly mentioned in our last guidance call when we had mentioned about this. In spite of various disruptions as we all are aware of COVID-19 and geopolitical concerns that we had during the year especially during the fag end of the year. I am extremely proud and as well as grateful for all our employees who relentlessly work with complete commitment

and extraordinary efforts to make all this happen during these unprecedented times. Our CFO will be taking you through the financials in detail a little later on. I would like to give a brief overview on the various aspects of the business just a summary of the entire sectorial areas what we are dealing with.

Our order book which we had given a guidance of about Rs.700 Crores of closing order book we are at about Rs. 648.8 Crores as of March 31, 2021. We obviously have to get one additional order of about Rs. 60 Crores plus from nuclear power, which we are getting it in this quarter. We have already declared L1 and that so we are close to what guidance we had given in the past. This order book comprises basically 25% of nuclear, 28% of space and defence and we have about 45% in clean energy and the rest are in various products that we are dealing with close to about Rs. 9.56 Crores giving us a very healthy revenue visibility for the future as well. As far as the revenue contributions are concerned, civil nuclear we are at Rs. 45.72 Crores in FY2022 which is 26% and from space and defence Rs. 53.4 Crores, which is 22% and from clean energy we are at Rs.201 Crores, which is 64% and from the products we have done about 4% of the total revenue. So further to this we are looking at a very strong order book closure even for the current year we are looking at close to about Rs. 800 Crores of order inflow during the guidance that we would like to give is we would receive at least about Rs. 800 to 850 Crores of orders during the current financial year and we might close it about Rs. 1,000 Crores of order book by end of this year. So as far as the product portfolios are concerned, what is happening with our products, the development, the R&D innovations, as we mentioned earlier we have been qualified for the roller screws and the first articles are being delivered in this quarter to DRDO that is something which we are really proud of, which is 100% import substitute, right now being imported from Rollvis of Sweden. We have also started developing the electromechanical actuators for which we have received orders of close to about Rs.7.5 Crores already and that is under progress, which we will be able to execute in this year and we are expecting a lot more orders in these products as well. We are going to release this semi-cryo engine for a higher payload for the GSLV launch, which enhances the capacity to 6 tons from 4 tons that is being released this year mostly in the third quarter of this year that is the first of the engines that is being manufactured in the country and another good news is that we have already developed the bellows which we are importing for clean energy earlier from US we have already developed those bellows and we started using it to our operations right now, so these are the things which we have done and we are working on various other products as well and systems and subsystems, continuous R&D is going on so that has been the forte of MTAR over the years.

As far as the customers are concerned the way we look at it last year we were able to start commencing our association with Hitachi, Andritz, Bental, WOM, ARDE, DMDE for valves and we have a number of customers in the pipeline which are in very advanced stage will join us in our customer basket this year. We are looking at IAI, which is the Israel Aerospace Industries one of the largest companies in Israel. Enercon from Germany for the windmill then we have the BlueBird Aerospace Systems and we are also talking to a lot more customers based on our new capabilities that we have started working on in our new projects near Adibatla near the airport. As we had mentioned earlier the idea of offset clauses and MSME advantages which we had explained earlier we are in the process of taking over the Gee Pee Aerospace, which will be a huge advantage for the company. Moving forward as well in dealing with lot of MNC customers and also having advantage in terms of some of the domestic orders because of the MSME status and that is where we are looking at and we strongly feel that this acquisition will not only strengthen the capabilities in order to get orders as far as MSME clauses are concerned, having certain advantages and also working with certain OEMs who prefer to work with MSME on certain orders to get the multiplier that they need for the offset clauses.

Finally, I would like to after a lot of review based on our annual operating plan and the way we look forward we have always given a guidance which is very reasonable and we have never given a guidance which we are not able to achieve till date so for the current year we really looked at it and based on the healthy order book what we have we are looking at a revenue guidance as of now we are looking at about 55% to 60% for FY2023, which is actually a phenomenal effort if we are able to achieve that, but I would strongly feel that there should not be any kind of downside to this and we would still maintain EBITDA guidance margins of about 30% with plus or minus 100 basis points. With this I hand over the call to our CFO to take you through the financial highlights for Q4 and FY2022 as well.

Gunneswara R Pusarla: Thank you Sir. Good morning everyone and a warm welcome to our earnings call. I will take you through the financial and operational highlights post which we will open the floor for questions and answers. We have witnessed a strong growth, which is in line with our projections this year, FY2022 versus FY2021 overview I wanted to highlight now. MTAR we have clocked an annual review of Rs. 322 Crores with Y-o-Y growth of 30.7%. We have posted an EBITDA of Rs. 94.4 Crores with Y-o-Y growth of 13.6% and profit after tax is 60.9 Crores with a growth of 32.1%. Our diluted EPS stands at 19.8 as against 17.0 in FY2021. Regarding Q4 of FY22 and Q3 FY22, revenue from operations stood at Rs. 98.6 Crores in Q4 FY22 as against Rs. 78.1 Crores in Q3 FY22, which is 26.2% increase in quarter-on-quarter. EBITDA reported at Rs. 27.7 Crores in Q4 FY22 as compared to Rs. 22.8 Crores in Q3 FY22, which is a 21.4% increase in Q-o-Q. Our profit before tax at Rs.

