

Details of the Issue

Price Band	₹ 574- ₹ 575
Issue Size (OFS)	₹ 596.41 Cr
Opening Date	Mar 3, 2021
Closing Date	Mar 5, 2021
Face Value	₹10
Bid Lot	26
Listing on	BSE, NSE

Objects of the Issue

To partly or fully repay company's borrowings.
To finance company's working capital.
To meet general corporate purposes

Lead Managers

IIFL Holdings Limited
JM Financial Consultants Private Limited

Registrar

KFintech Private Limited

Investment Details

No. of shares at cut-off	338
Max. Amount to be paid	₹ 1,94,350

Company Background

MTAR Technologies Limited (“MTAR Technologies”) was incorporated on November 11, 1999. The company is a leading precision engineering solutions company engaged in the manufacture of mission critical precision components with close tolerances (5-10 microns), and in critical assemblies, to serve projects of high national importance, through their precision machining, assembly, testing, quality control, and specialized fabrication competencies, some of which have been indigenously developed and manufactured.

The company primarily serve customers in the nuclear, space and defence, and clean energy sectors.

They currently operate through seven manufacturing facilities, situated in Hyderabad, including an export-oriented unit (EOU). Some of the clients are ISRO, NPCIL, DRDO, Bloom Energy, Rafael and Elbit.

The company has been supplying products such as liquid propulsion engines to ISRO for over three decades and critical components to DRDO for over four decades.

Strengths & Strategies**Precision engineering expertise with complex product manufacturing capability**

The Company develops and manufactures a wide range of mission critical assemblies and precision components with close tolerances (5- 10 microns), through its precision machining, assembly, and specialized fabrication facilities, for onward usage by the customers in the clean energy, nuclear, and space and defence sectors in India, and abroad.

Wide product portfolio leading to long-standing relationships with the customers

As on December 31st, 2020, the major product portfolio includes three kinds of products in the clean energy sector, 14 kinds of products in the nuclear sector and six kinds of products in the space and defence sectors. They cater to customers in the clean energy sector through the supply of power units, specifically, hot boxes to Bloom Energy. Within the nuclear sector, the company has long standing relationship of over 16 years with NPCIL due to its ability to manufacture and supply specialized products such as fuel machining head, bridge and column and coolant channel assemblies, among others, not just for the new pressurized heavy water nuclear reactors, but also for refurbishment of the existing reactors. The experience in manufacturing these, has not only been acquired by MTAR over a period of time, but also has, in the process, created entry barriers for other players.

Grow the manufacturing capacity and increase market share through organic and inorganic routes

The Company is in the process of establishing an additional manufacturing facility at Adibatla in Hyderabad which is expected to become operational in Fiscal 2022. This establishment shall be a sheet metal facility which shall allow MTAR to undertake sheet metal jobs for Bloom Energy, ISRO and certain other customers. In addition, they also intend to continue to increase the machining, fabrication and assembly capacities in the existing facilities by (i) upgrading the existing manufacturing facilities by implementing new technology; and (ii) releasing bottlenecks in the production capacity by reducing cycle time of various operations.

Source: RHP, GEPL Capital Research

Key Risks

- ✓ The contribution of Bloom Energy as a percentage of the revenue from operations for the Fiscals ended March 31, 2018, March 31, 2019 and March 31, 2020, and the nine months ended December 31, 2019 and December 31, 2020 is 49.14%, 61.43%, 64.53%, 71.01% and 49.33% respectively
- ✓ As at December 31, 2020, the company catered to 39 customers, out of which the top 3 customers accounted for 80% of the top line revenues

Valuation & Recommendation

The Government of India has also recently announced import ban on 101 defence based items which will allow a wide spread manufacturing base. MTAR is well poised to capture the growing trend of increased indigenization and increased budgetary allocation towards defence capex and renewables.

Although the high degree of client concentration is a bit of an overhang, the level of stickiness and customer retention provides some comfort. The company has been supplying products such as liquid propulsion engines to ISRO for over three decades and critical components to DRDO for over four decades.

The aggregate Order Book as on December 31, 2020 was 336.2cr, comprising Order Book in the clean energy sector, the nuclear sector and the space and defence sectors of Rs.80.2cr, Rs.93.2cr and Rs.160.6cr, respectively. Historically, The Order Book was Rs.201.8cr, Rs.243.7cr and Rs.345.1cr, as on March 31, 2018, March 31, 2019 and March 31, 2020, respectively. This provides adequate revenue visibility.

We recommend a SUBSCRIBE rating to the issue.

Financial Snapshot

Particulars (₹ cr)	9M2020	9M2019	FY20	FY19	FY18
Equity Share Capital	26.76	28.21	26.76	28.21	28.21
Reserves as stated	218.86	211.04	198.32	206.77	177.31
Net worth as stated	245.62	239.26	225.08	234.98	205.52
Revenue from Operations	177.27	152.18	213.77	183.67	159.6
EBITDA as stated	53.75	44.59	62.33	55.96	32.82
EBITDA (%) as stated	30.2%	29.1%	28.6%	30.1%	20.4%
Profit Before Tax	39.6	32.76	45.53	41.56	17.16
Net Profit for the period	28.07	22.45	31.32	39.2	5.42
EPS (₹)	10.49	7.96	11.11	13.89	1.92
RoNW (%)	11.4%	9.4%	13.9%	16.7%	2.6%
NAV(₹)	91.79	84.8	84.11	83.29	72.84
ROCE	14.2%	13.9%	19.8%	17.0%	9.6%
Debt Equity Ratio	0.27	0.07	0.13	0.12	0.1

(In ₹ cr except per share data)

(9M data not annualized)

Source: RHP, GEPL Capital Research

NOTES

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