email : info@mtar.in website : www.mtar.in
CIN No : L72200TG1999PLC032836

Date: 30.05.2025

To,

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

Dear Sir/Madam,

Subject: Disclosure under SEBI (Listing and Disclosure Requirements Regulations, 2015) -Transcript of Earnings call held on 23.05.2025.

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 Friday, 23rd May 2025 at 11:00 a.m.

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

This is for your information and records.

Thanking you,

For MTAR Technologies Limited

Naina Singh Digitally signed by Naina Singh Date: 2025.05.30 16:56:29 +05'30'

Naina Singh
Company Secretary and Compliance Officer

Encl: As above.

"MTAR Technologies Limited Q4 & FY '2025 Earnings Conference Call"

May 23, 2025

MANAGEMENT:	**MR. SRINIVAS REDDY – MANAGING DIRECTOR, MTAR TECHNOLOGIES LIMITED** **MR. GUNNESWARA RAO – CHIEF FINANCIAL OFFICER, MTAR TECHNOLOGIES LIMITED** **MS. SRILEKHA JASTHI – HEAD STRATEGY, INVESTOR RELATIONS, MTAR TECHNOLOGIES LIMITED**
MODERATOR:	**MS. VIDHI VASA – MUFG INTIME INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to MTAR Technologies Limited Q4 FY '25 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Vidhi Vasa from MUFG Intime Investor Relations. Thank you, and over to you, ma'am.

Vidhi Vasa: Thank you. Good morning, everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all the participants on Q4 and FY '25 Earnings Discussion Call. I hope everyone had an opportunity to go through our Investor Deck and Press Release that we have uploaded on exchange and the Company's website.

I would like to give you a short disclaimer before we begin the call:

This call may contain some of the forward-looking statements which are completely based upon our belief, opinion, and expectations as of today. The statements are not guaranteed for our future performance and involve unforeseen risks and uncertainties.

With this, I would like to hand over the call to Srinivas sir. 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 in the call, I am joined by Mr. Gunneswara Rao – Chief Financial Officer; Ms. Srilekha Jasthi – Head (Strategy, Investor Relations); and MUFG Intime, 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.

We are pleased to inform you that we have delivered a growth in FY '25 with revenue from operations at Rs. 676 crores representing 16.4% year-on-year growth and EBITDA of Rs. 120.9 crores, demonstrating 7.2% year-on-year growth. The growth in revenues is primarily driven by increase in wallet share with existing clients and addition of products from new customers.

Our margin is slightly lower than the estimates by 200 basis points because of the spillover of execution of new projects in aerospace and defense to Q1 FY '26. In FY '26, we look forward to a 25% growth in revenues on a conservative note, with 21% EBITDA margins plus/minus 100 basis points. We anticipate a sequential improvement in EBITDA margins in FY '26 due to operating leverage and scale-up in production of new products developed over the past couple of years.

Notably, we have successfully executed proto units for various multinationals, and additionally we are also working on first articles for leading multinationals like Fluence, Weatherford, IAI, GE Healthcare, etc.. We have secured orders worth Rs. 720 crores in FY '25, for which Rs. 178 crores are from aerospace and defense which is a substantial improvement in this area and Rs. 349 crores of orders are from clean energy underlying our technological leadership in these sectors.

In clean energy, we have delivered around Rs. 417 crores of revenues. The Company is presently working on increasing the wallet share with the customer in FY '26 that is going to boost the revenues further in the vertical. In fabrication, hydropower, and other segments, we look forward to deliver around Rs. 60 crores of orders this year. We have completed the execution of proto one for Fluence Energy and currently working on proto two and we are in discussion with Fluence for orders related to mass production. We look forward to growth in clean energy at the rate of 15% to 20% in this sector including fuel cells, hydropower, battery storage systems and others.

The Aerospace and Defense sector has witnessed significant progress in several key projects to ISRO, DRDO and MNC Aerospace including the successful delivery of ammunition boxes, engine components for various customers including Thales, GKN, Elbit Systems. We delivered around Rs. 93 crores of orders in this division. Aerospace and defense sector is an exciting phase supported by Make in India tailwinds and strong export interest. We anticipate a phenomenal growth of 80% from this sector in FY '26.

We have registered revenues of around Rs. 19 crores in Civil Nuclear sector in FY '25 as against Rs. 157 crores of closing orders. We are in advanced stage of executing nuclear orders currently and look forward to deliver around Rs. 60 crores of orders in this sector in FY '26. Kaiga 5 & 6 reactors orders have been placed on the private entity and we are expecting the orders soon as we are pre-qualified vendor for NPCIL.

We started receiving tenders for refurbishment of reactors. In addition, we have also started working on budgetary quotes for 220 megawatts Bharat Modular Reactors. We recorded Rs. 148 crores revenue in products and other verticals, and we expect a 20% growth in this segment as well.

The Company is actively working on increasing the product base and expanding the customer portfolio. We have achieved a significant improvement in operating cash flows by generating cash flows of Rs. 101.3 crores in FY '25 as against Rs. 57.4 crores in FY '24. In addition, we have reduced our net working capital days to 229 days. And we expect to improve our cash flows and net working capital days further over the coming quarters.

