

CMP: INR 1,663

Rating: BUY

Target Price: INR 2,229

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)	51,152
52w H/L (INR)	2,184 / 1,152
Avg Yearly Volume (in 000')	230.5

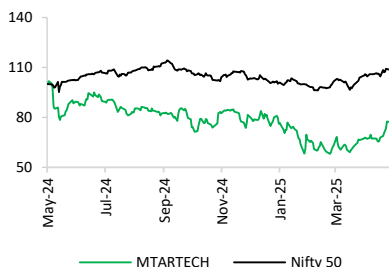
Shareholding Pattern %

(As on Mar, 2025)

Promoters	31.77
DII	24.40
FII	6.74
Public & Others	37.10

Stock Performance (%)	3m	6m	12m
MTARTECH	20.6	-6.3	-21.3
NIFTY	10.2	2.6	8.2

MTARTECH vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-67114871

Balasubramanian A

bala@arihantcapital.com
022-67114870

MTAR Technologies Ltd reported numbers, Q4FY25 revenue grew by 28.1% YoY (+4.9% QoQ) to INR 1,831mn; below our estimates of INR 2,259mn. Gross Profit stood at INR 957mn (+47.7% YoY/+10.4% QoQ); below our estimates of INR 1,062mn; Gross margins improved by 696 bps YoY (up by 258 bps QoQ) to 52.3% vs 45.3% in Q4FY24. The raw material cost in terms of sales stood at 53.4% vs 54.7% in Q4FY24. EBITDA stood at INR 341mn (+87.3% YoY/+2.7% QoQ); below our estimates of INR 429mn. EBITDA margin improved by 590 bps YoY (down by 41 bps QoQ) to 18.7% vs 12.7% in Q4FY24. PAT stood at INR 137mn (+181.7% YoY/-14% QoQ); below our estimates of INR 235mn, and PAT margin improved by 409 bps YoY (down by 166 bps QoQ) to 7.5% vs 3.4% in Q4FY24.

Key Highlights

Business visibility remain strong from Bloom Energy: The company supplies hotboxes to Bloom Energy, expecting increased wallet share in FY26E. The company plans to dispatch 4,000 units to Bloom, leveraging its technological leadership in fuel cell systems. The entry barriers for manufacturing these systems remain high, ensuring limited competition. The demand for Bloom Energy's fuel cell is growing due to the high energy output of AI-driven data centers. The company remains optimistic about business visibility from Bloom Energy.

Strong order inflows are expected in Nuclear: The company is pre-qualified for Kaiga 5 & 6 reactor orders, and is expected to receive INR 7-8bn orders in 1-2 quarters, and has started receiving tenders for reactor refurbishment. Around INR 600mn of nuclear orders are expected to be delivered in FY26E. The company is developing battery-free products for 220 MW Bharat Modular Reactors.

New unit is expected to drive Aerospace & Defence: Aerospace and Defence is expected to grow 80% YoY in FY26E, driven by certifications and first article approvals for new products. The new unit in Hyderabad is expected to contribute significantly. The aerospace and Defence sector witnessed significant progress, with successful deliveries for ISRO, DRDO, and multinational clients like Thales and Elbit Systems. The company has supplied electro-mechanical actuators to defence, which have performed well. The company is working on initial development order combustion assemblies of scramjet engines for Hypersonic Missile developments.

Oil & Gas and new product verticals will be a additional growth drivers: Products and other verticals revenue stood at INR 1.48bn in FY25, and 20% YoY growth is expected in FY26E. The company is developing electromechanical actuators (EMAs) and other high-value products, positioning itself as an import substitute for the Indian government. The company is working with Weatherford on first articles for Oil & Gas, with a long-term agreement expected to be signed in Q1FY26. This will open opportunities for volume production in the future. The company is setting up a dedicated plant for Oil & Gas with a capex of INR 600-800mn.

