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To, **Date: 17-November-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 09th November 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 Thursday 9th November, 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: 2023.11.17 11:37:54 +05'30'

Shubham Sunil Bagadia
Company Secretary and Compliance Officer

MTAR Technologies Ltd. (Formerly known as MTAR Technologies Pvt Ltd), 18, Technocrats Industrial Estate, Balanagar, Hyderabad - 500 037. Telangana, India. office : 040-44553333/23078312 fax : 91-40-44553322/23078316, GST No.: 36AACCM2021N1ZL

"MTAR Technologies Limited

Q2 and H1 FY '24 Earnings Conference Call"

November 09, 2023

MANAGEMENT:	**MR. SRINIVAS REDDY – MANAGING DIRECTOR – MTAR TECHNOLOGIES LIMITED** **MR. GUNNESWARA RAO – CHIEF FINANCIAL OFFICER – 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 MTAR Technologies Limited Q2 and H1 FY24 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 the conference call, please signal an operator by pressing star then zero on your touch-tone 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, Yusuf and good morning, everyone. On behalf of MTAR Technologies Ltd, I extend a very warm welcome to all participants on Q2 and H1FY24 financial results discussion call. Today on our call, we have Mr. Srinivas Reddy, sir, Managing Director and Promoter, Mr. Gunneswara Rao, sir, Chief Financial Officer and Ms. Srilekha, Senior Manager Strategy and IR. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on 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 beliefs, opinions and expectations as of today. These 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, Irfan and hello and good morning to everyone. Thank you for taking your time to join us today. Today on the call, I'm 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 the stock exchange and company website. I hope everybody had an opportunity to go through the same.

So, MTAR has delivered a top-line growth by clocking a revenue of INR166.8 crores with a 32.2% year-on-year increase. We have recorded an EBITDA of INR26.1 crores during this quarter. The most important aspect I would like to discuss today is about revision in our guidance. We have revised our annual guidance for FY24 to a revenue for around INR670 to INR700 crores as against previous guidance of around INR830 to INR860 crores with an EBITDA of around 26% plus or minus 100 basis points.

This is due to the deferment of shipment plans against the confirmed orders in the clean energy sector for the next fiscal year, which has impacted our growth in the short term. However, we anticipate a healthy long-term growth as we are expecting significant inflow of orders in the second half of the year from new customers as well as existing customers, which will enable us to maintain our closing order book around INR1,400 crores to INR1,500 crores. As far as this quarter is concerned, we have witnessed around INR80 crores of order inflows.

We are expecting around the rest of the orders coming in from the clean energy sector, nuclear space and defense sectors, which will enable us to have a closing order book of INR1,400 to INR1,500 crores. The revenues from domestic shall pick up in the second half of the year due to major dispatches in nuclear space and defense sectors that we are anticipating at this point of time. I would like to assure all the shareholders that the company's long-term growth story is intact as we are working on enhancing our product portfolio and expanding our customer base.

Also, the sector's company is catering to our witnessing significant growth. Our CFO, Mr. Gunneswara Rao -CFO , will throw more light on the financial performance of Q2 FY24. Over to you GR.

Gunneswara Rao: Thank you, everyone. Thank you, Mr. Srinivas Reddy. Good morning to all of you to join in this earnings call. I will take you through the financial highlights, post which we will open the floor for questions and answers. Our revenue from operations at INR166.8 crores in Q2 FY24 as against to INR126.2 crores in Q2 FY23, which translates to a 32.2% increase on a year-on-year basis. And the company also reported EBITDA of INR36.1 Crores in Q2 FY24 as compared to INR34.9 crores in Q2 FY23. There is a 3.4% increase on a year-on-year basis. profit before tax is at INR25.7 crores in Q2 FY24 as against INR33 crores in Q2 FY23, which is a 22.1% decrease on a year-on-year basis. However, which is covered by the profit after tax.

Profit after tax was INR20.5 crores in Q2 FY24 as against INR24.7 crores in Q2 FY23, which led to a 17.1% decrease on a year-on-year basis. Our net working capital stands at 287 days, where there was a reduction in receivable days and inventory days. However, there is a sharp reduction in payable days that has led to an increase in working capital days because of liabilities paid for inventory purchases during the last quarters based on annual projections. As per the revised projections, current inventories will be sufficient to a major extent to meet the production requirements of the next quarter.

We will be working on reducing net working capital days by the end of this financial year. So let us see how it goes based on the revised guidelines. We are all working on reducing the working capital days as much as possible.

So as discussed by our MD, we recorded healthy top-line growth and the company is working to generate revenue of around INR670 crores-INR700 crores by the end of this financial year, with EBITDA of 26% plus or minus 1%. We will open the floor for discussion. Thank you all.

Moderator: Thank you very much. First question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: I just wanted to check. Because we have seen healthy growth, low energy, 37% growth this quarter, 33% YTD. So why the sharp deferral in terms of revenue guidance for us? And in terms of ordering, we had indicated INR500 crores from clean energy. So do we still expect that sort of number to come through?

Srinivas Reddy: Yeah, I'm sorry. I was on mute, actually. So basically, if you remember, Bloom Energy has shifted certain shipment plans on two counts, which is definitely not alarming. I visited them for almost three days in the US to discuss the future growth plans and the current situation. One is, there is a deferment of roughly about 1,200 units of hotboxes to the next fiscal year. The primary reason being is they wanted to correct their inventories.

The reason they have mentioned is obviously because of the reduction in the transit time from 12 weeks to six weeks post-COVID era. They had to correct their inventories. Second is, they have moved on from Yuma to Santa Cruz 100%.

The reason which is very clear is that from Yuma, you're generating 50 kilowatts, and Santa Cruz generates 65 kilowatts. So we have made a couple of changes in the design. We're working with Bloom on that, which made a lot of sense to me when I visited them.

