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To,

Date: 21-February-2024

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 14th February 2024.

Unit: MTAR Technologies Limited

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find enclosed the transcript of the earnings conference call conducted on Wednesday 14th February, 2024.

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 Technologies Limited
Q3 FY '24 Earnings Conference Call”

February 14, 2024



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

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



Moderator:

Ladies and gentlemen, good day and welcome to the MTAR Technologies Limited Q3 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Parth Patel from Orient Capital. Thank you and over to you, sir.

Parth Patel:

Thank you, Tushar and good morning everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all participants on Q3 and nine-month FY24 Financial Results Discussion Call. Today on our call, we have Mr. Srinivas Reddy, sir, Managing Director and Promoter, Mr. Gunneswara Rao, sir, Chief Financial Officer, Ms. Srilekha Jasthi, Senior Manager, Strategy and IR.

I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on Exchanges and on the company's website. I would like to give a short disclaimer before we begin the call. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today.

These statements are not guaranteed for our future performance and involve unforeseen risks and uncertainties. With this, I would like to hand over the call to Srinivas, sir, for his opening remarks. Over to you, sir. Thank you.

Srinivas Reddy:

Hello and good morning to everyone. Thank you for taking the time to join us today. Today on the call, I'm joined by Mr. Gunneswara Rao Pusalra, Chief Financial Officer and Ms. Srilekha Jasthi, Senior Manager Strategy & Operations, and Orient Capital, our Investor Relations partners. We have uploaded our updated investor deck, press release and results highlights on the stock exchanges and company website.

I hope everybody had an opportunity to go through the same. As you're aware, we have revised our earnings guidance in the last earnings call due to deferment of shipments in the clean energy sector, which had a significant impact in this quarter. Because of which, we clocked the revenue of INR118 crores, 26.1% decrease year on year.

The impact is more than expected as supply chains of Bloom Energy in clean energy segment vertical are yet to stabilize due to the transition from one product line to the other, from Yuma to Santa Cruz Block 2. Normalcy is definitely expected to be restored by end of this quarter. And, the subsequent supply chains also have to ramp up and MTAR also is in the process of ramping up and we'll get back to complete normalcy during this quarter as well.

In FY24, based on the current scenario, we might record revenues of around INR610 crores around that number, which is marginally higher than the revenues of FY23, which was around INR573 crores. The company has also witnessed a reduction in EBITDA in the quarter because of lower operating leverage in export segment and schedule slippage of some projects in space segment, especially in the Semicryo engine (03:32) project, which we are working on due to

technical and FIM-related issues. And we might end up with an overall EBITDA of 24% for this financial year.

While the unprecedented events caused a significant impact to our top line and bottom line growth in FY24, the growth in FY25 remains intact with 45% -50% increase in revenues year on year basis. And we will be maintaining an EBITDA of about 26% for the next financial year as well. In Clean Energy, we have received orders to tune of INR264 crores in Q3, mainly for the Santa Cruz hot boxes.

And we are still holding an order for Yuma for about INR184 crores-INR185 crores, which Bloom will decide to amend it to Santa Cruz. That decision will be taken by the end of this year. And we also have Keeylocko orders continuing in the order book, which they're trying to work on enhanced power capacity to about, as I mentioned, from 75 to 100 megawatts.

So that's what they're looking at moving forward. So in civil nuclear power segment, we have been maintaining our sales levels. By the end of the year, we look at around INR60 crores of revenues being generated from that.

And as discussed previously, we're expecting orders worth INR500 crores of orders from Kaiga 5 & 6 reactors. And the price bid for that hopefully should be done by the end of February or March. So depending on the schedule of the price bid being opened, these orders can be booked either in this quarter or definitely in the first quarter of next financial year.

So based on this, our closing order book would depend on the timing of this price bid being open at this point of time. We have executed around INR23 crores of orders in space in the first three quarters. Semicryo engine project, as I mentioned earlier, is supposed to be executed in this fiscal year.

It's postponed to the first half of next year because of various design changes and also the FIM issues. And subsequently, space remains to be one of our most exciting segments in terms of space and aerospace for us. We're expecting around a sizable number of orders from major MNCs with respect to the aerospace companies. As we are almost in a closure stage of completing all of our articles with major MNC companies during this quarter.

We have recorded around INR15.4 crores of orders in defence in the nine months ended FY24. While our CFO, Mr. Gunneswara Rao, will be providing a detailed financial outlook later on, I would like to briefly discuss about our cash flows. Basically, we have witnessed improvement in operating cash flows, where the negative cash flow of INR66 crores has been reduced to INR26 crores. We would have achieved positive operating cash flows of INR 9 crores if we have received the GST refund of INR35 crores, which was approved in the month of December and we have received the credit on 4th January.

Also, there is a reduction in the net debt by about INR48 crores during this quarter, which is again a significant reduction in our net debt number. I'm glad to inform all of you that we are making a significant progress in the development of SSLV launch vehicle and now I would like to invite CFO, Mr. Gunneswara Rao, who will discuss the financial performance of Q3 FY24. Thank you.

Gunneswara Rao:

Thank you, Mr. Srinivas Reddy. Good morning, everyone, and a warm welcome to our earnings call. I will take you through the financial highlights, post which we will open the floor for the questions and answers.

As discussed by our MD, our top line and bottom line were impacted primarily due to the deferment of export shipments in clean energy because they are transitioning from the one variant to another variant, which is Yuma to Santa Cruz Block 2. So that has impacted our bottom line and top line. And in case of our revenue from operation is INR118.4 crores in Q3 FY24, as against INR160.2 crores in Q3 FY23.