Successful delivery of first article orders for various new products across all sectors underscores our execution capabilities and commitment to operational excellence. The Company continues to focus on quality, innovation, and process excellence to drive long-term shareholder value. We are optimistic about robust order inflows over the coming quarters that will strengthen our order book.

Furthermore, we are in discussion with multiple customers in clean energy, oil and gas and aerospace sectors to enter into a long-term contracts. The Company has also entered into long-term contract with some of the few domestic companies for execution of Rs. 20 crores year-on-year over the next five years.

Our consistent revenue growth over the past five years demonstrates sustained growth momentum and we remain confident in our ability to maintain this growth trajectory with an average growth of 25% year-on-year over the next three years due to multiple growth engines across various sectors.

Our CFO – Mr. Gunneswara Rao, will discuss in detail about the Financial Performance for FY '25. Over to your, Mr. Gunneswara.

Gunneswara Rao Pusarla: Thank you, Mr. Srinivas Reddy. And good morning and a warm welcome to our Earnings Call. I would like to extend my gratitude to all shareholders for your trust reposing on our Company.

Today, I will be discussing key Financial Numbers for Q4 FY '25 and FY '25 on a consolidated basis.

Coming to , Y-o-Y, revenue from operations stood at Rs. 183.1 crores in Q4 FY '25 as against Rs. 143 crores in Q4 FY '24 which resulted 28.1% increase. EBITDA reported at Rs. 34.2 crores in Q4 FY '25 as compared to Rs. 18.2 crores in Q4 FY '24, with an increase of 87.5% on Y-o-Y basis. Profit before tax stands at Rs. 18.6 crores in Q4 FY '25 as against Rs. 7.2 crores in Q4 FY '24, 159.6% increase on Y-o-Y. Profit after tax was at Rs. 13.7 crores in Q4 FY '25 as against Rs. 4.9 crores in Q4 FY '24, 182.7% increase Y-o-Y.

When coming to yearly numbers in FY '25 versus FY'24, our revenue from operations stood at Rs. 676 crores in FY '25 as against Rs. 580.8 crores in FY '24, 16.4% increase in Y-o-Y. We would like to inform you that this is the highest-ever turnover in our Company we have achieved in FY '25. When it comes to EBITDA, reported at Rs. 120.9 crores in FY '25 as compared to Rs. 112.7 crores in FY '24, a 7.2% increase Y-o-Y. Profit before tax stands at Rs. 71.6 crores in FY '25 as against Rs. 73 crores in FY '24, a 2% decrease year-on-year. Profit after tax was at Rs. 52.9 crores in FY '25 as against Rs. 56.1 crores in FY '24, a 5.7% decrease Y-o-Y.

I would like to also add key strategic focus areas:

So, the Company has strengthened its financial position with a reduction of Rs. 15 crores long-term debt, bringing it down from Rs. 142.5 crores to Rs. 127 crores. So the total repayment obligation for FY '26 is at Rs. 46 crores. 80% of the long-term debt whatever we have we are repaying by FY '27. Balance will be in the next one-two years we are repaying.

Cash flow from operations was robust at Rs. 101.3 crores for FY '25, improved compared to FY '24's total annual cash flow of Rs. 57.4 crores with our daily monitoring of the working capital and other focus areas.

When it comes to working capital, the net working capital to revenue stood at 229 days in FY '25. And also, we would like to further try to reduce working capital for FY '26 to 200 days.

So, like I also want to add, the Company is in the key sectors we are catering as on today. India's engineering sector is poised for growth driven by government initiatives promoting renewable energy, civil nuclear power, and defense indigenization. MTAR's diversified portfolio and engineering capabilities is well positioned to capitalize these opportunities. In civil nuclear domain, we have a clear visibility to support India's nuclear energy expansion to 100 gigawatts by 2047 with its new reactor approvals, retrofit programs of which five reactors are set for refurbishment, for which we are receiving enquiries from the customers.

In aerospace and defense, we are seeing a positive outlook from our operations as explained by our MD, and in our new unit which was commissioned in FY'25 is set to witness exponential growth in line with government focus on self-reliant India and in defense and also the global procurements by Tier 1 and foreign OEMs. We have continued our engagement with major defense OEMs and PSUs by participating in Make in India defense tenders which are gaining traction with increasing budgetary allocations.

Looking forward, the convergence of national priorities across clean energy, civil nuclear power and defense self-reliance is creating favorable environment for engineering companies like ours. So we remain committed to sustain EBITDA margins (+/-21%), and with 25% revenue growth in FY '26.

So with this, I open the floor for discussion and welcome any questions if you may have. Thank you very much.

Moderator: Thank you. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vipraw Srivastava from Phillip Capital. Please go ahead.

Vipraw Srivastava: Hi sir. Quickly on the guidance part, I missed the nuclear guidance, so what kind of growth are we expecting in the nuclear segment for FY '26?

Srinivas Reddy: So, FY '26 is going to witness a substantial, yes, we closed the order book at Rs. 155 crores for nuclear, but it will witness a substantial inflow of orders during FY '26. One is, we have already received the tenders for the refurbishment of five reactors, a couple of reactors from Tarapur and refurbishment of reactors in Kaiga, Rajasthan and Madhya Pradesh. So, these tenders we are supposed to quote by next month and we are expecting those orders, because we have worked on this refurbishment of reactors in the past in a big way, so we are expecting substantial orders to come in from the refurbishment of reactors.

