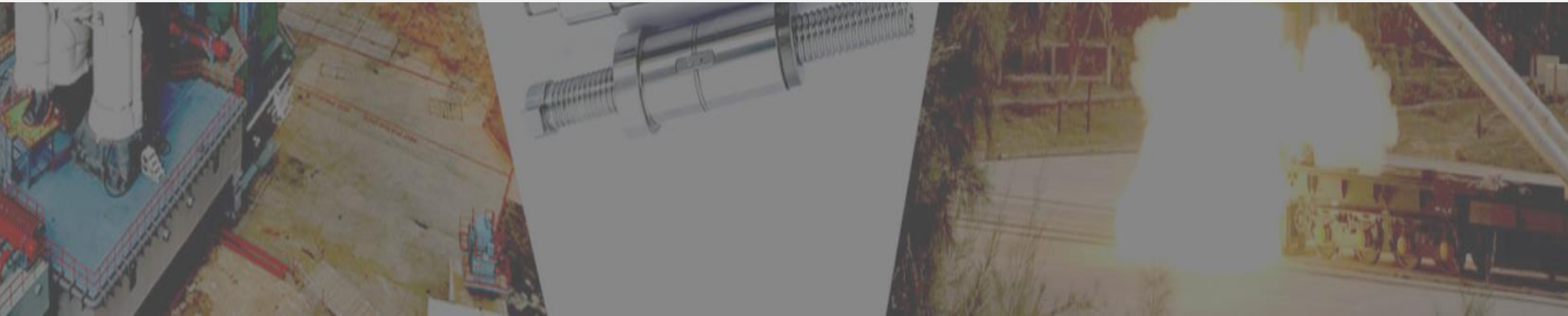
MTAR Technologies Limited

Corporate Presentation



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MTAR Technologies Limited (the "Company") is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus dated December 18, 2020 ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on the website of the SEBI at www.sebi.gov.in as well as on the websites of the book running lead managers, JM Financial Limited, IIFL Securities Limited (the "BRLMs") at www.jmfl.com and www.iiflcap.com respectively, and the websites of the stock exchange(s) at www.nseindia.com and www.bseindia.com, respectively. Any potential investor should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" on page 27 of the DRHP, when available. Potential investors should not rely on the DRHP for any investment decision. If the Company should at any time commence an offering of securities, any decision to invest in any such offer to subscribe for or acquire securities of the Company must be based wholly on the information contained in the red herring prospectus and the prospectus (including the risk factors mentioned therein) issued or to be issued by the Company in connection with any such offer and not on the contents herein.

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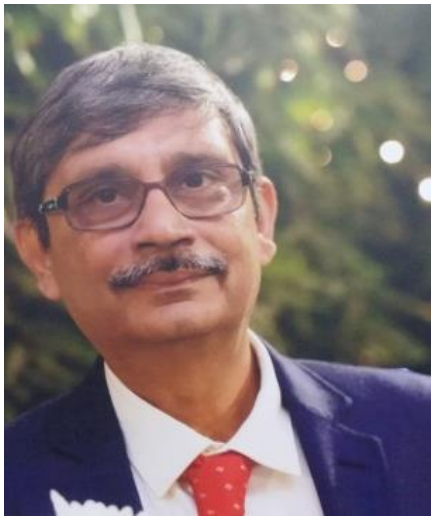
Today's Presenters

Parvat Srinivas Reddy

Managing Director and Promoter

Devesh Dhar Dwivedi

Chief Operating Officer



Sudipto Bhattacharya

Chief Financial Officer

Company Overview

MTAR – a leading precision engineering solutions company

- Founded in 1970 as a partnership firm, the company was originally promoted by Late P. Ravinder Reddy, Late K. Satyanarayana Reddy and P. Jayaprakash Reddy
- Currently lead by the Managing Director, and a Promoter, Parvat Srinivas Reddy

Manufactures **hi-precision indigenous components, subsystems, assemblies** having components with close tolerances (5-10 microns), to serve projects of high national importance

Strategic sectors served:

- Nuclear
- Space and defence
- Clean energy

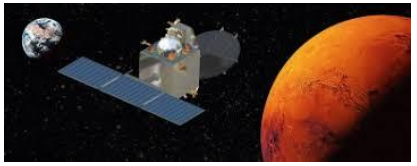
- Complex product manufacturing with a healthy mix of developmental and volume-based production
- One stop solutions company for manufacturing products as per the customer specification with focus on quality

- Proven track record of **long-standing relationships with customers** - 16+ years of relationship with NPCIL, 30+ yrs with ISRO & 40+ with DRDO
- ~53% of revenue is from contracts with customers located outside India*

- **State-of-the-art manufacturing facilities** such as advanced CNC machining, and other specialized processes in Hyderabad, which is one of the key centres for defence research and development in India
- Stringent quality control mechanism to meet the specifications of the specialized precision engineered products

- Technical and corporate management team with rich experience in our focus sectors
- 896 permanent employees including 147 engineers and 244 contractual workmen as on Nov 30, 2020 with current average employee tenure of ~15 years

Manufactures hi-precision indigenous components, subsystems, assemblies for projects of national importance



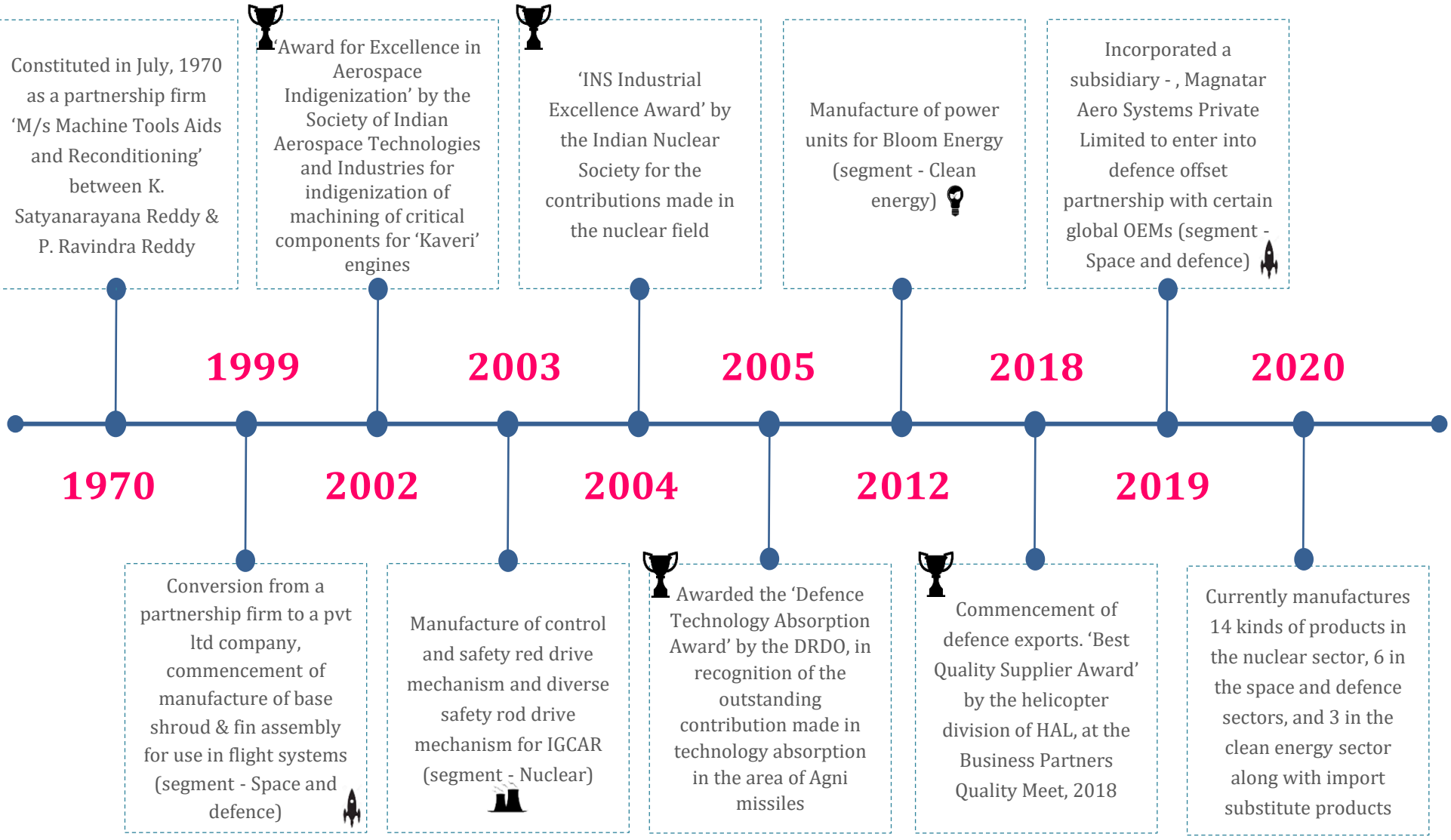
Supplied engine for the PSLV-C25, which launched the Mars Orbiter Mission Spacecraft