We have registered an EBITDA of INR23.9 crores in Q3 FY24, as compared to INR45 crores in Q3 FY23. Profit before tax stands at INR12.9 crores in Q3 FY24, as against INR42 crores in FY23. Profit after tax is at INR10.4 crores in Q3 FY24, as against INR34.4 crores in Q3 FY23. All the numbers were negative because of the lower revenue that is due to clean energy sector export orders deferment to the next financial year. There is an improvement in our operating cash flows. Last quarter it was 66 crores negative cash flow from operations, which is reduced to INR26 crores during this quarter.

While we have received a GST refund order on 30th December for about INR35 crores, the amount was credited on 4th of January, which we have not accounted on 31st December. Had it been received on 31st December, our cash flow from operation would have been positive INR9 crores. Our short term debt is INR117 crores, as against INR166 crores in Q2. A reduction of INR48 crores has been done in this quarter. This is after adjusting the cash balance available with us.

Our net working capital days are 302 days. If we account the GST refund of INR35 crores, it would have been 280 days. So, because we received on 4th January, we have not accounted in the Q3 results. So we are working on the working capital days.

Now all the areas which we are looking and trying to improve our working capital days, and if you look at one of the components is loans and advances, which is having almost INR38 crores of government receivables, of which we have received 93% in 4th of January. Remaining 7% is received on 12th of January. So it means that the company is very serious in terms of reduction of working capital.

Wherever possible, we will try and reduce working capital days, improve the payable days, and try to achieve the working capital target, reduction in the working capital days. As also our MD said, our total order book is INR1,178 crores, which includes, Keeylocko orders of INR218 crores, and which presently there is a transition to Phoenix is happening. And also Yuma hotbox orders of INR185 crores are there in the order book.

So I open the floor for the questions and answers. Thank you very much.

Moderator:

Thank you very much. The first question is from the line of Yellapu Santosh from [Asian market securities], please go ahead, sir.

Yellapu Santosh:

Thank you for the opportunity, sir. I have two questions. First, what is the comfort that the supply chain issues with regard to the transition of the hotboxes should get materialized or get over by the end of this quarter one? And second thing of the INR185 crores of hot boxes to be to be executed. What are the timelines? Thank you.

Srinivas Reddy:

Good morning, Santosh. Basically, the Santa Cruz Block 2 has been a complete change of product line from Yuma to Santa Cruz. We as a company are geared up to address volumes. We have the capacities, the facilities to do it. We have the know-how to do it. But the related supply chains also have to gear up.

So we have done 500 odd hot boxes this quarter. The next quarter we are doing 664 and it's getting back to complete normalcy by end of Q4. So this is a transition phase of two quarters, which I mentioned, which might get affected. But the growth outlook for next year, we have taken a very conservative estimate of around 3,500 units of Santa Cruz units for the entire financial year.

That's how we are targeted. We have a very clear analysis done for a growth of 45% to 50%, about INR900 crores of revenues for next year, with a 26% EBITDA, which we have considered in a very reasonable and conservative manner. Now, as far as -- and also there is significant improvement in terms of the sales from the other segments next year.

That's something which needs to be noted down, because the hot box division will be around 33% to 35% of our total sales for next year, based on the numbers what we have generated, based on the current forecast given by the customer as such. There can be an upside to this by the customer.

That's why the second question of Yuma, that order might get amended to Santa Cruz based on the incremental orders that we can get for the Santa Cruz during the course of the year, or they'll issue the fresh order and replace the Yuma order completely with Santa Cruz. That decision probably might take a month or month and a half, or even more.

So that's where we stand.

Yellapu Santosh:

Sir, one follow-up with regard to Yuma hot boxes. I would just like to understand what are the challenges in terms of why this Yuma hot box order has not already got converted, and what could be the reason that the client is waiting for this upgradation to happen at a later stage? This could have been done already by the staff, right?

Srinivas Reddy:

Yes, exactly. That's a good question. So they are actually waiting for the stabilization of the entire Santa Cruz, and that's why I said in a month's time or so, they might actually remove the order of Yuma and completely replace it with Santa Cruz based on the enhanced orders coming in on Santa Cruz.

They're just waiting for a month or month and a half. In most probability, Yuma will get changed to Santa Cruz during the course of time. I don't think Yuma will continue moving forward at all.

Yellapu Santosh:

And sir lastly if I may, can you please help us understand between three, four quarters now, the new clients where we had done the first articles work or the qualification work, what is the reason for the delays in further ramp up from these new clients across verticals in the aerospace as well as in the energy space? Thank you.

Srinivas Reddy:

Basically, when you look at the aerospace division, we have done a sizable amount of work this year. See, what all of you are looking at is the numbers for this year. But if we're able to achieve the growth for the next couple of years at a rate of 45% to 50%, the company has done a sizable amount of work in terms of the first articles in aerospace with major companies.

And we're almost closer to that. And that's getting converted into the real numbers for next year for us in terms of volumes. There is no such delay in that. Engineering, a lot of procedures to be done, certifications to be done. We are closer to all of those things in this quarter. We have done a great amount of work in that.

And that's the reason why, if you look at our next year numbers, we said we're doing like 33% is just the hot box division. But space and aerospace will move close to about INR150 crores from the current revenue base of INR45 crores for next year. So we have done a sizable work out there.

And also in the clean energy segment in terms of various customers, MNC customers, which we have, we have completed all the first articles now. And that's how the revenues are being increased in the clean energy segment, in the other segments as well for the next year. So that's how the whole thing is being planned out.

And the breakup for which nuclear will stabilize at INR65 crores for next year because Kaiga 5 and 6 units the order's come, the revenue booking will happen only for the subsequent year. And the space is something which is going to go up by about literally by about INR110 crores for next year. And products division also will do very well, which you know, for about INR130 crores for the next year.

So we have a clear segmented breakup for each of the revenue breakups for the INR900 crores what we're talking about for next year.

Yellapu Santosh:

Thank you, sir.

