

CMP: INR 1,467

Rating: BUY

Target Price: INR 2,737

Stock Info

BSE	543270
NSE	MTARTECH
Bloomberg	MTARTECH:IN
Reuters	MTAR.NS
Sector	Aerospace & Defence
Face Value (INR)	10
Equity Capital (INR mn)	307.6
Mkt Cap (INR mn)	45,123
52w H/L (INR)	2,200 / 1,453
Avg Yearly Volume (in 000')	256.5

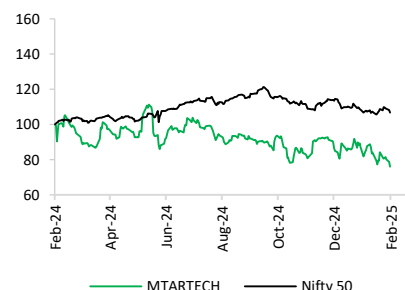
Shareholding Pattern %

(As on Dec, 2024)

Promoters	31.42
DII	23.17
FII	7.01
Public & Others	38.39

Stock Performance (%)	3m	6m	12m
MTARTECH	-8.5	-18.2	-24.0
NIFTY	-4.4	-5.2	6.7

MTARTECH vs Nifty



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MTAR Technologies Ltd reported numbers, Q3FY25 revenue grew by 47.4% YoY (-8.3% QoQ) to INR 1,745mn; above our estimates of INR 1,598mn. Gross Profit stood at INR 867mn (+41.1% YoY/-4% QoQ); above our estimates of INR 836mn; Gross margins contracted by 221 bps YoY (up by 221 bps QoQ) to 49.7% vs 51.9% in Q3FY24. The raw material cost in terms of sales stood at 50.9% vs 48.1% in Q3FY24. EBITDA stood at INR 333mn (+39.4% YoY/-9.7% QoQ); below our estimates of INR 440mn. EBITDA margin contracted by 109 bps YoY (down by 30 bps QoQ) to 19.1% vs 20.2% in Q3FY24. PAT stood at INR 160mn (+52.8% YoY/-15% QoQ); below our estimates of INR 250mn, and PAT margin improved by 33 bps YoY (down by 72 bps QoQ) to 9.2% vs 8.8% in Q3FY24.

Key Highlights

Strong business visibility from Bloom Energy: Bloom Energy's revenue majorly contributes to the clean energy segment. Clean energy revenue is expected INR 5bn+ in FY26E and hot boxes are expected to contribute INR 4.7bn. The demand for Bloom Energy's fuel cell is growing due to the high energy output of AI-driven data centers. The company also supplies sheet metal assemblies and enclosures to Bloom Energy. Hydrogen-based electrolyzer orders are expected to take more time. The company remains optimistic about business visibility from Bloom Energy.

Strong order inflows are expected in Nuclear: Kaiga 5 & 6 Reactors order of INR 5-6bn is expected by Mar to Apr-25. The project is expected to be completed in 3 years. The company has exclusive capabilities in 14 nuclear packages with a proven track record of completing projects ahead of schedule. The company is planning an exclusive nuclear plant due to the increasing pipeline. Govt budget allocation of INR 200bn for nuclear power development will be a benefit for MTAR Technologies.

New facility will cater to the demand for Aerospace: The new facility is expected to commence operations by the end of this month. The facility will meet the growing aerospace demand. MNC aerospace revenue is expected INR 1,250mn in FY26E and a large volume ramp-up is expected in FY27E. Revenue from ISRO is expected INR 500mn in FY26E. The company has initiated development order for combustion assemblies of scramjet engines for Hypersonic Missile developments.

Oil & Gas is expected to pick up from FY26E onwards: A small portion of revenue is expected in FY26E from Oil & Gas. The revenue is expected INR 1.5-1.8bn in FY25E and INR 2.5bn+ in FY28E. The company is setting up a dedicated plant for Oil & Gas with a capex of INR 600-800mn. We believe; the company will continue to explore new verticals like Oil & Gas and Battery Storage Systems etc.