Outlook & Valuation: MTAR Technologies' revenue is expected to grow 25% CAGR over next 2-3 years and margins are expected 21% with 100bps variations. The business visibility from Bloom Energy remains promising and plans to supply 4,000 units top Bloom Energy. Kaiga 5 & 6 nuclear reactor orders of INR 7-8bn are expected in the 1-2 quarter. The new facility in Hyderabad is expected to cater to the demand for Aerospace and expected to grow 80% YoY in FY26E. The company also exploring new verticals like Oil & Gas and Battery Storage Systems will be new business opportunities going forward. At CMP of INR 1,663 per share, We maintain our "BUY" rating at a TP of INR 2,229 per share; valued at a PE multiple of 50x and its FY27E EPS of INR 44.6; an upside of 34.0%.

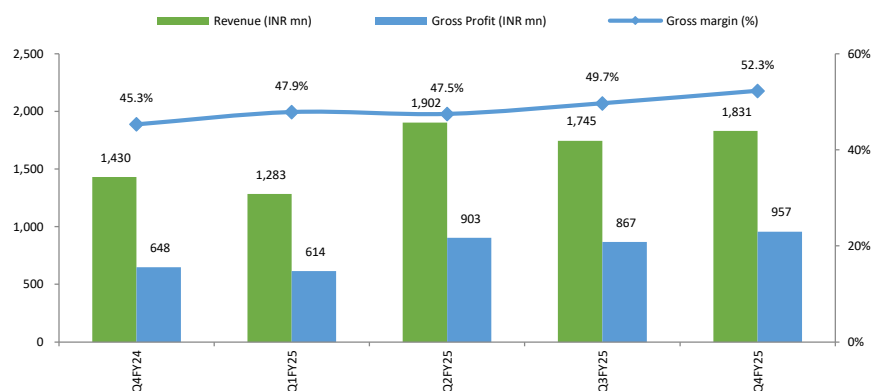
Q4FY25 Results

Income Statement Summary

Particular (INR mn)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Revenue	1,430	1,745	1,831	28.1%	4.9%
Net Raw Materials	782	878	874	11.8%	-0.4%
Gross Profit	648	867	957	47.7%	10.4%
Gross Margin (%)	45.3%	49.7%	52.3%	+696 bps	+258 bps
Employee Cost	254	313	345	36.1%	10.1%
Other Expenses	212	221	270	27.6%	22.5%
EBITDA	182	333	341	87.3%	2.7%
EBITDA Margin (%)	12.7%	19.1%	18.7%	+590 bps	-41 bps
Depreciation	59	87	96		
Interest expense	55	63	59		
Other income	4	31	0		
Profit before tax	72	214	186	159.0%	-13.1%
Taxes	23	55	49		
PAT	49	160	137	181.7%	-14.0%
PAT Margin	3.4%	9.2%	7.5%	+409 bps	-166 bps
EPS (INR)	1.6	5.2	4.5		

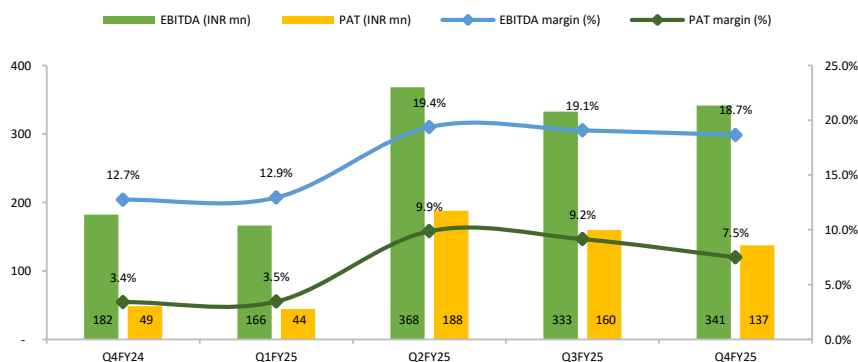
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 696 bps YoY (up by 258 bps QoQ) to 52.3% in Q4FY25 due to lower RM costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 590 bps YoY (down by 41 bps QoQ) to 18.7% in Q4FY25, however employee cost and other expenses in-terms of sales slightly increased.