Moderator:

Thank you. And the next question is from the line of Bala Krishna from Oman Investment Advisors. Please go ahead.

Bala Krishna:

Hi, good morning sir. Revenues on nuclear power [inaudible 17:57] how much orders you are expecting from Kaiga 5 and 6?

Srinivas Reddy:

We're expecting on a conservative basis, at least about INR500 crores because the price bid they said it's getting opened either in February or March. It got delayed because of the evaluation process with the NPCL took some time. And once it's done, then we get the subsequent orders from the companies which are big for it, where we are qualified to do the major portion of those mechanical SMEs for them.

And that must be close to about INR500 crores now.

Bala Krishna: And so just a follow up on this, what could be the execution timeline, sir? This is the execution of this INR500 crores order?

Srinivas Reddy: The entire project, the reason why the government has given to major companies which do also the civil work is to execute all these projects with a record timeline of around four to five years. But the mechanical supply should happen in three years' time.

Bala Krishna: Okay, sir. And regarding this Santacruz boxes [inaudible19:05] and the electrolyzers could you please quantify how much were delivered in this quarter?

Srinivas Reddy: I think electrolyzers, we have done, I think, about 44 electrolyzers this quarter, roughly, I think. And the hotbox were on 500-odd hotboxes we have done this quarter. And for the next year plan, the line reports what I spoke about, we have not included any of the electrolyzers for next year.

So any order which comes for electrolyzers will definitely be an upside to the revenue what we're looking at. So we have done a very detailed analysis. We didn't want to take any chances in our guidance, what we are giving. So we have not considered any of those electrolyzers orders which might come in for next year.

Bala Krishna: So 45% to 50% is excluding electrolyzers?

Srinivas Reddy: Yes. So whatever I've said for the entire year for next year, it's without electrolyzers. If any electrolyzer orders come in, that will be an upside to this order.

Bala Krishna: And just to follow up on that, sir, for electrolyzers, we are expecting maybe some good number of orders also next year. So is there any specific reason to exclude that one?

Srinivas Reddy: We have already proven our electrolyzers. Even the customer also has proven it. So we are expecting that vertical is going to be a huge vertical. But for now, we don't want to include that in our guidance. And if any orders come in, we'll update accordingly.

Bala Krishna: Okay, sir. Lastly, on Fluence Energy, sir, any update on that? At what stage we are supposed to close in on DLR?

Srinivas Reddy: See, the Fluence Energy, they also sent their prototype models to us. And we had a detailed discussion with Fluence on this matter. So they're looking at about 300 units to be done next year. And then the year after, they're looking at about 1,000 units. And after that, they'll also include exports, which will go up to about 3,000 units the third year. So that's where we stand with respect to Fluence.

Bala Krishna: Okay, sir. That's all. Thank you a lot.

Moderator: The next question is from the line of Abhijeet from Yes Securities. Please go ahead.

Abhijeet: Thank you, sir, for the opportunity. My question is, the revenue impact that we have seen this quarter, is it that we have lost some business to a competitor? Or is it an inventory correction,

sort of a thing? Or there is an underlying demand impact? If you can categorize into one of these buckets?

Srinivas Reddy:

See, basically, it is not losing business to the competitor at all. It is one was, I've said earlier, it's one was the inventory correction they've done. But more, the reason is, more the reason is a change of product line, from Yuma to Santa Cruz. All of you should understand that I've said it will take two quarters. But all the other supply chains also have to gear up.

So the primary reason is that. And once it is done, in fact, some of the bought outs, were even airlifted by, which Bloom has borne the cost for airlifting those parts, to adhere to the delivery schedule. So the issue here is all the supply chain activities from various areas have to gear up. And that will definitely happen in this quarter.

And the worst is over, that much I can tell you. So we have -- we have geared up, MTAR is already geared up totally now. And the supply chain related activities also will gear up in this quarter. And we're back to normal in terms of what we're doing for Yuma volumes, will be back to normal in the case of Santa Cruz as well.

Abhijeet:

So the reason I'm asking, one more reason is that, Sir, Yuma is also there in our backlog to a large extent. And that we are not able to execute. So I'm trying to understand the reason why Yuma is not executing as of now?

Srinivas Reddy:

Yuma is there in the order book as of now, which I've explained earlier, which might get amended to Santa Cruz, or they'll replace that order with Santa Cruz moving forward based on their order update, upside of the orders that they're going to receive over the next three to four months.

So there's not going to be any further Yuma. It'll get amended or they'll replace that order with the Santa Cruz, once the upside comes into place.

Abhijeet:

All right. And Sir, out of the INR900 crores revenue target that you have for next year, so what would be coming from clean energy? How much of that would be contributed by clean energy segment?

Srinivas Reddy:

The clean energy would be roughly including, we're talking about the fuel cells, the Fluence, the hydel, wind, all put together, should be roughly around INR400 to INR425 crores. And the hot box division, we have taken, based on the present forecast, we've taken only INR300 crores. So that's 33% of what the overall revenue is going to be.

So that's something which we were focusing on for the last one year, to increase our customer portfolio. And that's how you can see the hot box division of Bloom coming down to 33%, which was earlier close to about 65% to 70%. Because all the other segments are growing very well, in terms of what first articles we have done.

We have done a phenomenal work in concluding a lot of first articles during the quarter. We are continuing to do that in this quarter as well. So that's how you see the space going up from

INR45 to INR50 crores to INR150 crores next year. And the products to about INR130 crores. So breakup is very clear. So we have nuclear stabilizing at 65.

But moving forward, the Kaiga 5 and 6 will come into picture. So it will go up to INR130 the subsequent year. And the space from INR45 to INR50 will go up to INR150 crores. The products from INR80-odd crores to INR130 crores. And you're looking at clean energy, which will be around INR400 to INR425 crores.