23.8 Crores in Q4 FY22 as against Rs. 18.7 Crores in Q3 FY22, which is also 27.1%, increase over the previous quarter. Our profit after tax was Rs. 19.8 Crores in Q4 as against Rs. 13.3 Crores in Q3, which is 48.8% increase over Q-on-Q. Our diluted EPS stands at 6.4 for Q4 FY22 as against 4.3 for Q3 FY22 and also I want to highlight other key ratios like ROCE as on March 2022 is at 14% as against 19% the main reason for decrease is because as you all know we are actually investing in capex at Adibatla unit for the revenue growth what Mr. Srinivas Reddy as informed earlier so that is the reason. Otherwise as far as the absolute numbers are concerned, we are increasing year-over-year. As far as our working capital which 299 days as against 198 days the reason for the increase in working capital is because the average inventory of raw material is 88 days due to COVID-19 pandemic and also geopolitical concerns so in order to avoid production stock prices and we are procuring in advance so that there would not be any production stoppage and revenue growth and other big item in the working capital is WIP which is 121 days we manufactured the products based on the orders so because of the these WIP which is higher in terms of the revenue growth and the other big ticket item is a receivable which is 167 days. As you all know, in the domestic customers we are actually bound to the terms of the tender so we cannot change any terms of the tender, if at all we want to change we will be out of the tender so we have to follow the government organization tender condition and in case of a Bloom, the net receivable is 45 days after reaching USA because of the supply chain disruptions now it is taking 110 days of revenue, but all our receivables are 90% current and no overdues are there, no bad debts are there, so we are planning to reduce our working capital. The absolute amount we wanted to reduce, but given the 50% extra revenue, 55% to 60% what our MD is saying because the revenue increasing we need to spend more revenue, more receivables, more inventory, but we will try to reduce the days, but absolute number may grow up. So to conclude I would like to highlight that increase in revenue and the sustainable margins due to operating leverages we will improve the return ratios for the company going forward. With this I will open the floor for a discussion. Thank you all.

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

Nitin Arora: My question just to understand your guidance in a better way, if we look at your order book, which is about Rs. 650 Crores as of now and you are guiding almost like 55% revenue growth, which is like Rs. 500 Crores revenue next year so when we look at your breakup Rs. 288 Crores is only from the Bloom part so are we assuming this whole Rs. 288 Crores will get executed this year and if yes then the remaining Rs. 220 Crores will come from the nuclear and defence, which will imply some Rs. 200 Crores worth of revenue and

the last two years have been Rs. 100, 110 Crores so if you can help us better understand this guidance breakup would be really helpful?

Srinivas Reddy:

Absolutely Nitin. This is something which is very encouraging for us. You are absolutely right so when you are looking at domestic segment we are looking at about Yuma hot boxes more or less we are looking at Rs. 110 to 120 Crores, but the major revenues are actually doubling up literally beyond Rs. 200 Crores plus that is a very good sign because we have that kind of order book that we are executing as the CFO has said we built a platform for that during the current year the last year itself in terms of work in progress to execute those orders and the kind of orders we have already with us. We are in advanced stage of executing them and having all the raw materials and various other aspects under control so that is something which is growing literally 80%-100% higher than Bloom Yuma boxes for this year. Now another thing is that Rs. 288 Crores what you mentioned, yes it is being executed this year for sure and that is as of December, so what guidance we have given of 55% to 60% is something which we are very confident of achieving it and this Rs. 288 Crores is as of December and obviously the Bloom works in the calendar year and we work until March financial year, so we obviously will get further orders during the course of the year under various segments and then sheet metal which we have already qualified for it now. We already have a \$4 million out of sheet metal as well and we are also looking at the fuel assemblies, which we have sent for qualification. We are looking at a major upside for those assemblies, which is close to about \$7 to \$8 million so a lot of additional products we are developing for Bloom, which we are recognizing it and so the numbers what I am talking about, the good news is that other than Yuma the other segment is really growing pretty well for this year and we will continue to do that. This I have explained even in the past that our order book will continue to grow and will grow in the other sectors as well so the absolute numbers are growing and that is something which is very good for us.

Nitin Arora:

In the nuclear defence if you are assuming Rs. 200 Crores worth of revenue this year that is almost like doubling on our order book of Rs. 300 Crores closing roughly, which is like 60%-70% execution is that doable?

Srinivas Reddy:

Yes it is a combination not only about nuclear defense space it is also which includes the other segments of which I have mentioned to you about the hydro projects that we are doing in clean energy segment and the Bloom projects, like for example we are working with Hitachi, Andritz, now we are looking at Voith as well and even GE-Hydro has started working with us and final negotiations are going on so there is a lot of activity which is happening in the other segments as well so if you put all those together other than the Bloom Yuma unit I think that is the number that we are looking at right now.

Nitin Arora: Generally in your sense given what the freight prices are and we know that you know a lot of sheets comes from US as well to us, how you are looking this challenge is major Bloom is passing on all this cost element because their margins are very significantly under pressure there so just in your sense I understand that in near term you have the inventory which you have been guiding from last quarter but generally in your view can that impact the gross margins in near term given what the freight rates are and the employee cost has jumped up, is it more related to hirings which has come up if you can throw light on that as well? Thank you Sir.

