



“MTAR Technologies Limited  
Q4 & FY '24 Earnings Conference Call”

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



**Moderator:**

Ladies and gentlemen, good day and welcome to MTAR Technologies Limited Q4 and FY '24 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

**Parth Patel:**

Thank you, Nirav. Good morning, everyone. On behalf of MTAR Technologies Limited, I extend a very warm welcome to all participants on Q4 and FY '24 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, Head IR and Strategy. 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 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, for his opening remarks. Over to you, sir. Thank you.

**Srinivas Reddy:**

Thank you 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, Chief Financial Officer, Ms. Srilekha Jasthi, Head Strategy and Investor Relations and Orient Capital, our Investor Relations Partner. We have uploaded our updated investor deck, press release, and results highlights on the Stock Exchange and Company website. I hope everybody had an opportunity to go through the same.

So today, basically, as a leading provider in multiple segments, in terms of clean energy, defense, nuclear, space, and aerospace sectors, we have consistently delivered robust financial performance and strategic growth in the past. With regards to Financial Year '24, we definitely encountered a dip in our earnings, primarily due to the following reasons.

One, customer transition impact. One of our key customers, Bloom Energy, contributing substantially to our revenue stream, has initiated a comprehensive transformation of the business model in terms of the hot boxes or the model, what they want to change for higher power output. Consequently, there has been a temporary reduction in their procurement volumes from us, impacting our earnings.

Once the new model Santa Cruz is fully implemented, it will result in enhanced operational synergies and more sustainable partnerships. We have clear indications that we will bounce back to higher procurement volumes by Bloom during the second half of the year. Two, our team is closely collaborating with a number of MNCs, and worked on various first articles in various projects. And company had to incur expenditure for development of these first articles, which has definitely affected, to a certain extent, our EBITDA levels for the year, but will result in high revenue streams for coming years.

For FY '24, we had revenues of 8 crores in MNC Aerospace Division. And for FY '25, the revenues generated will be close to about INR72 crores. This is a clear indication of what kind of work we have done in terms of developing the various first articles and products for the multinational that we are working with right now.

We will also be signing a number of long-term agreements moving forward with MNCs in the aviation sector. And we have already received the agreement for one of the aviation sector projects from IAI, which will result in a business opportunity of close to 90 million to 120 million over the next 15 years. We have been working on these long-term agreements for more than six months. Further, we are working on such long-term agreements in various projects with various MNCs, and we should receive the final agreements over the next two quarters to take this forward, and which would result in higher revenue stream generation over the next two to three years.

For the financial year FY '24, we had also deepened our value creation by close to about INR25 crores to INR30 crores in the shop floor in various nuclear and space projects, because of the deliveries of the incoming raw materials in the second half for the major projects. Based on the current situation, we have the raw materials in place for the current financial year to enable us to make substantial progress in these projects, not only to achieve the desired sales, but also to achieve the value addition in the shop floor in all the projects.

Our team is collaborating with various customers to integrate our cutting-edge solutions into the revamped framework, ensuring mutual growth and long-term value creation. Despite this short-term impact, our core financial metrics remain strong on a long-term basis. Our aim is to have a diversified portfolio across multiple sectors, which mitigates risks associated with any single customer.

We are working towards proactive cost management strategies to improve our EBITDA margins, and investments in R&D projects, including developing first articles and products, will position us favorably for future market opportunities. We are very optimistic about our future outlook, supported by several key factors, diversification of customer base and continual development of first articles for various MNC customers as global demand continues to rise.

Ongoing expansion plans and strategic partnerships are expected to drive the revenue stream. Our commitment to sustainable practices resonates with industry trends and regulatory frameworks, enhancing our competitive edge. Based on the current estimates, we are expecting increase in revenue guidance of 30% to 35% for FY '25 and EBITDA margins of around 22%.

40% of the revenue should be achieved in the first half of the year and the rest 60% will be achieved in the second half of the year. We will continue to grow at a minimum of 30% to 35% for FY '26 with improved EBITDA margins close to 24% plus. We have closed the year-end order book at INR915 crores and expect to have a closing order book of INR1500 crores by March FY '25. The major orders are expected from nuclear, space, defense, MNCs and clean energy sectors.

I am happy to announce that we have onboarded Mr. Arun Ojha, Chief Commercial Officer, who will be responsible for business development and MNC supply chain. He has 25 years of vast experience in supply chain, business development and manufacturing and works for prestigious firms like Schlumberger, ALSTOM, L&T and Andritz. Under the leadership of Arun, we are expecting to enhance the customer base further and he has already initiated discussions with various global MNCs and the target is to diversify even into the oil field sector in a very big way and he has enough connect in these areas. Over the years, he has worked with Schlumberger and the others.

