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To, **Date: 17-Feb-2023**

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

Dear Sir/Madam,

Subject: Disclosure under SEBI (Listing and Disclosure Requirements Regulations, 2015) -Transcript of Earnings call held on 10th February 2023.

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 February 10, 2023.

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

This is for your information and records.

Thanking you,

For MTAR Technologies Limited

Shubham Sunil Bagadia

Digitally signed by Shubham Sunil Bagadia
Date: 2023.02.17 17:21:20 +05'30'

Shubham Sunil Bagadia
Company Secretary and Compliance Officer

"MTAR Technologies Limited Q3 FY23 Earnings Conference Call"

February 10, 2023

MANAGEMENT:	**MR. SRINIVAS REDDY – MD AND PROMOTER, MTAR TECHNOLOGIES LIMITED** **MR. GUNNESWARA RAO – CFO, MTAR TECHNOLOGIES LIMITED** **MS. SRILEKHA JASTHI – SENIOR MANAGER STRATEGY AND OPERATIONS, MTAR TECHNOLOGIES LIMITED**
MODERATOR:	**MR. IRFAN RAEEN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of MTAR Technologies Limited. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you, sir.

Irfan Raeen: Thank you, Mitchell. Good morning everyone, myself, Irfan Raeen from Orient Capital. We are Investor Relation Advisor to the Company. I hope all of you and your families are safe and healthy.

On behalf of MTAR Technologies, I extend a very warm welcome to all participants on Q3 and 9-month FY23 Financial Discussion call.

Today, on the call, we have Mr. Srinivas Reddy sir – MD and Promoter; Mr. Gunneswara Rao sir – CFO and Ms. Srilekha Jasthi – Manager (Strategy and Operations). I hope everyone had an opportunity to go through our Investor Deck and press release that we have uploaded yesterday on exchanges and on Company's website.

I would like to give a short disclaimer before we start the call. The call may contain some of the forward-looking statements which are completely based upon our belief and opinion and expectation as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I hand over the call to Srinivas sir. Over to you, sir. Thank you.

Srinivas Reddy: Thank you, Irfan, hello and good morning to everyone. Thank you for taking the time to join us today. Today, on the call, I am joined by Mr. Gunneswara Rao – Chief Financial Officer; Ms. Srilekha Jasthi – Senior Manager, Strategy and Operations and Orient Capital, our Investor Relation partners. We have uploaded our updated Investor Deck, press release and results highlights on stock exchanges and Company website. I hope everybody had an opportunity to go through the same.

I am pleased to inform you all that the Company continues to deliver strong growth in top line and bottomline.

The Company has clocked the revenue of Rs. 160 crores with an EBITDA of Rs. 45 crores and PAT of Rs. 31 crores. I would like to give a brief overview on the third quarter performance and the future outlook of the Company. The Company registered a very significant growth in clean energy vertical which is definitely as expected and we have done much better than the previous quarter as well. We have generated revenues close to Rs. 125 crores in this segment. We have also commenced our operations as you all know in sheet metal assemblies this fiscal year and we continue to get qualified for many SMBs moving forward as well. We have already dispatched close to about Rs. 25 crores of sheet metal assemblies and enclosures have been approved and dispatches are getting commenced this quarter.

The Company has done significantly well in delivering 1,430 units of Yuma boxes and 20 units of electrolyzers this quarter which is significant averaging 500 units per month and we have also started receiving enough orders in the Hydel sector as well from the reputed companies like GE, Andritz and Voith. We are expecting to finalize various discussions with some of the leading MNC companies in US for the energy storage systems which will come into effect next year with substantial increase our revenue base completely defense sector on the clean energy segment. We have also initiated discussions with various other MNCs like Thales, Collins Aerospace and various other MNCs at this time and we have also received orders from few of them as of today.

As you are all aware that we have signed MoU with Indian National Space Promotion and Authorization Center which is called IN-SPACe for design and development of two-stage to low-earth orbit all-liquid small satellite launch vehicle. We are very excited with this. The design has already started for this particular innovation that we are working on and the Company is in the process of recruiting industrial reference for the launch that we provided at this point of time. As I mentioned earlier, we had given a revenue guidance of 55% - 60% increase in revenuesand I would like to revise these efforts based on our very strong Q4 coming up with revenues of between Rs. 570 crores to Rs. 600 crores of revenues being generated for the entire year, this current financial year which is a substantial increase compared to the previous guidance what we have given and also having signs of maintaining the EBITDA margins around 29% with plus minus 50 basis points. We are also expecting our order book, which is very strong, closing order book of close to about Rs. 1,200 crores as against Rs. 1,000 crores what we had mentioned earlier.

And one of the most positive update also on the management front is that we have appointed a new Chief Operating Officer, Mr. Raja Sheker Bollampally who has a vast experience in operations across geographies and global OEMs. like Bloom Energy, Ford Motors**, Ohmium** etc. The Company is set to achieve greater milestones under his leadership as well. Also, we are strengthening our management bandwidth across all functions which we did in a continuous process to be in line with our active growth path.

Moving forward to FY24, we would maintain very good growth momentum to the tune of 45% to 50% in the revenues and we will be sustaining our margins very comfortably. The Company specifically is also placing efforts to reduce the working capital days which our CFO would explain with more clarity. Technically, we are at about 240 days right now, it is lower than last quarter and we tried to reduce it further to about 270 days by end of this year. With this, I would hand over to CFO Mr. Gunneswara Rao to take this forward. Thank you.