And secondly, also the purchase order for the private entity MEIL has been released by NPCIL. Since we are qualified vendors, as I have mentioned earlier, we are going to expect substantial kind of orders coming in from there as well. So, we are looking at least around Rs. 700-plus crores of orders flowing in from nuclear division. So, we have enough on our plate to have a consistent growth in these areas. But we have not considered any of these orders in our current business plan for FY '26. So, what we have considered is what orders we have on hand as of today is what we have considered in our growth plan for this year. But we have a substantial exponential growth in nuclear division moving forward, including the budgetary quotes we have given for Bharat Modular Reactors which NPCIL has asked us for 220 megawatts. So, that's where we stand.

Vipraw Srivastava: Yes. So nuclear will be more or less flattish for FY '26, is that correct understanding?

Gunneswara Rao Pusarla: To add to your point, like from Rs. 19 crores what we have done in FY '25, we are expecting to do Rs. 60 crores in FY '26. That is also whatever orders we are having in hand.

Vipraw Srivastava: Rs. 60 crores, right?

Gunneswara Rao Pusarla: Rs. 60 crores we are planning for FY '26.

Vipraw Srivastava: Okay, sir. Noted. And sir, in the products division, what's the guidance you have?

Srinivas Reddy: Products division, I think last year we have done around Rs. 148 crores, and we still have growth of at least about 20% in this area. And we have developed various products and we have improved this substantially. If you look at in the last three years to now, there is a huge growth in this area and we continue to do that. So, our team has been working on various products which are getting qualified, where we are doing first articles, some are related to government organizations. Roller screws, we are already qualified, technically we are just waiting for the final confirmation. So, we are going to be a 100% import substitute for the Government of India for this sector. We have been importing from Rollvis Sweden. So, we are working on a lot of products like EMAs, electromechanical actuators and all that. So, we should have at least about 20% further growth of the product division for this year.

Vipraw Srivastava: Okay, sir. Noted, sir. And sir, lastly on aerospace and defense, you have said 80% growth, right?

Srinivas Reddy: So I would like to explain that, so this is an area where we are growing substantially well and it's something which is very interesting. If you look at the Company's position in FY '24, we had about Rs. 9 crores to Rs. 10 cores of business in this sector. In FY '25, we have done Rs. 48 crores, especially with our new unit which was commissioned in Hyderabad. And then in FY '26 we will be looking at least about Rs. 145 cores of revenues being generated. So this is growing at a rapid pace.

The main reason is, we are qualified and certified by a number of MNCs for exports in this area. And we have successfully executed various first articles now they have gone into the ramp-up production for these areas. And some of the customers where we have entered into a long-term agreement with IAI, we have now already started working on the first articles which will get converted into mass production as well.

So, there is a substantial improvement in this area where the margin profile is also very good. So they are all very complicated kind of SMEs which we are working on and this is something which we are really excited about moving forward. Apart from this, we are also looking at various aerospace projects which we have been asked to work upon in terms of RFPs, which is not part of the discussion right now. So as and when we have some traction on those things, we will obviously inform all of you on that particular segment.

Vipraw Srivastava: Right. And sir, last question from my end. Regarding Bloom Energy, sir what is the commentary from their end? Because Bloom has seen a lot of traction in the US, so what are they communicating to you regarding their order book and their growth prospects?

Srinivas Reddy: No, it is more or less, see, what they have done is they have improved their wallet share also they want us to increase. So we are now doing additional assemblies for them within the system what we are making for them which we are going to start executing it from this quarter onwards, which will ramp up in the subsequent quarters. So, what we have mentioned about 4,000 units which we are going to dispatch to Bloom, with additional wallet share is what's going to happen this year. And there is no change in that. There might be further improvement on that, that we have to see.

So ultimately the kind of guidance we have given in terms of growth and margins, we have factored every instance of what's external to the Company. For example, the tariffs issue which is going on with the United States, we have considered all those factors in arriving at this particular growth percentage. And we feel that because of our diversification into various countries and exports, we are in a position where we are still able to maintain that growth and achieve the margins that what I have mentioned, 21%plus/minus 100 basis points. And this we have considered all the factors, and any other factor which favors the Company then we will be able to improve much better on what we have said.

Vipraw Srivastava: Sure, sir. Thank you. I will join back the queue. Thank you.

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

Meet Jain: Hi, sir. So my first question is on the spillover that you talked about, can you throw some more light on this? Like, it has been during **(Inaudible) 21:04.3** what was the factor behind the spillover? And can we expect this in 1Q? And because of that, can we see a better margins in 1Q as compared to last year?

Srinivas Reddy: No. Basically, what I can say is that, one is the spillover is one on the domestic side. Because if you remember, we are working on the semi-cryo engines which there have been certain corrections, certain design changes, so now we are trying to finalize that. But more or less, there has been a little bit of a pause on certain export shipments as well because, if you remember, the April 2nd announcement by the United States on tariffs. So, we wanted to wait and watch and see. But post that, once the 90 days pause was released, then the situation became normal subsequent to that.