In conclusion, our current quarter and financial year '24 reflects a pause in our earnings but our long-term trajectory remains robust. We are confident that the strategic shifts taken by the company unlock new avenues of growth. Our diversified portfolio, strong financial foundation and unwavering focus on innovation and sustainability will continue to drive our success.

I do understand that most of the shareholders would be disappointed with the financials for FY'24 but please look at the long-term goal of MTAR and the kind of work we have done in the past one year to build strong customer base to enable robust long-term trajectory for the company. I would like to thank at this moment all our engineers, middle and senior management of MTAR who work hard in achieving the results the company needed for a robust future outlook by developing various first articles and products during the year for future growth.

Bloom Energy transition impact encouraged us even more to strengthen our other verticals very aggressively during the year and to conclude, we have done our best to have a strong future outlook for the company. I would also like to thank all the investors and shareholders of MTAR in supporting the company. It is a technology-based company and such blips are expected but on long-term we are always the winners and we strongly believe in that.

Now I would hand over to our CFO, Mr. Gunneswara Pusarla to take over the financial performance of the company for FY'24 and Q4 of this year. Thank you.

**Gunneswara Rao:**

Thank you, Mr. Srinivas Reddy. Good morning everyone and a warm welcome to our earnings call today. I will take you through the financial highlights. After that, we will open the floor for questions and answers. And this financial year, we have clocked a revenue of FY'24 we have clocked a revenue of INR580.8 crores from operations as against INR573.8 crores in FY'23. The company had posted an EBITDA of INR102.7 crores in FY'24 as compared to INR154 crores in FY23.

Our profit before tax stands at INR73 crores in FY'24 as against INR 140.2 crores in FY'23. The company has registered a profit after tax of INR56.1 crores in FY'24 as against INR103.4 crores in FY'23. As explained by our MD, the decline in profitability mainly due to operating leverage and deferment of orders in clean energy and space verticals. However, we are working on adding the new customers and setting up the aerospace division to cater to the aerospace customers.

So the company has witnessed an improvement in the net operating cash flows to INR57.4 crores in FY'24 compared to INR7.4 crores in FY'23. This is mainly due to various monitoring steps

we have taken in the company and achieved a positive cash flow from the operations. The company is focusing on improving cash flows from operating activities further by end of the current fiscal year. As the MD said, we are actually targeting to increase our revenue by 30% to 35% in FY'25.

Our NWC days stand at 252 days in FY'24. We have achieved a reduction in receivables and raw material inventories compared to the last financial year. RM days in FY'25 stands at 118 days compared to 154 days in FY'23. Similarly, receivable days were reduced to 93 days as against 132 days in FY'23. So while the scope of reduction in WIP is limited -- now based on the product mix, we are focusing on reduction of RM inventories further to lower NW days to 230 days by end of FY'25.

Our debt levels remain healthy where we have an outstanding fund-based debt of INR190 crores. The company's working capital debt is INR93.9 crores after existing positive cash balance of INR39 crores. The net debt is only INR54.7 crores in FY'24. So the positive cash flows is mainly resulting to the last days of the quarter we received the funds which were repaid in the April 2nd of this financial year.

We are working in line with our strategy to add more customers and accordingly we are setting up new unit to cater to the aerospace customers. Also are trying to increase our wallet share with the existing customers. As informed by our MD, there could be short-term impact on margins but our long-term vision is intact and growth is intact. Thank you all.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the land of Vipraw Srivastava from InCred Research. Please go ahead.

**Vipraw Srivastava:** Just two questions for management. So basically, Bloom Energy for which significant revenue comes from South Korea. I was going through the green hydrogen laws and South Korea actually mandates that if you localize your production, there's a higher chance that you will get orders from South Korea.

And actually, Bloom competitor is doing the same in South Korea. So, that is a direct risk to MTAR because obviously localization of production means they will produce all their parts in South Korea. So, does the management see this as a risk going forward? Can this be a possible risk?

**Srinivas Reddy:** So, as far as South Korea is concerned, I think the new government, they wanted localization but it can only be done to a certain extent. We are still exporting substantial revenues to South Korea even today. And that's not going to change. So, not only we are supplying to South Korea directly but also to the US. So, that's really not going to change much in terms of the localization. Every country has that localization policy but they can do it only to a certain extent.

But if you look at our revenue stream, the revenue stream is not only coming from USA but also from South Korea as well.