Srinivas Reddy: Absolutely. See, the freight costs are very insignificant if we look at we are importing certain sheets from Europe and as well as US. So sometimes because in spite of our inventory what we are maintaining higher the delay from the suppliers throughout the world, some of them are being airlifted as well so Bloom is actually charging back to the supplier as well as Bloom is supporting us in terms of absorbing certain of these freight and shipments things like that. So I do not think that is going to be a factor absolutely, it is a very negligible factor for us and the other important thing is with the bellows what we have started manufacturing within India itself that is something which US was manufacturing it before we are importing it and now that is something which is localized completely so that is a major achievement here another kind of innovation and indigenization we have done in the clean energy segment which I mentioned earlier and whatever I spoke earlier. Employee benefit expenses, yes, absolutely right see, it is important that we strongly believe in having the right talent ahead of time in the company and we had an impact of about 1.2% to 1.4% on EBITDA to have the right talent ahead of time especially with the new capabilities that we are doing and we have done that ahead of time and that is the kind of number you are looking at, it is an increase of Rs. 17 Crores where Rs. 5.5-6 Crores is due to the new recruitment that we have done for the new capabilities to fuel the future growth, which is looking very encouraging for us right now and we obviously have to plan that ahead of time and partly others are towards increments and we all know that a variable pay for our key employees is something which we have decided to do that is another number which we are looking at close to about Rs. 3 Crores for the kind of performance they have done because we do not have at this point of time any kind of sops for the employees certainly we felt that they deserve the kind of variable pay even moving forward the kind of revenue growth we have it makes a lot of sense and this percentage if you look at it in 22% of the total revenue should come down to about 15% to 16% or 17% during the current financial year so that is something which is done to ensure that the future growth of revenue is covered with the right talent within the company.

Nitin Arora: Thank you Sir and I will come back in the queue.



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Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors Pvt. Ltd. Please go ahead.

Rajesh Kothari: Good afternoon, Sir. Sir my first question is of this target Rs. 500 Crores of revenue to continue with the previous participant question can you clarify what is the sales you are assuming from clean energy segment?

Srinivas Reddy: So it should be that is what I said roughly the percentage should be about 60%:40% as far as percentage is concerned but if we look at the absolute number that is a significant increase in the other sectors from let us say Rs. 120 Crores to Rs. 200 Crores leaving the Yuma units aside even if you are doing a sheet metal all that put together would be about Rs. 200 Crores so that is something which I have mentioned earlier also the other segments are in terms of absolute numbers are really picking up and that is a significant sign that a lot of diversification in terms of the order booking and product mix is in terms of absolute numbers is changing which is very good for the company and also the kind of work we are doing for the clean energy segment today it is Bloom, but we are also looking at other customers under fuel cell technology and we are also working under clean energy with various customers in hydro, wind, etc., so lot of diversified kind of work has been done to create this kind of situation in the current year so that is something which is really encouraging for us.

Rajesh Kothari: So sheet metal, when you say all those components also will be reported as a part of clean energy segment right?

Srinivas Reddy: Yes not totally probably some of them will also go into the aerospace sector as well so we are working with HAL for that. We did have two meetings next month and will be starting on. Sheet metal facility can handle both clean energy, aerospace and defense sectors as well so it is a combination of all Sir.

Rajesh Kothari: And Sir, the nuclear part of the business, how do you see execution in the current year?

Srinivas Reddy: Current year, probably we are going to do it lot more in the current year, right so we are looking at almost close to about roughly around Rs.80 Crores to Rs. 90 Crores of revenues coming from there, at least about 80 Crores that is where it is Rs. 200 Crores roughly what I am talking about is a combination of nuclear space, defence and the other segments that we are working with and some of the products that we are introducing so that the nuclear also will grow every year consistently because of the kind of order booking we have done and we are going to do in the current year as well. So if you look at our order book of last year

FY2022 it is roughly Rs. 648- 650 Crores now already we had another Rs. 60 Crores of order which we supposed to get which will get we have declared L1 but we are getting the order right now so more or less we gave guidance of Rs. 700 Crores of closing order book. So domestic order book is also growing very well and during the current year we are looking at least about 800 to 850 Crores of additional orders flowing in so my analysis is that based on the kind of orders we received not only from clean energy, domestic nuclear, defense and space and various sectors, clean energy sector that we are working in a diversified way we should end up around between Rs. 900 Crores to 1,000 Crores, I would say Rs. 1,000 Crores would be the target number that we had in mind by end of this year.

Rajesh Kothari: You mean the closing order book?

Srinivas Reddy: Yes.

Rajesh Kothari: Okay because the Rs. 800 Crores order intact, so you are saying that from Rs. 640 Crores opening order book, Rs. 800 Crores order intact execution will be roughly about Rs. 480 to Rs.500 Crores that leaves closing order book of roughly 1,000 Crores.

Srinivas Reddy: Exactly.

Rajesh Kothari: Nuclear side you talked about Rs. 80 Crores to Rs. 90 Crores execution this execution is contingent upon how sure you are about this because the progress at NPCI is quite slow at a point of time so is it going to be significantly back ended or is it going to start from first quarter itself can you give some color on that?