So this is the overall breakup in which we are looking at on a conservative estimate of INR900 crores, where 33% of it is only the hot box division. And that's what we want to focus upon. And moving forward it might, even though there is a growth in the hotbox division, the way other segments are growing, it might drop to about 25% in the subsequent year.

Abhijeet:

Sir lastly on the electrolyzers, sir do you think that electrolyzers will pick up in terms of volumes in FY25? Because I mean, from the demand side, the underlying demand remains pretty strong. But I mean, so what is our outlook on the pickup in our volumes for electrolyzers?

Srinivas Reddy:

See, in our guidance, what I've said for next year of INR900 crores, electrolyzers are not included in that. The reason I've not included is that once we get the orders, what the customer has clearly said is that based on the order in flow to them, they're going to release the orders on electrolyzers. So we are expecting some orders for electrolyzers for sure next year, once it comes in.

But the year after, you can see a real sizable volume coming from electrolyzers because the world has to build up the infrastructure to that level. So that's the reason why, whatever that number is, I'm not too sure what the number is. There will be a certain number for electrolyzers for next year.

But we have not considered that in our guidance revenue for this year, for next year, sorry. But definitely, there will be some number to it. Once it happens, we'll definitely intimate our investors about that.

Abhijeet:

Understood. Thank you for answering my questions. All the best.

Moderator:

Thank you. And the next question is from the line of Deepak Krishnan from [Kotak Institutional Equities]. Please go ahead.

Deepak Krishnan:

Hi, sir. I think you can hear me fine. I just want to understand from a product perspective or from our contribution perspective, does it make any difference whether it is Santa Cruz or Yuma, or we are basically doing a similar size of work, just that the feel about the boxes, that it's largely different?

Srinivas Reddy:

It is different, Deepak, for sure. Definitely, there is a difference. That's the reason why I said to ramp up, to do it, it takes a couple of quarters. So as NPR is concerned, we are already geared up for that. The supply chain activities, like some of the boxes were also airlifted by Bloom to adhere to their requirements for this quarter. And it's happening even in the current quarter as well.

But by the end of this quarter, I think all the supply chain activities for the new model will get stabilized. Absolutely. And we are very clear about it. And we'll be back to normal. So what I would like to say is, the entire issue, if you look at long-term basis, even for the customer, moving away from Yuma to Santa Cruz is the right decision. As a supplier, we might have, you know, there might be a pause in earnings for the current financial year.

But if you look at the future outlook, it remains intact. There is absolute -- and another important point is that we're also looking at how well we have done in terms of customer diversification.

If you look at the breakup of the INR900 crores, 33% of that is going to be our hot boxes. The rest is all different divisions. So that's something which I'm really excited about. And even though the growth in hot box division is going to happen year-on-year, plus the electrolysis is coming in, but the other divisions are also increasing pretty well.

Deepak Krishnan: Sure, sir. Because I think if you look at it, clean energy we are about INR770 crores. You said INR185 crores in Yuma, which could get adjusted into Santa Cruz. INR218 crores is Keeylocko. And the remaining would be what?

Srinivas Reddy: The remaining, everything is more or less, most of it is Santa Cruz. And very marginal amount is for enclosures. We do also enclosures for them, right? About INR70 crores, INR80 crores is for enclosures.

Deepak Krishnan: So other than that, you can certainly assume that Keeylocko and Santa Cruz will be executed. Yuma is more of a, you know, within 4-5 months you will get clarity. That I understand is correct?

Srinivas Reddy: Yes, Yuma will -- I don't think Yuma will get executed. Yuma will get amended to Santa Cruz, or they might issue a new purchase order for Santa Cruz. And Yuma purchase order will go away. And as far as Keeylocko is concerned, they are actually looking at a model of Phoenix. They want to actually work upon that.

And then, once that is done, then we'll take it forward from there. So we have not included in our revenue base for next year, either the Keeylocko or the Yuma order as of today. We have not done that in the INR900 crores.

Deepak Krishnan: Okay. Because last year, I remember, at the end of the full year, you had sort of taken a lot of inventory to execute orders.

Srinivas Reddy: Yes.

Deepak Krishnan: Now it is sort of deferred. So what kind of visibility you have in terms of when does the shipments start? And what are -- is there any compensation or any adjustment provided by you for, you know, the lack of inventory? Because really, the uptake never came through.

Srinivas Reddy: Most of the inventory -- what we are looking at is for Santa Cruz. Most of the inventory, Yuma, Santa Cruz inventory is more or less the same, except for a few supply chain items that are different. They have to develop that and start supplying it. That's what I mentioned. But there is

going to be a inventory reduction based on what existing inventory we are using because of the deferments. That's what we are doing right now. But at the same time, any inventory which is specifically made to Keeylocko, that Bloom will definitely address with us in due course of time how to go about it moving forward.

Deepak Krishnan: Sure, sir. Those were my questions. I'll get back to the queue.

Moderator: Hello, Deepak, sir.

Deepak Krishnan: Yes, my questions have been answered. I'll get back to the queue.

Moderator: The next question is from the line of Utkarsh Maheshwari from [Reliance General Insurance]. Please go ahead.

Utkarsh Maheshwari: Yes, good morning, sir. Am I audible?

Srinivas Reddy: Absolutely. Go ahead.

Utkarsh Maheshwari: Sir, you mentioned that Keeylocko thing is not included in your revenue guidance. Is that the right understanding?

Srinivas Reddy: Absolutely, yes.

Utkarsh Maheshwari: So basically, I just want to understand. You have mentioned about the inventory in the presentation for the raw material and WIP, which is like there. So how much of this could be fungible for this to be shifted into your Santa Cruz and this other thing, Santa Cruz as a model? Because there can be some inventory related write-off also, right? Is that the right understanding or how is it to be...