Source: Company Reports, Arihant Capital Research

Q4FY25 Concall Highlights**Revenue**

- Revenue growth is expected to grow 25% CAGR over the next 2-3 years.

Margin

- EBITDA margins are expected to be around 21% plus or minus 100 basis points, driven by operating leverage and scale-up in production in FY26E.
- The company is also focusing on reducing outsourcing costs and improving operational efficiencies to enhance margins.

Capex

- The capex is expected to be INR 1bn. Around INR 500-600mn for de-bottlenecking and special projects.

Hot Boxes and Bloom Energy

- The company supplies hotboxes to Bloom Energy, expecting increased wallet share in FY26E.
- The company plans to dispatch 4,000 units to Bloom, leveraging its technological leadership in fuel cell systems.
- The entry barriers for manufacturing these systems remain high, ensuring limited competition.

Order book

- The order book stood at INR 97,940mn in Q4FY25. The order book breakup is Clean Energy – Fuel cell, Hydel (48.4%), Clean Energy – Civil Nuclear Power (16.1%), Aerospace & Defence (28.4%), Products & others (7.2%).
- The order inflows stood at INR 7,201mn in FY25. The company is in advanced discussions for long-term contracts in clean energy, oil and gas, and aerospace sectors.

Clean Energy

- Clean energy, including fuel cells and hydropower, is expected to grow by 15-20% YoY in FY26E.
- Clean Energy and fuel cells growth is driven by fuel cells, hydropower, and battery storage systems. The company is completed Proto 1 for Fluence Energy and is working on Proto 2, with discussions ongoing for mass production orders.

Nuclear and Kaiga

- Around INR 600mn of nuclear orders are expected to be delivered in FY26E.
- The company is pre-qualified for Kaiga 5 & 6 reactor orders, and is expected to receive INR 7-8bn orders in 1-2 quarters, and has started receiving tenders for reactor refurbishment.
- The company is developing battery-free products for 220 MW Bharat Modular Reactors.

Q4FY25 Concall Highlights**Aerospace and Defence**

- Aerospace and Defence is expected to grow 80% YoY in FY26E, driven by certifications and first article approvals for new products. The new unit in Hyderabad is expected to contribute significantly.
- The aerospace and Defence sector witnessed significant progress, with successful deliveries for ISRO, DRDO, and multinational clients like Thales and Elbit Systems.
- The company is working on initial development order combustion assemblies of scramjet engines for Hypersonic Missile developments.
- The company has supplied electro-mechanical actuators to defence, which have performed well.

Products and other verticals

- Products and other verticals revenue stood at INR 1.48bn in FY25, and 20% YoY growth is expected in FY26E.
- The company is developing electromechanical actuators (EMAs) and other high-value products, positioning itself as an import substitute for the Indian government.

Oil & Gas

- In the oil and gas sector, the company is working with Weatherford on first articles, with a long-term agreement expected to be signed in Q1FY26. This will open opportunities for volume production in the future.
- The company is setting up a dedicated plant for Oil & Gas with a capex of INR 600- 800mn.

Other highlights

- Networking days stood at 229 days in FY25 and are expected to reduce to 200 days in FY26E.
- Long-term debt stood at INR 811mn, and 80% is expected to be repaid in FY27E.