**Vipraw Srivastava:** Cool. Noted. Second question is regarding Bloom's deal with Amazon. They were installing Bloom servers in Oregon which actually didn't go through. So, Amazon's partner SK now has

250 million of inventory on their books of Bloom fuel cells. So, I mean, can this result in a pushback for MTAR going ahead since SK has a lot of inventory on books because that Amazon deal didn't go through? I mean, what was the communication from Bloom to you guys? Any thoughts on that?

**Srinivas Reddy:**

So, basically if you look at our current forecast for the current financial year, we have taken 3,300 units of hot boxes and last year we have done 2,752. So, we are still being on the conservative side in terms of the number of boxes that we are going to deliver to them. And I have heard recently they have also won a contract with Intel which the requirement is going to go up in the second half of this year. So, that I don't think will have an impact on any of the numbers what we have taken in terms of what we can do with Bloom at this point of time. .

**Vipraw Srivastava:**

Okay. Noted. And yes last question is that you have to understand that Bloom's fuel cell does emit carbon, right? They have some carbon emission per megawatt hour and actually that carbon emission is higher than certain states in US grid emission. So a lot of these states are actually lobbying against Bloom.

They don't want their fuel cell to have installed. So I mean what are your thoughts on this if this happens I mean because Bloom emits I guess 600 LBS per megawatt hour and some grids in US are completely renewable. They emit 200 LBS, 300 LBS per megawatt hour. So this can be a potential risk to Bloom and in that sense can be a risk to MTAR also. So how do you see that happening? Have you had talks with Bloom's management on this?

**Srinivas Reddy:**

So basically when you convert methane, CH<sub>4</sub> and when doing a catalyzation process there will be a very marginal carbon emission, right? So obviously the electrolyzer process will have zero carbon emission. Now, that's the ultimate goal, but Bloom has expanded into a lot many number of states, United States as far as we know about it.

And I don't think this will really affect their long-term plans in expanding to various states, United States and as of now I don't see any kind of such information coming from Bloom that they're losing orders because of this. Primarily, most of the orders our substantial orders are also going to come in during second half of this year is what Bloom has told us and that's how they're going to increase their volumes subsequently.

**Vipraw Srivastava:**

Last question. So obviously solid oxide fuel cell has a lot of computing technologies also. There is this tech coming up from Ceres Power which has actually also got Bosch as their partner. So that is giving significant compression to Bloom in South Korea. So wanted to understand that in the future let's say this company becomes big. So can you supply to them also or do you have some exclusivity contract with Bloom?

**Srinivas Reddy:**

We don't have any exclusivity contract with any customers till date. And we have the technology and we have the foundation laid to address any of these technologies with any company as and when we take it forward. So there is no issue of giving any exclusivity to any company at this point of time.

**Vipraw Srivastava:**

Okay. Thanks a lot.



- Moderator:** Thank you. Next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.
- Bala Murali Krishna:** Hi. Good morning, sir. So regarding the margins in the Q4 sir actually we are expecting some higher margins because of domestic revenue in the Q4, but surprisingly the margins are down. So is there any specific reason?
- Moderator:** Bala, sorry to interrupt you. Your voice is not coming clearly.
- Bala Murali Krishna:** Just a minute.
- Srinivas Reddy:** No, I could hear him. So Bala can I answer you now? Can you hear me?
- Bala Murali Krishna:** Yes sir.
- Srinivas Reddy:** See Bala as I explained overall so what we have done is our focus was on – so when we had the transition or the product mix of Bloom being changed or the shipments being deferred, whatever you can call it because of the strategic movement towards the higher level model of Santa Cruz.
- Our main focus for over the last 6 months has been to develop various products and first articles to ensure that we have the right customer diversification and also to ensure the robust growth for the company. Because we have established ourselves very well with Bloom technology in terms of production and in fuel cell technology especially.
- So in terms of that also the margins are lower, because our focus was on first articles to incur enough expenditure there and the value add of our domestic projects the clearances of raw materials for nuclear space, all that took some time. But we are back on track with that and we should not really worry about this.
- As far as I'm concerned I'm very clear that we are right on track in terms of where we should be moving forward. This is a temporary blip. I definitely do understand. I have clearly mentioned that, but we have done substantial work within the company by all our engineers and the team to develop various first articles and products which will really help the company to have a very robust growth moving forward.
- So I don't think we should really worry about this and I'm definitely not worried. I'm actually very excited about the kind of work we have done over the last one year in terms of moving forward with a great amount of customer diversification. That's why we have signed, we have finalized a major agreement with even IAI also recently and we are working on a lot more projects with other MNCs as well which will be signing such agreements purely based on the kind of work we have done which does not reflect in our numbers in any case.
- Bala Murali Krishna:** Sure sir. That's great. And secondly sir this electrolyzer. So any further update on orders or any new customer acquisition in electrolyzers sir?
- Srinivas Reddy:** Not as of now Bala because we have about 34 electrolyzers to be dispatched which we are doing part of it this quarter and next quarter, but the Bloom has indicated that once they get the fresh

batch of orders for electrolyzers they definitely will move forward with us obviously. And I'm hoping that something should happen by second half of this year.