I visited their facilities as well. They're fully gearing up to Santa Cruz, which generates 65 kilowatts. First, we manufactured the Block 1, and now we are going to the modified version of Block 2.

So what we're going to dispatch in this quarter is everything related to Santa Cruz Block 2, which is what is the final version of generating 65 kilowatts for them, which made a lot of sense to all of us. These are the two primary reasons. I don't see any other reason for this correction what we have made in our guidance.

Primarily, it is coming from the reduction in the hot boxes for the current financial year, calendar year for Bloom, and for us. If you look at the calendar, it is 4,600 to about 1,160 or 200 units less. And then we move on to ramp up the Santa Cruz model.

See, we have to look at the long-term perspective of Bloom and as well as MTAR. Now, moving to Santa Cruz will benefit Bloom to a very great extent, thereby generating almost 30% of higher power output with marginal cost increase. So this is just a temporary correction what they have made.

And when we are phasing out from Yuma to Santa Cruz, it's a matter of one or two quarters. But even MTAR is gearing up to ramp up the Santa Cruz model to the extent where we can generate more units every quarter. So that's exactly what is happening right now.

And as far as the orders are concerned, they are well-poised to give orders for Santa Cruz. They revised the Yuma orders back to Santa Cruz right now. And moving forward also, they said that they will continue to release orders.

And their demand or whatever, they are working on their back-to-back order book position, which is very strong, to enable them to place more and more orders quarter-on-quarter basis. That's what they mentioned to us.

Deepak Krishnan: Sure, sir. Maybe just one follow-up. Just wanted to understand the sharp reduction in payable days from about 108 to 49. What is caused by this? Because we're not seeing any other reduction in working capital for revised sales guidance. But this sort of pretty sharp reduction. And is it one or two sort of normalized after this?

Srinivas Reddy: let me explain this and then you can answer. What has happened is when I was talking to Bloom, when you have a deferred shipment plan, we were committed to sourcing all the raw material and bought-outs ahead of the plan because there are definite lead times for that.

Technically, most of our shipments either were in transit or have been dispatched by them. So, we are holding higher inventories because of the deferred plan. Secondly, based on the kind of rating we have in D&B, we tend to pay all our payables on due dates. So, we are forced to pay each and every payable on due date. So, most of our inventories, which we are holding right now, are more or less paid. And we don't have to buy further inventories.

The inventory reduction is going to be on the maximum side over the next two quarters. So, that's why you see a reduction in payable dates right now. But moving forward, we'll consume a lot of our inventories moving forward. And as well as the payable days should go up over the next two quarters based on our purchase. GR, do you want to say more on this?

Gunneswara Rao: Yeah. Actually, you covered everything, Today, we are following the value stream mapping for each and every major process. For payable dates, in order to pay on time to the supplier is also one of the important criteria for us in this value stream mapping. So, we had discussions internally and we tried to reduce a lot of quality clearance days and everything we wanted to pay on time to our suppliers. So, that is one of the reasons. And the other reason is whatever Srinivas Reddy explained.

Deepak Krishnan: So, maybe just one final question. Just wanted to understand on the margin. We've cut the guidance down to 26%. Now, essentially, if Clean energy goes down, the mix should help us improve margins. So, it's like overhead is offsetting all the impact of favorable mix that can come into it?

Srinivas Reddy: Yeah, absolutely. See, Deepak, when I said 26% plus minus 100 basis points, earlier I said 28%. See, first of all, there is a reduction in the guidance numbers given by us. But there is a ramp up on the domestic sales over the next second half of the year. Whatever we have done in the first half, we are doing a lot more in the second half, which I have mentioned earlier. So, if you're looking at roughly, let's say, INR400 crores or INR370 to INR400 crores, almost INR150 crores, some about INR140 to INR150 crores will come from domestic and the rest from the export sector.

So, what we are looking at here is that we would like to be a little bit conservative on our estimates because of the reduction in the guidance plan and also see where all we can enable to have certain cost reductions happening at various levels. And then we want to move forward with that. But this is something which we'll be able to achieve comfortably and then we'll see what best we can do in terms of upside, what we can get.

Deepak Krishnan: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Deepesh Agarwal from UTI Asset Management Company. Please proceed.

Deepesh Agarwal: Yeah. Good morning, sir. So, my first question is if you can help us with the number of the Yuma, Santa Cruz and electrolyzers delivered this quarter and expectation for second half and next year?

Srinivas Reddy: See, what we have done is there was a phase in and phase out of Yuma this quarter to Santa Cruz Block 1, which I've said. So, we have done roughly close to about 400 units of Yuma and 200 and odd units of Santa Cruz Block 1, which has now been revised upwards to Block 2, as I mentioned, which is the final version of Santa Cruz. That's what we have done this quarter.

And moving forward, we have an indication of doing – we have to again ramp up the Santa Cruz Block 2, which is going to be there as a final version for Bloom, as I explained earlier, because of the higher power output and which is a very good achievement by both the companies to work together. And especially for Bloom, it makes a lot of sense to move away from Yuma and then come to Santa Cruz Block 2. And a lot of effort has been done to move into that direction.

So, we're looking at doing ramping up to 528 units and probably the last quarter, we're anticipating a much more ramp-up happening in terms of Santa Cruz Block 2. And as far as electrolyzers are concerned, we are poised to dispatch around 44 electrolyzers this quarter and about 66 next quarter. That's what Bloom has indicated to us.

And then, based on their order book, how they're going to book the orders on electrolyzers, they're going to release further orders on electrolyzers as well. Okay.

Deepesh Agarwal: So, do you expect that starting next year, we'll still go back to that previous generation? This is just purely an inventory correction?