Gunneswara Rao: Thank you, Mr. Srinivas Reddy. Good morning everyone and warm welcome to our earnings call today. I will take you through the financial performance post which we will open the floor for the question and answers. Coming to our revenue, the revenue for the 9 months period of Rs. 377 crores which is higher than the last entire financial year revenue of Rs. 322 crores. So, we have surpassed the revenue, EBITDA, PAT, everything in terms of absolute numbers compared to entire financial year numbers. Our revenue from operations for this quarter is Rs. 160 crores as against Rs. 126 crores in Q2 FY23 which is 27% increase on quarter-on-quarter basis.

EBITDA reported at Rs. 45 crores in Q3 FY23 as compared to Rs. 35 crores in Q2 FY23 which is 29% increase on quarter-on-quarter. Profit before tax stands at Rs. 42 crores in Q3 FY23 as against Rs. 33 crores in Q2 FY23 which is 27% increase on quarter-on-quarter basis. Profit after tax was at Rs. 31 crores in Q3 FY23 as against Rs. 25 crores in Q2 FY23 which is 27% increase on quarter-on-quarter basis. So, our networking capital days stands at 287 days, however, Rs. 39 crores was received from Bloom energy on 7th of January on account of Christmas holidays. This has resulted 39 days increase in working capital days. The working capital days would have been 248 days had it been received in December 22. So, when it comes to receivable, out of Rs. 241 crores of receivables, Rs. 195 crores are current and the rest are overdue receivables and within the credit period extended to the customers.

As informed by our MD, we will maintain our closing order book of around Rs. 1,200 crores by end of this fiscal year. Our order book as at 31st December stands at Rs. 1,183 crores. So, the Company has received Rs. 893 crores of order in various sectors including clean energy, civil nuclear power, fuel cells, hydel sector as on YTD 31st December 22. Also, we are set to deliver the strong performance in FY24 as well. As the revenue ramps up, we are expecting to sustainae margins due to operating leverages. In addition, as discussed by our MD, the addition to Mr. Raja Shekar Bollampally to our leadership as a COO is expected to propel our growth further. So, with this, I open the floor for discussion.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Deepak Krishnan from Macquarie. Please go ahead.

Deepak Krishnan: Congratulations on a good set of numbers, I just wanted to first understand this additional Rs. 140 crores order that we have said that we got this quarter, which segment and which client if you can highlight that and maybe just on your revised revenue guidance of Rs. 570 crores that implies a deal of the low run of 77%, so what is really driving this growth and which is the segment that really stands out in Q4?

Srinivas Reddy: Thanks, Deepak. As I said earlier, this Rs. 140 crores which actually I should have mentioned in my earlier speech, one good news is that in our product portfolio division, we had got qualified for the ASPs which one of our products which we are working on and based on the qualification and the initial batch production, we have received an order for Rs. 100 crores for this product itself. Technically, it is about a requirement of Rs. 130 crores per year, this is a great addition to our revenue base and I would really congratulate my R&D team for being able to achieve this in hardly about 4 to 5 months' time. So, the product got approved and we are able to get this order as well and the rest of the orders are from Hydel and other segments that we are holding right now. So, these orders were expected to come in the previous quarter, but they have come in early Q4 itself, so that is why we had to highlight that to all of you at this time. Now, coming to the revision on the guidance numbers based on what we have achieved with Q3 and what we are almost at the middle of February right now, we have a clear path in which in a confirm way, we can say that we will be able to achieve anywhere between Rs. 575 to Rs. 600 crores of revenues for this year which almost is close to 80-85% compared to the previous year and the growth is primarily coming not only from, in the last quarter it is going to be stronger, not only from the fuel cell area, but also in terms of the new products that we have received the order and as well as the revenues that we are going to catch up in terms of nuclear and space as well in the last quarter.

Deepak Krishnan: So, ASP is essentially for Bloom itself, right if my understanding is correct?

Srinivas Reddy: Yes, that is right.

Deepak Krishnan: Sir, may be just a follow-up question then on essentially margins, so do we still kind of stay confident in the 29% range because essentially it is slightly below for the 9-month basis, so I think would it be that nuclear and space sort of helps us catch up the margin, if any thoughts on that?

Srinivas Reddy: Yes, we would probably maintain around 29% plus minus 50 basis points at the end of the financial year because we will be getting sales coming in from nuclear and space as well in this quarter and based on the revenue that we generate for the first quarter we are pretty confident that we will be able to have this kind of margins for the entire year.

Deepak Krishnan: Sir, maybe just one last question from mine, I just wanted to understand essentially your working capital days, you have sort of received this Rs. 39 crores odd on Jan 7, but what is the glide path that kind of take us to 220, is it more of receivables sort of converting that into cash, is it inventory management because I see comment that there is a higher inventory basically due to Q4 revenue that you are going to look, so maybe just any incremental points on how you kind of end up closer to 220 days in terms of working capital?

Gunneswara Rao: I will answer this question. Because of the Christmas holidays in USA, we received one week late on this Bloom energy receivable. As of today, we are 248 days and looking at the higher guidance given by our MD, so definitely I think we can be able to maintain the working capital days around 225 days by end of this financial year. We are doing lot of steps in terms of reduction of working capital, but as you know we are working on the long cycle project for which there is made to order scenario we are working, we need to maintain the WIP because operating cycle is very high and looking at the next year growth also, I think our MD has given the percentages already. We need to import material or purchase material one quarter in advance for the next quarter delivery , so the inventory always is for a future sale, not for what that has happened, but incidentally we need to calculate working capital days on the actual sales basis. Also, many of the supplier credit terms we are making into LC terms instead of paying advances unlike during COVID scenario we used to pay advances, now I think we are slowly converting into the LC credit terms and all and we also try and do the receivable factoring on nonrecourse basis, we are talking to various banks . Once it is materialized, I think drastically working capital reduction will happen, but definitely around 225 days we will do it by end of this financial year because of the higher revenue numbers.