Was also integral for the GSLV Mark III engine for the Chandrayaan II mission

Undertakes complex assemblies such as the base shroud assembly for Agni missiles

**For six months ended September 30,2020*

Transformation into a leading precision engineering solutions company

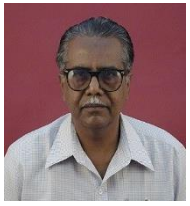


Supported by an experienced Board of Directors

Subbu Venkata Rama Behara
Chairman and Independent Director
- Director - Ola Electric Mobility Pvt Ltd, Greaves Cotton Ltd & Ampere Vehicles Pvt Ltd
- Alumnus of IIFT

Mathew Cyriac
Nominee Director
- Previously worked with Blackstone Advisors
- Director - Florintree Advisors Pvt Ltd
- Alumnus of IIM, Bangalore

Praveen Kumar Reddy Akepati
Additional Director
- Has worked with the company for 18+ years
- Bachelor's degree in engineering from the Faculty of Engineering, Andhra University



Vedachalam Nagarajan
Independent Director
- 35+yrs of experience at ISRO
- Padma Shri awardee
- Former member of various govt. committees

Krishna Kumar Aravamudan
Independent Director
- Previously served as MD, State Bank of India
- Ex-director - CDSL, REC Ltd, TVS Wealth Pvt Ltd and SBI Payment Services Pvt Ltd

Parvat Srinivas Reddy
Managing Director and Promoter
- 29+ years of work experience
- Ex-managing director of Ravileela Granites Ltd.
- Master's degree from Louisiana Tech University

Venkatasatishkumar Reddy Gangapatnam
Non-Executive Director
- Director - Rasun Ace Infra Pvt Ltd, Acecorp Group Pvt Ltd and Magnatar Aero Systems Pvt Ltd
- Alumnus of Bradley University

Gnana Sekaran Venkatasamy
Independent Director
- Previously worked at DRDO
- Master's degree in engineering from the Indian Institute of Science, Bengaluru

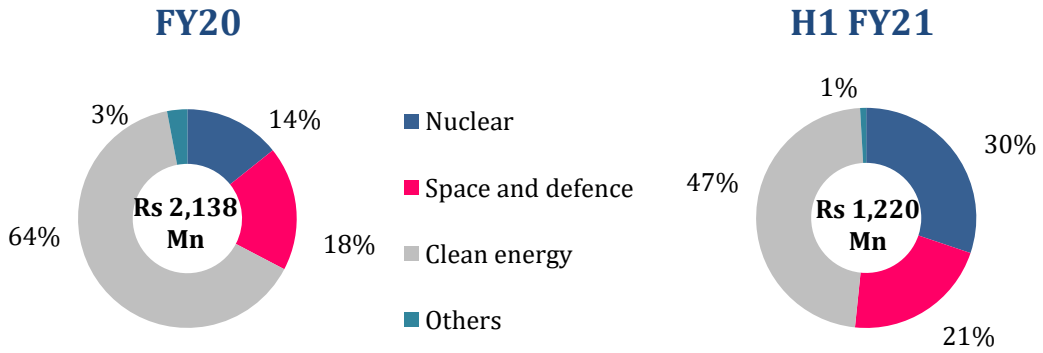
Udaymitra Chandrakant Muktibodh
Independent Director
- Served NPCIL at various capacities including technical director
- Had been awarded NPCIL Excellence Award

Ameeta Chatterjee
Independent Director
- Director - Nippon Life Asset Management Ltd and JSW Infrastructure Ltd
- Alumnus of IIM, Bangalore

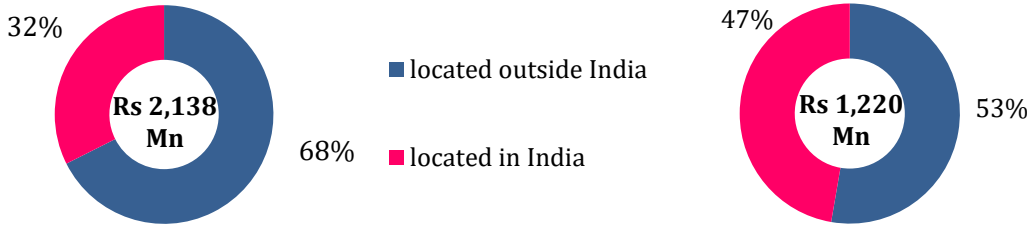
Serving multiple sectors

Revenue mix

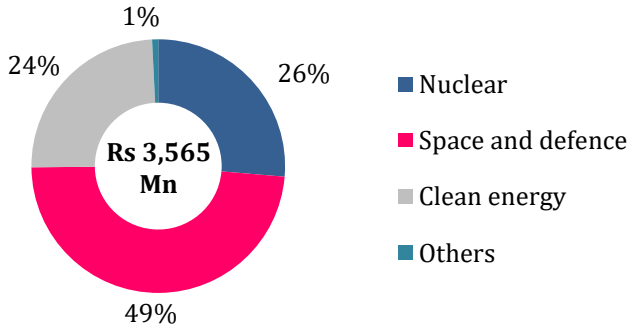
Sector wise



Customer location wise



Order book mix (Nov-20) Rs 3,565



Has developed **wide product portfolio** catering to diverse sectors

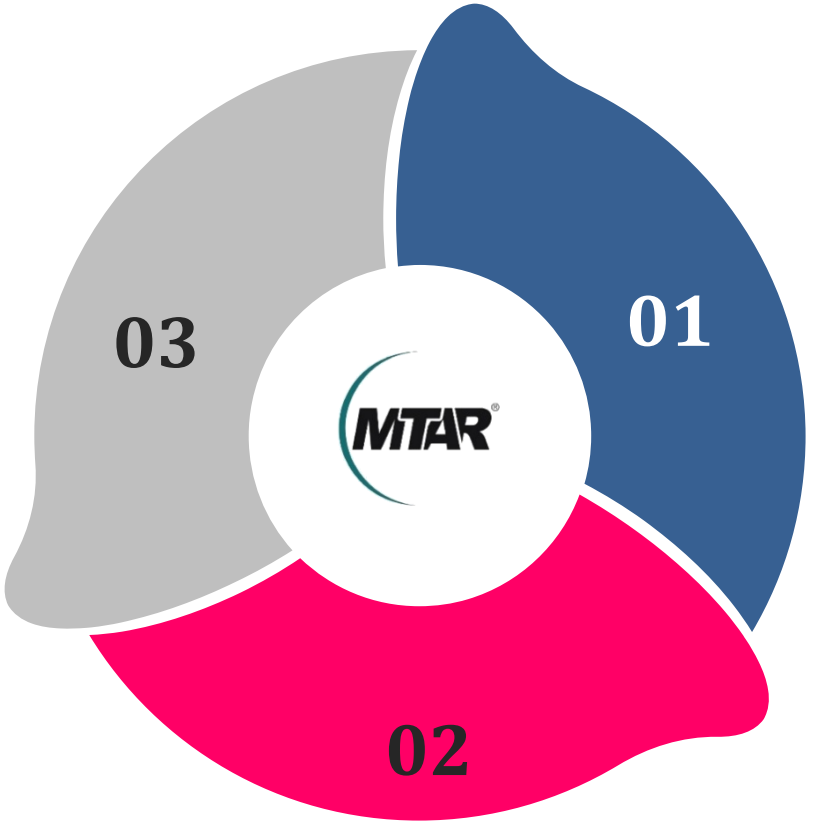
Export contributor - **>50% of FY20 revenue** has been derived from contracts with **customers located outside India**

Order book (Nov-20) is 1.7x of revenue from operations (FY20)

Customer Segments

Customer segments

Clean energy



Nuclear

Space and defence

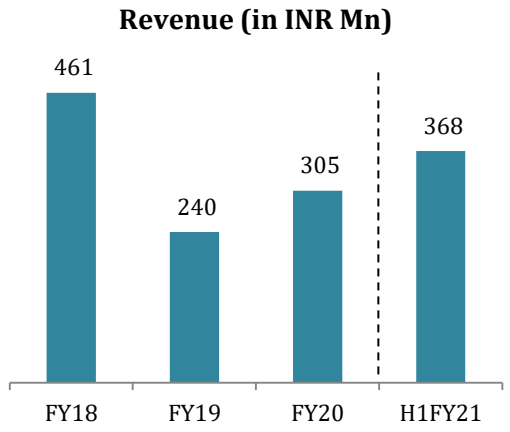
1 Nuclear Segment Overview

Customer Segment Overview

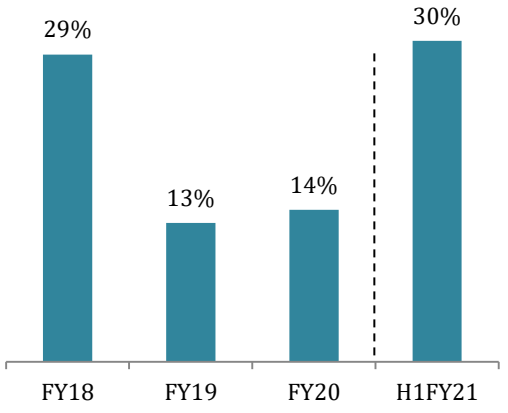
Manufactures complex mission critical components and assemblies such has Fuel Machining Head, Drive Mechanisms, Bridge & Column, and Coolant Channel assemblies, among others for nuclear reactors. Also provides customized Ball Screws and Water Lubricated Bearings that are import substitutes and used in various assemblies