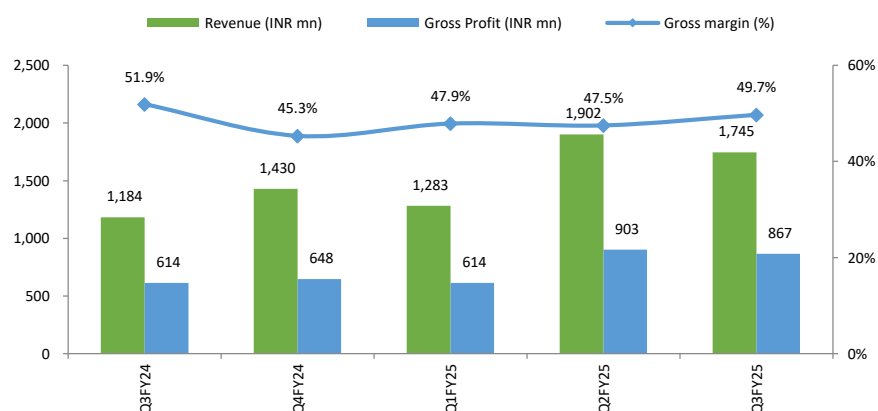
Outlook & Valuation: MTAR Technologies' revenue is expected to be 7,000mn+ in FY25E and margins are expected 21% with 100bps variations. The company is targeting 24% & 28% margins in FY26E & FY28E, backed by high-margin orders, operating leverage and cost rationalization, etc. The business visibility from Bloom Energy remains promising and revenue is expected INR 4.7bn in FY26E. Kaiga 5 & 6 nuclear reactor orders of INR 5-6bn are expected in Mar to Apr-25 and overall order inflows of INR 10bn are expected in the next 6 months. Govt budget allocation of INR 200bn for nuclear power development will be beneficial for MTAR Technologies. The new facility in Hyderabad is expected to commence operations by the end of this month and is expected to cater to the demand for Aerospace. The company also exploring new verticals like Oil & Gas and Battery Storage Systems will be new business opportunities going forward. At CMP of INR 1,467 per share, We maintain our "BUY" rating at a TP of INR 2,737 per share; valued at a PE multiple of 50x and its FY27E EPS of INR 54.7; an upside of 86.5%.

Q3FY25 Results

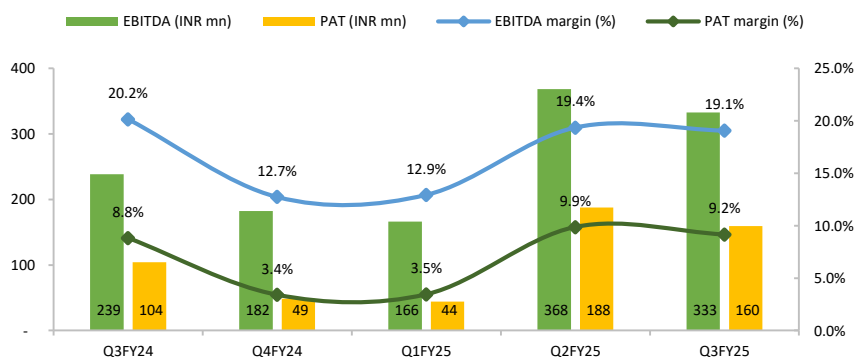
Income Statement Summary

Particular (INR mn)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Revenue	1,184	1,902	1,745	47.4%	-8.3%
Net Raw Materials	570	999	878	54.1%	-12.1%
Gross Profit	614	903	867	41.1%	-4.0%
Gross Margin (%)	51.9%	47.5%	49.7%	-221 bps	+221 bps
Employee Cost	240	299	313	30.7%	4.9%
Other Expenses	136	236	221	62.5%	-6.4%
EBITDA	239	368	333	39.4%	-9.7%
EBITDA Margin (%)	20.2%	19.4%	19.1%	-109 bps	-30 bps
Depreciation	58	78	87		
Interest expense	56	52	63		
Other income	5	14	31		
Profit before tax	129	253	214	66.3%	-15.3%
Taxes	24	65	55		
PAT	104	188	160	52.8%	-15.0%
PAT Margin	8.8%	9.9%	9.2%	+33 bps	-72 bps
EPS (INR)	3.4	6.1	5.2		

Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins contracted by 221 bps YoY (up by 221 bps QoQ) to 49.7% in Q3FY25 due to higher RM costs.

Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 109 bps YoY (down by 30 bps QoQ) to 19.1% in Q3FY25, however lower employee cost in-terms of sales partially offset the impact.

Source: Company Reports, Arihant Capital Research

Q3FY25 Concall Highlights**Revenue**

- Revenue is expected INR 7,000mn+ in FY25E. Revenue is expected to grow 30% YoY in FY26E.

Margins

- EBITDA margins are expected 21% and 100bps variations in FY25E. Margins are expected at 24% in FY26E and 28% in FY28E.

Order book

- The order book stood at INR 10.3bn as of Q3FY25.
- The order inflows stood at INR 8.17bn as of 9MFY25 and INR 10bn order inflows are expected in the next 6 months.

New facility

- The new facility is expected to commence operations by the end of this month. The facility will meet the growing aerospace demand.

Clean energy

- The clean energy segment is primarily contributed by Bloom Energy's revenue of INR 3,040mn in 9MFY25.
- Clean energy revenue is expected INR 5bn+ in FY26E and hot boxes are expected to contribute INR 4.7bn.

Bloom Energy

- The demand for Bloom Energy's fuel cell is growing due to the high energy output of AI-driven data centers.
- The company also supplies sheet metal assemblies and enclosures to Bloom Energy.
- Business from Bloom Energy remains optimistic.
- Hydrogen-based electrolyzer orders are expected to take more time.

Nuclear

- Kaiga 5 & 6 Reactors order of INR 5-6bn is expected by Mar to Apr-25. The project is expected to be completed in 3 years.
- The refurbishment of 5 reactors' execution timeline is 18 months.
- The company has exclusive capabilities in 14 nuclear packages with a proven track record of completing projects ahead of schedule.
- The company is planning an exclusive nuclear plant due to the increasing pipeline.
- Govt budget allocation of INR 200bn for nuclear power development will be a benefit for MTAT Technologies.

Q3FY25 Concall Highlights**Aerospace and Defence**

- MNC aerospace revenue is expected INR 1,250mn in FY26E and a large volume ramp-up is expected in FY27E.
- Defence revenue is expected INR 400mn+ in FY26E.
- Revenue from ISRO is expected INR 500mn in FY26E.
- The company has initiated development order for combustion assemblies of scramjet engines for Hypersonic Missile developments.

Oil & Gas

- The company has secured its 1st article orders for Weatherford.
- In Oil & Gas, a Small portion of revenue is expected in FY26E. The revenue is expected INR 1.5-1.8bn in FY25E and INR 2.5bn+ in FY28E.
- The company is setting up a dedicated plant for Oil & Gas with a capex of INR 600-800mn.

Debt

- Long-term debt stood at INR 1,325mn and repayment of INR 460mn is expected in FY26E.
- The new debt of INR 600-800mn for expansion of Oil & Gas and de-bottlenecking). Overall, net debt is expected to increase INR 250-300mn.

Working capital

- Working capital days stood at 222 days and the company is targeting 175 days by FY27E.

Other highlights

- The company is exploring new verticals like Oil & Gas and Battery storage systems.
- The company has developed roller screws, which are the critical component and were earlier imported from Sweden.