Srinivas Reddy: It is absolutely right understanding. Part of the Keeylocko inventory which we have, it is not whatever it is, can be used for the Santa Cruz. What absolutely cannot be used for Santa Cruz is Keeylocko taking a lot more time than Bloom said that they would look at it and cover that portion, which we are having discussions with them. So that will not impact us at all.

Utkarsh Maheshwari: So we will be compensated by Bloom for that Keeylocko related, which is non-fungible kind of inventory.

Srinivas Reddy: Exactly, yes.

Utkarsh Maheshwari: And what could be, I mean, so at this juncture, this INR218 crores of order of Keeylocko, will be executed or not it is not clear for you right now. You are sure about Yuma getting converted or amended to Santa Cruz, but Keeylocko is still open thing?

Srinivas Reddy: Yes, Keeylocko is open. We have not taken that into our guidance number at all. As of now, once the designs are over for the Phoenix model with the advanced model, then we'll look at it. As of now, that's the reason why we didn't want to assume anything for our future guidance moving forward. So we have taken facts as a fact, what is the realistic number and we have given you the number right now.

- Utkarsh Maheshwari:** So this Phoenix will be again upgrade kind of thing, like what we have seen in Santa Cruz or how it will be different?
- Srinivas Reddy:** It will be an upgrade for sure. We don't doubt about it.
- Utkarsh Maheshwari:** Again, there will be supply chain related issues coming in for the change of model to Phoenix or how is it?
- Srinivas Reddy:** No, but Phoenix is not going to be like Yuma to Santa Cruz because Santa Cruz is going to be the base model. So the volumes are not going to get impacted.
- Utkarsh Maheshwari:** The new model pegging order could be like from Yuma-Keeylocko to Santa Cruz and Phoenix. Is that the right understanding?
- Srinivas Reddy:** No, the Santa Cruz will remain for the next five, six years. That will not change. But Phoenix is something which they will develop and do it and phase in slowly, step by step.
- Utkarsh Maheshwari:** And what about the Phoenix?
- Srinivas Reddy:** Which one?
- Utkarsh Maheshwari:** Phoenix.
- Srinivas Reddy:** Phoenix will happen. Once the designs are done, then the Phoenix orders can get executed based on the implementation of that. So that's something which we have to wait and see.
- Utkarsh Maheshwari:** So sir, is it right understanding that the Phoenix model is 1 gen? It's a penultimate before the Santa Cruz thing, right?
- Srinivas Reddy:** Yes, it is for the future. Yes, Santa Cruz is the latest one. Block 2 is the latest one and that will remain at least for the next five, six years. Yuma you have seen was there for six, seven years. So I don't see any disturbance happening for the Santa Cruz model at least for the next five, six years.
- Utkarsh Maheshwari:** Yes, because, sir, the Keeylocko had the short shelf life relative to Yuma.
- Srinivas Reddy:** Yes, that's right.
- Utkarsh Maheshwari:** Okay. And second thing I think when you've mentioned that you will be doing INR600-odd crores kind of revenues, so probably is it fair to say that Q4 will be better than Q3 in terms of absolute revenues? Because I mean, that is what you're guiding.
- Srinivas Reddy:** Yes, absolutely. Q4 would be around INR170 crores revenues. That's why I said INR610 crores or whatever number I've given earlier. It's based on that number which obviously we are in middle of February. So we are giving a clear guidance of the revenue being around INR170 crores.

- Utkarsh Maheshwari:** And even you're saying there is a reasonable improvement in the EBITDA as well because you said 24% from the 21% of nine months.
- Srinivas Reddy:** Exactly. So for the year we'll average around 24% because EBITDA for Q4 is much better. We have analyzed all that stuff. So we'll be doing a closing EBITDA of 24%. Yes, the impact has been there because of product line change over the last two quarters. But the work is over. That's all I can say right now.
- Utkarsh Maheshwari:** And sir, what about the order book guidance? The last time you used to give some kind of a guidance that this should be a closing order book. This time this is missing.
- Srinivas Reddy:** See, we are given a closing order book of INR1,400 crores keeping Kaiga INR500 crores coming into the picture. Now if it comes in before March, obviously -- see that INR500 crores is not going to impact our guidance, revenue guidance for next year for sure. Because that we have not even considered for next year's revenue. It starts from FY'26 onwards, right.
- The INR900 crores is not part of the INR500 crores. So that order, if they come in by March, yes. Otherwise there'll be a slippage of one and a half months if they come in first quarter of FY 25. So that's not an issue. But those orders are guaranteed for us.
- Utkarsh Maheshwari:** Yes, I mean, I think some activities are happening on the part of government also for this civil nuclear thing. So probably you're hopeful that things will move faster, right?
- Srinivas Reddy:** Absolutely. And they are doing that way. So things will move faster. And even there's a lot of pressure from the government or the corporation to speed up the activities. So that's what we're doing right now.
- Utkarsh Maheshwari:** And I think any comments on your, this thing, satellite launch vehicle thing? Where we have reached in terms of our thought process, in terms of our, this thing, pursuit?
- Srinivas Reddy:** We are progressing very well there. In fact, a lot of designs activity have been completed. We are doing extremely well there. And probably by the end of this quarter, I'll be asking my Executive Project Director, Dr. Vedachalam, who's heading that project, to participate in earnings call and give a brief to all the investors of what's happening. We're doing extremely well there. We're very happy with the progress.
- Utkarsh Maheshwari:** When we can expect some kind of, you know, buzz in terms of -- some kind of order flows, I mean, say, mid of next year, we can expect some kind of bidding site after the approvals are in place?
- Srinivas Reddy:** For the SSLV, it's a four-year developmental activity. And we are the company who are doing it in a silent way. See, all the engine-related subsystem designs are in progress right now. And we are planning the four combustion experiments that is going as per the plan. So the overall timeline is four years, which I've said. We are into the second year right now, but the progress is very good. So in the next earnings call, I would definitely invite Dr. Vedachalam to give a brief to all of you on the kind of progress we have made in this.