Srinivas Reddy: No, it is going to start from, already we have these orders on hand, we have been working on these orders that is why the kind of platform we have created is look at the WIP, some of it is nuclear space and things like that so these orders are already under execution right now so when I say 80 to 90 can even go up to 100 but at the end of the day these orders are on hand with us right now, so nothing to worry about, any delays from nuclear side of the portion so I have also said that any new orders coming from nuclear even moving forward for the current year are not considered for execution this year in spite of that we are looking at that kind of a number which I have explained, so giving a revenue guidance of 55% to 60% overall is what we strongly feel is the right guidance and we do not see any kind of downside to this question.



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Rajesh Kothari: The revenue from the nuclear side, what we are considering, normally the kind of product what we are supplying to nuclear power is it the last stage from the customer perspective or is it like ongoing thing from their perspective can you give some details on that?

Srinivas Reddy: It is an ongoing project that we are working right now for which the revenue is going to get booked in the current year. For example, the fueling machine head we have two systems, sealing and shielding coolant systems and the nuclear reactor for the Gorakhpur reactor, so all these are ongoing projects which we are working right now, which are being revenues are being booked this year, so nothing of the orders to come in and then we have to pursue the material it is not, we have not considered any of those.

Rajesh Kothari: Understood so my last question is on the Bloom customer you mentioned that there are number of opportunities for this customer apart from the boxes so would it be possible for you to share some details in the kind of opportunities and by when you think you will start getting some traction on these opportunities?

Srinivas Reddy: Sir first thing is, as you are all aware, we are doing the Yuma hot boxes for them in huge quantities, now we are working on the electrolyzers, we have got the prototype approved and now we are doing the batch production of 60 numbers for that. Now when this is going to ramp up, as and when we have more information we will update all our investors accordingly that would be a very independent vertical, which is as big as the Yuma, but it will take time because a lot of infrastructure development throughout the world has to happen, so it will take time, but it will definitely happen so we are in advanced stage there. Now there are a lot of other products that we are working on with them in terms of import substitute that is fueling assembly which we are working on that we have already submitted the prototypes to them for qualification and I think mostly by June we should be qualified for that and with that we are looking at that product itself, the kind of revenue that we can generate with a simple, very complicated but for us we have specialized it. We are looking at almost like 60 Crores to 70 Crores of revenues coming from there from that product itself, it will go into the product division of us and obviously after we have cut down our costs drastically by manufacturing bellows in India instead of importing from the US, so these are the innovative things that we do every year. Another important aspect is the enclosures for the Bloom boxes we were submitting for qualification in other three to four days from now, and once we are qualified we have already received an order for about \$3 million roughly for these enclosures and also for the sheet metals various assemblies also we have been qualified, already qualification process done and we have received an order for \$3 billion there as well. The requirement for this is much larger so this is the starting point. So we have not really looked at all the incremental values that we get during the

current year, but as of now this is where we stand but most important thing is the combination of manufacturing sheet metal all these aspects are used by fuel cell technology companies in a big way, so we have all kinds of, the idea is to integrate everything in one place. For example if you take a hot box we will use the logistics cost to take the hot box and to assemble it in the enclosure along with SM parts integrated and ultimately we are also looking at as we mentioned today the electronics manufacturing facilities that we are looking at will enable us to even integrate and become a fully integrated company for all the customers so that is the goal which we have moving forward from FY2024 onwards so which we will start implementing it from now on, even for example the new customers like IAI Israel Aerospace Systems all these look for total integration that means you are looking at system level you are not looking at the assembly level so we are going to move into the system level itself moving forward in a year's time and that is where you really take the company to a completely different level and that is the kind of vision we have moving forward as well.

Rajesh Kothari:

What are the typical receivable terms with Bloom customer?

Srinivas Reddy:

See we have 45 days after receiving the material to their warehouse in Delaware so that includes we have to add the transit time which is getting little delayed, but if you look at the track record which is available, absolutely there has been no delay in any payments from Bloomfield they have always been paid on time.

Rajesh Kothari:

Okay perfect. Great Sir and wish you all the best. I will come back in queue. Thank you.

Moderator:

Thank you. The next question is from Sandeep Tulsian from JM Financial Services Ltd. Please go ahead.

Sandeep Tulsian:

A very good morning, Sir. Sir first question is on Bloom Energy part if you can spend like a couple of minutes on each of these subitems, how you are looking at the volumes say for Yuma and Keeylocko, the main hotboxes, what kind of volumes you are likely to do I think the 4,000 box guidance was for Yuma for FY2023 what can be the addition from Keeylocko and then separately if you can guide for say electrolysers, the hydrogen boxes and sheet metal maybe a couple of minutes on each will just help us understand this growth story better?

Srinivas Reddy:

Basically, when I said Yuma of 4,000 it is actually 4,100 units. So basically, this starts from January to December from this year we are aware of that right so the calendar year order that we placed. Now, this is our fact, so there is no issue with that. So the next calendar year

they will look at in the month of July to look at the kind of boxes that they are going to order for next year, which is going to be definitely much higher than this number so effectively, the January to March of next year's order as far as our financial year is concerned that number could be slightly higher obviously because of the increased quantities required by them that is the kind of forecast they have given us so this 4100 can be higher than what we are looking at right now, so we need to look at that once we receive the final numbers from that but it is on the upside, there is no downside to this, so Sandeep you understood this or can I go to the next part?

Sandeep Tulsian: Yes please Sir.