And we have not plugged that number also into our business plan for this year. So, anything happens in terms of more number of hot boxes or the electrolyzers will be an upset for the company which we have not taken into this quarter. So we have been very cautious this time about what we are saying to all of you in terms of our guidance.

**Bala Murali Krishna:** So just a follow-up on that. So in electrolyzers part are we having any discussion with any domestic customers because there are also capacities building in domestic also for electrolyzers?

**Srinivas Reddy:** See they are talking about building the capacities in domestic, but they still have to do the prototypes and develop their product. I have not seen anyone doing that as of today. So once that happens then we can take it forward. So we just have to wait and watch for that.

**Bala Murali Krishna:** Lastly, on Fluence Energy deal sir any update on that?

**Srinivas Reddy:** See Fluence, they are definitely going to be our partners for sure, but they are going to start first with the domestic project and then move on to the exports because India has developed the capability of manufacturing the batteries required for that because for exports you incur the duties, the majority of the market is in Australia and other countries where we have the duty issues coming in because we don't have the duty to manufacture 100% in India.

So as far as exports are concerned they are working with two, three companies within India for the battery manufacturing, but for domestic they are bidding for various vendors and actually they have mentioned to me that they are working on three tenders. If any of those tenders if they get it, the orders will come to MTAR. So everything is tied up with MTAR, but we are just waiting for the orders from Fluence. Whenever they win the tenders they will release the orders to us that's where we are right now. So, we have not taken that into account for this financial year as well. So if it comes then it will be their upside for us.

**Bala Murali Krishna:** Okay that's all from my side. Thank you all the best sir.

**Moderator:** Thank you very much. Next question is from the line of Bhaskar Kasera from Kotak Mahindra Asset Management. Please go ahead.

**Bhaskar Kasera:** So sir last quarter, you had mentioned that we will be doing 170 crores of revenue this quarter, but delivered like only INR143 crores of revenue. So what is the major reason behind it?

**Srinivas Reddy:** See one of the reasons is on the Space sector we are supposed to dispatch our semi cryo engine which we are working on with ISRO. Now, there has been a small blip in that in terms of – I can't go into the details right now but it's mostly on the ISRO side in terms of the technology-related issues. So, they made last-minute corrections in some of our sub-assemblies, which they wanted us to do to ensure that the product comes out in the right manner.



So, to be very brief on the brazing process – so, that's what is happening and that corrections are being made right now. So, that has shifted the revenue to the next financial year. So, that's one of the main reasons behind this difference in the revenue stream.

**Bhaskar Kasera:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Abhijeet from ICICI Securities. Please go ahead.

**Abhijeet:** Thank you for the opportunity, sir. First question is sir, do we see a risk to our wallet share with Bloom Energy, especially in the context that there has been a moderation in the outlook for revenue growth, even for Bloom and they have suffered cash flow issues? So, in that broader context and also sir, there has been a major design change in the fuel cell that they are operating with.

**Abhijeet:** So, do we see a risk that our wallet share might get reduced with Bloom Energy going forward?

**Srinivas Reddy:** See, I don't -- If you talk about the wallet share see, overall, if you look at Bloom the way their order book movement happens or the orders they book, I don't see any risk coming from there. What I would see or what we have seen over the last -- once this transition has happened in terms of the change of model, reduction of procurement volumes, we went very aggressively. Actually, it opened up our eyes as well to be frank. We went very aggressively over the last six months and we were working on it even before that but we went really aggressive in terms of expanding our customer base and quickly producing the first articles and products for the various industries that we are working on with.

Now, as far as Bloom is concerned, in fact, they are asking us to do more of their other requirements right now, which we are working on in terms of first articles for Bloom as well, which they have other suppliers but still, they want to come back to MTAR, the kind of quality we are supplying to them. So, I don't see any risk in terms of Bloom volumes going down. You can see only an upside from where we are today. So, what we have taken into our guidance is what we have as of today and if anything goes upside then that's what I said, it will be an upside for us. So, I don't see any kind of risk coming from that angle.

**Abhijeet:** Sir, what is your assumption in terms of Bloom revenue growth for FY '25? Overall, we have guided for around 30%-35% revenue growth for FY '25. So, in that what is the Bloom revenue growth component?