Financial Statements

Income statement (INR mn)

Year End-March	FY23	FY24	FY25	FY26E	FY27E
Gross Sales	5,738	5,808	6,760	8,522	10,626
Net Sales	5,738	5,808	6,760	8,522	10,626
YoY (%)	78.2%	1.2%	16.4%	26.1%	24.7%
Adjusted COGS	2,695	3,024	3,419	4,247	5,145
YoY (%)	131.8%	12.2%	13.1%	24.2%	21.1%
Employee expenses	935	970	1,238	1,481	1,802
YoY (%)	32.1%	3.7%	27.6%	19.6%	21.7%
Manufacturing & Other Expenses	568	687	895	1,118	1,353
YoY (%)	40.0%	21.0%	30.3%	24.9%	21.1%
Total Expenditure	4,198	4,681	5,552	6,846	8,300
YoY (%)	63.1%	-26.8%	7.2%	38.7%	38.8%
EBITDA	1,540	1,127	1,208	1,676	2,327
YoY (%)	63.1%	-26.8%	7.2%	38.7%	38.8%
EBITDA Margin (%)	26.8%	19.4%	17.9%	19.7%	21.9%
Depreciation	187	232	322	383	433
% of Gross Block	4.9%	5.1%	6.2%	6.2%	6.0%
EBIT	1,353	895	886	1,293	1,894
EBIT Margin (%)	23.6%	15.4%	13.1%	15.2%	17.8%
Interest Expenses	146	223	222	154	139
Non-operating/ Other income	195	58	52	85	106
PBT	1,402	730	716	1,224	1,861
Tax-Total	368	169	187	321	490
Adj. Net Profit	1,034	561	529	903	1,371
Reported Profit	1,034	561	529	903	1,371
PAT Margin	18.0%	9.7%	7.8%	10.6%	12.9%
Adj EPS	33.6	18.2	17.2	29.4	44.6

Source: Company reports, Arihant Capital Research

Balance sheet

Year-end March (INR mn)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Equity Share Capital	308	308	308	308	308
Reserves & Surplus/ Other Equity	5,894	6,456	6,982	7,885	9,256
Networth	6,201	6,763	7,289	8,193	9,564
Unsecured Loans/ Borrowings/ Lease Liabilities	1,434	1,909	1,773	1,623	1,460
Other Liabilities	239	265	302	337	376
Total Liabilities	10,633	10,077	11,303	13,687	15,241
Total Funds Employed	20,250	18,918	21,493	26,250	29,398
Application of Funds					
Net Fixed Assets	2,910	3,405	4,387	4,404	4,977
Capital WIP	644	729	532	490	481
Investments/ Notes/ Fair value measurement	0	0	0	0	0
Current assets	6,967	5,648	6,181	8,543	9,502
Inventory	3,866	3,476	3,461	4,870	5,744
Days	177	231	187	209	197
Debtors	2,084	1,466	2,098	2,401	2,952
Days	110	112	96	103	101
Other Current Assets	382	112	385	500	575
Cash and Cash equivalent	312	508	169	683	133
Current Liabilities/Provisions	3,416	2,078	2,901	4,371	4,594
Creditors / Trade Payables	2,182	714	1,061	2,502	2,698
Days	79	123	59	111	107
Liabilities	559	392	840	993	1,101
Net Current Assets	3,551	3,570	3,280	4,172	4,908
Total Assets	10,633	10,077	11,303	13,687	15,241
Total Capital Employed	7,082	6,506	8,023	9,515	10,332

Source: Company reports, Arihant Capital Research

Financial Statements

Cash Flow Statement

Year End-March (INR mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	1,034	561	529	903	1,371
Adjustments: Add					
Depreciation and amortisation	187	232	322	383	433
Interest adjustment	-49	165	170	69	32
Change in assets and liabilities	1,172	958	1,022	1,356	1,837
Inventories	-2,162	389	16	-1,409	-874
Trade receivables	-724	618	-632	-303	-551
Trade payables	1,612	-1,468	347	1,440	197
Other Liabilities and provisions	192	116	472	31	27
Other Assets	-153	232	-255	-136	-84
Taxes	150	-103	87	-21	-3
Net cash from operating activities	86	742	1,056	958	548
Capex	-1,338	-812	-1,106	-359	-997
Net Sale/(Purchase) of investments	543	333	52	85	106
Others	0	-52	19	-3	-3
Net cash (used) in investing activities	-795	-531	-1,036	-277	-894
Interest expense/Debt	382	-15	-356	-168	-204
Dividend paid	-185	0	0	0	0
Other financing activities	-30	1	-3	0	0
Net cash (used) in financing activities	352	-15	-359	-168	-204
Closing Balance	312	508	169	683	133