Srinivas Reddy: The Keeylocko we have done the first thirty numbers. We have dispatched them already in the fourth quarter of this last year, another 10 numbers we are dispatching in this quarter, we have all the prototypes of Keeylocko that we have manufactured, they have airlifted a few of the Keeylocko we just quickly checked on the qualification process and they came back with excellent feedback about the quality because we are doing this for the first time and they are very much satisfied with what they have done in terms of Keeylocko. Now this Keeylocko process will start from second half of this year that is what they have mentioned us and the kind of numbers they are looking at we will come to know in the month of July but they said they have geared up for that when second half of this year so I am not looking at a great number of Keeylocko because Yuma volumes are on the surge on the higher side but Keeylocko we will add into those quantities during the second half of the year so we have not considered those numbers in our plan right now so as and when they come in we will update certain guidance accordingly and electrolysers you have any questions from Keeylocko?

Sandeep Tulsian: No, Sir. I think just one on realization is it disproportionately higher than Yuma or it is too early to comment on that?

Srinivas Reddy: It is definitely higher than Yuma, the two reasons for that obviously that the output is one third more than Yuma obviously the inputs and the assembly costs are definitely higher it averages between 18,000 to 20,000 in volume business right now we are doing the prototypes of 23,000 but it is stabilized between 18,000 to 20,000 based on various innovations and indigenizations which we will do over the next one to two years so definitely almost double that.

Sandeep Tulsian: Got it.

Srinivas Reddy:

Then moving onto electrolysers, this is an area or subject for the future so we have done the prototype successfully done it now we are doing the batch production engineering as always told all of you that we have two batch production, we are doing 60 numbers of this and this is something which we are looking forward in a big way in FY2024 so once the batch production is done in this quarter and the next quarter then they would probably release another batch production but the real surge in numbers from electrolysers would come from FY2024 this is a clear information I received from them and they are also very excited about this. There are a lot of infrastructure requirements which are being developed across the world for green hydrogen, which I have said very clearly the most important thing is to focus on technology rather than talking about any competition here so there is huge space for this available and this vertical we are really looking forward to it from FY2024 in a very big way, which can be even bigger than Yuma and Keeylocko itself but this we will treat it separately independently as an independent vertical which will grow bigger and bigger as time passes by so probably the surge will happen in FY2024 for sure so that is where we stand in terms of electrolysers and hydrogen both so that is similar one is hydrogen is you feed the hydrogen in electrolyser 50:50 to get green hydrogen and in hydrogen units you feed hydrogen but it is not green but it is a gray hydrogen so that is what both are in combination with each other. The good news about sheet metal is we are qualified for the assembled parts of the sheet metal for Bloom, they had given us 67 assemblies we are qualified for all the 67, now the Adibatla sheet metal plant is fully in operational that is another good news. We are able to establish the process consistently for them and now they have also released the production order for about close to about I think \$2 million plus so once we do this production order they will ramp it up and increase it during the course of the year so that is something which is going to grow in much larger number which we will be able to update all of you probably in the month of July at the end of the first quarter. The next area is the enclosures. The important thing here is we have access to make enclosures three numbers we have done the essays, right now they are under qualification process or inspections if you have all seen in internet the Bloom boxes the outside casing is a very critical kit for them which has to be very aesthetic with specialized power coating and things like that we have all that in place. Now these enclosures will be equivalent to the number of boxes that we make so this is something which they have also given an order for 700 numbers of enclosures post the qualification so this order will be executing in Q2 of this year more or less and then the ramp up will start even in the enclosures step by step, so this is an area where we are also looking at equal number of units whether it is Keeylocko or Yuma or electrolysers they all need these enclosures, so that is a major advantage that we will have. Another important thing which I explained earlier is if Bloom wants to integrate everything when I look at electronic manufacturing facilities which is not much of a capex required about 25 to 30 Crores in the long run we can start in a phased manner the hot

boxes will go into the enclosures and also the other parts with fully integrated electronic system which right now they are going elsewhere will enable Bloom to have the logistics cost coming down drastically and which will also help MTAR to actually increase our value add to Bloom in a big way so that is the plan moving forward. Now we are not only depending on Bloom in the case of electrolyzers as we said Israel was there for last week and even Elta, all of them are interested to work with MTAR and they are all visiting next week here in a big way both on the electronic side and as well as on the SMEs so ultimately we are looking at the system level approach year from now so that is what we are planning in terms of associating with big OEM and MNC and working in system level Make in India concept for the various organizations defense organizations India which is become more critical now because of the Ukraine, Russia war India wants to be more independent of that situation moving forward for the next two to three years so that is the kind of vision in which we are trying to move forward.

Sandeep Tulsian:

This is very clear and I just wanted to add one more question to that was the market share between us and the Taiwanese supplier you mentioned from 50:50 it was moving in the direction of 80:20 so where have we closed last calendar year if you can give some sense and from the current calendar year where that share can be between us and the Taiwanese supplier?

Srinivas Reddy:

I think it is now 70:30 we all know that 70:30 is what I know for sure so probably with this new innovation of bellows being done by us, the way we are executing it on time with zero remarks on quality obviously they will still continue with them because they will not go down below 20 for sure so probably we might move into an 80:20 ratio we will know that in the month of July.