**Srinivas Reddy:** We have taken hardly about 15%. So, the growth is coming from the other sectors, especially in the aviation sector, which we are very upbeat about it and it's going to grow even larger in the subsequent years as well, as we streamline our operations in the aviation sector.

**Abhijeet:** The second question would be, sir, Q4 gross margin is at around 45% versus an earlier expectation that given that domestic revenue mix would be much higher in the second half the gross margin profile would look much better. And this is what is worrying me is that the gross margin profile, what would be sustainable gross margin profile?

And especially I think we have garnered a lot of MNC Aerospace business. So, in that particular stream of business is the margin profile a bit inferior compared to the other businesses that we have?

**Srinivas Reddy:**

Well, the MNC Aerospace is the sector margins are not inferior. To begin with, we look at margins of 20% to 22% but it would improve as we streamline the operations, as we ramp up. So, in terms of reduction of cycle times, improvement in operations and stuff like that. So, over the next one year, we'll see a much better margin coming because of the improved operations on the shop floor. That's how it's going to work with any of these new verticals that we're working with. So, that should not have any issues in terms of impacting our margins for these new products.

**Abhijeet:**

Right, sir. That would be it.

**Gunneswara Rao:**

Thank you. If I add to my MD, as he was explaining in space some of the products were deferred to next financial year. We are carrying the inventory at a cost basis. A lot of price escalation clauses are there, which will crystallize once we deliver in this financial year. That is also one of the contributors to the margin difference but our margins are intact. There is not an issue.

**Abhijeet:**

Right, sir. Thank you, sir. That's it from my end.

**Moderator:**

Thank you very much. Next question is from the line of Ashish Jindal from Motilal Oswal Financial Service. Please go ahead.

**Ashish Jindal:**

Hello, sir. Ashish Jindal retail investor.

**Srinivas Reddy:**

Hi, Ashish.

**Ashish Jindal:**

Good morning, sir. So, my question is, Bloom energy has already low reserves and their losses are eating into their reserves each year. Their share price depicts their investor outlook for the company, which would make raising fresh money difficult. Do you not see any solvency issue with the company?

**Srinivas Reddy:**

No, I really don't see that. If you look at the recent developments in Bloom energy as well whether you heard or not, they've also signed a contract with Intel recently with one of their major customers. And also, they have enough order books to handle the various requirements they have. So, as I mentioned earlier, basically, it is a transition phase for Bloom moving from one system to the other system and making it sustainable over a couple of quarters.

But I don't see any reasons in terms of having any risk in terms of the revenues that we can generate through Bloom over the years. And in fact, we're adding a lot more products which they're asking us to do moving forward, which we're working on right now. So, I don't see any issues out there. That's what it is. I'm in constant touch with them. But we have still taken numbers what we think should be as of today. But anything which the demand goes up in the second half of the year that we have to see.

**Ashish Jindal:** Okay, sir. So, my next question is that MTAR guidance for FY '26 comes to a little above INR1000 crores. Can you please bifurcate the Bloom and non-Bloom guidance for FY '26?

**Srinivas Reddy:** See, basically, if you remember we were at 70% with Bloom. Our aim over the next three to four years is to -- We're not worried about Bloom coming down. Bloom will do the numbers higher and higher. But our target is to bring down diversified to various customers so that the Bloom percentage would come to around 35% to 40% or even less. So, in FY '26, if you look at it, it would be around that range. We're looking at about INR450 crores or INR500 crores or even less than that.

**Ashish Jindal:** Okay, sir. So, my last question is, can you please give some information about the long-term defense sector outlook for MTAR?

**Srinivas Reddy:** We are working on various aspects. You know, we also have a defense license, if you remember that. So, our R&D is still working on various products that we can really work with them. In India, it takes time to get them certified and with various of these products. But what will help us is to collaborate with MNCs to bid for the projects which the army is looking for in the long run. So, this license would help in that way.

So, on an immediate basis. So, we are looking at such projects as well. But our main focus defense is very cyclical in terms of what we can get. But fortunately, we are in multiple segments, diversified portfolios. So, it helps us to take our time to build our defense portfolio in the long run.

**Ashish Jindal:** Okay, sir. Thank you, sir.

**Moderator:** Thank you. Next question is from the line of Anupam Goswami from SUD Life Insurance. Please go ahead.

**Anupam Goswami:** Hi, sir. Sir, can you give us a little guidance on the order mix, order inflow mix in the next year? How we are seeing order from agreement as well as from Bloom? And also, H1, how you are seeing and versus H2? Which half will we have the bulk of the orders mostly?