- **High criticality** of products given safety requirements
- **35+ years** of serving customers in Nuclear sector
- **14 kinds of products** for a wide range of applications
- **Partnered with NPCIL** which controls all operational, under construction and planned reactors in the country given India does not allow private participation

Financial Performance



Revenue Share (%)



Complex product (Examples)

Fuel Machining Head Assembly

Fuel Machining Head operating in Nuclear Reactor

Key Customers

NPCIL

Nuclear Power Corporation of India Limited

IGCAR

Indira Gandhi Centre for Atomic Research

Order Book and Key Initiatives

₹ 939 Mn

Order book in the Nuclear Sector as of November 30, 2020

- **Engaged with a nuclear research facility** in developing Channel Health Assessment System ("CHAS") used for inspection in fuel machining vault

Nuclear Segment Industry Opportunity

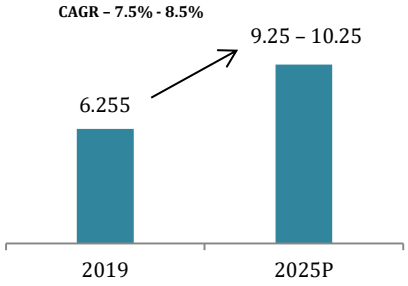
Indian Nuclear Equipment Industry Highlights

- Net nuclear power capacity target of **26.2 GWe by 2031**
- **# 22** Operational Reactors – Capacity of **6.3 GWe**
- Additional **# 7** Reactors to be operational in next **5 years**
- **# 14** New reactors planned and tenders to be released
- **NPCIL is the key entity** managing all nuclear reactors in India

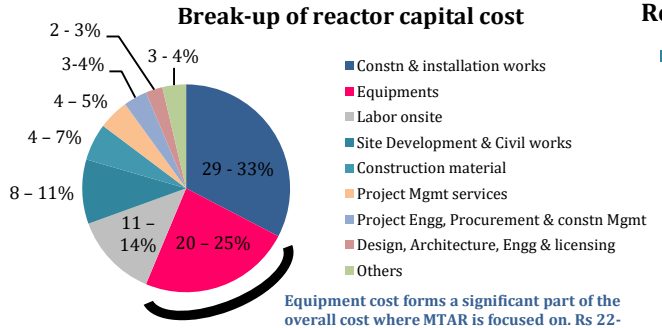
Potential Opportunity for MTAR

In India, NPCIL controls all the operational, under construction and planned reactors in the country and MTAR has a relationship of 16+ years with NPCIL which has created entry barriers for other players

India's Nuclear Capacity (GWe)

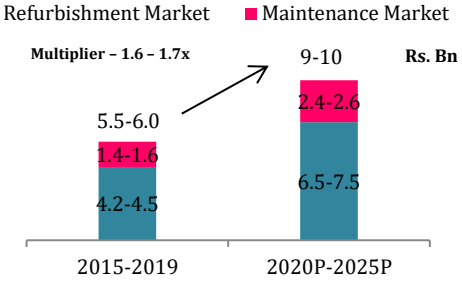


Break-up of reactor capital cost



Equipment cost forms a significant part of the overall cost where MTAR is focused on. Rs 22-28bn is the equipment cost in 1 reactor

Refurbishment & Maintenance opportunity



Growth Drivers

- Power demand in India to grow at a **CAGR of 3-4% over the next 5 years**
- India plans to nearly **double its nuclear capacity from 6.26 GWe to 11.5 GWe**
- Further plans to augment India's nuclear capacity by **10.5 GWe in the medium to long term**
- GoI has **sanctioned 10 fleet reactors**, with a combined **generation capacity of 7,000 MW**
- **Under Govt's 'Atmanirbhar Bharat' initiative**, a policy to construct a fleet of reactors with a single timeframe which will increase opportunities for domestic suppliers like MTAR
- **Large refurbishment and maintenance market** which is expected to increase by 1.6x

Source – Crisil Report

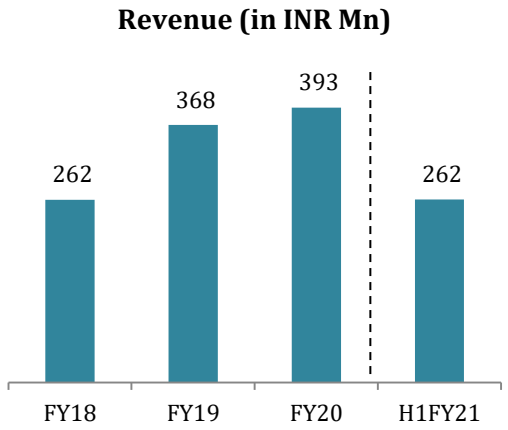
2 Space and Defence Segment Overview

Customer Segment Overview

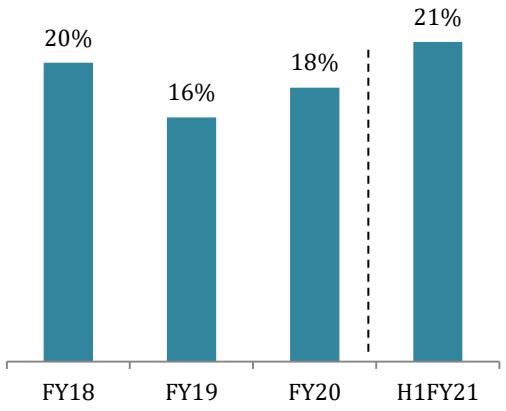
Manufactures complex mission critical components and assemblies such has Liquid Propulsion Rocket Engines, Cryogenic Engines, Base Shroud & Fin Assembly, various missile parts, among others for clients

- **High precise, reliable & complex** product requirements
- **30+ years** of serving customers in Space & Defence sector
- **6 kinds of products** for a wide range of applications
- **Existing relationship with ISRO** which takes care of procurement & assembly of satellites and launch vehicles and **with DRDO** which is the R&D organization focused on military technology

Financial Performance



Revenue Share (%)



Mission critical product (Examples)

Liquid Propulsion Rocket Engine (Vikas Engine)

Base Shroud and Fin Assembly – Agni Programs: A1, A2, A3, A4, A5, A1 P

Key Customers (Select)

ISRO

HAL

Defence Research and Development Organisation

Order Book and Key Initiatives

₹ 1,730 Mn

Order book in the Space & Defence Sector as of November 30, 2020

- **Co-developing critical products** for key national programs such as **Chandrayaan II, Mangalyaan and Agni programs**

Space and Defense Industry Opportunity

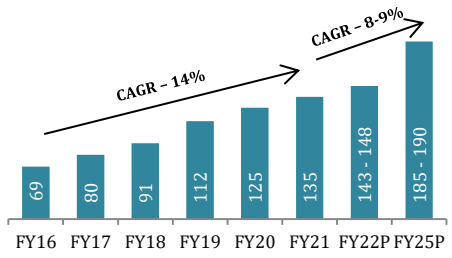
Indian Space & Defense Industry Highlights

- ISRO Successfully completed **118** spacecraft missions and **78** launch missions
- ISRO Conducted **14** missions in FY19 and more than **11** missions in FY20
- **ISRO is the key entity** spearheading India's space programme
- Armed forces likely to spend **Rs. 4,000 bn** over next 5 – 7 years
- Defence exports grew at **82% CAGR** to **Rs. 91 Bn** over the past 3 – 4 years

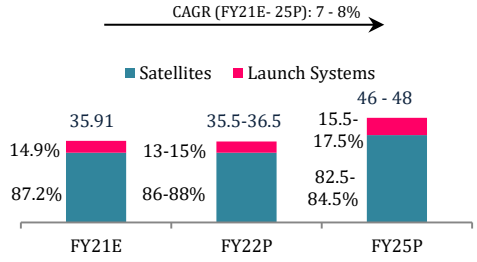
Potential Opportunity for MTAR

MTAR will benefit from the strong expected growth in India's space and defence budgets along with its 30+ years strong relationship with ISRO and 40+ years strong relationship with DRDO