Deepak Krishnan: Maybe just on Bloom also, is there any improvement in the overall receivable cycle, like it is 45 days after shipment because transmit reduced or anything incrementally positive on that front?

Gunneswara Rao: Yes, definitely supply chain that is any reduction in the transit times, it automatically will help our reduction in working capital, so I think that is also now happening slowly, but not as before COVID level, it still take some more time.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is, how do you see the order inflow for FY24 and revenues stacking up?

Srinivas Reddy: The order inflow as I said we have received orders until December, close to I think Rs. 893 or Rs. 900 crores and for the end of the year, we should have a closing order book close to about Rs. 1,200 crores is what we are expecting. So, I think we will have a very strong order book position. We earlier said Rs. 1,000 crores, but now it should end up around Rs. 1,200 crores is what we are expecting right now.

Mohit Kumar: My question is more about FY24, 12 to 18 months, how is this order inflow?

Srinivas Reddy: FY24, obviously, we will be expecting lot more orders in FY24. We are working on various products as I said, so our order inflow I can't just quantify it right now, but we probably would receive lot more orders in FY24 compared to FY23.

Mohit Kumar: We are just looking for some kind of segmental outlook, I am not asking you to quantify the exact number, just a color on which are the segment which you are looking, which you are thinking will add materially to the order inflow for FY24, just outlook, sir?

Srinivas Reddy: Basically, on the fuel cell side, we would receive substantial orders, the way we have received this year probably slightly more than that. Then, we are doing pretty well in terms of Hydel sector with GE Power, with Andritz, Voith. We have completed all the first article, so we will move on to the volume kind of the scenario next year. So, we would expect a lot more orders at least close to more than about Rs. 100 crores plus in that particular segment which is the new segment for us and sheet metal would be another area where we would expect lot more orders coming in. Apart from this, the ISRO has already advised us to get upon almost tripling our capacity because they want to increase the number of launches moving forward, so we would expect lot more orders coming in. So, it is looking very encouraging in all these sectors as well and that is where we stand right now. So, that is why we are pretty confident about getting much higher order book from various segments, not necessarily one segment, through various segments as well.

Mohit Kumar: On the Electrolyzer side, Hydrogen Electrolyzer, are we hearing something where are we right now in terms of evolution of our products?

Srinivas Reddy: Electrolyzers, we have received an order for 200 numbers which we completed probably 100 numbers this quarter and probably 100 numbers next quarter and then once that is done, we are expecting the ramp up which I have said earlier, the ramp up should happen by about third quarter of next year. So, that would be substantial ramp up happening moving forward. So, we are very excited about that. That is a completely independent vertical, so that would bring us lot of revenues back.

Moderator: Thank you. The next question is from the line of Anika Mittal from Nvest Research. Please go ahead.

Anika Mittal: Congrats for the wonderful set of numbers, sir, one quick question on where do you see yourself in the defense sector in next 3-4 years and what are all the steps that you are taking as you see that current contribution to revenue from defense sector is around 5%, I believe, so how are you seeing to have a good share of that sector?

Srinivas Reddy: Defense, basically we are working on lot of projects that defense lacks right now which we have been doing for number of years, but we obviously would like to become a defense a prime for Air Force, Navy things like that, so we are working towards that. It is all about technology in terms of working with various MNCs in a joint manner based on the Make in India concept or the Buy India concept that we have with 50% of production happening in India for all key projects. So, we are in touch with number of companies abroad as well, so you will hear from us very shortly what steps we are taking to really move into the line of defense prime shortly probably in a month or month and a half. So, as and when it happens, we will definitely let all of you know about it, but we are definitely working on that.

Anika Mittal: Sir and another stuff which I wanted to understand, in terms of, when you get a big order from any of your segments, how do you accelerate your capacity, so we know that you are incurring CAPEX, but how quickly you can bring new capacity in line with the requirement of the industry?

Srinivas Reddy: So, as I mentioned earlier, we have enough capacity to handle whether in nuclear space, any of this defense requirements, but you are also aware that we are gearing upon the electronic division as well. One good news is that we have already implemented the cable harness systems in the Company and we are getting qualified in some of the MNCs by next month itself, but we proactively look at the forecast and demand and then we implement or augment capacity accordingly well ahead of time. That is what we have done even for the fuel cell the way we are going in that line. So, recently, we have already acquired land in the SEZ zone to cater to the future requirements of the Company, the way it is growing. So, we are proactively working on such things much ahead of that. So, we always do that and we continue to do that.

Anika Mittal: Sir, on this clean energy segment, your tie-up with Bloom energy, so how does that relationship work sir, is it like you have a long-term agreement with Bloom energy, so just to secure your revenues for the mid-term, so how does that relationship work sir, any insight that you can give?

Srinivas Reddy: It is not only about Bloom energy, but with all our customers, if you look at even ISRO or nuclear programs or any other customer, MNC customers, it is more like a partnership based because we work on lot of developmental activities with them and we work with them in developing and making their product also very competitive not in terms of price versus volume, but also in terms of innovation that we do. So, it is always a long relationship even moving forward as well.

Anika Mittal: And any idea like will you be getting any big client next to Bloom energy in near term, any insights that you can give on that?