Source: Company reports, Arianth Capital Research

Key Ratios

Year-end March	FY23	FY24	FY25	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.2	0.3	0.2	0.2	0.2
Net Debt / Equity	0.2	0.2	0.2	0.1	0.1
Debt / EBITDA	0.9	1.7	1.5	1.0	0.6
Current Ratio	0.7	1.2	1.3	0.6	0.6
DuPont Analysis					
Sales/Assets	0.5	0.6	0.6	0.6	0.7
Assets/Equity	1.7	1.5	1.6	1.7	1.6
RoE	16.7%	8.3%	7.3%	11.0%	14.3%
Per share ratios					
Reported EPS	33.6	18.2	17.2	29.4	44.6
Dividend per share	0.0	0.0	0.0	0.0	0.0
BV per share	201.6	219.9	237.0	266.4	310.9
Cash per Share	4.0	12.8	0.6	2.5	0.5
Revenue per Share	186.5	188.8	219.8	277.1	345.5
Profitability ratios					
Net Profit Margin (PAT/Net sales)	18.9%	18.0%	9.7%	7.8%	10.6%
Gross Profit / Net Sales	53.0%	47.9%	49.4%	50.2%	51.6%
EBITDA / Net Sales	26.8%	19.4%	17.9%	19.7%	21.9%
EBIT / Net Sales	23.6%	15.4%	13.1%	15.2%	17.8%
ROCE (%)	18.7%	11.2%	10.5%	13.9%	17.8%
Activity ratios					
Inventory Days	177	231	187	209	197
Debtor Days	110	112	96	103	101
Creditor Days	79	123	59	111	107
Leverage ratios					
Interest coverage	9.3	4.0	4.0	8.4	13.7
Debt / Asset	0.1	0.2	0.2	0.1	0.1
Valuation ratios					
EV / EBITDA	33.9	46.6	43.7	31.1	22.6
PE (x)	49.5	91.2	96.7	56.6	37.3

Source: Company reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 25.4% over the period of FY25-27E.

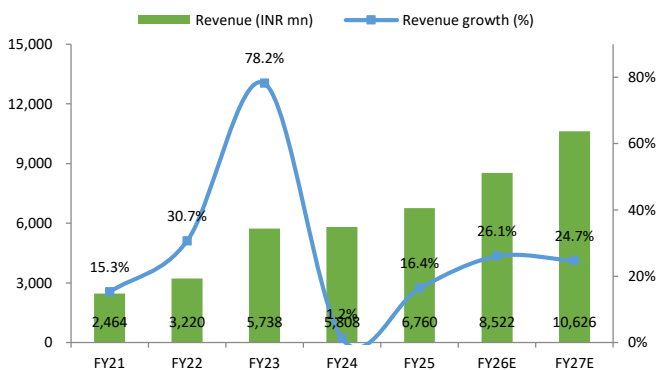


Exhibit 4: Operating leverage and high margin orders will improve gross margins.

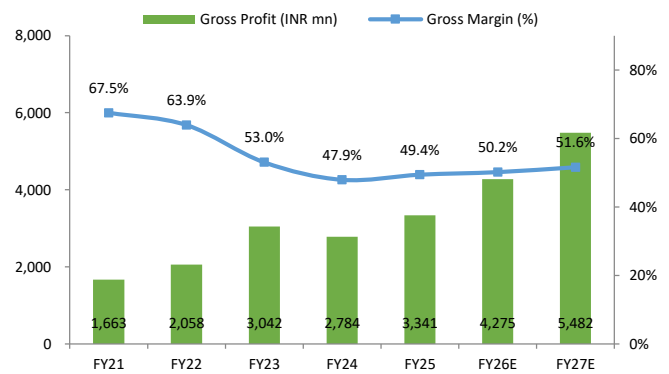


Exhibit 5: EBITDA and PAT margin is expected to improve going forward.