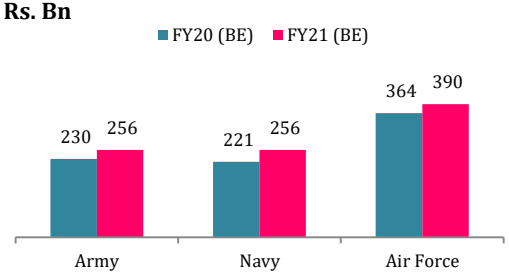
Dept. of Space, India – Budget (Rs. Bn)



Indian Space Equipment Market (Rs. Bn)



Modernisation Budget of Indian Armed Forces



Growth Drivers

Space Equipment Sector

- **ISRO Plans for next 2 years :**
  - 31 satellite missions/ 32 launch missions
- Future missions include- Chandrayaan-3, Gaganyaan (human spaceflight mission), Aditya-1 (proposed mission to study the Sun), and a new port in Tamil Nadu for SSLVs
- Over the next five years, the **private sector will receive the mandate for ~70%** of all the upcoming space missions

Defence Equipment Sector

- **Defence FDI Policy 2020** – FDI limit increased from 49% to 74% under automatic route for items with 50% indigenous production
- **Defence Acquisition Procedure (DAP 2020) -** 101 banned Defence import items for which only companies incorporated in India shall be eligible for bidding
- **Indigenization of 108 systems and sub-systems** that include mini and micro UAVs, ROVs, uncooled NV-IR sights for weapons (short-range), mountain footbridge, floating bridge (both metallic), mines laying and marking equipment

Source – Crisil Report

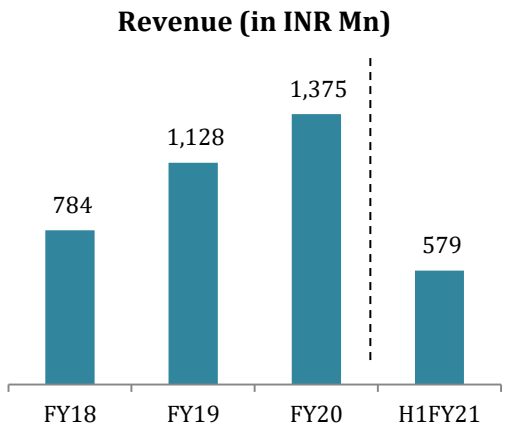
3 Clean Energy Segment Overview

Customer Segment Overview

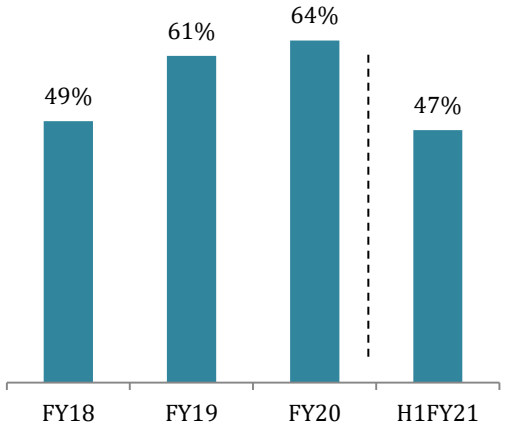
Manufactures power units, specifically hot boxes and in the process of development and manufacture of hydrogen boxes and electrolyzers to serve Bloom. MTAR to capitalize on its niche market position to capture lucrative opportunities in the clean energy sector and develop new customer relationships, both in India and abroad

- **9+ years** of strong partnership with Bloom
- **Only supplier to Bloom from India as of FY20.** Bloom is one of the largest and the fastest growing player globally in the hydrogen fuel cell segment and has 70% of its revenues coming from products segment and balance from services

Financial Performance



Revenue Share (%)



Critical product (Example)

Hot Boxes

Key Customer

Bloom Energy

Order Book and Key Initiatives

₹ 869 Mn

Order book in the Clean Energy Sector as of November 30, 2020

- **Developing Hydrogen boxes and electrolyzers** to expand its product basket and increase customer dependency on MTAR
- **Establishment of sheet metal vertical** at Adibatala unit to cater to Bloom Energy and other customers

Clean Energy Industry Opportunity

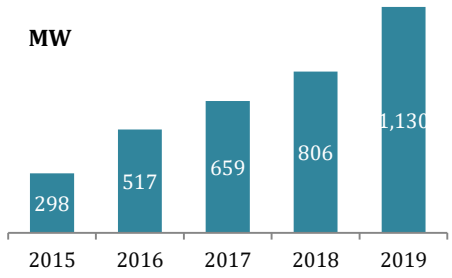
Global Fuel Energy Industry Highlights

- **Renewable** accounts for **26%** of global electricity generation
- **Fuel cell** market growing at **15% CAGR** with increased R&D
- Fuel cells are able to produce electricity with **near zero** greenhouse emissions
- **Bloom is a key player globally** in the fuel cell technology
- **45% CAGR** in Bloom's operating revenues from 2017 to 2019

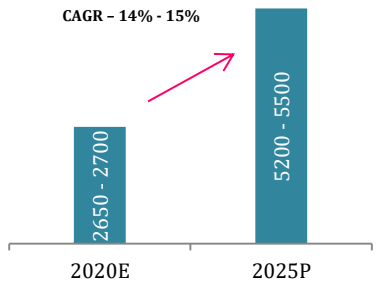
Potential Opportunity for MTAR

Bloom is one of the largest and amongst the fastest growing players globally in the fuel cell segment. MTAR has a 9+ years of strong relationship with Bloom & will start manufacturing more products for them like Hydrogen boxes and electrolyzers

3.8 times energy installations for fuel cell from 2015 to 2019



Global fuel cell industry size (USD Mn)



Growing Bloom business augurs well for MTAR

Company ($ mn)	Product revenue (2019)	Product revenue share	Product Revenue CAGR *
Bloom Energy	557	71%	29%
Ballard Power	50	47%	53%
Fuel Cell Energy	-	1%	99%
Plug Power	150	65%	35%
SFC Energy	65.5	100%	-

Growth Drivers

- **Government targets for clean energy**, budgets allocations, and incentives are the strongest driver for fuel cell market
- **Hydrogen is emerging as a clean solution** that can help curb carbon emissions globally and many countries are taking an active approach by implementing hydrogen-focused strategies and investments
- **Europe, USA. South Korea and Japan** are regions with the strongest government support in the field of fuel cells
- In India, **Bloom Energy signed an MoU with GAIL** to deploy fuel cell technology by using natural gas as fuel
- **Demand of Fuel Cell EVs** to increase given Fuel Cells can be refueled, which is considerably faster than recharging.
- Fuel cell system are highly reliable in emergency situation and can be used effectively for **power backup technology**
- Application in niche sectors such as **marine and aviation**

Source – Crisil Report
* Pertains to CAGR of 2017 - 2019

Investment Highlights

Investment Highlights

1. *Precision engineering expertise with complex product manufacturing capability*
2. *Wide product portfolio leading to long-standing relationships with our customers*
3. *Modern technology at our state-of-the-art manufacturing facilities*
4. *Strong and diversified supplier base for sourcing of raw materials*
5. *Track record of growth in financial performance*
6. *Experienced and qualified management team*

1 Precision engineering expertise with complex product manufacturing

Legacy

Legacy of over **50 years of manufacturing** a wide range of mission critical precision components and assemblies with currently over **145 engineers on roll**

Engineering

Ability to manufacture within **5-10 micron tolerance** product through precision machining, assembly, specialised fabrication, heat treatment, surface treatment and others

Manufacturing

State of the art manufacturing facilities with over 400 machines capable of micron level adherence to specifications across products

R&D

Extensive R&D for **cycle time reduction**, development of manufacturing processes & design specifications to achieve accuracy irrespective of size

Quality Control

Extensive & stringent testing & quality control mechanism undertaken at each stage through high precision quality inspection equipment

Case Study #1
Precision Engineering Solutions

Product example – Liquid Propulsion Engine
End use – Space Vehicles

- Used in space launch vehicles for various space missions such as **Chandrayaan-II and Mangalyaan**
- Engine is used in the **GSLV** launch vehicle

Case Study #2
Complex Product Manufacturing

Product example – Fuel Machining Head Assembly
End use – Nuclear Reactor

- Manufacture and assembly of **600 components**
- FM Head is used for handling fuel bundles in nuclear reactors

High Entry Barriers

+

Increased customer dependency on MTAR

+

Long standing Client relationship

2 Wide Product Portfolio

14 kinds of products for the Nuclear sector

Select products

- **Fuel Machining Head** – Involves assembly of 600 components
- **Bridge and Column** – For loading & unloading of Nuclear fuel
- **Grid Plate** – For resting the fuel sub-assemblies in prototype fast breeder reactor
- **Drive Mechanisms** – For regulating & shutdown of reactor
- **Top Hatch Cover Beams and Deck Plate Assembly**
- **Sealing Plug, Shielding Plug, Liner Tubes and End Fittings**