Srinivas Reddy: Yes, as I said earlier we are working with couple of companies on their energy storage system which are US based, which could be close to what Bloom could be, probably 2 years for now. So, these are the companies which we are working in different segments under clean energy, so obviously we are adding lot more customers. We have a great platform to work with all of them and our qualification process also is pretty quick as I said because of the platform that we have created over the years. So, definitely we will see lot more customers coming over the next 1-2 years.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Sir, I have just two questions, first in your presentation you have mentioned that you have started to work on ceramic assemblies for Bloom, so if you can give some perspective on what are these products and they will be associated with the Keeylockoo range of the electrolyzers which end product of Bloom and how are we looking at growth in this market? Also for ceramics, are we doing any particular CAPEX at the moment or not?

Srinivas Reddy: No ceramic assemblies, we don't need any CAPEX at this time because it is the kind of a product which we are actively we are importing it from US at this point of time. So, as we have done earlier, the number of bought-outs we have indigenized and localized everything in entire extent that is how our spends Bloom has gone from step to step. So, the ceramic assemblies go in all the systems whether it is in Keeylocko or whether it is in Yuma or within the Electrolyzers as well. So, we are in the process of getting qualified for that and probably it takes a quarter also if we get qualified. Our existing equipment machinery handle this. We need to import the ceramics board from Germany. That is the only thing which we need to do. There are some supply lead times involved in that, so once that is done we will be all set for that, but if you look at the ASPs, we have done a remarkable job as I said in 3 to 4 month's time we got qualified and we also received an order for Rs. 100 crore in the product division which we had classified as products. So, similarly, we are also working on heaters. Right now, it goes in the electrolyzers, so that would take about 6 months' time to get qualified, trying to localize that as well as it was being imported from US. And the recent development is there is a product called **dielectric** which goes into the Yuma box system which has got a potential of almost Rs. 200 crores plus, so we are going develop that is going to happen starting from next week onwards. So, we are trying to do more and more of this product, so the upside of all this will come into play once we get qualified.

Renu Baid: Sir, just to clarify the ASP Rs. 100 crores order that you have received, it is classified in the products business are not in clean energy or it is reflected as a part of the clean energy portfolio itself?

Srinivas Reddy: It is technically clean energy, but actually it is a product which we are supplying in multiple numbers, so if you look at whether it is ASPs or bellows which we are using in-house, but it is also a product, then roller screws, finally we have qualified for roller screw, we submitted the phase we are just waiting for Government of India to take them out for input and that, so all these would be classified under product including the EMA, the electromechanical actuator which we are doing right now. So, our idea is to build this product portfolio whether we use it for clean energy or for space or defense or nuclear. So, that is how we want to classify them going forward.

Renu Baid: Secondly, can you share with us the developments on the electronics business division which we had set up, we have done some trial of first articles for Bloom as well and we are targeting some new business in this space, so any updates on the electronic division?

Srinivas Reddy: Yes, absolutely. We have already established the cable harness business, the equipment, everything are fine, we have established it, there is advanced stage of qualification with Bloom which should happen in this quarter for sure, so we don't have to anyway buy the cables moving forward for our enclosures. Similarly, ISRO also had come and approved our division including HAL also had reviewed our progress in this. So, our idea is to move into the electronic division both in domestic, our defense market as well as our exports and once we complete the cable harness, then we move onto the other segments of electronics step by step as I said it is one-and-a-half years kind of a plan, but ultimately we are going to move very strongly in the electronics division probably couple of years from now in all different areas that we are looking at in the electronic sector.

Renu Baid: Sir, just trying to understand beyond the cable harnesses, you plan to do the PCBs required for as in the EMS for PCB for ISRO, HAL, another defense PSUs?

Srinivas Reddy: Yes, that is the idea. Once we completely cable harness then the next step is going to do the PCB and the blocks build and all that, so that is the idea of moving step by step in the present area. Obviously, we are looking at lot more other areas in the electronics division, which is too premature to talk about, but we are sincerely looking at really building our product portfolio or in terms of the segments that we can work on the electronic side of the story in the defense sector.

Renu Baid: And sir, lastly while you have shared inflow outlook across other segments, any word on the nuclear large project of what have been delayed for quite some time now and we are still waiting for fleet tenders to pick up momentum, so any updates on the order inflow prospects on the nuclear side for current year 23-24 and how should we look at the execution on this business?

Srinivas Reddy: Nuclear, what we are trying to do is, our projects are almost like for example, it is a very important question what you have asked for. See the fuel machine has orders what we have which were almost exclusive in the country. Some of the bought-outs we were asked to actually indigenous this because of the need for Government of India, what actually they are facing issues with the Russian situation right now also. That is how there has been slight delay in terms of getting these bought-outs indigenized. So, we are through with all that, so you will see the dispatches happening the fuel head machines starting from this quarter onwards. Similarly, we also got orders for the fuel transit systems, the assemblies Bridge & Column, all these orders which it has exclusively. We just received these orders, we are in the process of sourcing the material bought-outs for that which some of the bought-outs we still have to indigenized. I will just give a simple example, in terms of Thompson Bearings, they have put a ban of not exporting those things to India for whatever reason, so now we are developing our own Thompson Bearings. The import part of that is Rs. 10 crores, but probably we are developing that and we are able do it at 20% of cost. So, we have been asked by government of India to indigenize as much as possible so that the dependency on the external factors will not come into play at all. So, we are working on all this parallel to make sure that India is self-reliant by itself and we are contributing a lot towards that and that thing which is slightly delaying the process, but we will catch up with those numbers very quickly, but most important thing is try to indigenize certain things which are very crucial for this country at this time.