But, we have considered all those things in the subsequent quarters. As I mentioned, we have factored everything which is external to us to achieve the growth and the EBITDA percentages. And what you will see here in the current year is, you will have a linear quarter-on-quarter growth throughout the year, and as well as the EBITDA margins. So, that's how it's going to be.

And we are also working on reduction on outsourcing which we are getting qualified for the certain products. So, we have done that and we are in good shape to take the Company forward over the next three years in terms of our growth, and as well as the improvement in margins quarter-on-quarter and year-on-year basis.

Meet Jain: Helpful. So, when we see other export heavy companies to US, we have seen a huge outflow in 4Q in the anticipation of this tariff. But when you say, in our case we are seeing a pause by some of the customers, so just wanted to get some more clarity because of the anticipation of tariffs the shipments from India to US have seen a massive increase across industries, so that has been the case for us as well, right?

Srinivas Reddy: No, it is not the case. See, pause means there was not technically a pause, but there were few more shipments that could have taken, but not that it really affected us. Because there was a margin of Rs. 25 crores plus difference in terms of the revenue that we could have generated in additional, in terms of domestic and a few shipments in terms of export. So that's where it got deferred by a few days. Not that it is stopped, but post April 2nd again it continued and it's in the normal routine right now. So that's what it is. That's why I said that we have considered all this in the current year also, we have factored all these variables in our guidance for the current year as well.

Meet Jain: Understood. In terms of our fuel cells, clean energy guidance, I did not get that one, can you just reiterate what kind of guidance are you giving for FY '26 for the fuel cells?

Srinivas Reddy: See, fuel cells, we are looking at almost like we have hotbox units. I cannot spell out the number of boxes and all that based on the customers' feedback to us. But we will be growing at a rate of 20% compared to the last year what we have done. We have done around Rs. 450 crores plus last year, so we will do around 20% more this year.

Meet Jain: So, will this include any electrolyzer orders? So what kind of orders are we getting for electrolyzers from them?

Srinivas Reddy: We have not included the electrolyzer orders as of today. So this is what I am trying to explain that we have taken the position as of last week, is what I am talking about the numbers. So, obviously, if electrolyzers orders come in, then it will add on to the numbers what we have said, but we have not considered that as of now.

Meet Jain: Understood. And lastly, on this other expense part, we have seen an increase in other expense in absolute terms in this quarter, any one-offs in that?

Srinivas Reddy: Yes, because if you look at it, the majority of that is the plasma coating which we are doing in a US Company. And now we have done the samples, we have given it for lab testing, and we are expecting the qualification to be done over the next one month. Once we do that, then our outsourcing will drastically come down and we will be able to supply without any kind of outsourcing expense. So we will see some kind of reduction happening partially this quarter and subsequently for the next three quarters. So, we are looking at that as well and the majority of that is that, the outsourcing part of it.

Meet Jain: Okay. Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Bala Murali Krishna from Oman Investments. Please go ahead.

Bala Murali: Good morning, sir. So regarding the guidance of 25% we are expecting in case of nuclear sector, aerospace and defense we are expecting substantial increase. So the clean energy sector, I think, there may not be much growth in this year, right?

Srinivas Reddy: No, we have the growth. That's what I mentioned earlier, in the clean energy we are looking at about at least 20% growth this year in the fuel cells, in hydel power and those areas what we are working on. And the nuclear, we have not considered any of those orders which I said which we have claimed this year, substantial orders. So one good thing is that now it's already done in terms of Kaiga 5 & 6, the purchase order has been released to MEIL. Now they are working with us in terms of finalizing various contracts with us. That process is going on right now and then the refurbishment of reactors.

So, we are looking at anywhere between, I do not want to spell out individual numbers because of certain confidentiality, but we are looking at around Rs. 700 crores to Rs. 800 crores of orders flowing in over the next one, two quarters. So this, we have enough on our plate and further we are going to receive further orders as well. So we have enough on our plate to exponentially grow in the nuclear division moving forward. And we have the capacities to handle this as well.

Bala Murali: Okay, sir. So lastly, I think in previous year we were expecting to close the order book by Rs. 1,500 crores, we ended up around Rs. 1,000 crores. So this year what would be the expectations of closing the order book considering all these factors?

Srinivas Reddy: Look, as I said, whatever number I gave, we will have a very strong order book because when we said Rs. 1,500 crores, we factored in Kaiga 5 & 6 orders coming in, but that's getting deferred to this and the subsequent quarters, right, and also the refurbishment of reactors. And then we will be getting substantial orders from aerospace division, which we are doing extremely well right now. Then the space sector as well, defense as well is doing really well, we are doing substantially well in various areas. So we will have a very strong order book. And we will be able to further crystallize the closing order book for this year, probably a month, a month, and a half from now, once we have more clarity and all this. But we will have a very strong order book by end of this year after executing what growth what we have mentioned right now.

Bala Murali Krishna: Okay, sir. And this electrolyzer process, I think there is some PLI scheme also announced on that one, so are we looking to participate in the PLI scheme?

Srinivas Reddy: We have already done the electrolyzers. We have proven it. But as I said earlier, we are yet to receive any further orders on electrolyzers as of today. Once we receive it, then we will look at our numbers at that point of time. So, we have not considered that as of now, which I mentioned earlier.