Financial Statements

Income statement (INR mn)

Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	5,738	5,808	7,167	8,823	11,199
Net Sales	5,738	5,808	7,167	8,823	11,199
YoY (%)	78.2%	1.2%	23.4%	23.1%	26.9%
Adjusted COGS	2,695	3,024	3,668	4,416	5,450
YoY (%)	131.8%	12.2%	21.3%	20.4%	23.4%
Employee expenses	935	970	1,225	1,418	1,753
YoY (%)	32.1%	3.7%	26.4%	15.7%	23.6%
Manufacturing & Other Expenses	568	687	869	1,050	1,293
YoY (%)	40.0%	21.0%	26.5%	20.9%	23.1%
Total Expenditure	4,198	4,681	5,762	6,884	8,496
YoY (%)	63.1%	-26.8%	24.6%	38.0%	39.4%
EBITDA	1,540	1,127	1,405	1,938	2,703
YoY (%)	63.1%	-26.8%	24.6%	38.0%	39.4%
EBITDA Margin (%)	26.8%	19.4%	19.6%	22.0%	24.1%
Depreciation	187	232	320	361	392
% of Gross Block	4.9%	5.1%	6.1%	6.1%	5.9%
EBIT	1,353	895	1,085	1,577	2,311
EBIT Margin (%)	23.6%	15.4%	15.1%	17.9%	20.6%
Interest Expenses	146	223	171	154	139
Non-operating/ Other income	195	58	72	97	123
PBT	1,402	730	985	1,520	2,295
Tax-Total	368	169	265	406	612
Adj. Net Profit	1,034	561	720	1,114	1,684
Reported Profit	1,034	561	720	1,114	1,684
PAT Margin	18.0%	9.7%	10.0%	12.6%	15.0%
Adj EPS	33.6	18.2	23.4	36.2	54.7

Source: Company reports, Arihant Capital Research

Balance sheet

Year-end March (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	308	308	308	308	308
Reserves & Surplus/ Other Equity	5,894	6,456	7,176	8,290	9,974
Networth	6,201	6,763	7,483	8,598	10,281
Unsecured Loans/ Borrowings/ Lease Liabilities	1,434	1,909	1,803	1,623	1,460
Other Liabilities	239	265	294	327	363
Total Liabilities	10,633	10,077	12,195	13,529	15,649
Total Funds Employed	20,250	18,918	23,222	25,946	30,228
Application of Funds					
Net Fixed Assets	2,910	3,405	3,779	4,151	4,504
Capital WIP	644	729	521	501	503
Investments/ Notes/ Fair value measurement	0	0	0	0	0
Current assets	6,967	5,648	7,490	8,371	10,005
Inventory	3,866	3,476	4,397	5,190	6,221
Days	177	231	224	215	203
Debtors	2,084	1,466	2,048	2,485	3,111
Days	110	112	104	103	101
Other Current Assets	382	112	146	189	246
Cash and Cash equivalent	312	508	788	361	239
Current Liabilities/Provisions	3,416	2,078	3,544	3,819	4,298
Creditors / Trade Payables	2,182	714	2,088	2,326	2,802
Days	79	123	114	111	107
Liabilities	559	392	491	619	704
Net Current Assets	3,551	3,570	3,946	4,552	5,708
Total Asset	10,633	10,077	12,195	13,529	15,649
Total Capital Employed	7,082	6,506	8,249	8,978	9,942

Source: Company reports, Arihant Capital Research

Financial Statements

Cash Flow Statement

Year End-March (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,034	561	720	1,114	1,684
Adjustments: Add					
Depreciation and amortisation	187	232	320	361	392
Interest adjustment	-49	165	100	57	16
Change in assets and liabilities	1,172	958	1,139	1,533	2,091
Inventories	-2,162	389	-920	-793	-1,032
Trade receivables	-724	618	-582	-438	-625
Trade payables	1,612	-1,468	1,374	238	476
Other Liabilities and provisions	192	116	93	39	5
Other Assets	-153	232	-59	-77	-100
Taxes	150	-103	-87	-74	-101
Net cash from operating activities	86	742	959	428	714
Capex	-1,338	-812	-485	-714	-747
Net Sale/(Purchase) of investments	543	333	72	97	123
Others	0	-52	-4	-4	-4
Net cash (used) in investing activities	-795	-531	-417	-621	-628
Interest expense/Debt	382	-15	-261	-233	-208
Dividend paid	-185	0	0	0	0
Other financing activities	-30	1	0	0	0
Net cash (used) in financing activities	352	-15	-261	-233	-208
Closing Balance	312	508	788	361	239