Renu Baid: And will that also mean that when some of these critical components are localized, you will have assured revenue share from the customer from NCCR for these projects, mostly a single vendor basis or it would be again bid based?

Srinivas Reddy: Yes, that is what you have seen in the case of Water Lubricated Bearings, we are the only supplier in the country with an import substitute, the specialized ball screws as well, so similarly the Roller Screw is another thing, so Thompson Bearing, so all these are going to be like we are spending lot of time in R&D to develop them. It is not easy to do all these. With engineering, it is not that easy, but we are happy in doing it, we are happy in achieving it, so we will benefit a lot moving forward, so that is the idea behind this also.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith Sivaram: Congrats on good set of numbers, sir, one thing which we wanted to understand is that like what is our strategy in terms of if you want we were also planning to derisk ourselves from the dependency on Bloom, so currently you also had mentioned last time that we are looking at Voith and other kind of hydropower and other things, so in a 3-year perspective, if you look at it like how much will be Bloom's contribution in your overall topline given the ramp up in the other segments which you are expecting?

Srinivas Reddy: Let me answer this question to you in a different way. We definitely do have a strong strategy moving forward over the next 3 years to 5 years, so the entire work is in different segments. It is not only in fuel cell, but we are also now into Hydel, wind, we are also into nuclear programs, space and all that. So, if you look at Bloom, today Bloom is the number one leading Company in the world in fuel cell technology crossing a million dollar turnover. If you look at the latest UBS report on Bloom, there is going to be $3 billion revenue from the next 2 years. So, what I am trying to say there is that this Company was built over 15 years and the technology has evolved and they are competing with the great power, so I don't see any kind of risk for the Company as such, but that doesn't mean we are stopping at that point. We are working with other fuel cell companies, but other fuel cell companies are way behind Bloom. We still have to stabilize on that prototypes, ramp up, and come to the level where Bloom is. So, that will take some time, so you have companies like Fluffer for example, so their major revenue of the material handling system drive on the fuel cells, so they still have gear up. So, you would love them to develop their products very well, so that they can have the need of Company like MTAR to work with them. They have no exclusivity with anybody. We keep each individual IPs very independent. So, we are working with a number of companies. As I said, we are looking with Fluence Energy for energy storage, it is going to be of huge gain in terms of revenues over the next 2 years. We are working with EnerVenue, it is another Company which was working in the US based Company. So, looking at Voith, GE and Andritz on the Hydel sector, we have already completed first articles, we are getting repeat orders right now, so the Company is going in a path where we would have lot more wider customer base, but the numbers coming Bloom are purely based on their performance in the international market. So, I don't see that as any kind of risk strategically, but we are working towards various ways to enhance our customer base in the long run.

Renjith Sivaram: And sir, just space program, I think in your PPT also, you have elaborately mentioned, so what is the overall size of these projects if they fructify in the next 2 to 3 years and how do you see that growing, at what size it can attain in a long-term perspective, can it become Rs. 300-Rs. 400 crores business?

Srinivas Reddy: It would become Rs. 300-Rs. 400 or even much bigger business once we launch our small satellite launch vehicle, which said we have started working on it. It is a 3 to 4 years of program which we are working on, we are having our own launch vehicle by itself. We have all the facilities to do that. We have right now the team also is getting recruited, so we are right on track with that, but as far as that's the game changer for MTAR and that's the plan beyond FY26, but as far as ISRO is concerned, obviously I mentioned earlier that they are looking at 3 times the requirement, the kind of launches that we would like to do or they have asked us to gear upon our capacities which we have in most of the areas. So, that would provide a CAGR of 30-35% year-on-year basis moving forward. Other than this is the major thing, what is going to happen is, once we launch our own vehicle, so that is what our vision is, in the prioritization of the whole space sector which Government of India is also pushing for and since we have enough experience of 35 years in this line, it would speed up the whole process moving forward.

Renjith Sivaram: So, in our own vehicle, probably the Vikas engine will be kind of brought from ISRO and some of these engines which you have?

Srinivas Reddy: No, nothing to do with the Vikas engine, it is our own engine. That is what I am trying to tell you. So, we are designing and developing our own entire launch vehicle. So, ISRO's Vikas Engine is completely independent on that.

Moderator: Thank you. The next question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Sir, is it possible to quantify some of the new products, you quantified ASP assemblies, sheet metal, of course you have done better than we had guided for the year in the 9 months itself, but for next financial year, FY24, if you could quantify what would be the sale you could derive from these areas like sheet metals, enclosures as well as the new electrolyzer parts that you mentioned you would be indigenizing?

Srinivas Reddy: As I said the ASPs which we have developed and we received the order for Rs. 100 crores, it is the annual requirement it is the same product if we talk about in terms of numbers, each of the ASP is about $55 and it is close to about Rs. 130 crores of requirement which we grow year-on-year basis based on the number of hot boxes which you grow every year. When it comes to enclosures, we are looking at almost 3000 numbers of enclosures moving forward in the next financial year because we are all geared for that. There has been certain lead time on various parts, bought-outs which are going in to the enclosures, so we are all set for that. We got qualified for it and in fact the US specification for enclosures also is in the last stage. Probably, by next week we should receive it. So, this would really enhance on a quarterly basis, we are looking at almost like somewhere between 600 to 800 enclosures going out every quarter. When it comes to sheet metal assemblies, we are actually really well here. We said earlier 67 assemblies we had qualified, but right now, another 15 to 20 more assemblies we are going to get qualified for this and that is going to increase our revenue base moving forward. Now, the electrolyzers as I said is going to once we complete the 200 numbers, the ramp up will definitely happen by the third quarter of next financial year for sure. So, we are trying to gear up for that. So, keeping all this in mind, we have a very strong outlook not only fuel cell part, in hydel also we got qualified in number of areas right now with all these companies. So, we don't have a very strong growth outlook for the next financial year as well.