6 kinds of products for the Space & Defence sector

Select products

- **Base Shroud Assembly and Air Frames** – Used in Agni missiles
- **Various missile parts**
- **Electro-pneumatic Modules** – Used in space launch vehicles
- **Liquid Propulsion Engines** – Used in space launch vehicles
- **Cryogenic Engines** (Turbo Pumps, Booster Pumps, Gas Generators and Injector Head assemblies) - used in space launch vehicles
- **Actuator Assembly Components**
- **Satellite valves**

Existing product in high demand, new products under development for the Clean Energy sector

Key Products

- **Existing product supplies:**
  - **Hot boxes** - Use methane to generate power
- **Under development and manufacturing:**
  - **Hydrogen boxes-** Use Hydrogen to generate power
  - **Electrolyzers -** generate methane free hydrogen that shall be used in power units to generate power with zero carbon emissions

Import substitute products

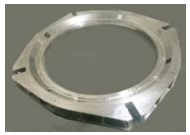
Key Products

- **Ball Screws -** Used in various assemblies in missiles, space launch vehicles and nuclear reactors
- **Water lubricated bearings -** Used in nuclear reactors
- **Roller Screws** (under development) **-** Used in various assemblies in missiles, space launch vehicles and nuclear reactors

Rocket engines

Healthy mix of developmental versus volume based products

Hot boxes



Rotor Mast Bearing Housing - Titanium

Mix of regular (less complex) products versus highly complex assemblies

Control Plug for Reactor

Precision machined components

Manufactures small products to large products (few kgs to tons)

Bridge & Column

Roller screws

Manufactures import substitute products which have application across industries

Ball Screws

2 Long standing relationships with customers

Large MNCs

Bloomenergy

Elbit

Rafael

Government Departments

Aeronautical Development Agency

Liquid Propulsion Systems Centre

Indian Companies

NPCIL

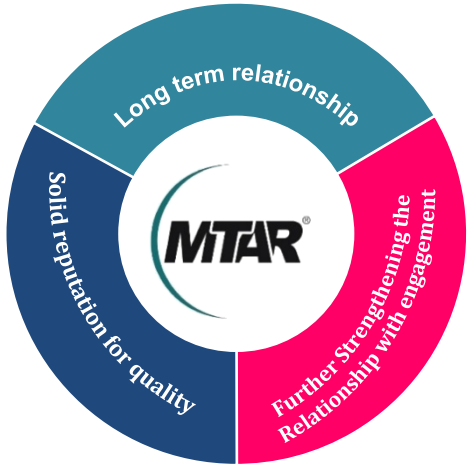
BHEL

HAL

Godrej and Boyce

Bharat Dynamics

Long standing relationship with large MNC's, Government Departments and Large Indian Public and Private sector companies



- 16+ years NPCIL
- 30+ years ISRO
- 40+ years DRDO
- 9+ years Bloom

Long term relationships

- Strong relationship with a multitude of global defence, space and clean energy players- both state-owned and private
- Strong repeat business due to MTAR's engineering capability

High customer dependence

- Ability to provide quality products as per customer specifications
- Consistent customer servicing standards
- Continuous learning adopted to reduce cost to customer over time ex. Bloom energy

Customer understanding

- Strive to understand our customers' business requirements and provide products that maximize their returns
- Develop leadership in key product segments

Source – Crisil Report

3 Modern technology at our state-of-the-art manufacturing facilities

Advanced Machinery

High end machines like 7 axis mill-turns, 5 axis VMC, 3D CNC CMM etc.

Manufacturing Units

- **7** manufacturing units including an EOU
- Establishing a new unit at Adibatla for sheet metal & specialised fabrication verticals

Manufacturing Capabilities

- **400+** Total machines
- **100+** Conventional / CNC Turning machines
- **60+** Milling / CNC milling machines

Quality Manpower

- 896 permanent employees with 244 contractual workmen and 147 engineers
- **Experienced** business heads with in-depth technical & industry knowledge
- **Average tenor of 15 years** with low attrition rate

Strategically located

- Plants located in proximity **to major defense organizations**
- Provides R&D, high volume projects access
- Ease of coordination

Flexibility

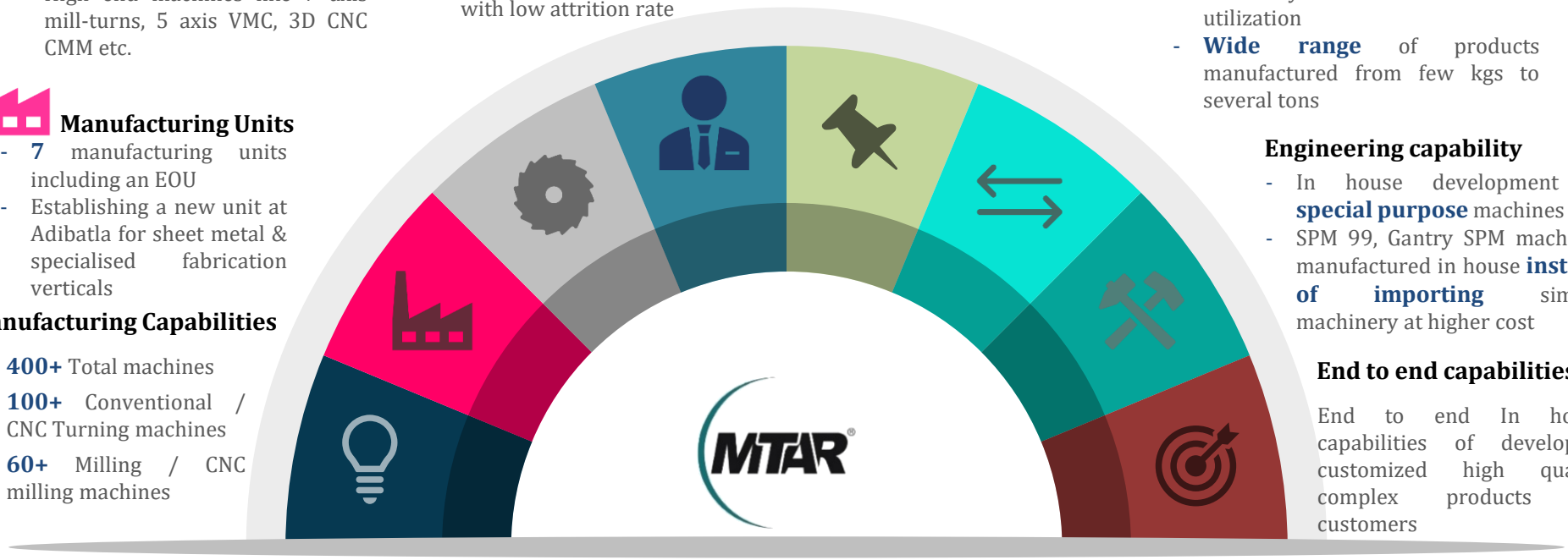
- **No dedicated production lines** for products
- Flexibility to allow maximum utilization
- **Wide range** of products manufactured from few kgs to several tons

Engineering capability

- In house development of **special purpose** machines
- SPM 99, Gantry SPM machines manufactured in house **instead of importing** similar machinery at higher cost

End to end capabilities

End to end In house capabilities of developing customized high quality complex products for customers