Srinivas Reddy: This is not a purely inventory correction, Deepesh. As I said, it is also the change of model. In engineering, when you change from one model to the other, there is a phase-in and phase-out which happens, which normally happens, which is very important for Bloom and as well as supply to Bloom as well, right?

When you're generating more power at a lesser cost, it makes a lot of sense. So, obviously, this is just a correction and we'll go back to the normal sequence, the growth pattern, which I clearly mentioned that the growth pattern is there as it is. There's nothing changing from that angle. That's part of it.

Deepesh Agarwal: Sure, sure. What is the update on the Fluence?

Srinivas Reddy: See, the update on Fluence is that we have almost finalized with Fluence. So, basically, we are trying – there are final negotiations which are going on. So, they want us to start off with about 1,000 units for next year, which is roughly around – INR120 to INR130 crores range what they're looking at.

So, final negotiations are going on. This is purely for export as well as for domestic. And in the long run, they want us to build facilities in a manner in which they can go up to about 3,000 units plus per year for their export and domestic requirements. So, the discussions are going on. So, hopefully, in this quarter, we'll be able to close that issue for good.

Deepesh Agarwal: Okay, sure. And, sir, the other question is on the margin. So, if we see last three, four quarters, the margin has been weak. So, if we started with 29% kind of a range, then 28%, now the margin profile is much weaker. So, anything to read into this over a longer term or is it a transitionary phase and we should go back to that 28%, 29% margin range?

Srinivas Reddy: See, there's one thing which I want to mention to all the shareholders is that what is most important is we're also investing for the future. If you look at the manpower cost, it's not about, this is a highly technical-based company. So, things don't happen overnight.

So, what we're investing today is for the future in terms of our cost. So, basically, when we look at for a company like ours, when we're looking at 26%, even now when I said 26% because of a valid reason, but in the long run, we'll definitely move to a higher margin level. I would not say like 29%, 30%, but definitely, we'll proactively look at how we can actually margin close to about 28%.

That's what we're looking at over the next one year and moving forward as well and trying to improve it further and further. So, it's a combination of everything and the entire team is working on it. And apart from the margins, the lot of other good thing is that a lot of new customers are joining us.

So, I don't want to go specific into customers because I could probably give more details in an investor one-to-one meeting, but what will happen is I'm getting a lot of pushbacks from many of my customers in terms of the kind of in-depth details I'm giving in all these calls, which have been very transparent to every one of you.

So, basically, the kind of work which is being done within the company is phenomenal in terms of products, in terms of what we are actually working on in the R&D division for the future. And all of you can be rest assured that MTAR is on a growth track. There's only a temporary correction because of the change in model and inventory correction, which I mentioned. Other than that, we are adding a lot of new customers, which is a good sign for us.

Deepesh Agarwal: Sure. I'll join back to you.

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

Jonas Bhutta: Good morning, Mr. Reddy.

Srinivas Reddy: Hi, Jonas.

Jonas Bhutta: Just a couple of questions. Firstly, sir, when you say that about 1,000 to 1,200 hotboxes have moved from FY'24 delivery to FY'25 delivery, so would that mean that this year we will close the year with sort of flattish? So, I think last year we did close to 4,500- 4,600 numbers. This year will be flat, is it?

Srinivas Reddy: Yeah, see, overall, it's not about these hotboxes. Obviously, because we're differing but the change in model from Yuma to Santa Cruz, they've explained very clearly on us. and secondly, obviously, that change transition will happen over the next one to quarter. That's what we're doing right now. We're also ramping up for Santa Cruz Block 2, which is very critical for Bloom as well, because all of us should understand one thing that when we're able to generate more power, obviously, we would like to get up to that particular model, which has been redesigned and done, which is a fantastic thing, especially from Bloom also, and also entire existing Bloom on this part of it.

So, the revenues will not be flattish, obviously. Overall revenues from 574, we are moving up to close to 700. But moving forward, again, the growth track is always there intact in terms of the demand, what we have right now, the indication of what we have.

Jonas Bhutta: Got it. And on the sales mix, which is giving you confidence that you will get to a 26% margin number by year-end, when you say that the domestic business, which is effectively the non-Clean energy business, if we have to look at a INR670 crores top line for the full year, it implies about INR360 odd crores in the second half.

Last year, we did about INR85- INR86 crores from these non-Clean energy segments. What would be that in the second half of this year, so as to give us this confidence that the sales mix isn't going to be in favor of domestic, and hence the margins will go up?

Srinivas Reddy: If you look at the domestic, it's a very good question, Jonas. See, if you look at the domestic business, the first half of the year, probably we have done around INR50-plus crores. But the second half is quite close to about INR145 to INR150 crores. And we have estimated, based on before giving the guidance very carefully, and based on this jump of domestic sales happening in the second half, which normally it happens, we'll be able to clearly achieve what we have mentioned in our guidance.

Jonas Bhutta: Understood. And the last question I had was just a status update, because now, if you are at a INR1000 crores backlog, and you are looking at a INR1400 to INR1500 crores closing backlog, and in the intervening executing another INR350 INR360 crores, which effectively means that you need close to INR800 crores of new orders in the next five, six months. Can you just give us a status update on how much of that from clean energy, and how much on nuclear, where do they stand, and can they realistically flow through by March 24?

Srinivas Reddy: The first update I would like to give is that, as I mentioned to you, two reactors, Kaiga 5 and 6, the tenders have been opened. There are three competitors for that. This is available on the public domain as well. One is BHEL, one is L&T, and one is Mega Energy. Three of them I have bid for this project, out of which MTAR's actual number is around close to INR600 to INR700 crores, but I have mentioned earlier that I am looking at around INR500 crores of order intake coming from these companies as such, because we are qualified for 17 packages out there. What information I have right now is that probably they will finalize it by the end of December.