Sandeep Tulsiyan: Sir, second question is on nuclear, I think of course you had a very good buildup in the order book, but revenues in the first 9 months are definitely, you could see very similar to what we did last year, so assuming there is bunching up of revenue going to happen in fourth quarter over here, what could be the annual revenue we could look at in the nuclear segment for the current financial year?

Srinivas Reddy: I think as I explained earlier we are trying to indigenize lot of bought-outs which we are forced to indigenize because the restriction by Government of India we are working on that, but we would definitely do properly between around Rs. 45 to Rs. 50 crores of revenue in the nuclear, the fourth quarter would be much stronger than in nuclear program which we will start dispatching our FM Heads in the fourth quarter. So, that will propel the revenues and moving forward since everything is in place for the FM Heads we have still 5 more FM Heads to deliver, that would get done in the next year comfortably every quarter, so then we work on the other projects which we are working on the fuel transfer system, assemblies come into play step by step. So, there will be a growth happening moving forward in nuclear programs. Since everything has fallen to place, especially the indigenization about what we are trying to do for Government of India right now.

Sandeep Tulsiyan: Last question is on the working capital, if you could also give us the absolute number in rupees, crores, what was there at the end of December and then after receiving the Rs. 38 crores how much did it reduce to?

Gunneswara Rao: The absolute number of working capital value is Rs. 394 crores and we received Rs. 38 crores in Jan first week and entire January we received around Rs. 75 crores which is all are well within our credit period.

Sandeep Tulsiyan: So, this Rs. 240 crores what is mentioned in the presentation of receivables, this is?

Gunneswara Rao: All that is only receivable value.

Sandeep Tulsiyan: No, that is after reducing the Rs. 38 crores or it is prior to?

Gunneswara Rao: No, not reducing, this is before reducing. We don't want to reduce because as at December 22, this is the scenario, so we are maintaining. So, this is an additional explanation we are giving to just to have a transparency.

Moderator: Thank you. The next question is from the line of Neerav Dalal from Maybank Investment Banking Group. Please go ahead.

Neerav Dalal: I had three questions, first is, say for the FY23 revenue is about Rs. 550 to Rs. 600 crores, what would be the annuity portion for that going ahead because you obviously mentioned that in the ASP Rs. 130 crores would be something that would recur every year, so just wanted to understand the annuity portion of the business and how that has increased? That is my first question, the second question is in terms of as we indigenize the products or start to make production, would that mean increase in margins or would that mean that the R&D expenses would also increase for us? That is question number two and in terms of our CAPEX plans going ahead, what would be our CAPEX plans for the next couple of years?

Srinivas Reddy: As I said earlier, obviously as we have revised the guidance based on what we can clearly see right now something in a range of between Rs. 575 to Rs. 600 crores of revenues coming in for this year and moving forward, I have said that for next year FY24, we are looking at 45 to 50% revenue growth compared to the current financial year, now the growth is happening in terms of products what we have developed plus also the growth in the fuel cell segments, also in the hydel segment as well and growth is also equally coming also from the nuclear programs where we are in advanced stage of execution in some of the products and also in the space sector as well. So, it is evenly distributed among all the various segments that we are working on and probably as I said some of the new customers who have joined in, they are going to generate additional revenues with the new customers like Thales, Collins Aerospace, all the customers have joined in already and customers in pipeline as well in the energy storage systems would contribute towards additional revenues, in terms of phase and batch production for next year. So, it is very clear indicative that we would comfortably grew that 45 to 50% across the board in all these sectors.

Neerav Dalal: Sir, just as a follow on this, sir, we are looking at growth, but would there been increase in the annuity portion of our business where we have visibility and it would recur every year for us, so that becomes the base and then over and above this whatever would be the growth say for 25, 26, 27 as the years go by, so just wanted to understand that part of it whether there is any?

Srinivas Reddy: Absolutely, yes, I got your point, so most of our projects, there will be growth on annuity basis, it is not like a onetime projects for us. If you look at space , we continuously supply the Vikas engine or the Rocket engine that we supply the cryo engines, we are launching this semi-cryo next year, so there are new products coming in and the continuity of these existing products going year-on-year basis. If you look at our fuel cell segment, every year it is growing in terms of the number of units that we are doing consistently, so that growing and also the new product that we are launching every year. So, the growth is happening not only on a regular basis from the existing products, but also the new products that we are developing year-on-year basis. So, the margins also would more or less sustain even with this growth what we are looking at which I have said around 29% plus minus basis points. That is what we continue to maintain moving forward. And you asked about the CAPEX plans, yes we will have some bottleneck areas, we have some new customers coming in the energy storage system, so we will have certain CAPEX plans, we have to crystallize that. As and when that is done.

Neerav Dalal: Just on the margin bit, so as we indigenize or we start to manufacture goods products in-house, would there be any benefit in terms of margins or we would use that same into R&D?

Srinivas Reddy: Our R&D costs are there, but they are not very high because they use our existing facilities or existing team works on it, but we do have, so this is not much of amount to really highlight at this time.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Birla Mutual Fund. Please go ahead.

Jonas Bhutta: Congratulations on a great set of numbers. So, just speaking up from one of the previous questions was on CAPEX, so what is the CAPEX that we have done so far in the 9 months, what is the target for FY23 and how do we look at it for FY24?