**Srinivas Reddy:** See, the most important thing is we have enough orders for this year to execute. Our guidance of revenues is not linked to the orders. Second is, if you look at nuclear, as I have said earlier, we are expecting INR500 plus crores of orders from tender 5 and 6

Those tenders are all finalized, but I think they are going to open the tenders probably in the month of June. When they are going to do that, I am not aware, but that is what they have said. And once they do that, there is a process for which ultimately MTAR getting those orders, but we have not plugged in those revenues linked to these orders for this financial year.

So, the nuclear segment order book will be very strong by the end of the year, because there is going to be a refurbishment of the Tarapur reactor as well, which MTAR will get involved. And that will happen during the second half of this year, where we should back the order by the end of this year. And that is another INR130-INR150 crores of orders.

So, totally we are looking at about INR650 plus crores of orders flowing in. And these orders will be executed in the subsequent financial year. So, the nuclear segment will eventually move up the ladder in terms of revenue stream year-on-year basis. So, that is where we are looking at as far as nuclear is concerned. Space, we get regular orders, which we continue to get within the year. We are expecting another INR70-INR80 crores of orders coming in in the current financial year.

And obviously, in the aerospace sector, which we are signing various agreements right now. We are very upbeat of it and we are expecting substantial orders coming in because of the kind of first articles work we have done. And we will continue to do those first articles for various MNCs during the current financial year. So, we might close in with an order book of INR1400-INR1500 crores by the end of the year. That is what we are expecting at this point of time.

**Anupam Goswami:** And when do we see the Bloom orders also recovering? And also, sir, because we did some 1400 level of revenue this time, but our gross margin were grossly impacted. And so is EBITDA margin. How do we see this improving? Even though we have orders to execute, but how do we see the margin improving?

**Srinivas Reddy:** The margins would improve over the second half of the year. We are progressively improving our margins because the operating leverage, what we had with Bloom, has reduced right now because of the lower volume. But it will definitely go up as we move forward. And obviously, we have added a lot more other customers right now. So, definitely, quarter-on-quarter basis, our margins will improve definitely.

And as I said, even in FY '26, our margins are going to go up by 2%-3% not just higher. So, that is what is going to happen. So, the Bloom volumes are going to be higher. See, we have taken 3300 units. Last year, we have done 2700 units. The volume go up that will create a lot better margins, which we have not considered right now. But definitely, we are seeing some kind of uptrend happening in the second half of the year. And let's hope for the best. That's what we are looking at. But we have not considered that as of today.

**Anupam Goswami:** So, Bloom orders will also... We are expecting about second half of the year to recover?

**Srinivas Reddy:** Definitely, that's what we are looking at right now. For sure.

**Anupam Goswami:** Okay, sir. Thank you. I will join back in the queue.

**Moderator:** Thank you. Next question is from the line of Meet Jain from Motilal Oswal. Please, go ahead.

**Meet Jain:** Hi, sir. Just on the guidance part, like earlier, we are targeting around INR900 crores of revenue in FY '25, and which cut down to almost INR750 crores. So, where was this major gap coming in? And also, on the space side, we have added around INR150 crores of top line in FY '25. So, are we firm on that guidance?

**Srinivas Reddy:** Yes, we are. As of today, look, We have taken a conservative outlook. We would like to do that. We are firm on this. Looking at what has...As I explained earlier, what has happened in the past financial year, we are very clear about it. But what is most important is, as I have explained, we

have done a lot more work in terms of building the proper growth for the company for the future. In the last year, it does not reflect in numbers.

But yes, we have taken this guidance very cautiously. And we will see how it will go from here quarter-on-quarter basis. This is the beginning of the year, and we will see how it goes quarter-on-quarter basis, how it will move. But it will move... It is not going to be on a downtrend for sure. That much I can guarantee every one of you. But it will definitely -- that is how we are going to purchase guidance, and that is how we will move forward.

**Meet Jain:** So, just to understand, where is this major cut coming from? Like, earlier we added clean energy to INR400 crores of revenues. So, are we seeing a major cut from the clean energy part because of Bloom's order book?

**Srinivas Reddy:** Yes. Partly on the clean energy part, we have reduced -- also, we have not cut the clean energy revenues, part clean energy revenues as well as of today. So, we have reduced at various levels. But certain things happen, then we go back to the numbers what we are looking at. But as of today, this is where we start.

**Meet Jain:** Okay. And on the same for the margin side. So, margin, like we are expecting around 22%, margin FY '25. So, where are we still seeing higher cost? Can you guide that also? So, are we doing more first articles? That's why we are guiding some kind of lower margins and expanding there. Can you throw some light on that?

**Srinivas Reddy:** Yes, absolutely. Because, see, when we do the first articles, even for like last 6 months to 9 months, we are working on first articles, there is a lot of expenditure incurred in that, right? But what it gives you is a very good revenue stream and EBITDA margins moving forward once we streamline the operations.