The price will be reopened, and they will finalize it. Then MTAR should have a back-to-back order coming in the last quarter of this year, which I have mentioned earlier, and I maintain the same thing. And it is progressing in the right direction, because these two projects, Kaiga 5 and

6, especially the PMO office is looking at implementation within four to five years, or probably in four years' time. That's why they are doing this kind of experiment with Kaiga 5 and 6.

But the rest of the orders or reactors will go in the normal situation of directly placing orders with MTAR, so that's what it is. Now, we are expecting a lot more orders coming in from space, the way we have done remarkably well in terms of successful launches that we had recently.

And also in the defence sector, we are getting a sizable number of orders over the next couple of quarters. See, as far as clean energy is concerned, we are getting enough orders. The new customers just said, I don't want to go more into the details in this call, but we are going to get substantial orders from the other new customers that we have.

And Bloom, obviously, is going to release orders, as I said, they're going to release orders on a quarter-on-quarter basis. So keeping all this in mind, we should be in a comfortable position to have a closing order book of INR1,400 crores odd close by the end of this year.

Jonas Bhutta: Sure, sir. This is helpful. I'll fall back in the queue and wish you all the best, sir. Thank you.

Moderator: Thank you. Next question is from the line of Yellapu Santosh from Asian Market Securities. Please go ahead.

Yellapu Santosh: Thank you for the opportunity, sir. First, I would like to understand, sir, some part of the growth for Bloom in the recent quarters has been driven by most of the deals being pursued through the tripartite agreement. I think now with the interest rates almost the first thing, we have seen the gas prices getting doubled, and now we are seeing the interest rates also getting doubled almost.

What we get to understand is that, the viability of these projects is not that easy for Bloom to grow through this strategy. So have you heard anything on that? Even Bloom in its con call has also mentioned that, if I'm not wrong, I think some 60 gigawatts of projects are running slow. So just wanted to get your perspective of how does that impact our business coming from Bloom?

Srinivas Reddy: I don't think there is. I've been there for almost three days with Bloom, and they have said that, they're going to release the orders. The main focus was on the new model, which makes a big difference for Bloom. I don't see any other reason, why there should not be any kind of – they've not indicated any kind of slowdown in growth, but they're also looking at placing orders based on back-to-back orders they have, and they want to move forward in that direction.

And they have indicated to us that things will get back to normal and the growth phase, once we ramp up on the standard we'll walk to. So that's what they've indicated to us. And they said that the upside, the order book position will go higher and higher based on how they also get back-to-back orders from their side. And they're pretty confident about it, and that's what they've mentioned to me very clearly.

Yellapu Santosh: And, sir, on the call, you just mentioned that they're getting more acceptance on the use case for their electrolyzers with multiple platforms. So can you please give more insights upon what could be – how would it translate for us from an opportunity point of view?

Srinivas Reddy: Yes, our electrolyzers have already been proven, as I mentioned in the last call. So they've asked us to dispatch two consignments of electrolyzers this quarter and three consignments next quarter. So once they book the orders, they said the back-to-back orders will come to MTAR. So we are hoping that they will get over the next couple of quarters by – before March, I'm hoping that they will book enough number of orders so that MTAR can benefit from that and start the electrolyzers dispatches from there on.

Yellapu Santosh: Any volume numbers for the next two years, sir? '24 and '25 and '26, please, on electrolyzers only.

Srinivas Reddy: Santosh, it depends on the kind of order booking Bloom has on that. So they're very optimistic and very, very confident that they'll be booking enough orders. But I can't quantify the numbers. But as I mentioned earlier that vertical is going to pick up as the whole world is moving forward. So hopefully that we start generating enough revenues for next year.

Yellapu Santosh: And, sir, on the non-defence related, for last, I think if I'm not wrong, for five quarters, six quarters, we've been hearing new clients names, new clients getting added from the likes of GE, Andritz, Voith, all these companies. But I think we hear that we qualify for the first batch of, works to be done. But after that, I haven't heard much on the traction from these clients or even on the defence side. Like, if I'm not wrong, we had some qualification done with the Tata, and other IAI, but not much has happened. Can you please give some insight? What can happen from these new clients in the next at least one year to two years point of view?

Srinivas Reddy: No, obviously, we have done a lot of first articles, we have done certain batch productions, everything has been proven right now. It's a matter of time that we get up into a much higher number. For example, in the new fabrication shed, we are looking at a substantial growth in revenues because of all these clients for next year.

In engineering, Santosh, if you understand, you know very well that once there's a process of doing the first articles, then the pre-production batch numbers, and then we go on to the regular stuff. So a lot of effort is being done on this. And this is exactly what I'm trying to say is that, there is a lot of internal work which is being done in MTAR for the future, which does not reflect in your numbers.

But believe me, we have done some fantastic work, and we will have those results over the next year and the year after that. So absolutely, we are on track with all of those things.

Yellapu Santosh: Okay. And sir, lastly, on the SSLV technology front, have you participated in the tender or where the request was invited for the transfer of technology?

Srinivas Reddy: We have not, still it's in a pre-qualification stage. The tender is not like officially done. So that we'll know about it probably a month or two month later. But our main focus is on our own SSLV, right? We have probably over the next quarter, we have done a substantial progress in our SSLV development program. And this is something which is not reflecting anywhere for all of you to understand.

So we have done a phenomenal progress. We are right on track with our milestones. And probably, I would ask my senior project director, Dr. Vedachalam to update all of you in the next call. Or any one of you are free to visit our company to see the kind of progress we have done, which I personally reviewed it the other day.

And we have done a phenomenal progress in that. And probably all of you are free to visit our company and see the kind of progress we have done successfully, which I'm really impressed with the kind of effort being done by the team of scientists working right now on that.