Utkarsh Maheshwari: Sir, just before I drop out, just want to understand one thing. You did mention about this margin at 26%. But earlier we used to have that higher margin of 28%, 29% as an EBITDA level. So are those days are gone, or do we have a thought process that we will come back to those ranges in next two to three years?

Because in last couple of years, the gross margins have been under-impacted, which has impacted our EBITDA at the reporting level. And every quarter, there is a dip as a number. So do we aspire here from current levels to reach that 28%, 29% band in next two years, or how we look at things going forward?

Srinivas Reddy: See, if you look at the future outlook, I have said, even for next year, I have said our EBITDA will average out at 26% for INR900 crores. But moving forward, the growth rate, we have done analysis of the subsequent year as well.

We'll similarly clock, we have a clear backup for that, not taking any chances. We have a similar growth pattern for even the subsequent year. But EBITDA will be back to 28%, 29% in those levels.

Utkarsh Maheshwari: So it is fair to assume that in next two years, we should be able to reach our original band of 28%, 29%, say by FY'26 -- kind of '25, '26.

Srinivas Reddy: Yes, '25, '26, we'll get back to our 28% EBITDA level for sure.

Gunneswara Rao: So if I add here, see our manpower cost is 16% last year. We initially planned for 12% manpower cost with higher revenues. But since now the guidance is 610, we are going to be at 24%. So it is purely the volume game. The more the volume, fixed costs can be apportioned to the larger revenue. So there definitely we can achieve once we reach 900 and growth of 45%, 50%, definitely EBITDA will be improved.

Utkarsh Maheshwari: Okay, so basically that's a major game of a scale, what is going to come to our place

Gunneswara Rao: Yes.

Utkarsh Maheshwari: And just one more last thing. What kind of change of realization for us happens is a change of model. What kind of change? If you can just quantify the percentage, I mean, when you are supplying Santa Cruz or Phoenix versus the Keeylocko and Yuma in terms of percentage, what is the incremental percentage gain for us?

Srinivas Reddy: There is not much of a change, probably 8% to 10%, depending on the work content involved. That's what we have in Santa Cruz, right? So Yuma was around something like INR7.5 lakhs, INR8 lakhs, this is around INR9 lakhs plus. So that's the kind of revenue we're looking at. But again, what all of us should keep in mind is the incremental kilowatt increase because of Santa Cruz.

So that's the reason why the customer moved from Yuma to Santa Cruz. So technically, the change is about maybe 7% to 10% roughly in terms of the revenue outlay. But the policies can

differ. The policies can differ because the power output is much higher in Santa Cruz. That's the main idea.

Utkarsh Maheshwari: Per unit cost is lower in case of Santa Cruz, relatively.

Srinivas Reddy: Exactly. That's the idea, right? In the long term, if you look at it, even as an investor or whatever, shareholder, would also look at the health of the customer as well. So there is a sizable cost reduction from their side because of the higher power output from a given unit.

Utkarsh Maheshwari: Fair point, fair point. Thanks a lot, sir. I'm done with my questions. Thanks.

Moderator: Thank you. And the next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: The first question is on our order book. So this 1200 CR order book, so what is the expected execution period for the same?

Srinivas Reddy: So as I said, we're going to about INR900 crores of orders for next year, right, the revenue. So more or less, plus what we're doing currently, we are expecting some more orders next year. So almost like 35% of that would be executed for the next year.

Moderator: The current participant has been dropped from the line. Should we take the next question? The next question is from the line of Shashikant from Brighter Mind Equity. Please go ahead.

Shashikant: Thank you, sir, for giving me opportunity. Basically, I wanted to know the department of the order. How long it will take? As you said, it will take around one to two quarters. I mean, is it coming FY24 end or is it coming to FY25?

Srinivas Reddy: Which one?

Shashikant: Order book from Bloom.

Srinivas Reddy: Yes, order book from Bloom. What is the question? Can you repeat?

Shashikant: So as you said that some order book has been deferred for the next year, right? So does it come towards the end of FY24 or will it come in FY25?

Srinivas Reddy: So that's what I said. You know, in FY25, we have taken an estimate of around INR300 crores for the hotbox division. It's roughly around 3,500 units. So it's back to normal. And whatever executions we do, what is getting deferred, we'll get executed and the upside to it, as soon as Bloom informs us, we'll have the upside to it. But we have not taken those upsides at all in our guidance numbers at all, including the electrolyzers.

So whatever upside happens, will happen. So that's a different story. But we wanted to be very clear on how we are progressing as of today. And based on those estimates, we have clearly said that our growth will be at 45% / 50% at 900 crs for next year for sure.

Moderator: The next question is from the line of Mithun Aswath, from Kivah Advisors. Please go ahead.

Mithun Aswath: Yes. Just you've explained, you know, I think the revenues for this year and next year quite in detail. Just wanted to understand on the promoter's stake, you know, there's been consistent selling. Just wanted to understand, is there any method to this? Would you continue to hold your stake at these levels? Because I think progressively it has come down. So just wanted to understand what is the view from the promoter's side?

Srinivas Reddy: See, basically, I don't have any control over it. But what I can say is that frankly, I have not sold any shares. I hold the highest number, almost the highest. I'm in the top two shareholders in the company. I truly believe in this company.

The promoters also truly believe in this company, for sure. But they're all diversified promoters. It's a 50-year-old company. And they are different professions, living in different parts of the world. But I think the promoters getting into the market will come down drastically moving forward. That's what the information I have.