So, definitely the EBITDA margins will get improved once we establish all these verticals, which, fortunately, our team has done a great job in securing these agreements and convincing the MNC customers in what we have shown them. So, definitely we will see improvement in these margins as and when we streamline the operations in terms of the new verticals that we have developed right now.

**Meet Jain:** Okay. So, as you mentioned earlier, our margins from the Bloom Energy orders have also declined. So, how soon can we expect that to improve? Like you mentioned, from second half. This is based on the volumes that we are doing in FY '25.

**Srinivas Reddy:** Yes, that's right. See, as of today, the kind of volumes we have given the guidance, that's where we stand. But, if there is an upside to it, then obviously the operating leverage will be much better and the margins will improve. So, we are definitely expecting an upside to it, but we don't want to talk about it right now at this point of time. And we will stick to this initial guidance for the year. And as and when things improve, we will obviously inform all of you.

**Meet Jain:** That's a last question. As we recently got the defense license, and we also mentioned that we are looking for some partners. So, where are we on that?

**Srinivas Reddy:** We are working on that. In fact, we are having a couple of meetings even in the month of June. So, that's a process by itself, right? Waiting for the tenders, jointly, collaboratively. That's the fast track way of doing it because we have the license and we are working towards that. And we would like to work with companies which are in sync with us in terms of margins that we can maintain. That's also very important in such collaborations. So, we are working on such projects as I mentioned earlier. And once it happens, then we will let you know about that. We are sincerely working towards that.

**Meet Jain:** So, are you also developing that in-house, any products for this defense, industrial license?

**Srinivas Reddy:** Yes, we are definitely doing that. Our R&D is working on various products. Then there is the process of getting certified and all that. So, that's the process that we are following right now.

**Moderator:** Thank you. Next question is from line of Hiloni from Pi Square Investments. Please, go ahead.

**Hiloni:** Hi, I just wanted to get some clarity on the aviation sector long-term agreement that you spoke in the opening comments. Just wanted to understand what is the long-term agreement. I think you quoted around \$ 90 million. So, can you just throw some light on the same?

**Srinivas Reddy:** Yes, sure. See, basically, this is with Israeli Aerospace Industries where we are supplying the assemblies to them. This is a contract agreement to be supplying over the next 15 years. With an estimated value of 90 million plus or whatever, to 120 million over the next 15 years. So, this is one of the projects. So, we are also working on four or five other projects where, as and when we finalize everything, then such agreements will flow in.

So, that's why I said over the next two quarters you will see at least about two to three more agreements happening with MTAR because of the kind of capabilities we have, We are also commissioning a state-of-the-art aerospace division in Hyderabad as Unit 7 which is getting commissioned in the month of June. This is being exclusively done for all these MNCs to execute their orders and requirements over the years. So, that's where we stand right now.

**Hiloni:** Okay. And what would be your capex guidance for FY '25-'26?

**Srinivas Reddy:** FY '24-'25, right?

**Hiloni:** Yes, like for the next two years.

**Gunneswara Rao:** For FY '25, we are looking for around INR70 crores to INR75 crores which includes the already existing POs which issued last year. So, FY '26 will not be that much. It is based on the new programs which we receive. We will take care based on the business case analysis like for example, for Fluence we require separate capex Hence, we will take a call on Capex based on the business case requirements. As of today, it is not factored into our FY '25.

**Moderator:** Next question is from the line of Rudresh Kalyani from Kalyani Private Business. Please go ahead.

**Rudresh Kalyani:** Yes. So, we were doing something with in-phase program, right? So, when are we going to start minting money from that and any insight on that end?