Bala Murali Krishna: But I think there is some traction in the domestic market also because some PSU entities are very aggressive on this electrolyzer hydrogen production. So, other than Bloom maybe we have some good scope in the domestic?

Srinivas Reddy: See, to establish this, to be very transparent about it, it will take time in terms of the facilities and the infrastructure that we need to build for hydrogen storage, various other aspects. So, that is where we are right now. But good thing is, we have already developed the product. So, we are just waiting for the traction to happen internationally. So, that's where we get the real volumes. I understand the domestic requirements, but that's something which I do not want to comment right now. So, as, and when something happens, we will definitely inform all of you.

Bala Murali Krishna: Okay. Lastly, on this new product we developed for the naval valves, so what could be the expectation from this product, sir, if it is going to the limited production or bulk production?

Srinivas Reddy: So, the requirements are very high, because we have designed and developed it along with the D&D naval area. So, we are expecting substantial volume production requirements coming in from that segment in the defense side of the business. And that's what we are doing, right? Every year we keep developing these products and you will see the traction happening subsequently in terms of volume production. So, our product development team is taking up such products where it makes really economic sense in terms of having that kind of volumes moving forward. So, whatever you are seeing in our presentation is relevant to volume production moving forward. So, those things as and when they happen, they will add on to our order book and the execution cycle, which we have not taken today, but it will definitely happen.

Bala Murali Krishna: Okay. Lastly, on this Fluence Energy thing, there's no further update. Is there any progress on that deal?

Srinivas Reddy: No, we have already mentioned about the updates. See, they have given us to do the prototypes. We have already done the first one. The second one is in progress, which we will most probably try to complete in this quarter. Once that is done, then we move on to the batch production and volume production. So that's what we are going to do. So, we have not considered any of that volume production or batch production in the current growth what we have taken, because we wanted to be relatively conservative in what guidance we give. But that's in the advanced stage of discussion in terms of not only the completion of the prototypes but also in terms of signing off the agreement which can happen this quarter or the next quarter moving forward.

Bala Murali Krishna: Yes. I think as per our earlier discussion, I think when they receive any orders from India, so that we are going to execute it. So as of now, do they have any orders on hand from India for execution purposes?

Srinivas Reddy: No, that situation has changed right now because what they are trying to do right now is that they are going to buy the pods, the entire assembly from us, and the batteries are going to be installed at the site. So now we are open to the whole market, so that's the big advantage. That's how they have changed their whole business outlook in terms of manufacturing in India.

Bala Murali Krishna: Thanks a lot. That's all from my side.

Moderator: Thank you. The next question is from the line of Utkarsh Maheshwari from Reliance General Insurance Company Limited. Please go ahead.

Utkarsh Maheshwari: Good morning, sir.

Srinivas Reddy: Yes, good morning.

Utkarsh Maheshwari: Sir, just want to understand our medium-term perspective in terms of how we are guiding and how we are delivering, I mean, this is like on a very pretty consistent basis.

Srinivas Reddy: Can you speak a little louder because we are not able to hear you.

Utkarsh Maheshwari: Yes. My question is more from the structural thought process. I mean, from every time what we have guided, we have been running somehow short of our guidance. So this time do you think that our guidance is like almost at the lowest point of the thought process and maybe like we can outperform this?

Srinivas Reddy: That's exactly the idea. See, what you have said is right, but what you have to also understand is that over the last few years we have guided, but over the last one year there was some misses in terms of guidance. But the current financial year we have ensured that we have given a situation of the worst case scenario where we stand in terms of various external and internal factors, and we have guided in such a manner. So, you can be rest assured that what we have guided for this financial year is what we will be able to achieve for sure.

Utkarsh Maheshwari: And maybe like margins, I mean, we were thinking like 24% odd, now we are guiding 21%, so could this be the bottom? Or I mean we can expect some kind of outperformance from these margins? I mean, just want to understand the thought process.

Srinivas Reddy: So that's what I said, we wanted to make sure that we are making every efforts to improve our operating margins and also our EBITDA margins. But we wanted to ensure that we guide in a manner that what we can definitely achieve. And probably if things go in the right direction, probably we will do better than this. But we do not want to say that right now. But this is a basic minimum guidance, what we have given is the basic minimum guidance.

Utkarsh Maheshwari: Okay. Fair point. Thanks. That's it.

Moderator: Thank you. The next question is from the line of Ayush Bansal from Niveshaay Investment Advisors. Please go ahead.

Ayush Bansal: Hi. Good morning, sir.

Srinivas Reddy: Good morning.

Ayush Bansal: Sir, like I wanted to ask, we make actuators for Tejas aircraft, right? And with more focus on indigenization and government planning to add almost 300 Tejas aircrafts, so how big opportunity do we see here? And like out of the 36 Tejas aircrafts in operation currently, how many of it has actuators provided by MTAR?

Srinivas Reddy: See, the electromechanical actuators we have supplied to the defense and they have actually tested it and they have performed very well. And in fact, they have also used our roller screws to test these EMAs, indigenous roller screws, and they also performed very well. They passed the load test, they passed all the relevant tests they did. So this is what I am saying, when you have developed the product, you can see the traction happening in terms of EMAs in a big way. And in fact, we had a series of meetings with them recently as well because of the certain emergency procurements we have been looking at. And we are looking at lots more EMAs which are going to come in the way of MTAR in the current financial year and the future year as well.