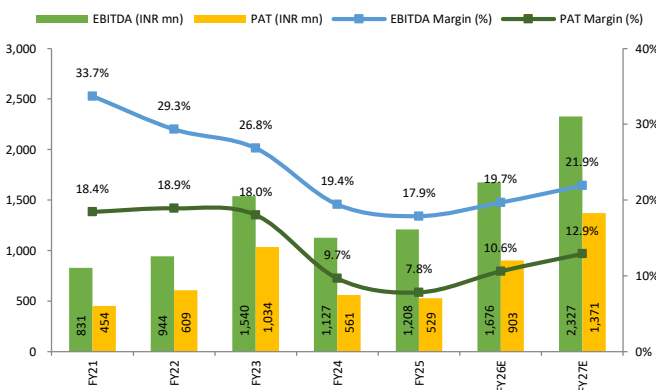


Exhibit 6: Return ratios is expected to improve from FY26E onwards.

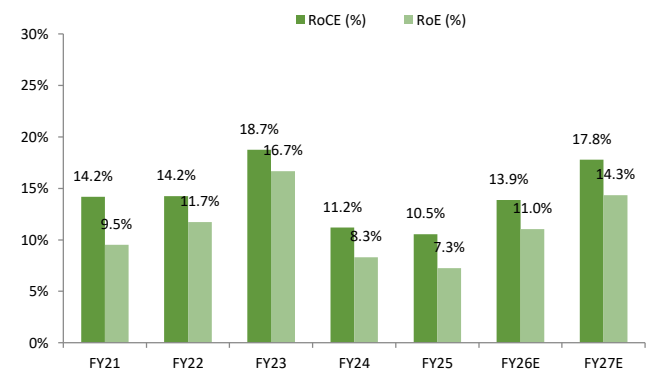


Exhibit 7: Working capital days is expected to be less than 200 days by FY27E.

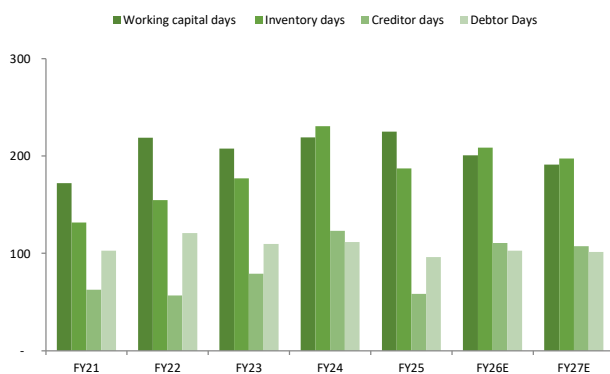
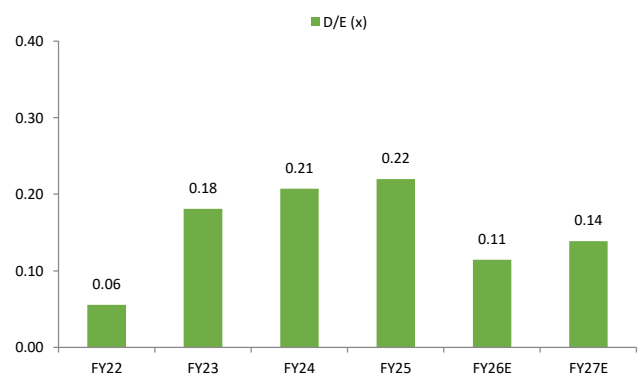


Exhibit 8: Debt to Equity is expected to be lower levels going forward.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800