Yellapu Santosh: Great, sir. Just follow up on this. I need a clarification. Because NSIL Chairman has indicated that only one company will get the TOT done for this SSLV. If we don't get the technology, will this program stop for us or we'll find a way to build it internally? This is where I'm just stuck up at. Are we just dependent on the technology transfer or we are working in-house? How to look at it from that point of view, sir?

Srinivas Reddy: You're getting confused, Santosh. The SSLV program what NSIL has started is purely NSIL's internal know-how and technology. That's the best part of it. We are not depending on anybody. What agreement we have with ISRO is on certain testing facilities and other areas which will be taking their help. That is where it stands. It has got nothing to do with TOT as such.

Yellapu Santosh: Okay, understood. Thank you, sir.

Moderator: Thank you. Next question is from the line of Anika Mittal from Nvest Analytics Advisors, LLP. Please go ahead.

Anika Mittal: Good morning, sir. Sir, my question is regarding the Santa Cruz boxes. Are we the sole supplier for Santa Cruz boxes and our product is totally disrupt-free and good quality?

Srinivas Reddy: We are not a sole supplier. As I said, we hold the majority of the portion of the requirement close to 70%, I guess. I'm not too sure, but it's close to 70%. And there's another company in Taiwan which I always mention to all of you that the rest of the thing is done by them.

Anika Mittal: And with regards to quality, sir, is it defect-free and good?

Srinivas Reddy: Can you repeat that question? I'm not able to hear you well.

Anika Mittal: Sir, my question is with regards to quality of Santa Cruz boxes, is it totally defect-free?

Srinivas Reddy: Yes, absolutely. That's what I've said. We have worked with Bloom and Bloom has done a phenomenal job as well. I know I was there actually looking at all this and they've done a fantastic job. And it's phenomenal that from 50 kilowatts, they're moving up to 65 kilowatts with marginal cost increase. It's a fantastic thing they've achieved. And we also contributed work with them in areas that they're involved in, not in every area. But that's something which has been crystalized now, finalized and we are moving on with our shipments right now.

Anika Mittal: Thank you, sir.

Srinivas Reddy: Thank you.

Moderator: Thank you. Next question is from the line of Bala Murli Krishna from Oman Investment Advisors. Please go ahead.

Bala Krishna: Hi. Good morning, sir. Congratulations. Regarding this Santa Cruz boxes, I think then going forward, we produce only this Santa Cruz version 2 or we'll produce some more hot boxes also?

Srinivas Reddy: No, as I mentioned earlier, Mr. Bala Krishna, that the Santa Cruz Block 2 will be the final version and we'll be producing only Santa Cruz moving forward. That's why I said there is a transition from Yuma to Santa Cruz and there will not be any further Yuma moving forward.

Bala Krishna: Okay. And in the electrolyzer, any further orders from any other customer or we are in discussion with any other customer for supply of electrolyzers?

Srinivas Reddy: See, electrolyzers is a completely new product as it is. And Bloom is one of the premier companies that come out with a product which has been proven in the United States as well. So, right now, we are working with Bloom and the others are still in prototype and various other stages. So, we have to see how it goes. But as of now, we are hoping that obviously, the whole world is looking for this. And once Bloom backs enough orders, then we'll also get back to back orders for electrolyzers as well, which is going to happen over the next two quarters for sure.

Bala Krishna: Okay, sir. And regarding the defence license, so who have received the license as you said in the last call? So, what could be the potential in the coming quarter and next year? And any new products we are going to introduce under this license? What is this or some information?

Srinivas Reddy: This is a very good question. Definitely, we have received the defence license after 18 months to two years. And that's something, a phenomenal thing for MTAR. As I said, we have to go through about 20 to 25 different various departments to get the clearance with the clean sheet. Obviously, our team is working on various products. I don't want to highlight them right now.

It's too premature, but we are working towards it. And this is something which is going to be moving in a very good position over the next one year, 1.5 years. So, once we are at a certain stage, then I'll be giving you more details on this. We are definitely working towards those things. I'm sure for it.

Bala Krishna: And lastly, I'm sure this fuel cell technology, but as of now, there is a collaboration between some EV bus manufacturers and players also to produce buses which can run on hydrogen and fuel cells also. So, is there any opportunity for us in a discussion with the Hyderabad-based EV bus manufacturer regarding this?

Srinivas Reddy: No, not right now. See, a lot of announcements are being done, but at the end of the day, all these companies have to come to a stage where they can really come to a level of the kind of volumes that we look at. See, when you look at any customer or any opportunity, a lot of effort goes in engineering in terms of building that product.

For them and as well as working jointly. So, we need to really see the commercial angle of it also and then move forward. So, we evaluate things that way. And let's see how many -- there is a sizable kind of opportunities coming to MTAR from all the sectors right now. And we're evaluating each one of them and working towards it. So, let's see how it goes.

Bala Krishna: Okay, sir. That's helpful. And lastly, on your plant visit, maybe in the month of March, April, I may visit. So, I need your help.

Srinivas Reddy: Absolutely. You're always welcome to come and visit the plant. I've said to all the investors, they should come and see because -- see, at the end of the day, it's about what you need to see about MTAR is what we are doing here and how we are poised in terms of what we are as a company in terms of engineering and how we're working on various aspects for our future growth. So, you're always welcome to come and see.

Bala Krishna: Okay. Thanks a lot, sir. All the best, sir.

Moderator: Thank you. Next question is from the line of Ashish Shah from JM Financial. Please go ahead.

Ashish Shah: Yes. Good afternoon and thank you for the opportunity. Sir, my first question is that only production schedule that we expect from Bloom in this quarter and in December. So, is that -- will we get a schedule for the entire next calendar year or it's going to be for one quarter or two quarters at a time? How does this typically work, sir?