So, when we talk about certain guidance, as I keep repeating, that we have not considered any of these opportunities which are already developed by MTAR but you still have to get those volume orders coming in from the defense sector, which will happen very shortly. So that is where we stand. So we have a great opportunity because we have already executed it. We have proven our product. So we are right on top of it to ensure that we can deliver such EMAs to the defense sector moving forward.

Ayush Bansal: And sir, like who are the other competitors providing the similar product? And how much do we contribute to a single Tejas aircraft?

Srinivas Reddy: We cannot quantify how much we contribute, but when we specifically talk about EMAs, our EMAs have proven the best in the market in terms of quality, in terms of performance. That has been also mentioned by the defense sector. And we are in good shape in terms of delivering the maximum requirements to the defense sector because ultimately, they detect the quality and the performance of the EMAs. Most of the EMAs we were also importing earlier, and that also we have changed the whole scenario right now, because of our capabilities to handle it. So we not only manufacture right from the basics, right from the component level to the assembly level, the entire system. So that's what we have done. So let's hope for the best in terms of getting the maximum kind of orders moving forward.

Ayush Bansal: Okay, sir. And do you have any idea on LCOE of fuel cell versus solar? And how do you see demand for fuel cells shaping in the foreseeable times?

Srinivas Reddy: No, there is enough demand. See, that's why we are able to grow at that rate, right? Four, five years back to what we are today, we have done a lot of innovations to make it from where we are right now. So it is growing at a rate of 20%, it might grow even further higher. So it all depends on how the market moves. But we are in good space as far as the fuel cells are concerned.

Ayush Bansal: And sir, can you just comment what is the cost of a hot box? And how technically difficult component it is to make, like do you see high competition or something?

Srinivas Reddy: I would not be able to comment on the numbers in the hot box, because we have been asked not to disclose that by the customer, because they have certain issues with that. But the entry barrier for manufacturing these systems, it's pretty long and it is not easy as well. So, it's not that competition can be created overnight. It is not going to happen that way. For MTAR itself it took number of years to develop it, and also to innovate various products that we have indigenized with. So that's where we are. So we are in a very good space as far as the fuel cell technology is concerned.

Ayush Bansal: Okay, sir. Thank you. That's all.

Srinivas Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Vipraw Srivastava from Phillip Capital. Please go ahead.

Vipraw Srivastava: Thank you for allowing me for a follow-up. Sir, quickly on the recent bill which has come up in US, where they are revoking subsidies for solar. So any thoughts that does it impact MTAR and Bloom positively? And can it be a potential trigger for MTAR in the long run?

Srinivas Reddy: I do not think so, because Bloom is in a very comfortable space right now in terms of their own order book and requirements. And we do not have any such information. And in fact, they are trying to increase their wallet share as well which we are doing right now, as I said earlier, Vipraw. So, I do not think we have any kind of asset or a trigger which might create an issue for us. So there is no indication of that.

Vipraw Srivastava: Sure, sir. And sir, secondly, quickly on the Fluence part. So again, Fluence also supplies lithium-ion batteries for US market. And if US market faces issues, do you see it having a repercussion the India market? Or are these two embedded?

Srinivas Reddy: No, see, right now, as I said earlier, we are creating assemblies for them, excluding the batteries for now. They are going to do that at site. So, that opens up the entire market. That's what Fluence is looking at. So, it's a new design up there, which we have designed and developed it along with them. We have successfully completed the first prototype, and now we are moving on to the second prototype. And once that is done, then we move on to the batch production and then the mass volume production as well. So, mostly, as I said earlier, the finalization of all this will happen either in this quarter or next quarter, where we are going to sign off a long-term agreement with them before we get on to the volume production.

Vipraw Srivastava: Sure, sir. Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Piyush Sevaldasani from Sundaram Alternates. Please go ahead.

Piyush Sevaldasani: Yes, hi, sir. Thank you for the opportunity. Sir, my first question is on the clean energy, fuel cell side. Sir, if you look at the guidance of Bloom Energy, it's much higher relative to what we are guiding. So, can you help me understand why are we being conservative or we wait for more orders to come, and then we see an upgrade there?

Srinivas Reddy: See, that's what I have said earlier. So, we have guided the growth as well as --

Moderator: Sorry to interrupt. Sir, there seems to be a disturbance in your line.

Srinivas Reddy: Yes. Can you hear me now? Can you hear me now?

Moderator: Yes, sir. Please go ahead. Yes, sir. Yes, sir.

Srinivas Reddy: I think my line is fine actually. So, what I have said earlier is that we have considered the guidance of the numbers based on where we are today. But over the next one, two quarters, many things can happen, but we have not taken any of those into account. So, as of today, this is what we have done, this is what the guidance we have given as a base minimum. So, the reason why we have done that is that we would like to make sure that what guidance we give definitely we will achieve that, and probably we might do better than that based on a lot of external factors, nothing to do with us.

So, a lot of good things are going to happen. For example, whether it's Bloom or whether it is Fluence Energy, where we are going to sign an agreement. We have not considered various things what we are already working upon. But as and when those things happen, then we look at it and then we keep informing our investors on a regular basis. So, that's the game plan for this year.