Sandeep Tulsian:

Okay and last question is on the nuclear power segment we had guided that these three orders will get ordered out on bulk basis by NPCIL but some of the companies have been highlighting that after those three projects one is getting tendered and two might get retendered so from a future order inflow perspective how should we look at the annual inflow within nuclear power or is there a significant delay we should be worried about?

Srinivas Reddy:

I do not think we need to really worry about anything so even if you look at our current year plan the annual operating plan for this year whatever order book we have on hand is getting executed and all these orders are going for FY2024 so there is no issue absolutely at all and frankly with the new CMD coming in he is a little bit more aggressive in trying to execute these orders much faster in terms of implementation of the nuclear reactors, we also got instructions that they need to move very fast in terms of implementing the nuclear reactors

moving forward as well because these are all indigenized reactors where in case of Koodankulam it is Russian reactors so they would like to have this pressurized heavy water reactors, which we have indigenized 100% working on that for the last 50 years to move in that direction very aggressively and become very independent of the outside world so this is going to move in a much faster pace going forward.

Sandeep Tulsian: Got it thank you so much Sir for taking my questions.

Moderator: Thank you. The next question is from the line of Santosh Yellapu from Asian Market Securities. Please go ahead.

Santosh Yellapu: Thank you for the opportunity I had three questions first thing I will just like to get a sense for the kind of FY2023 revenue guidance we are giving how confident even though this question has been asked but I am just trying to still get some comfort?

Srinivas Reddy: As you are all aware by now so whatever guidance we have been giving even the last year we have never gone down on the guidance but we have revised our guidance slightly upwards at the later part of the year so based on what we have today and the way things are moving in terms of the supply chain, in terms of the order book, in terms of the kind of various requirements that are coming up so in fact I have given a guidance of 45% to 50% last quarter that we had a detailed review over the last couple of months and we are pretty confident of that 55% to 60% revenue guidance going forward, there is no issue in that.

Santosh Yellapu: So you are assuming that there is no raw material supply shocks going forward in any scenario?

Srinivas Reddy: Yes we have planned it very well for this year as well, we have done a lot of effort and work towards that and our CFO has also mentioned to all of you so we do not see any kind of hiccups going forward as well for this year.

Santosh Yellapu: Great Sir, also the acquisition that you did what kind of capabilities it brings for MTAR, is it in terms of addition of new programs or is it in terms of new clients, so how does it gel with the long-term growth prospects of the company?

Srinivas Reddy: See the first thing is let me explain this in more detail since I did not have the opportunity to do it before very quickly. See Gee Pee Aerospace is an MSME with very good set of machinery and infrastructure what they have so what the company has done is we got it at a very good price for a company which is already registered as an MSME with a lot of other different companies whether it is ASL, HAL or any other company are already there so

normally MSME has certain benefits and with the help of MTAR the subsidiary would do extremely well in accessing such orders from different companies where MSME can have a price advantage for certain kind of orders obviously the other highly technical orders obviously MTAR looked into it. The second reason is there is a lot of work that MTAR itself can support the subsidiaries in a big way because they have certain machines which they can fully utilize and they also have trained manpower there which can also add a few more people it makes sense. The third reason is the different toxin clauses for the OEMs for the MNCs, for MSME they get a 1.5 multiplier and plus it also helps us to associate with certain MNCs in terms of joint bidding in the future for the major projects, having a separate subsidiary with the overall support of MTAR, so a lot of advantages we have analyzed there and by the end of this month or beginning of next month we are going to close it out and start quickly ramping up that particular MSME which would also help MTAR's business.

Santosh Yellapu:

Lastly one small question what all have been the new clients which have passed the qualification criteria stage in the last six to nine months, you have referred a few names but I just want to get more sense how many of them and from which segments they are?

Srinivas Reddy:

See we have done with worldwide is one which they buy a lot of specialized ball screws for us now they have already passed that stage of executing orders with us. Hitachi is another company, Bental is another company, ARDE, and DMDE already started receiving orders for the valves, now we are working with Enercon for the new projects that they are looking at for the windmill we are going to work in a big way. GE-Hydro has already approved our facility for the huge requirements they have in fact our team is visiting them next week who close out a lot of orders with them as well so the other companies are in a stage of prequalification to qualification so probably by Q2 we will be adding lot more customers in terms of IAI, Elta and companies like that so we are looking at, it is not about number of customers but the kind of quality customers that we have and that is what we are looking at and step-by-step I think we will have a much larger basket of these customers and that is why it is enabling us to have that kind of a number on the domestic front which I explained even earlier.

Santosh Yellapu:

My intention of asking the question was that I am just trying to roughly gauge when you are doing your FY2023 projections internally do you foresee a scenario where these new clients having passed the qualification criteria to end up with somewhere on Rs. 100 to 120 Crores kind of a topline for FY2023?



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Srinivas Reddy: We have done that for example Voith we have passed that situation, Hitachi we have passed that and Andritz we have passed that, Bental we have passed that, so we have a lot of companies we have passed that stage and executing the orders right now so that is the reason why combination of all these that is why the number other than Yuma boxes is on a much higher set almost doubling up so that is the major advantage.

Santosh Yellapu: If one looks at the FY22 revenue mix and the guidance for FY23 I think in FY22 clean energy of 64% and you are expecting 60% of the revenues in FY2023 to come from the clean energy side so how should one read into the margin profile going forward having that this year we have seen almost a 400 bps decline Y-o-Y?