Srinivas Reddy: So, they give a clear production schedule for the current quarter and for next quarter, they indicate to us probably in the month of December. The reason being, we already have inventories lined up for whatever volumes they want to give us. In the case of inventories not being lined up, they give us ahead of time so that we can source the material. In this case, we have enough inventories lined up. So, we're expecting the schedule for the next quarter probably in the month of December. So, we are on track with that. That's how it works.

Ashish Shah: Right. So, secondly, apart from the hot boxes or the – you are simply doing anyone product that you are supplying us, there are other elements of the supply that we have in terms of ASPs, diluents, increasing our volume share there. So, in the past, we have given some visibility of how these things can also scale up, these products can also scale up. So, anything that you can add here, sir?

Srinivas Reddy: See, right now, we are doing products like ASPs, hot boxes, enclosures, sheet metal assemblies and all that, right? So, when I said, when I spoke about the revenue guidance with the hot box deferment plan happened, it had a little bit of effect on the other areas as well, right? Obviously, that's how we came up with the revised guidance number, which will be back to normal as we move forward. That's not an issue.

So, the good thing is that we are qualified for all this. We have done the shipments. They have accepted all the new products that we have done. They are working very well on the field and we are also working on additional products for them moving forward. So, as and when we get qualified, we will be adding a lot more products with them as a customer, which they have asked us to do. So, we are working on those things. So, that will also add up to our future growth, the way we are looking at it.

Ashish Shah: Right. And, sir, looking at the second quarter gross margins. So, when it looks at the increase in the raw material cost, the proportion, what would you attribute this to in terms of the mix? I mean, what element of the mix drives this and how it will change for us in the next two quarters?

Srinivas Reddy: That's what I mentioned very clearly. The next two quarters, the domestic is almost 3x. The revenue what we have generated in the first two quarters. So, the gross margins will improve and ultimately, the EBITDA will also improve. We have done an estimate of 26%, plus-minus 100 basis points will be there.

Ashish Shah: Right. And, sir, lastly, we are expecting this nuclear order from Kaiga 5 and 6/GHAVP by the end of this year. Now, how will be the conversion of revenue out of this? Will we see a substantial part of it starting to get converted in '25 or this will take more than 10 months to start flowing into the revenue?

Srinivas Reddy: See, we already have orders on hand for nuclear directly from NPCL. We will be start dispatching those next year. But by the time these orders come in March, then there is a lead time for raw material and things like that. So, we are more or less, this is not related to the next year number. It will be related to the subsequent year number.

Ashish Shah: Got it. Right, sir. Thank you. Thank you for your answer.

Moderator: Thank you. Next question is from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.

Lokesh Maru: Hi, sir. My question is more around the Santa Cruz boxes. So, what is our capacity at this point? And what is the kind of volume, like number of boxes that we expect to ship in Q3 and Q4?

Srinivas Reddy: See, the capacity is the same as you know. As I said, the design is different, but the assets are fungible. So, that is something which we have done. And we have made some corrections in our manufacturing process to work on the Santa Cruz. That is how the ramp-up is happening. So, we are looking at, as I said, for this quarter, we are looking at around 500-odd units moving out.

Then we will have an indication from Bloom on the higher number for the next quarter. That we know by December. Because we have all the inventories already lying with us. So, we are also looking at how we are going to ramp-up with this new design moving forward as well. So, we will have more clarity in the next month.

Lokesh Maru: Some related question. So, we would have delivered 4,500 boxes last year, boxes. Given that the capacity of Santa Cruz is 30% higher, the delivery capacity, I mean, on power side. So, do you expect, by when, I mean, your internal expectation to reach 4,500 first and then outgrow that number? Is it fair expectation to do that by next fiscal and go beyond that? Should it take time?

Srinivas Reddy: I think so. I mean, we will have more details from Bloom as they let us know about it. But as of today, we are on track with what we are going to do for the next year. So, we will be back to the same growth pattern what we are looking at in the past. So, it also depends on the kind of demand they also have. But we will definitely have that kind of numbers. And plus, we are adding a lot more other products as well. So, we are clear in the growth pattern, which we clearly said that, which is in fact moving forward. There is nothing changes with that.

Lokesh Maru: So, also, last question on this part. When we shift from 50 kilowatt to 65 kilowatt, there has been a transition period, which we have seen these two quarters. Going forward, when we shift from 65 kilowatt to either 75 kilowatt or 100 kilowatt, the other two variants, is it business as usual? Is it the normal? Does it normally happen that it takes time of a quarter or two to ramp it up and then there is a lull in between? Or do we keep executing? Because obviously, when you shift from 50 kilowatt to 65 kilowatt, you have to discard the 50 ones. So, there is going to be a phase of pain, right in terms of growth or delivery. How do you expect going forward, the Santa Cruz to actually upgrade and the journey beyond?

Srinivas Reddy: The journey beyond Santa Cruz Block 2 is going to stay. To my knowledge, the way I have reviewed things there, at least for the next four years, five years, nothing is going to change in Santa Cruz. That is the highest that we can achieve from 50 kilowatt to 65 kilowatt. But they might introduce, which I have said earlier, they are looking at new models, which will take some time. But Santa Cruz is here to stay, for sure.

Lokesh Maru: Okay. So, on gross margins front, EBITDA margin is quite understandable. We have deferred our sales. But what has impacted the gross margin this quarter?

Srinivas Reddy: GR, you want to explain?

Gunneswara Rao: Yeah, this quarter, actually what happened, we have delivered some of the nuclear projects, which was actually going on for quite some time. So, that is actually the overhead portion is impacted this time. Otherwise, there is no issue. But as our MD said, the next two quarters, our domestic sales will be higher. So, it will be their constant to achieve the 26%. And other things below the gross profit, the fixed expenses, operating leverage, we have established all the requirements for INR800 crores turnover, so which has impacted around 2% to the EBITDA margin. So, in the year-end, definitely we will achieve 26%, keeping into the consideration of domestic sales will be higher. Also, we are taking a lot of steps to reduce our costs wherever possible.