- Srinivas Reddy:** Could you repeat the question, please?
- Rudresh Kalyani:** See, we were doing some space program with the in-phase, right? In-phase program of the government. ISRO.
- Srinivas Reddy:** Yes. Yes. So you are talking about the SSLV, right? So, basically, yes, that's a project by itself which we are working on which is like a 4 to 5 years kind of a project which we are working on with a team of scientists that we are working on right now with our team and it would take that much time to develop the launch vehicle. So, we are working on that and that's where we are right now. So, it's a 4 to 5 years kind of a program.
- Rudresh Kalyani:** So, we are not expecting anything from it until 2027-28 something like that.
- Srinivas Reddy:** Yes, it takes that much time, right? To build a launch vehicle. It's not that easy. So, we are working on that which is a very unique vehicle with a liquid propulsion engine. So, that would take that much time.
- Rudresh Kalyani:** And one more question is on see few months back the government quoted 1 gigawatt hydrogen fuel project. So, are we doing anything on those lines and entering into that?
- Srinivas Reddy:** We are not entering into that but the final product manufacturers like Bloom and other companies who have the right product to do it they will definitely enter into that and we are doing the contract manufacturing. So, once these projects come into limelight and any of these orders are booked then obviously MTAR will get benefited from those.
- Moderator:** Thank you. Next question is from Sumant Kumar from Motilal Oswal. Please go ahead.
- Sumant Kumar:** Sir, can you talk about the US business has any impact of higher cost of capital to Bloom or your business also and how is the any policy change you are expecting for US election going on in November 2024?
- Srinivas Reddy:** We are expecting better policies moving forward as well. So, I think we all know that the elections are happening in US in November. So, a lot of companies are holding back until such time to see the change of policies or better obviously there will be better policies in place. That's what we are looking at. But lot of companies are looking at it until the elections are done. So, we have to wait and watch and see how it goes.
- Sumant Kumar:** And, about the increase have cost of capital increased any impact on your business capex size and all?
- Srinivas Reddy:** Gunneswara, you want to answer that?
- Gunneswara Rao:** See, the cost of capital is not, presently for working capital that I am talking about. Our cost of capital is only 6 percentage. But in case of US dollar loans and capex related, we will use the US dollar loans since we have a natural hedge already. We will use US dollar loans and see that our cost of capital will not be more than 8% or 7.5%.

**Sumant Kumar:** I am talking about your business, your client in US and cost of capital has increased there. So any US demand, kind of Bloom demand any impact on the capex of US because of higher cost of capital and you are getting faced with this higher cost of capital through Bloom?

**Srinivas Reddy:** No, if you look at the companies which Bloom is dealing with, most of the equipment they are selling outside say like dealing with companies like Apple, Google, all this kind of companies, hospitals, which are well funded. Intel, for example. I don't think that is going to be a major impact for Bloom as such in terms of increase in capital cost in United States.

**Gunneswara Rao:** Our pricing are fixed and there is no impact to our cost of capital for Bloom, or USA. So, over prices are fixed.

**Sumant Kumar:** And any competition from solar powered and hydrogen? The cost conversion, people are sifting more towards solar not the hydrogen?

**Srinivas Reddy:** No hydrogen as I said is going to take time. It is something which everybody wants to do at the end of the day. For example, did you imagine that 10 years back will have electric cars, but if you ask me today, probably 7 to 8 years from now you will see more of hydrogen related locomotives. So it is a matter of time that we move to that zero carbon emission. That's what the whole world is looking at because of climate change and that's what they are giving a lot of incentives subsidies in terms of getting into this line of activity moving forward as well.

**Moderator:** Thank you very much. Next follow-up question is from the line of Vipraw Srivastava from InCred Research. Please go ahead.

**Vipraw Srivastava:** Just wanted to said so, what is happening with Bloom is that there is a lot of demand of data centres in US due to generative AI boom, so that is actually resulted in people being very optimistic about the company. So how do you see that playing out will that lead to incremental demand in coming years over a longer term view point and data centres will also come to India ultimately and India Bloom does power for Intel in Bangalore. So let say data center ramps up in India and grid obviously wouldn't be able to supply all that powers. So that's where Bloom fits in. How do you see that developing over let say next 3 to 5 years? How would that developing?

**Srinivas Reddy:** This is what the Mr. K.R. Sridhar, the CEO of Bloom has mentioned even six months back. That its going to see a real upside in terms of the artificial intelligence, AI data centres coming into play in the United States as well as all over the world. Bloom plays a perfect role for such data centres. These are already powering some of the other data centers as well today. So the AI data centres are going to be a real upside for Bloom as well the progress over the next three, four months to five months, six months. So the long-term, yes, definitely that is going to have a major upside for Bloom as well, which we have even seen the recent articles of how these AI data centres are going to give a positive impact to Bloom moving forward as well.

**Moderator:** Thank you very much. Ladies and gentlemen, in the interest of time, that will be our last question. I will now hand the conference over to Mr Srinivas for closing comments.





**Srinivas Reddy:**

Thank you very much for attending our earnings call. And As I said earlier, that we definitely had a pause of our earnings for FY '24 but we need to look at our long-term goals of MTAR and kind of work we have done in the past one year to build a strong customer base to enable a very robust long-term trajectory for the company. I would like to once again thank my entire engineers, middle and senior management, of MTAR and obviously all the shareholders and investors who have been supporting us. And we really look forward for better and better performance moving forward over the next 3 to 5 years. Thank you so much.

**Moderator:**

Thank you very much. On behalf of MTAR Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.