Srinivas Reddy: I have said about the margins Santosh, it is always there to be conservative so have said it is more or less 30% EBITDA margin in for the current financial year and a lot of things which can improve because your numbers in the domestic front are improving almost from 120 to 200 level. Secondly we have invested a lot on the talent within the company way ahead of time so that employee benefit expenditures in terms of percentage of revenue would come down over the current year so let us see how it goes, but as far as we are concerned normally we give a guidance which we are very comfortable with and probably can even improve definitely beyond that but we will still stick to the guidance what we have given in terms of margins.

Santosh Yellapu: Just to continue the same points Sir for FY2024 given that we are investing now on new hirings and when scale kicks in big way do we see a big operating leverage advantage kicking in FY2024 but 30% EBITDA margin guidance could move to around 35%-37% levels in FY2024 that would be my last question?

Srinivas Reddy: At the end of the day how FY2024 pans out I really do not know at this time but definitely the kind of revenue growth and outlook we are having obviously we are not in a company where we are increasing our revenue and compromising on our margins right so a lot of overhead gets absorbed as and when the revenues go up and obviously the margin should improve better and better so let us address that once this year is done and probably do better than what we are saying today and then move forward obviously the revenue growth will be hopefully more or less similar to what we have today and we will be right up there.

Santosh Yellapu: Thank you Sir.

Moderator: Thank you very much. The next question is from the line of Deepak Narnolia from Aditya Birla Sun Life Insurance Co. Ltd. Please go ahead.

Deepak Narnolia: Congratulations for a good set of numbers, one question is partly answered actually just the previous you were actually talking about this only about your margins so actually Sir this year you have delivered 30% margin and which is down from 34% margin FY2022 and as far as I remember like I had a meeting with you six months back on at that time you were mentioning that yes margins will definitely improve and I was expecting somewhere around 33% kind of margin for the year so is there anything which has gone wrong in comparison to your expectation or you are guiding for a very strong growth so are you being conservative when you are talking 30%-31% because earlier you had been aggressive on this front that yes you can outperform this maybe somewhere around 34% exact number I do not remember whether you mentioned or not but that was the sense I was getting?

Srinivas Reddy: No actually if you look at it I have clearly mentioned in the last quarter itself looking at around 30% of EBITDA levels, the reason being as I said I have explained this earlier that around 1.5% points gone into the employee benefit expenses looking at the future outlook that we have in terms of revenue growth so that is the kind of investment we have done which is being written off in terms of getting balance.

Deepak Narnolia: 1.5% of sales you are saying?

Srinivas Reddy: No I am talking about the overall EBITDA spent about 5.5 Crores purely on talent recruitment for the future growth ahead of time you cannot get the right talent in the last minute so we are genuinely done that.

Deepak Narnolia: You spent on what Sir 5.5 Crores spent on what?

Srinivas Reddy: That amount of money which has been spent on the employee through recruiters for the future growth ahead of that, that is the investment we have made, which is very important on those capex that also the people behind the machine and the people who are also very important we strongly believe in that. To the same if you look at the employee benefit expenses moving forward from 22% might come down to over 15% to 17% so you are right in what you are saying and normally I would like to say currently also we will do 30% probably we might do much better than that but it is always better to stick to a number which we can probably achieve and it is always better that is what I strongly believe in so this is the reason for that and I have clearly mentioned about this even in the last earnings call as well so thinking of revenue increase as well as EBITDA margin.

Deepak Narnolia: And Sir this actually R&D sales has increased to 36% this year last three years it has been in the range of 34% so what kind of level it will be?

Srinivas Reddy: It all depends on the product mix what we are doing now since this year we will be doing close to about 200 Crores other segmental revenue from 120 Crores and odd so probably that is another additional major benefit that this company is going to have, so a lot of things are moving in the right direction to improve the margins better and better so what we are doing is we are spending certain money in terms of R&D, in terms of employee benefit expenses to fuel the future growth in the right direction so the benefit can be seen more and more in a better way moving forward so that is exactly where we are today and we will continue to do that.

Deepak Narnolia: Okay and Sir apart from this one more question I have this is about your working capital so you have been mentioned that you have built up inventories in anticipating the increase in raw material cost spiking commodities but Sir it is still your receivables has also increased significantly and your tables have gone down so this has really impacted your working capital so if you can throw some light on that?

Srinivas Reddy: The important thing is none of our receivables are of any issue we have always received them on time where the government receivables are done, major shipments in the month of March as well so none of our receivables have gone back till today we are all dealing with very reciprocated companies and all the money will come in probably a change probably by end of this quarter with all your receivables already coming in so none of our debtors are any issue at all, we are working in very niche area with great client base so we never had those issues at all so probably that you have seen yourself it will obviously come down moving forward as when the revenues are going up obviously you will see that as well and secondly on the raw materials front we are not really concerned actually the company is benefiting from it in terms of reduced interest costs and funding the purchase with our internal accruals. Today if you do a spot buy of any raw material it is 30% to 40% higher and it is ridiculous so we have planned this year ahead of time like last year fortunately we have anticipated even for this year that things might continue in a similar manner and stabilize probably six months from now or by end of December so that is the reason why we are doing this which actually has helped the company more than anything else keeping our production lines very active throughout and also I am getting really affected by the raw material so that is what I am happening in today.