Lokesh Maru: No, sir, my question is more on, so obviously, capacity building and overhead costs would be below gross margin, right? So, just on the raw material cost front, what has impacted?

Gunneswara Rao: See, raw material cost is more or less same for the domestic is lower, and whereas for export is higher. Because of the mixed impact, sometimes it will impact. So, the domestic turnover is also lower in the first two quarters compared to the next two quarters.

Lokesh Maru: Okay, understood, sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Good morning, Mr. Srinivas.

Srinivas Reddy: Good morning, Bhavin. How are you?

Bhavin Vithlani: Very well, thank you. Sir, this question is on the import substitution opportunity that we spoke some time back, like ball screws, the water lubricated screws, and the roller screws. And what our understanding is, some of these are critical parts for the CNC machines, and this is a segment which is growing very rapidly in India. And is it that are we able to get through to some of the domestic manufacturers for this, because the opportunity could be pretty significant?

Srinivas Reddy: See, the first thing is the water lubricated bearings are used primarily in the nuclear reactors. So, we are the only people who are supplying it, which we are doing it from, it's an import substitute as well. Ball screws, we are moving towards specialized ball screws. We don't get into ball screws mainly on the machine tool area, which is run of the mill stuff. So, we are working with a lot of export companies right now, working on the first article ball screws in terms of exporting the ball screws in various sectors, in aerospace and different sectors. That's what we're doing right now.

And another thing which is important is the electromechanical actuators. We are releasing the first three electromechanical actuators in, I think, quantities of 10 or 15 numbers each to the defense sector next quarter. So, that's something which is very encouraging for us. So, we are working on all these products, which are like 100% import substitute that we're doing right now. And coming to roller screws, we have done everything. Our roller screws have been tested, have been proven. So, we're just waiting for the final certification from the different organizations to approve us. And once it's done, then it becomes another import substitute, which the space and different organizations can use from us.

Bhavin Vithlani: So, of all these import substitution opportunities, what could be the revenues in the current year and what's the potential in the next fiscal?

Srinivas Reddy: So, I've told you, electromechanical actuators over the next three years, four years, the requirement is around 300 to 400 screws. It all depends on the way the different organizations move forward with their requirements. Roller screws, right now, they're importing from Rollviz Sweden. So, once we are certified, then obviously, the entire requirement comes to us. So, I am not able to quantify exactly the numbers, but I've said overall, the market for roller screws is about INR70 crores to INR80 crores. But the margins are very good in that.

Those are very specialized products. And over the last 30 years, 40 years, we have been importing it. So, we are going to put a full stop to that.

Bhavin Vithlani: And would we need additional investment towards the machinery, or we would be able to sweat our assets, existing assets, and we'll be able to get this additional revenues?

Srinivas Reddy: We have already those assets in place. So, we don't need any additional capex for that.

Bhavin Vithlani: Great. Yeah, those were my questions. Thank you so much.

Moderator: Thank you. Next question is from the line of Abhijeet from YES Securities. Please proceed.

Abhijeet: Good morning, all. Thank you for the opportunity. So, my first question. So, is there any inventory write-off between 2Q FY '24?

Srinivas Reddy: No, we don't have any inventory write-off. GR, can you confirm that? I don't think there's any inventory.

Gunneswara Rao: We have not any inventory write-off.

Abhijeet: Okay. Sir, also, sir, if you look at from the last quarter to this quarter, there has been a sudden change in plan by Bloom for supply. Earlier, we were to supply the Yuma hot boxes from that plant to now supplying the Santa Cruz, which are more efficient. Now, sir, in this technology space, efficiency would be chased by these players continuously going forward also. So, how do we plan to counter this kind of sudden change in plants that we don't take a hit on our books? Because this seems to be quite sudden. Like last quarter, what the plan was from that plan to this plan now, there is a sudden change, it seems like. So, how do we plan to counter this going forward, given that technology efficiency change would be an ongoing thing, even in the next few years?

Srinivas Reddy: Basically, the change primarily was quickly brought in is because of the kind of additional power output they're getting, which is substantial, right? I know if it is not substantial, then it is gradual phase in and gradual phase out. For example, when Bloom started, they started with a model called Catalina. And from Catalina to Yuma, they took substantial time to phase in and phase out. But when they looked at an increase of power output by 25% to 30%, 50 kilowatts to 65 kilowatts, it makes a lot of sense, right? So, fortunately, there's a design change, but the assets are fungible and not much changes were required. But we also need to ramp up to that level, which is understandable. Such changes, these kind of changes don't happen every time. It's like once in three years, four years like that.

There will be certain design changes which will not affect our ramp up at all. Certain improvements, certain reduction in costs, in terms of the cost related to design, certain small design changes which will reduce the input raw material cost and things like that. So, for example, if they're using Inconel, they might go to some other material which can also give them the same efficiency with lower costs. So, those kind of changes will happen, but that's not going to affect the ramp-up plan at all. So, this is something which has to be done. Looking at the -- this has been a phenomenal effort from Bloom as well, and it makes a lot of sense to us also.

Abhijeet: Okay. So, sir, you are reasonably confident that 65 kilowatt hour, so this kind of efficiency is kind of -- this will remain for some time going forward, and for the efficiency improvement that would come at least some few years down the line. That is what I would understand. Is that right?

Srinivas Reddy: Absolutely. Absolutely, yes.

Abhijeet: All right, sir. Thank you so much for answering the question. That's it from my side.

Srinivas Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Dipen Vakil from InCred Equities. Please proceed.