Source: Company reports, Arianth Capital Research

Key Ratios

Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.2	0.3	0.2	0.2	0.1
Net Debt / Equity	0.2	0.2	0.1	0.1	0.1
Debt / EBITDA	0.9	1.7	1.3	0.8	0.5
Current Ratio	0.7	1.2	0.7	0.7	0.5
DuPont Analysis					
Sales/Assets	0.5	0.6	0.6	0.7	0.7
Assets/Equity	1.7	1.5	1.6	1.6	1.5
RoE	16.7%	8.3%	9.6%	13.0%	16.4%
Per share ratios					
Reported EPS	33.6	18.2	23.4	36.2	54.7
Dividend per share	0.0	0.0	0.0	0.0	0.0
BV per share	201.6	219.9	243.3	279.5	334.2
Cash per Share	4.0	12.8	19.8	9.1	6.0
Revenue per Share	186.5	188.8	233.0	286.8	364.1
Profitability ratios					
Net Profit Margin (PAT/Net sales)	18.9%	18.0%	9.7%	10.0%	12.6%
Gross Profit / Net Sales	53.0%	47.9%	48.8%	49.9%	51.3%
EBITDA / Net Sales	26.8%	19.4%	19.6%	22.0%	24.1%
EBIT / Net Sales	23.6%	15.4%	15.1%	17.9%	20.6%
ROCE (%)	18.7%	11.2%	12.5%	16.2%	20.4%
Activity ratios					
Inventory Days	177	231	224	215	203
Debtor Days	110	112	104	103	101
Creditor Days	79	123	114	111	107
Leverage ratios					
Interest coverage	9.3	4.0	6.3	10.2	16.7
Debt / Asset	0.1	0.2	0.1	0.1	0.1
Valuation ratios					
EV / EBITDA	30.1	41.4	32.9	24.0	17.2
PE (x)	43.7	80.6	62.8	40.6	26.9

Source: Company reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 24.5% over the period of FY24-27E.

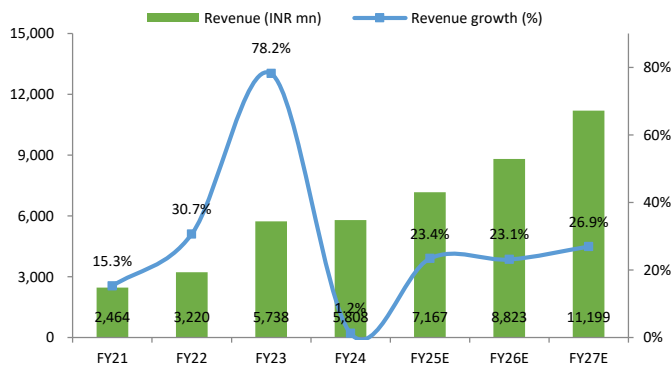


Exhibit 4: Operating leverage and high margin orders will improve gross margins.

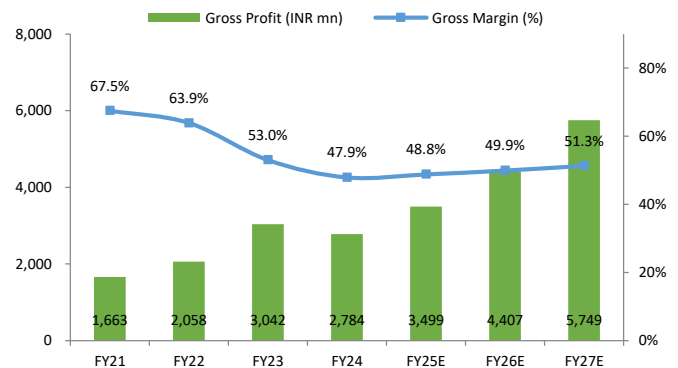


Exhibit 5: EBITDA and PAT margin is expected to improve from FY25E onwards.