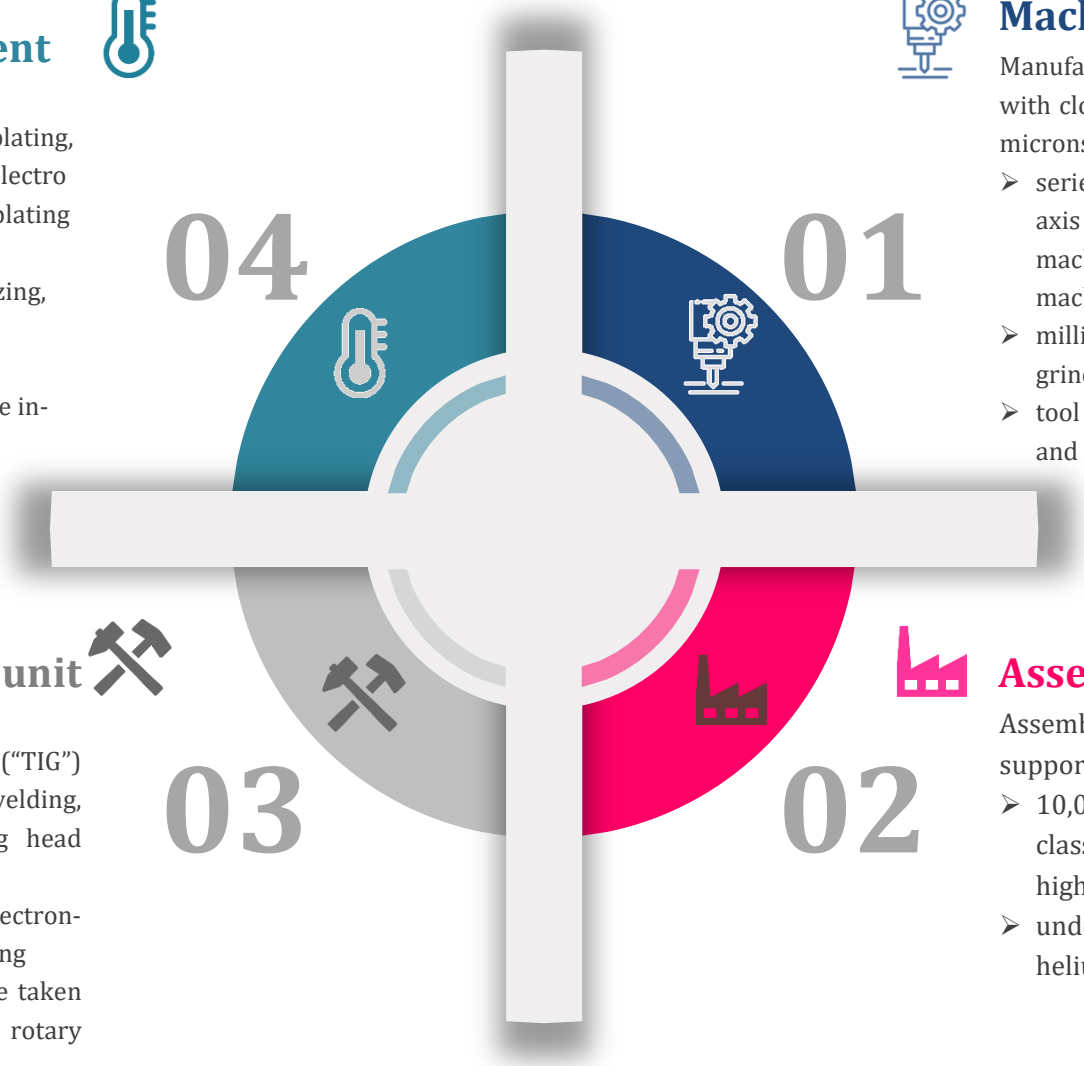
3 Having end-to-end manufacturing capabilities under one roof

Surface & Heat Treatment

- Surface treatment activities such as - nitriding, anodization, hard chrome plating, nickel plating, induction hardening, electro polishing, pickling, passivation, zinc plating and painting, among others
- Heat treatment such as - gas carbonizing, through their various furnaces
- Special processes facilities such as - painting and plating are also available in-house.

Specialized fabrication unit

- Equipment to undertake
  - automatic tungsten inert gas ("TIG") welding, metal inert gas ("MIG") welding, submerged arc welding, welding head manipulator
  - job manipulator / positioner, electron-beam ("EB") welding, orbital welding
- specialized fabrication jobs - May be taken up by Vacuum brazing furnace and rotary vacuum brazing furnace



Machining

Manufacturing of precision components with close tolerances to the extent of 5-10 microns supported by

- series of high-end machines such as 7 axis Mill-turns, 5 axis vertical machining centers ("VMCs"), 4.5 axis machining centres
- milling centres, turning centres, grinding centres
- tool room machines, deep hole boring and honing machines, among others;

Assembly and Testing

Assembly and testing capabilities are supported by

- 10,000 class clean rooms and 100 class laminar table with facilities for high as well as low temperatures
- undertaking vibration, flow and helium leak tests

4 Strong and diversified supplier base

Established long term supplier relationship

- Ensures quality raw material within prescribed timelines
- No long term contracts yet managing consistent supply of materials due to long standing relationships
- Enables better insight on the raw material markets, which helps in managing the supply chain, resulting in greater predictability of supply and, consequently, a greater ability to meet production schedules

Large & diversified supplier base

- Maintains robust database of suppliers with constant engagement to ensure material availability options
- Created a global supplier base over the years and procures materials from US, Brazil, among others
- Low supplier dependency on account of the diversified supplier base, which also enables negotiation of favorable terms
- Global network provides the option to take advantage of better pricing as available in a particular market

Ability to source specialized materials

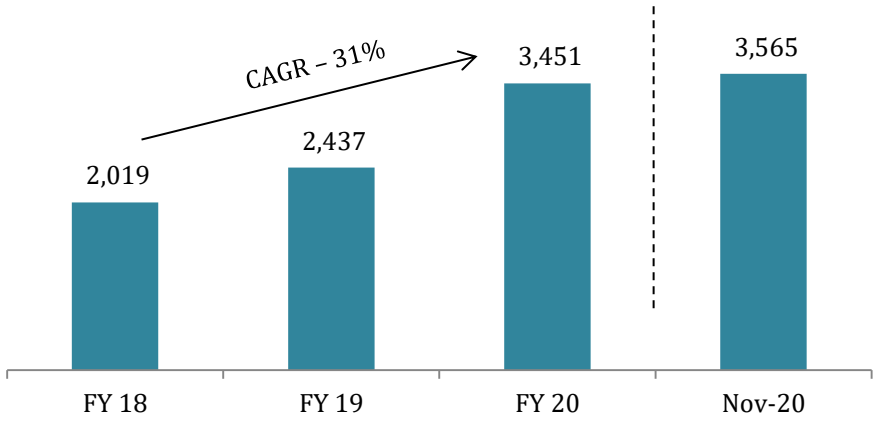
- Developed a robust supply chain for sourcing of wide variety of specialized raw materials . Select Eg. Include:
  - Specialized steels (17-4 PH, SS 410, 13-8 MO PH) for the nuclear sector; Alloy steels and aluminum including bearing and seals for space and defence clients, Inconel sheets of various grades for clean energy clients
- Select clients (mostly Space & Defence) directly procure & supply raw materials given the sensitivity of the end projects

Stringent quality checks

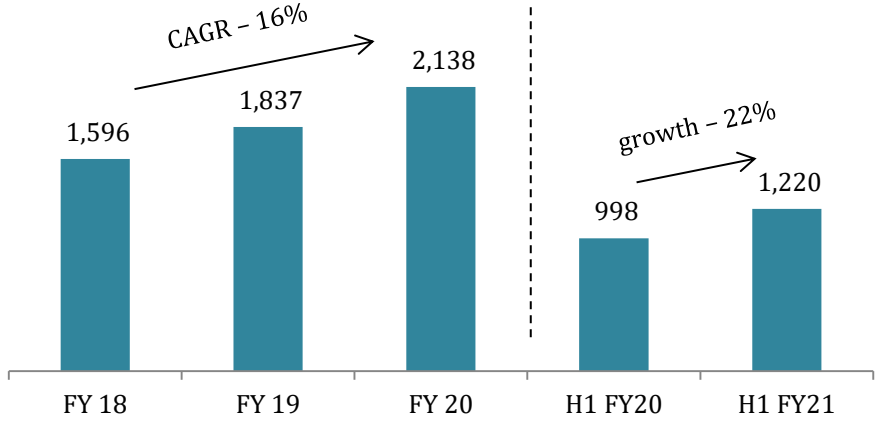
- Company performs extensive evaluation on their ability to provide quality products in a timely manner
- Stringent vendor qualification process which enables to keep a periodic check on suppliers with regard to the quality of materials supplied and corresponding prices
- In place stringent inspection of raw materials to check their tensile strength, surface finish, resistivity, among others given the criticality of the products

5 Track record of growth in financial performance (1/2)

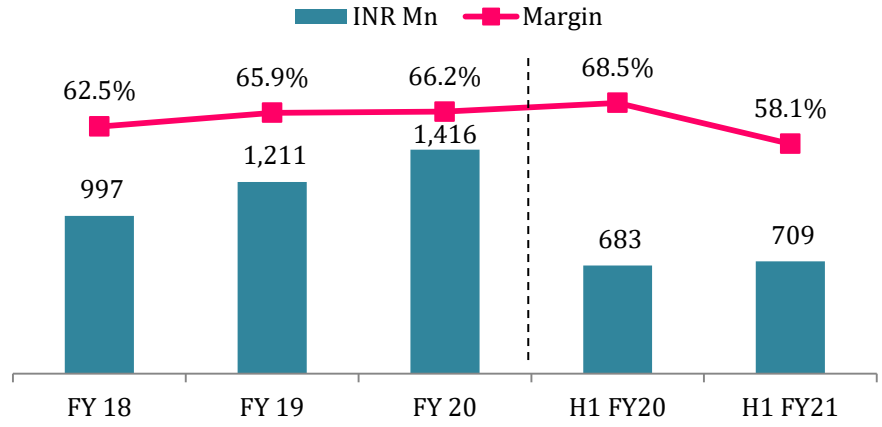
Order book (INR Mn)