Dipen Vakil: Thank you for the opportunity, sir. Sir, my first question is on the order books. Our space and defense segment accounts for almost 18% of our order books. So, how is the execution period for them vis-a-vis execution for the pending order book and for Clean Energy?

Srinivas Reddy: So, Clean Energy is much faster. As I said, only if I -- except for this technology change in -- from Yuma to Santa Cruz got deferred, but other than that, the order turnaround time is very less. That's within the calendar year in most of the cases. And then moving forward, we have to look at it. So, space and defense, they take a lot longer. So, probably, whatever order book we have, we'll try to -- it depends on the pre-issued material.

So, everything is related to the pre-issued given by the department, but there we don't have the raw material content. So, the cycle is more or less like within a year or 1.5 year or two years, we'll be able to close out those orders.

Dipen Vakil: Okay. So, and my second question is on our guidance revision, sir. So, we have downgraded our guidance to almost INR160 crores. So, this deferment of shipment, do you think that will lead to a bump-up in our execution in, say, early FY '25, so most of our regular growth, or even the execution, complete execution will be shifted to FY '25?

Srinivas Reddy: The execution part will be for the next year, right? Whatever has been deferred, right, it will be for the next year, especially moving from Yuma to Santa Cruz. And it also depends on the kind of, the orders Bloom is looking at with the new model, things like that. So, it will not really affect our future growth plans at all. It's a temporary correction, what we have today, the change of model and inventory correction, other than that, I don't see much of a difference happening moving forward.

Dipen Vakil: Got it, sir. Thank you so much, sir, and all the best for the second half.

Srinivas Reddy: Thank you.

Moderator: Thank you. Next question is from the line of Amish Kanani from JM Financial Service. Please go ahead.

Amish Kanani: Yeah. Hi, sir. Sir, a couple of questions. One, if you can give us, because now the order book from Bloom is a little bit more, short order instead of one-year order, which we got it, say, last year this time. If you can give us some sense of the total order pipeline of, say, from Bloom, and also overall from the energy segment, the Clean Energy segment, is it the same or, say, more than 30% same time last year? Because that's the rate of growth that, we have used to grow.

If you can give us some sense and flavor of that, that will help, because now we don't know how to look at our order book where we'll have some quarterly schedule from Bloom? Thanks.

Srinivas Reddy: So, Bloom has not indicated that they'll give us on a quarterly basis, but they have said that. But they want to stabilize on the Santa Cruz, version 2 or Block 2 model. Once they do that, then they'll move forward to the annual contracts as well. So, that we'll know over a period of next one to quarter. So, it is not that they'll not release orders for the entire year. But as of today, we're looking at quarter-on-quarter orders being released, but probably they will look at giving orders for the entire year once the whole thing gets stabilized.

So, that's already there. It's proven, and Block 2 has been proven. Everything is right on track with that. So, the overall growth, as I said, is intact. So, there's nothing to think twice about it. We've added a lot more companies in Clean Energy. I just don't want to go into details because of a lot of pushback from various customers and internally, we discussed about certain competitors as well. So, we want to be very clear on that. So, the overall growth track is intact for us, and we'll move forward in that direction. There's absolutely no issue with that.

Amish Kanani: Yes. So, I'm not asking for the names of the, peers, but the overall total, order pipeline or prospects, as we call. Is it total prospects this time, versus the last time, last year, this time? Is it, say, more?

Srinivas Reddy: We definitely have that growth percentage, what you have mentioned. That should not be an issue. Overall growth percentage, yes.

Amish Kanani: Okay. And, sir, so, for example, probably we are looking at Bloom growing at between 20%, 25% versus, probably 50%, 60%, expected. So, is it possible for, and given that different execution schedule for different vertical, can you throw some light on, maybe it's too early, for the kind of growth that we might have for FY '25, or the execution timeline of this INR1,500 crores order book that we are expecting by end of this year, how should we look at it?

Srinivas Reddy: It's too premature to tell exactly the kind of growth we're looking at next year. But we are looking at definitely a reasonable and good amount of growth for next year. If I say, like, 30% to 40%, I'll be saying approximately, but I'll have more clarity by the end of, by next quarter. But we are on track with a reasonable amount of good growth going forward next year, for sure. But I'll come out with clear percentages by next quarter, for sure.

Amish Kanani: Sure, that's it. And, sir, overall product size, you did mention on the ball screws side, but overall, how is the product ramping-up? Is it in line with expectation, or it's planning out better than our expectation?

Srinivas Reddy: It's in line with the expectations, what we are looking at, but we still need to get certain certifications done, which will happen over this quarter and next quarter. So we are on track with that. That's not the issue.

Amish Kanani: Okay, thanks a lot and all the best.

Moderator: Thank you. In the interest of time, this would be our last question. I now hand the conference over to Mr. Srinivas Reddy for the closing comments.

Srinivas Reddy: So I'd like to thank everyone for attending this call. And once again, I would like to reiterate that we are right on our growth track. It's only a temporary correction because of the technology change from certain areas of Clean Energy, which has shifted certain revenues. But we are on track with our growth plan and we are doing a lot of work. I appreciate the entire team of engineers in MTAR, who are working on some phenomenal work in R&D for the future growth of this company.

And I welcome any of the investors who are willing to come and visit us and see what kind of developments we have done for the future of this company. And as well as on our SSLV project, what we are working on right now. And it would, seeing is believing. I truly believe in that. And I would invite each one of you to come and see us and visit our facilities and our team to understand where we stand in terms of what we are doing for the future, which does not really reflect in numbers or balance sheets, but you can always, you're welcome to visit us. Thank you so much.

Moderator: Thank you. On behalf of MTAR Technologies Limited, we conclude the call. And for any queries, you can reach out to Orient Capital at irfan.raeen@linkintime.co.in. Thank you all for joining us and you may now disconnect your lines.