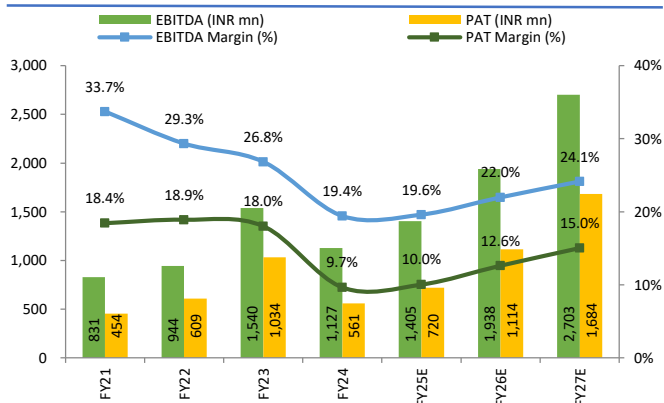


Exhibit 6: Return ratios is expected to improve from FY25E onwards.

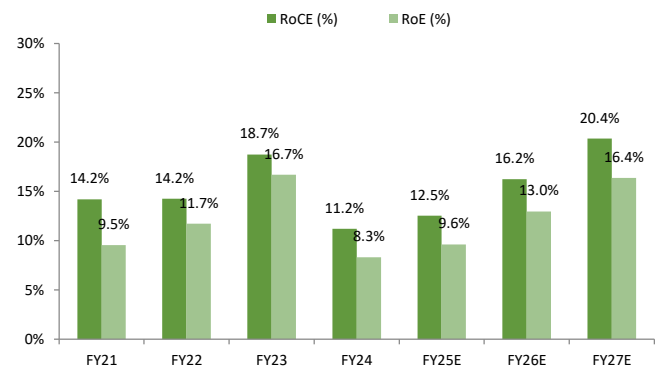


Exhibit 7: Working capital days is expected to be less than 200 days by FY27E.

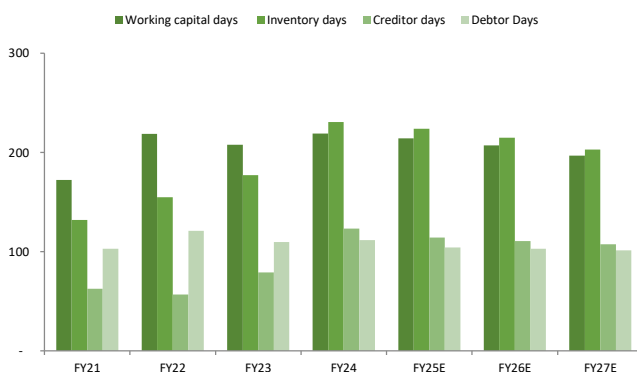
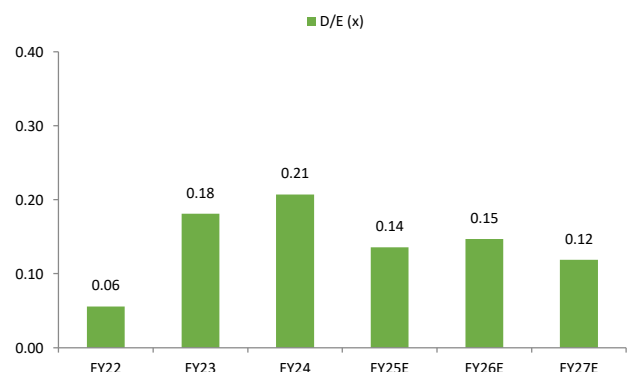


Exhibit 8: Debt to Equity is expected to be lower levels going forward.



Source: Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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