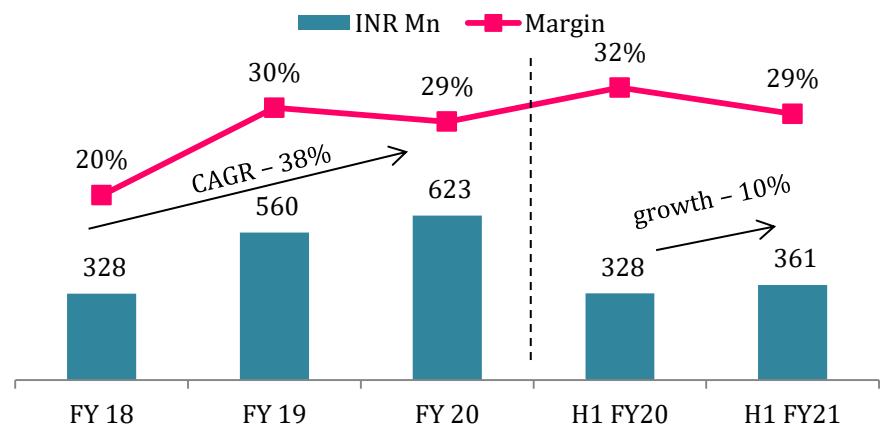
Revenue from operations (INR Mn)



Gross profit



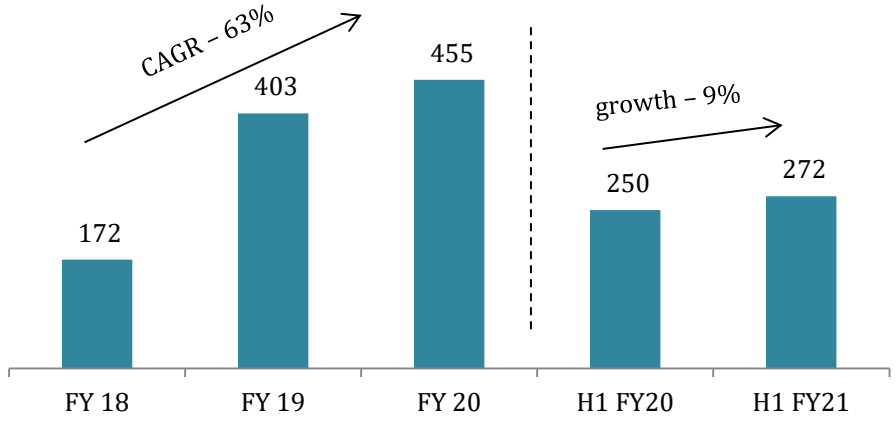
EBITDA



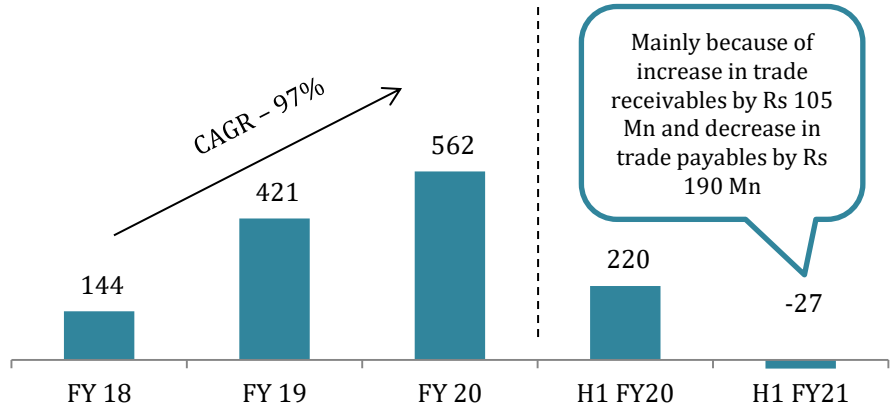
Note: All nos. are standalone financials
^ Annualized by multiplying by 2

5 Track record of growth in financial performance (2/2)

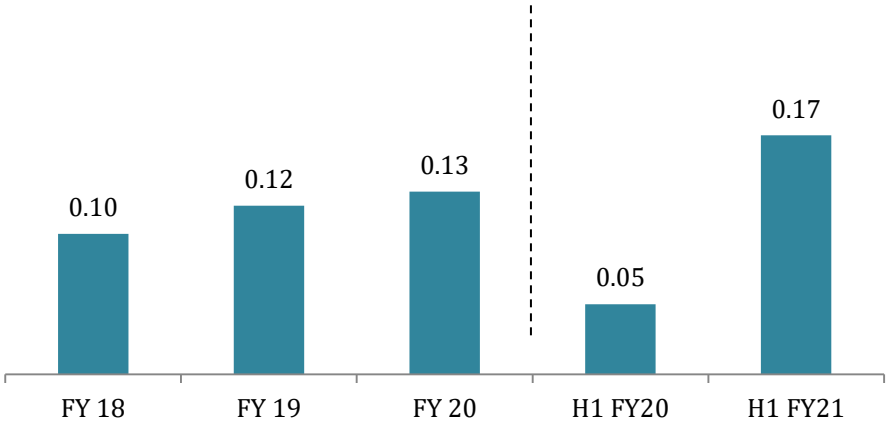
Restated profit before exceptional items and tax (INR Mn)



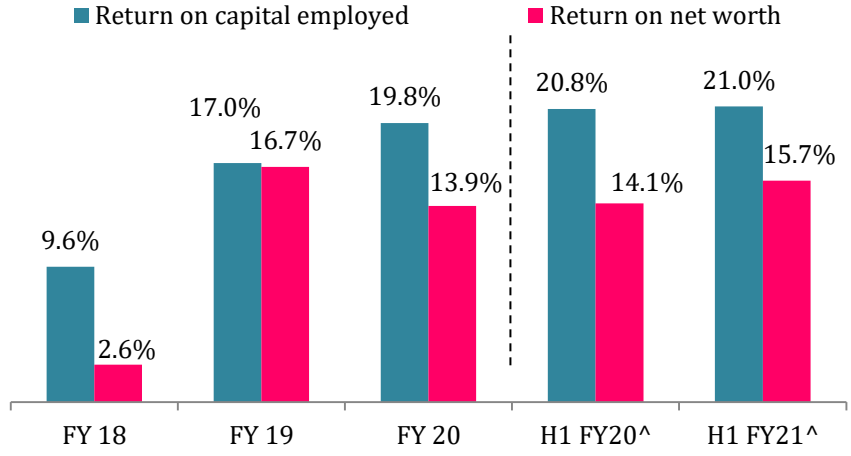
Net cash flow from operating activities (INR Mn)



Debt equity ratio



Returns



Note: All nos. are standalone financials
^ Annualized by multiplying by 2

6 Experienced and qualified management team

Parvat Srinivas Reddy -

Managing Director and Promoter

- Entrusted with the overall responsibility of management
- 29+ years of work experience
- Ex-managing director of Ravileela Granites Ltd.
- Master's degree in science, specializing in industrial engineering from Louisiana Tech University

Devesh Dhar Dwivedi

Chief Operating Officer

- Responsible for leading the day to day operations
- 13 yrs. of experience in sectors including defence, manufacturing, IT, engineering
- Previous organisations - High Radius Technologies Pvt. Ltd., Bharat Forge Ltd., DRDO
- Alumnus of NIT, Allahabad and ISB, Hyderabad

Sudipto Bhattacharya

Chief Financial Officer

- Responsible for the planning, implementation, management and running of all financial activities
- Previous organisations - ACC Ltd. (senior VP), Baker Tilly DHC Advisory LLP (senior partner)
- Chartered Accountant

Shubham Sunil Bagadia

Company Secretary and Compliance Officer

- Responsible for ensuring compliance with statutory and regulatory requirements
- Previous organisations - Nova Agritech Ltd., SV Labs Pvt. Ltd.
- Member -Institute of Company Secretaries of India

Pusparaj Satpathy

Vice President, Human Resources

- Responsible for the HR development
- 23+ yrs. Of experience in human resources
- Previous organisations - Century Enka Ltd., Hindustan Zinc Ltd. and Hindalco Industries Ltd.
- Alumnus of Jaipuria Institute of Management, Lucknow

Business Strategies

Strategic Roadmap for sustained growth (1/2)

1

Product

Strengthen existing product portfolio and diversify into products with attractive growth and profitability prospects

- Enhance capabilities and grow value chains to supply critical and differentiated engineered products
- Establishment of new capabilities such as sheet metal facility and enhancement of existing specialized fabrication capabilities
- Develop roller screws for which we will be the first manufacturer in India
- Intend to supply electrolyzers, which can produce methane free Hydrogen to generate power, to existing customers