Piyush Sevaldasani: Sure, sir. Sir, my second question is on the CapEx. We have done Rs. 100 crores CapEx for FY '25, can you help us understand what was this done for? And incrementally, how should we see CapEx moving which segments, and what would be the quantum?

Srinivas Reddy: See, it depends. See, right now, this year the basic minimum bottleneck areas, we are looking at about Rs. 50 crores to Rs. 60 crores of CapEx going in. Not only for the requirements, not for this year, but for the next couple of years. But if you look at a specific project, like we are working on some very big projects which I am not able to disclose right now, but once those projects and agreements are signed, then it will be a separate CapEx required for that. We already have enough land banks, both near the airport, in the SEZ and a few other land banks that we have taken. So these will be used not only for our future projects and for expansion programs, which we have a roadmap over the next three to five years.

Piyush Sevaldasani: Sure sir. Sir, just lastly on the nuclear segment, you said the execution in FY '25 was slightly on the weaker side. Can you help me understand why it was impacted? Was there any project delay or some clearance delays? And why are we expecting a jump to Rs. 60 crores in FY '26?

Srinivas Reddy: See, basically, that's what we have dispatched, right? So, we are working on two major projects, one is the FMBC and the fuel transfer systems, which are the long-term projects. We have done substantial work in that, which is under work in projects. And we will be executing those projects for the current financial year. So, even though the sales are at Rs. 19 crores, we have done substantial work in these long-term projects over the last one year. And now we are going to move on to start dispatching them in the current year and the subsequent year.

So, what orders we are going to receive, if it's substantial orders, we have not considered that in our business plan for this year. But you can see a nice exponential growth in nuclear division since everything is right there on our table right now in terms of order booking and execution will happen over the next three to four years. So, we are looking at a pretty good exponential growth in nuclear division, which obviously got delayed, right, in terms of order booking, because of the delays from various areas. But now, already the paperwork has started moving and we will be able to bring those orders over the next one, two quarters.

Piyush Sevaldasani: Sure, sir. Thank you and all the best.

Srinivas Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian A: Good morning. Sir, earlier guidance of working capital days to a target of 175 days, what are the strategic initiatives we are taking it right now, because right now it's about 220 levels?

Srinivas Reddy: GR, you want to answer it?

Gunneswara Rao Pusarla: Yes. See, we have guided working capital days 225 days for FY '25. So we have achieved 229 days. 175 is a long-term goal, it cannot happen immediately

Balasubramanian A: I was talking FY '27 targets, sir, I think.

Gunneswara Rao Pusarla: Yes, FY '27. See, the moment we have the operating leverage and growth, we are expecting 25% year-on-year, and we are working closely on the receivables and inventory levels, definitely that number can be achievable. And we have the calculations also.

Balasubramanian A: Got it, sir. Sir, in that Middle East side, oil and gas, especially DMT and CapEx are picking up. And how our businesses are doing in oil and gas, how the things are shaping up?

Srinivas Reddy: So we are working with the oil and gas customer with Weatherford. We are going to execute the first article's completion in this quarter, the end of this quarter or beginning of next quarter. And mostly, a long-term agreement is going to be signed off, most probably in this quarter itself. And then we create the required infrastructure once the agreement is signed off for batch and volume production. So, that's going in the right direction. And that's something which we have not, again, stated in our business plan right now because that's how we have conservatively estimated our growth plan. So, as, and when it happens, we will inform the investors accordingly.

Balasubramanian A: Sir, we have taken a separate debt for this oil and gas segment, Rs. 60 crores to Rs. 80 crores kind of debt? Or still we have not taken?

Srinivas Reddy: No, we have not yet taken that debt.

Balasubramanian A: Okay, sir. When we can expect plant for this oil and gas, sir?

Srinivas Reddy: That's what I said, mostly in this quarter we will be able to sign off the agreement. And once we do that, then the whole process will start. Because we are simultaneously doing the first article, which will be done by end of this quarter. And once that is done, then we move on to the batch production within our existing facilities. But for volume production, we have to create a separate infrastructure for them for which we have the land bank. And once we do that, once we sign off the agreement, the whole kick-off will start off on the oil and gas, which will happen mostly in this quarter we will be able to sign off the agreement.

Balasubramanian A: Got it, sir. Sir, my final question on aerospace and defense, I think we have initiated a development order for compression assemblies of scramjet engines. And so when can we expect volume orders for these hypersonic missile developments?

Srinivas Reddy: No, first we have to execute these scramjet engines, we have to do that. We are in advanced stage of that. The raw material has come in, the manufacturing is going to commence. The sooner we do that, the whole team is working on it. So once we are able to do that, then progressively we will be able to see a proper traction in this area as well. And that's a very highly sophisticated order which we are executing in terms of scramjet. So let's see how it goes. And we are on top of that issue. The whole team is working on it, especially right from the new product development team and the execution teams are working on it to take it forward.

Balasubramanian A: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Isha Murthy from IM Capital. Please go ahead.

Isha Murthy: Hello. Sir, can you provide me the guidance for clean energy, like civil nuclear power and aerospace and defense? And what are your plans to like improve your cash flows?

Srinivas Reddy: So, the improvement of cash flows, I think GR, you want to answer that first, then I can go after that I guess?