And definitely, I will be also discussing in the promoter group about this. They are very confident about the company. But I can't really restrict them. Because I have no powers to do that. But it's got nothing to do with the company performance. The promoters have sold at 1250 also, right?

So does it make any difference? No. So we are looking at MTAR as a company, as an institution moving forward. So it is not about promoters. It's about how the performance of the company is. And that's not going to change at all.

Mithun Aswath: You mentioned something else. I just lost you. You said that the quantum of selling will reduce. So what did you say?

Srinivas Reddy: I said that probably the promoters would not come into the market as much as they did in the past. That's all I'm saying.

Mithun Aswath: Okay. So there is no idea of the co-promoters to increase the stake or buy from the other promoters?

Srinivas Reddy: Well, that can happen also. Because the way the company is performing -- I've repeatedly said that the performance of the company is not linked to promoter sales at all. Now, moving forward, probably some promoters can buy internal stake. I'm not too sure about that. But even that can happen.

But that's what it's going to be. But I will clearly say that MTAR is a 50-year-old company with a diversified promoter portfolio. But at the end of the day, I really appreciate all the investors for supporting this company. But we are there to perform. The work is over. I mean, there will be a product line change, which is genuine. And you have to always look at the long term. I've explained the short-term process and the long-term goal as well.

Mithun Aswath: Right. And my last question is beyond FY25. How do you see the trajectory of growth? And what kind of visibility do you have for that?

Srinivas Reddy: We have done a detailed analysis for next year and the subsequent year as well. So I didn't want to go into the third, fourth year. It didn't make sense to me at this point of time. But me and my team did certain analysis. And the way the orders are flowing, the way we are growing, and the infrastructure we have built, and a lot of -- if you look at our numbers, you might say EBITDA might be lower this year by 24%.

But we have captured a lot of manpower costs, employee costs for the future as well. Right. So in engineering, you need the right management bandwidth as well, which we are doing very well in that area as well. But we'll go in a similar percentage points, more or less. Probably around, FY26 would be about 30% to 35%. Between -- it ranges from 30% to 40%. But that's the range I'm talking about FY26.

Moderator: Thank you. And the next question is from the line of Bala Krishna from Oman Investment Advisors. Please go ahead.

Bala Krishna: Thanks for the opportunity, sir. Could you please update on this defense license product, sir? Have you developed any new products? And whether we have received any orders against this defense product?

Srinivas Reddy: It's too early to say that because we just received the license. We are working on a lot of -- our R&D team is working on a lot of products which make sense for us. We are working on it. As and when we make a progress, we'll definitely let you know about it. But definitely, there is a lot of activity going on out there as well.

Bala Krishna: Okay, sir. And secondly, on this, you've got substrate products like elbows and bar screws. So how's the traction on this? And do we have any incremental orders from the government?

Srinivas Reddy: We will get to those orders. For example, the roller screws. No one in the country has developed it before we have developed it. It has been tested and proven with the DRDO labs already. So that is done. Now, there is specialised raw material which we have to get it.

We are working on that. Once we do it, we'll start the production activity for roller screws as well. And that will be part of our product portfolio moving forward. And including the electromechanical actuators, EMAs, what we have done, we are delivering it in this quarter. And that's another product which we have already established right now. So all these activities, we have done a great amount of work for the future of the company.

And that does not reflect in the numbers what you're seeing there. And that reflects in the next year and year to come, as I said very clearly, how the other segments are doing very well, apart from the clean energy segment as well.

Bala Krishna: Yes, I understood, sir. And lastly, I'm sure this hydrogen fuel cell, how's the traction over there? And I think some hydro-based companies are also working on this hydrogen boxes. So do you see the opportunity, any near-term opportunity for us to ramp up in that sector?

Srinivas Reddy:

Well, we are completely geared up. We have developed the model. It has been proven in the United States. So I have not considered that in my next year guidance or the year after. As soon as we get the orders, we'll update you and we'll revise our guidance.

But as of today, I want to be really conservative in what I'm going to say, because what impact I had in the last two quarters. So we have taken a very conservative guidance of INR900 crores and we want to stick to that. And if anything upside happens in terms of the upside of the hotbox division or the upside of the electrolyzers or any other upside, we have not considered any of those things, which will definitely happen, but we have not considered those things.

Moderator:

The next question is from the line of Mr. Santosh from Asian Market Securities. Please go ahead.

Santosh:

Thank you, sir. Couple of questions, sir. First, I would like to understand, of the 3,500 hotboxes or the INR300 crores hotbox related revenues that we are guiding for next financial year, which variant should be contributing how much?

Srinivas Reddy:

I've taken only Santa Cruz as of now, Santosh. I've said that very clearly. As of today, I've taken only Santa Cruz. Any other design development, anything happening upside, including electrolyzers, that is an upside. I have not considered any of those things. And this I've done because unless I was 100% sure of the number, I've not taken any of those assumption numbers for next year.

Santosh:

And secondly, on the electrolyzers part, if I am not wrong, I think for last five, six quarters, we're working at different stages on the electrolyzers part. Despite such a big opportunity and Bloom claiming to be more ready with six, seven variants, which they have worked upon to date, why there is not strong ramp up happening? They've built the capacities, but they're not able to ramp up.

They've tested their products with various clients, various end users. What in your assessment is the reason that they are still trying to make the product more efficient or if you could just give what you hear from the client side in terms of further faster ramp up happening on the electrolyzers part?

Srinivas Reddy:

So the first thing is, Santosh, we are dispatching about 60 electrolyzers this quarter as well. Now, moving forward, what the customer has clearly told us is that based on their order booking, they will immediately release the back-to-back orders to them. We make electrolyzers completely for them.

So they are very hyped up about electrolyzers. They're very excited about it. But the order book has to be, orders have to be booked by the customer. Once that is done, we will get those orders back-to-back to them. I have not taken into my guidance that number because it's an assumption. If it comes, which to my knowledge, 90% it should happen or even 100%.