Gunneswara Rao: I will answer this question. I think for the last 9 months, we have actually CAPEX around Rs. 80 crores we have done it and there is a capital work in progress of around Rs. 72 crores is there, so which we will capitalize over a period of time, maybe in this quarter, something will slip over to next quarter. This is because last year we have actually constructed one new facility in Adibatla where our sheet metal and fabrication set up we have done. So, something was spill over from the last year around Rs. 40 crores to this year and also around Rs. 45 crores we are spending for augmenting our capacity in our clean energy business in the EOU. So, we have increased our capacity by almost 4,000 to 10,000 units, which is two-and-a-half times over existing capacity. So, this year also, as Mr. Srinivas Reddy is telling we are crystallizing, I think we are looking the numbers, so we will communicate maybe in the coming quarter.

Jonas Bhutta: So, should we pencil in more like the same number of about Rs. 90 odd crores even in FY24?

Gunneswara Rao: Not that much, definitely it will be lower as we have to address bottleneck and also some of the new customers which we are working with them, there may be some little CAPEX is required, so some sustenance CAPEX we will need to incur. It is not going to be that much. I think much lower than the last 2 years.

Jonas Bhutta: Second question was on again client concentration, so while we have done a phenomenal job in terms of adding newer products such as ASPs and sheet metals and enclosures etc., but the idea when we were setting this, these capacities were also to bring in newer clients, if you can talk about sheet metals or roller screws etc., what will be the ex-Bloom revenue or in terms of marketing are we doing that over the next 1 or 2 years, excluding Bloom where can these revenues be for these 3 or 4 products that we have developed in the last year, year-and-a-half?

Srinivas Reddy: It is not about 3-4 products, basically what we are looking at is, we are adding lot of other customers, for example as you said in sheet metal, we are looking at Taiwan they are looking at us in terms of delivering a lot of their requirements for sheet metal for them. So, we are still discussing, we are in discussion stage with them. GKN Aerospace has already indicated they are going to release orders this quarter for us which is the formulation of sheet metal and machining and stuff like that. So, we are adding lot more customers in different segments. We can't quantify at this point of time, but as I said lot wider basket of customers are in our portfolio right now, some are in first article stage, some have been qualified, some are moving into volume stage right now, moving for in the next quarter. So, overall, the concept is that I would not say that as I explained earlier bloom is growing rapidly, so that is good for us, but we also paid a platform to work with other energy storage companies like Fluence Energy, we are trying to work with them, that is going to be a huge thing like, we are looking at almost like Rs. 300 to Rs. 500 crores of revenues coming in from Fluence Energy over the next 2 to 2.5 years. So, we are looking at customers where lot of R&Ds required, lot of developmental activities required, but that should convert into a meaningful numbers for us in the long run, so we are trying to add customers in areas where MTAR can really contribute to a greater extent, where entry barriers are very tough, so that is what we are focusing upon right now. So, we will be in a very good space moving forward, let us say one year, two years from now.

Jonas Bhutta: And my last question was regarding Bloom and the hot box, so one, if you can tell us we started off with the mandate where we were realizing almost $8,000 to $9,000 per hot box, but with all of these product additions that we have done over the last few years, our wallet share was likely to increase and part of that is also indigenize, so within that 9,000 say bellows etc., you localize and you get more margin, though the ASP largely remains $9,000, so I am just trying to think through where are we, so what is the realization for hot box as of today and where does it move going forward?

Srinivas Reddy: We are trying to give more and more, so ultimately if you look at the cable harness which only get qualified next month, so we have the ASPs, we have the enclosures, we have sheet metal assemblies, so we are moving close to about 17,000 to 18,000 or 19,000 for the Yuma hot box, we accumulate everything together, so we are going to a stage where we can completely do the box filled ultimately in a year's time from today. That is the ultimate goal for us. Probably trying the cater that we have started exporting to South Korea as well directly for Bloom instead of the selling into US, so the idea is for the Asian markets for the markets closer by doesn't make any sense to send the systems here to US and back and forth. So, it is going to evolve in such a way that in a year, year-and-a-half, probably we will do the entire system as such. So, it has pretty well that way. Lot of qualification process for every stage of it, so in India that is what happens, so ultimately that is the end.

Jonas Bhutta: And we are set for 7,000 hot boxes next year, right?

Srinivas Reddy: That is right.

Jonas Bhutta: And the order for that is already in our book or a part of that needs to come through during FY24?

Srinivas Reddy: It is already there, only we got order still December of next year, so probably they will review back. The orders are released almost like 6 to 9 months ahead of time, so we will probably get the next batch of orders in the first quarter of next financial year.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is on the disclosure you had talked in the last call about Fluence Energy order and we were expecting around Rs. 300 to Rs. 500 crores in one to one-and-a-half years, so sir if I correlate this with our guidance on that Rs. 600 crore topline that we are aspiring to achieve in FY23, 50% growth is around Rs. 300 crores, but are you not taking into account any revenue coming from this Fluence Energy orders or is there any delay which we are saying if you can give an update on Fluence Energy and tie up with the revenue guidance?

Srinivas Reddy: Any organization like Fluence Energy or any other Company, EnerVenue or any Company for this matter, first you need to do the first articles, you need to do the batch production, it is a process cycle. So, continuing those numbers for the next year doesn't make any sense to me. So, whatever numbers are generated from that is something which is a small update to it, but real ramp up will happen by end of next year once they implement everything, so probably you look at major numbers coming in, moving forward for FY25, that is how it works.

Aman Vij: And you think this can be like you talked about as big as Bloom energy in the next two years?

Srinivas Reddy: Which one, the Fluence Energy?