Gunneswara Rao Pusarla: once the revenues are increasing, profitability increasing, the internal accruals will be there. And also, we are working on the working capital days also, closely monitoring it. So, we have achieved Rs. 101.9 crores, but we are working with a lot of suppliers also to improve our credit period. So, definitely every year our target is to make the positive cash flow from operations henceforth.

Srinivas Reddy: The second part of the question is, see, we are into various segments, multiple segments as I mentioned earlier, and we are seeing similar kind of growth pattern happening in every segments, especially in aerospace and defense we are seeing a huge traction happening there. We have created those facilities. Our products have been approved. Certifications we have received, including our special processes for aerospace in fact we are one-stop shop for various multinationals. We have been certified by NADCAP which is a big achievement, which we received a certificate now. So we have done a lot of work in terms of where we are today in terms of moving forward with the right growth that we are looking at. So that's where we are today. And I can really congratulate the entire team to create the platform to have a consistent and good growth over the next few years with improved margins.

Isha Murthy: Okay. I also have one more question. Like, you have indicated a sharp ramp-up in aerospace revenue, from like FY '26 and higher in FY '27 as well. So, what gives you the confidence in this steep growth? And also, long-term contracts or visibility from MNCs already secured to support the scale-ups?

Srinivas Reddy: Exactly. So the confidence level is, one is, we have already done a lot of first articles and moved on to the volume production. In some cases, we are already doing the first articles and they are getting approved. We got the required certifications as well. And that's why you can see in the current year itself in aerospace industry, like it was not there before as I mentioned earlier. In the aerospace sector we did Rs. 9 crores and Rs. 45 crores last year, and this year we are doing close to about Rs. 145 crores.

It's purely the effort of the team, not only to develop the products for the MNC in the aerospace sector and getting it approved and certified. And that's why we are seeing the numbers growing rapidly. And we are also having the customer confidence in MTAR in terms of quality and performance, what we have already delivered. So these are the factors which have gone into it. And we have created the right infrastructure in terms of special processes and machining and assembly of these products for us to be where we are today and how we are growing in this sector.

Isha Murthy: Okay, sir. Got it.

Moderator: Thank you. The next question is from the line of Ayush Bansal from Niveshaay Investment Advisors. Please go ahead.

Ayush Bansal: Hello, sir. I had one more question that back in 2020-'21 we were sitting at gross margins of somewhat 67%-68%, which now stands at 47%- 48%. So can you just tell for this drastic drop of 20% in gross margin, is this due to raw material cost or something else?

Srinivas Reddy: It's basically the product mix, right? So, earlier the gross margins for the clean energy segment are lower, the volumes are higher, the operating leverage is much better. But if you look at the way we are moving forward, we have diversified into the aerospace and defense sectors in a big way where the margins are much higher. So, basically the gross margins are also going to be higher in terms of these segments. And also, we are moving into the volume production as well, so you can see a better gross margins moving forward as we move on in terms of diversification. And we are actually implementing it and executing those orders right now. So we can see that happening over the next few years with improved gross margins as well.

Ayush Bansal: Okay, sir. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Maitri Shah from Sapphire Capital. Please go ahead.

Maitri Shah: Yes. I just had one question on the battery storage system. So we were developing and designing it, so where have we reached with the prototype? And has there been any qualification that we have received from it?

Srinivas Reddy: Yes. We have done the first prototype, so that's been approved by the customer. And now we are moving on to the second one, with a little bit more changes in the design and they wanted some improvements from their side, nothing to do with them. We are working together with the design and development. So once we do the second prototype, so that will be the basis for our batch production moving forward. That's what I have said, and which we are mostly planning to complete it by end of this quarter or beginning of next quarter. Once we do that, then we move on to the batch production. Then all the designs will be frozen and then we move forward for batch production and volume production.

Maitri Shah: Okay. And what kind of expectations do we have from this product in terms of like revenue in FY '27?

Srinivas Reddy: FY '27, will have a substantial revenue. But I am not going to disclose that more in terms of numbers once we sign off the agreement with Fluence, because we have to finalize the pricing and everything because we are doing the prototype right now. But it's a fantastic opportunity for the Company and we are successfully executing the prototype right now. So, the market has also opened up because of batches being installed at the site. So let's see how it goes. And once we sign off the agreement, we will inform you. Then obviously given the kind of volumes, it will be a substantial number that we are looking at.

Maitri Shah: Okay. And just one clarification, sir you mentioned that we will be growing at 25% for the next three years, is that right? Did I hear that right?

Srinivas Reddy: Can you repeat that question?

Maitri Shah: At 25% for the next three years?

Srinivas Reddy: Yes, that's right. Absolutely right.

Maitri Shah: Okay. Thank you so much.

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

Srinivas Reddy: So, I would like to thank everyone for taking time to attend this call. And I would like to mention that we are continuing to work towards our growth and also to improve our margins on a linear fashion, quarter-on-quarter basis. Even the growth, we are expecting to grow on a linear basis, quarter-on-quarter basis, year-on-year basis. And we are on track in terms of what we have done, which you cannot see in the form of numbers, but you can see moving forward over the next three years, the kind of work we have done in the various segments that we are working on right now. Thank you so much.

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