Deepak Narnolia: It is raw material is okay but your receivables are also in number of days terms it has gone up by somewhere around 40 days Y-o-Y?

Srinivas Reddy: We have done a lot of shipments to Bloom, we have done a lot of projects in the month of March to NPCL, and all those receivables are coming in now so probably I think the CFO can give you the analysis of receivables as well for you to understand this.

Gunneswara R Pusarla: Sir if I have to comment on that receivables 95% of the receivables are not overdue so all are current only because of the customer the receivables are the highest like most of the export sales in the last quarter so that is the reason otherwise the receivables are no bad debts nothing is a concerned area of concern.

Deepak Narnolia: Okay thank you Sir.

Moderator: Thank you. The next question is from the lion of Akshay Kothari from Envision Capital Services Pvt. Ltd. Please go ahead.

Akshay Kothari: Thanks for the opportunity Sir so I joined the call little late, could you give the sense for capex in FY2023 and going forward?

Srinivas Reddy: See FY2023 we are still implementing those Adibatla projects in the fabrication area so that is the same capex that we are using there, apart from that every year we look at 10 Crores to 15 Crores on areas where we need to look at based on the next year growth that we have in bottleneck areas. We already mentioned to all of you that we are looking at about 40 Crores for the Bloom expansion plan which we discussed in the last quarter itself and other than this we are also looking at electronics manufacturing facilities about 25 to 30 Crores or around that we have crystallized the numbers as of now, but to become a system integrator on the system level itself so these are rough numbers that we are looking at right now but we have enough apart from this for this year we will not have further plans on this.

Akshay Kothari: Okay that is great. Sir regarding nuclear power so I think European Union has a lot of trust, France, Germany all these countries have a lot of trust on nuclear power going forward and considering the erratic supply of gas from Russia as well so are we seeing any opportunities over there or are we already supplying to them?

Srinivas Reddy: We are not yet supplying to them but there will be opportunities coming moving forward because as Germany and France even in India there has been a sudden surge of speeding up the implementation of all reactors within the country itself so we will have enough on our plate to handle that as it is, so further opportunities come from abroad for their technology obviously we are there to work with them so let us see how it goes.



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Akshay Kothari: Okay and Sir on the working capital side so suppose we get a project and how much advance do we take for as a percentage of the total project cost or can you give us sense of that from the customer?

Gunneswara R Pusarla: Actually this advance from customers is there only in the case of domestic customers we have different terms for different customers like when at the time of order 5%, they will give after submission of engineering documents they will give another 5% then after receipt of the raw material another 10% so almost 30% of the domestic order value we may receive from the customer-to-customer, it is more or less so whatever I told you this is a big surprise.

Akshay Kothari: Okay that is great and also you told that we do not have any bad debts and our receivables are really good so can we look at any factoring arrangements to reduce these working capital days?

Gunneswara R Pusarla: The bill discounting factoring even if we do it will not go off my balance sheet because all the banks in India they do only recourse factoring, non-recourse factoring is only the foreign banks will do but we are exploring on that to take out from my balance sheet but it will take some time because it is based on the customer and the foreign banks willingness to do the factoring and call, so non-recourse factoring which is I think not happening in India but we are exploring with some of the banks in future Japanese banks and some other banks we will try and do the non-recourse factoring.

Akshay Kothari: Yes that would be great and lastly what would be the percentage of sales for our R&D expenditure?

Srinivas Reddy: It is not percentage of sales basically it depends on year-to-year normally roughly around Rs.4 to 5 Crores or Rs. 6 Crores of funds that we utilize but we also use lot of our existing people for that so we do a lot of R&D renovations every year but that is how we do it so it depends on the need and how much we need to do year-on-year basis.

Akshay Kothari: Okay that is great and that is it from my side all the best thank you.

Gunneswara R Pusarla: Just one thing I just want to add someone asked about the capex for FY2023 the Bloom expansion I think you need to add to that.

Srinivas Reddy: I have mentioned that.

Moderator: Thank you. The next question is from the line of Pradyumna Choudhary from JM Financial Services Ltd. Please go ahead.

Pradyumna Choudhary: I just wanted to understand regarding Bloom like are we still reducing the final product prices for our customer and if yes at what rate was this in FY2022 like what was the average how much was the average realization down by in the year gone by and like overall how are we managing the cost mainly through volume increases that is all from my side?

Srinivas Reddy: We already have an order in December and every year we never reduce the price based on volume it is only based on innovation I have mentioned very clearly but we still try to maintain our margins every time so we are trying to do that moving forward as well so there is no question of reducing the price based on the volume because we have crossed that stage and we are only looking at any cost reductions which happen to innovation where company gets benefiting so that is how we work.

Pradyumna Choudhary: Okay understood.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Srinivas Reddy for closing comments.

Srinivas Reddy: I would like to thank all of you for sparing your time to attend our earnings call and we have given guidance last year and we adhered to such guidances. We reiterate again for this year that as far as our margins or revenue guidance were given now obviously we have done it with a lot of thought process and we are very careful in doing that and we will continue to work towards it and achieve whatever we have mentioned and we will obviously be in touch quarter-on-quarter basis to take further updates from the company and that is it, so thank you so much.

Moderator: Thank you very much. Participants in case you have any further questions you may write to irfan.raeen@linkintime.co.in. On behalf of MTAR Technologies Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.