But as the minute comes, then we look at it in terms of guidance. So I didn't want to take any number, which is especially what me and my team have reviewed. We don't want to take any number into guidance, number of revenues, unless it's a done deal for us.

- Santosh:** Understood. Sir, one small clarification. Are we done with the batch production orders for these electrolyzers? Or is there still some more work that needs to be going through the batch production phase?
- Srinivas Reddy:** We are done with the batch production by this quarter. That's what I said. We are sending the last batch of 60 numbers we are sending this quarter. We are done with that.
- Santosh:** And now from here on, do you expect that the electrolyzers should be entering the mass production phase only? Exactly. Do you understand what I am saying?
- Srinivas Reddy:** But the subject is the order booking by the customer.
- Moderator:** Thank you. And the next question is from the line of Abhijeet from Yes Securities. Please go ahead.
- Abhijeet:** Yes. Thank you for the follow-up opportunity. So, if you look at the non-clean energy segment, so in FY23, the revenue was about INR90 crores. And what you are guiding for FY25 is about INR450 crores of revenue from that non-clean energy segment, which includes space, defense, and the product segment. Incrementally, about INR360 crores, they are getting in two years from that particular bucket. So, what is one particular product that is contributing to such a high increase in these revenues?
- Srinivas Reddy:** Yes. So, that's exactly what I said. Yes. You're absolutely right. That's a very good question. See, what exactly I've said earlier also is that we have done a sizable amount of work with various customers in different segments over the last one year.
- And to come to this level of enhancing our revenues in different segments, I'll give you the break-up roughly also. And that's why your Hot Boxes division, because of this enhancement of revenues from other segments, which is very important for the company as well, as per our strategy, the Hot Boxes division, when I said INR300 crores, is roughly around 33%, right? Whatever it is, right?
- So, the rest of it, like nuclear will stabilize at INR65 crores because Kaiga 5 and 6 will come into play only for FY26, the INR500 crores order what I'm talking about, right? And also, there is a refurbishment of Tarapur reactor, which is going to happen. And that order, they said they'll give us next year.
- They have not taken that into consideration also for next year. So, nuclear is going to see a very good growth. It will remain at 65 next year, but the subsequent year will go up to INR130 crores, FY26. Defense, we're a small portion of the defense business, but we're getting very actively looking at, after getting the license, we're looking at various R&D programs, we're looking at that. Then space, from INR40 crores to INR45 crores, we are going to INR150 crores for next year, right? That's purely because of the first article, what we have done with various amenities.
- I don't want to spell out the names right now, which I've told earlier, but we have done very good work, excellent work in terms of the first articles, how we are going to move forward. So, that's

why there is a INR100 crores jump in the space business as well, space and aerospace exports. Products, we are going up to INR130 crores.

Last year was hardly INR18 crores-INR20 crores. We're going up to INR130 crores. It includes the ASPs, the EMAs, the ball screws, roller screws, WLBs, all these various products, and we are also qualified for one of the MNC customers for ball screws as well for exports.

It's been proven, tested, and they're very happy with our quality. So, we are moving in that direction. Then, sheet metal, we have started working on the first articles for even domestic business as well right now, and that's going to go up to about INR40 crores of sheet metal domestic business, which will go up to INR80 crores the subsequent year.

The clean energy, which I said for next year is INR425 crores, the hotbox is about INR300 crores. Then, we have the fluids, which they said they'll do 300 units next year with us. Then, we have the hydel, wind energy, and the other enclosures, and all those put together is about INR425 crores.

So, this is a clear breakup. So, what I'm trying to say here is the strategy for the company was to really do extremely well in the other segments as well as the clean energy, and if you can see the breakup right now, that's the way moving forward. You know, even in FY '25 to FY '26, the growth is going to be similar.

45%-50% for FY '25, and FY '26, I have said, we have an approximate band of 30%-40% revenue growth for FY '26 as well. So, we have a clear plan laid out for the next two years.

Abhijeet: Understood, sir. Lastly, the two segments you talked about, products and sheet metals. So, what are the applications for these from non-defense, non-aerospace, what other sectors do you know these products would find application in?

Srinivas Reddy: Well, a mix of all. They're in the clean energy segment, they're in the defense segment, they're in the nuclear segment, they're in different segments that we are working with in the product division.

Abhijeet: Right. But why do we categorize it separately from the nuclear segment, let's say, or defense segment?

Srinivas Reddy: See, the idea is these products are specifically manufactured by MTAR, some of them are import substitutes as well. Nobody in the country makes these products, right So, we want to categorize our product division separately and take it to a different level altogether.

If you're looking at from INR15 crores to INR80 crores to INR130 crores to INR200 crores moving forward, this is a high margin business for us. It's doing pretty well. We want to really focus it as a separate segment altogether and not to mix up with other segments. So, that's the main reason.

Abhijeet: Understood, sir. Thank you for the explanation. That's it from my end.



Moderator: Thank you. In the interest of time, this will be our last question. I would now like to hand the conference over to Mr. Srinivas Reddy, MD and promoter of MTAR Technologies Limited for closing comments.

Srinivas Reddy: Thank you all for attending this earnest call. It was very important for us as a senior management team to address all your concerns. And I hope we have addressed all your concerns about MTAR. You should not be concerned at all.

Our worst phase is done. It's purely because of the product line change, what I've explained earlier, certain things for external factors. But we are back on track and whatever guidance we're given for the next quarter or the next year, we have taken in a very conservative manner with the experience what we had in the last two quarters.

But I will assure all the investors and shareholders that we are back on track and we'll be there what we have guided you for the next couple of years. Thank you so much for attending this call. I really appreciate it.

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