MTAR Technologies

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MTARTECH IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	50.2 / 0.6
52-Week Range (INR)	2584 / 1495
1, 6, 12 Rel. Per (%)	-1/-21/-61
12M Avg Val (INR M)	578

Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	7.4	9.2	12.2
EBITDA	1.5	2.3	3.2
Adj. PAT	0.8	1.4	2.2
EBITDA Margin (%)	20.9	24.5	26.5
Cons. Adj. EPS (INR)	27.0	46.5	71.9
EPS Gr. (%)	48.0	72.1	54.7
BV/Sh. (INR)	246.9	293.4	365.3
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	11.6	17.2	21.8
RoCE (%)	11.0	15.8	20.6
Valuations			
P/E (x)	60.2	35.0	22.6
EV/EBITDA (x)	33.4	22.5	15.6

Shareholding pattern (%)

As on	Sep-24	Jun-24	Sep-23
Promoter	36.4	36.4	39.1
DII	17.3	16.0	24.1
FII	7.8	7.8	8.8
Others	38.5	39.9	28.0

Note: FII includes depository receipts

CMP: INR1,625 TP: INR2,000 (+23%) Buy

Space and Clean Energy business drives recovery

Operating performance in line with estimates

- MTARTECH reported healthy revenue growth in 2QFY25 (14% YoY/48% QoQ) after three consecutive quarters of declining revenue, indicating a recovery going ahead. Margins improved 640bp QoQ (down 230bp YoY), led by favorable operating leverage. The order book remained healthy at INR9.4b (up 5% QoQ).
- The management expects a strong performance in 2HFY25, with full-year revenue guidance of ~INR7.25b and margins recovering to ~21% aided by strong visibility from orders in hand. With a recovery in order flows from Bloom Energy (BE) and inflows of new orders, MTARTECH's near-term outlook remains healthy.
- The management, however, has lowered its FY25/FY26 revenue growth guidance to ~25%/20% from 30%/30-35% earlier. Accordingly, we reduce our EPS estimates for FY25/FY26 by 9%/11%. We retain our BUY rating on the stock with a TP of INR2,000 (34x Sep'26E EPS).

Lower margins YoY due to operating deleverage

- Consolidated revenue stood at INR1.9b (up 14% YoY/48% QoQ). EBITDA grew 2% YoY to INR368m (+2.2x QoQ).
- EBITDA margins contracted 230bp YoY to 19.4% (+640bp QoQ) as other expenses/employee expenses as % of sales increased by 250bp/170bp YoY to 12.4%/15.7%. Gross margins improved to 47.5% (+190bp YoY, -40bp QoQ). Adj. PAT declined ~8% YoY to INR188m (+4.2x QoQ).
- Clean energy/Space/Products & others revenue grew 9%/2.7x/17% YoY to INR1,063m/INR250m/INR429m, while revenue for clean energy - nuclear/defense declined 23%/44% YoY to INR117m/INR43m.
- The order book as of Sep'24 stood at INR9.4b, with inflows of ~INR2.5b in 2QFY25. The order book mix was ~54%/15%/17%/8%/6% for clean energy/nuclear/space/defense/product & others.
- NWC days for 2Q declined to 247 vs. 277 in Jun'24, largely due to a drop in inventory days to 186 (vs. 245), partially offset by an increase in receivable days to 120 (vs. 98) and a decline in payable days to 55 (vs. 57).
- In 1HFY25, revenue remained flat YoY at INR3.2b, while EBITDA/adj. PAT declined by 24%/43% YoY to INR534m/232m. For 2HFY25, implied Revenue/EBITDA/adj. PAT growth is 60%/2.4x/3.9x YoY, led by strong growth across all verticals, coupled with margin recovery.

Highlights from the management commentary

- **Guidance**: For FY25, the management has guided for revenue of ~INR7.25b and margins of ~21%. Cost optimization and operating leverage will drive margins in 2HFY25. It expects ~20% revenue growth in FY26 (down from 30-35% guided earlier) with margins improvement to ~22-24%.