Aman Vij: Yes.

Srinivas Reddy: Yes, so basically there is a lot of demand for energy storage system internationally, so I can't say it is going to be as big as Bloom energy, but it is going to be one of our biggest customers moving forward from FY27 onwards.

Aman Vij: My second question is on the ISRO SSLV launch which happened today and also our plans on it, so what I understand and you can correct if I am wrong, so ISRO has been planning to ramp up the number of launches for last 3 to 5 years, but it has been stuck at the 10 to 12 odd level. Their target is may be 18 to 20, so if you can talk about do you see that happening in FY24 or it will take more time on the ISRO side as well as. Average launch cost around $40 to $50 million SSLV, so what will be our portion of value addition in that because now you are also working on the full engine apart from the vehicle body, so if you can explain these two things?

Srinivas Reddy: One main thing from ISRO side is the recent GSLV launch which they did was highly successful, so they have lot more demand on such launches moving forward. So, that is the reason why they wanted to increase their number of commercial launches and that is where the demand comes from. Asking us we received a letter directly from the Chairman of ISRO to work on more number of engines to be produced moving forward. As you are all aware, the metal is given as they issue by ISRO. So, they have to gear up from their side as well, but we are looking at probably in the second half of the year, they are going to gear up to not only from our side, from their side as well. So, they are looking at those launches going higher and higher based on the success what they had. Now, as far as our contribution to their launches, it is not only on the engine side, but we do lot of electropneumatic modules, we do lot of other assemblies for them, so that is something which, in every area there is going to be an increase, but our main vision 3 to 4 years from now is going to be our own launch vehicle. We still have to quantify the numbers for them, but our design work has already started much ahead of time 6 months back we have signed MoU with IN-SPACe as well, so that is going to be a big game changer for MTAR moving forward 3 to 4 years from now. So, we will be able to launch satellites with their own launch vehicle and Government of India is also looking for that. They want ISRO to be more of an R&D division rather than looking at and asking the industry to do it. So, whoever is capable of doing it, since we have 35 years of experience in this line, probably we will move ahead in a much faster pace to get this done, but to build the entire launch vehicle it would take at least 3 to 4 years' time and that is what we are working on it right now.

Aman Vij: And if you can just explain this typically as of today what is our share in a typical launch as well as what is the rough I think engine?

Srinivas Reddy: It is difficult to quantify the share because the numbers from government are never given to us, so we can only say what all we can contribute. We contributed a sizable portion, for example our engines are used for the last 35 years by ISRO, but there has never been a blemish today. None of the launches have failed because of the products what we are given. We are the only cryo engine supplier in the country today for ISRO, so we have developed this over the years, 8-9 years of research in the past, so that is the kind of technology we are holding with us. So, we are continuing to support ISRO as much as possible. We work jointly with them and we have great set of scientists and engineers in this country, we all work together. Frankly speaking, we have been very successful technically in terms of achieving such launches without depending much on any other countries abroad, so it has been all done indigenously and that is the massive seat that we all need to appreciate.

Aman Vij: We had talked about ISRO has given us a letter to increase be ready for increasing our capacity to 3x, so is it a recent event or is it 1-2 years back?

Srinivas Reddy: No, it is a recent event, it is not 1-2 years back.

Moderator: Thank you. The next question is from the line of Abhishek Aggarwal from Naredi Investment. Please go ahead.

Abhishek Aggarwal: Sir, my first question, recently, MoU signed with the IN-SPACe can you share more color and opportunity size in next 1 to 3 years? And second question, furthermore promoter stake sales in your cart?

Srinivas Reddy: That is what I said, like MoU signed for a joint working together to build and launch vehicle by and large, completely independent of ISRO, but with the enough support from ISRO in various areas, that is what Government of India wants to do, while using the launch pad facilities, etc., so this will come into effect 3 years from now. Once we build the launch vehicle, then we do the developmental launches and then the commercial launches, so we are looking at about a 3 to 4 years' timeframe for us, but that is going to be a big game changer for the Company.

Abhishek Aggarwal: Furthermore promoter stake sales in your cart?

Srinivas Reddy: Where is that come from? I have no idea about that. There is nothing like that right now.

Moderator: Thank you. The next question is from the line of Sanjana Deshpande from StockAxis. Please go ahead.

Sanjana Deshpande: Sir firstly, I would like to understand since the demand prospects are high in clean energy segments, so what is the exact order book for clean energy segment and how it will be executed in FY24 and 25?

Srinivas Reddy: See, the order book for clean energy segment, I don't have the exact number, but probably beyond Rs. 600 crores plus. So, all these orders are executable by December of next year and that is what it is and it is going at such similar phase year-on-year basis. We are going to add further products to it as I have explained earlier. So, we are in a great space on that, there is nothing to….

Sanjana Deshpande: And second question is, how we like project the revenue inflow from this particular segment, because not all that we are executing will be converted into revenue in that time period, so your comments on that?

Srinivas Reddy: No, whatever orders we have as of today are pleased to get executed by December 23, so that is what it is.

Sanjana Deshpande: Congratulations on the good set of number, sir.

Srinivas Reddy: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Srinivas Reddy – Managing Director and Promoter for closing comments. Over to you, sir.

Srinivas Reddy: Thank you and I would like to thank everyone for sparing their time to join today's earnings call. I would like to say the growth numbers will come in the case of MTAR, but I would love to say that I would like to thank all my engineers and the R&D team for building such fabulous products which are generating good set of numbers just a biproduct of that. So, we will continue to do that moving forward as well and thank you so much for all of you for your support. Thank you.

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