2

Industry

Capitalize on upward trend of nuclear sector in India, increasing indigenization and policy initiatives in the defence sector, and commercialization of Indian space sector

- Nuclear –Capitalize on the large opportunity in terms of upcoming Nuclear rectors being one of the few companies capable of handling the product complexities and manufacturing capacities
- Defence – take advantage of Govt. focus on indigenization of various defence technologies and import substitution and contribute to the 'Atma-Nirbhar Bharat' initiative by the Government of India
- Space - Exponential growth expected for Indian players in Space sector given ISRO's plan to commercialise the Indian space sector and offer its products and services to other countries

3

Customer

Focus on deepening and strengthening relationships with our existing customers as well as catering to new Customers

- The Company believes that it shall be one of the preferred suppliers for any potential defence offset transaction that any current international customers may be a part of
- Develop new relationships with customers, both in India and abroad, in order to capture lucrative opportunities in the nuclear, space and defence, and clean energy sectors
- Continue to participate in seminars & international expos to build & develop network with leading foreign multi-national companies

Strategic Roadmap for sustained growth (2/2)

4

Exports

Expand international presence including through increase in exports

- Continue to expand international operations to enhance global presence in the sectors we currently cater
- Growth in support for Hydrogen based clean energy solution along with expansion plans of Bloom Energy outside of US in South Korea, provides a significant opportunity
- Looking to enter into defence offset partnership with certain global OEMs and have incorporated a Subsidiary, Magnatar Aero Systems Private Limited in this regard

5

Manufacturing/ Engineering Capability

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

- In the process of establishing a sheet metal manufaturing facility at Adibatla, Hyderabad which is expected to become operational in Fiscal 2022 to undertake sheet metal jobs for ISRO, Bloom Energy and certain other customers
- Upgrade existing facilities by implementing new technology and releasing release bottlenecks in production capacity
- Selectively look at inorganic opportunities to enhance engineering competence, increase market share, achieve operating leverage in key markets and strengthen cost competitiveness in the market

6

Operational Efficiency

Continue to strive for operational efficiencies, supply chain rationalization and effective planning

- Continue to maintain or improve upon benchmarks for cost structure through economies of scale, employment of earnings acquired in manufacturing end components, and a robust supply chain for sourcing of raw materials
- Cycle time reduction by adopting advanced technologies, thereby increasing capacity to undertake more number of projects
- Leverage technology for effective utilization of machinery through digital solutions

Standalone Statement of assets and liabilities – Key Items

	As at				
INR Mn	**Mar 31,2018**	**Mar 31,2019**	**Mar 31,2020**	**Sep 30, 2019**	**Sep 30, 2020**
Assets					
Non-current assets					
Property, plant and equipment	1,522	1,620	1,550	1,580	1,552
Capital work-in-progress	18	56	117	97	136
Others - Non-current assets	175	285	81	100	97
Total Non-current assets	**1,715**	**1,962**	**1,748**	**1,777**	**1,786**
Current Assets					
Inventories	419	411	755	465	755
Trade receivables	490	504	616	639	720
Bank balances including Cash and cash equivalents	91	108	232	94	192
Others - Current Assets	96	67	112	140	141
Total Current assets	**1,095**	**1,090**	**1,715**	**1,338**	**1,808**
Total Assets	**2,810**	**3,052**	**3,463**	**3,115**	**3,594**
Equity and Liabilities					
Equity					
Equity share capital	282	282	268	282	268
Other equity	1,773	2,068	1,983	2,166	2,181
Total Equity	**2,055**	**2,350**	**2,251**	**2,448**	**2,448**
Non-current liabilities					
Borrowings	-	-	-	-	11
Other Non-current liabilities	118	6	77	32	113
Total Non-current liabilities	**118**	**6**	**77**	**32**	**124**
Current liabilities					
Borrowings	198	287	291	128	406
Trade payables	136	60	306	123	116
Other current liabilities	303	349	538	384	500
Total Current liabilities	**637**	**696**	**1,135**	**635**	**1,022**
Total equity and liabilities	**2,810**	**3,052**	**3,463**	**3,115**	**3,594**

Standalone Statement of profits and losses – Key Items

	For the year ended			For the period ended	
INR Mn	**Mar 31,2018**	**Mar 31,2019**	**Mar 31,2020**	**Sep 30, 2019**	**Sep 30, 2020**
Income					
Revenue from operations	1,596	1,837	2,138	998	1,220
Growth		*15%*	*16%*		*22%*
Other income	9	22	44	18	6
Total income	**1,605**	**1,859**	**2,181**	**1,016**	**1,226**
Expenses					
Cost of materials consumed	660	655	873	408	522
Changes in inventories of finished goods and work-in-progress	-90	-30	-151	-94	-11
Excise duty on sale of goods	30	-	-	-	-
Employee benefits expense	446	435	516	255	236
Depreciation and amortisation expense	112	112	120	61	61
Finance costs	45	45	48	18	29
Other expenses	232	239	320	117	118
Total expenses	**1,434**	**1,456**	**1,726**	**766**	**954**
Restated profit before exceptional items and tax	**172**	**403**	**455**	**250**	**272**
Exceptional items	-	13	-	-	-
Total tax expenses	117	24	142	78	80
Restated profit for the period/year	**54**	**392**	**313**	**172**	**192**
*Restated profit margin**	*3%*	*21%*	*14%*	*17%*	*16%*
EBITDA	**328**	**560**	**623**	**328**	**361**
EBITDA margin	*20%*	*30%*	*29%*	*32%*	*29%*

**Restated profit margin = Restated profit / Total income*

Standalone Statement of cash flow – Key Items

	For the year ended			For the period ended	
INR Mn	**Mar 31,2018**	**Mar 31,2019**	**Mar 31,2020**	**Sep 30, 2019**	**Sep 30, 2020**
Cash flow from operating activities					
Restated profit before tax	172	416	455	250	272
Operating profit before working capital changes	330	572	609	319	354
Movements in working capital	-161	-57	25	-71	-368
Cash generated (used in)/from operations	170	515	634	248	-14
Income tax paid (net of refunds)	-25	-94	-72	-28	-12
Net cash flow (used in)/from operating activities	**144**	**421**	**562**	**220**	**-27**
Cash flows from investing activities					
Purchase of property, plant and equipment, including intangible assets, capital work in progress, capital creditors and capital advances	-21	-273	-119	-71	-87
Proceeds from sale of property, plant and equipment	1	30			
Investment in bank deposits (net) and others items	7	-84	-2	-4	2
Net cash flow used in investing activities	**-13**	**-328**	**-121**	**-75**	**-84**
Net cash flows from/(used in) financing activities	**-138**	**-75**	**-413**	**-245**	**66**
Net increase/(decrease) in cash and cash equivalents	**-7**	**19**	**28**	**-100**	**-45**

Standalone Key Metrics / Ratios

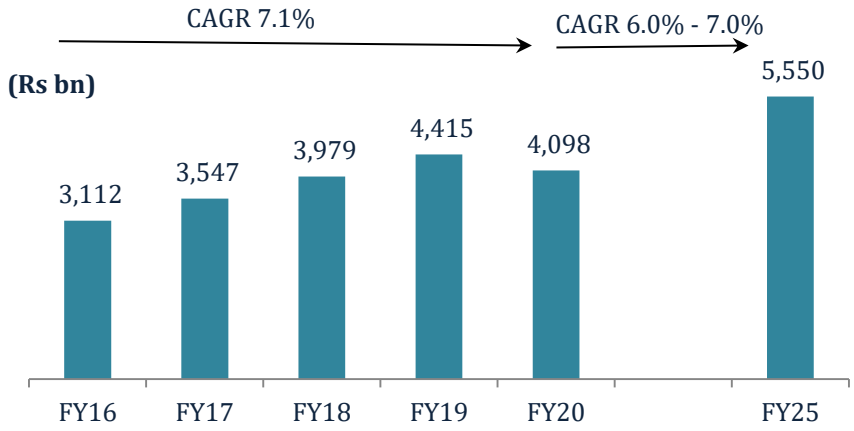
	For the year ended / As at			For the period ended / As at	
INR Mn	**Mar 31,2018**	**Mar 31,2019**	**Mar 31,2020**	**Sep 30, 2019**	**Sep 30, 2020**
Profitability Ratios					
EBITDA Margin	20.44%	30.10%	28.57%	32.33%	29.43%
Restated Profit Margin*	3.38%	21.08%	14.36%	16.95%	15.67%
Profitability Ratios					
Return on capital employed	9.59%	16.96%	19.78%	10.39%^	10.48%^
Return on net worth	2.64%	16.68%	13.91%	7.04%^	7.85%^
Profitability Ratios					
Net asset value per equity share	72.84	83.29	84.11	86.76	91.49
Debt equity ratio	0.10	0.12	0.13	0.05	0.17

**Restated profit margin = Restated profit / Total income*
^Not annualized

Annexure

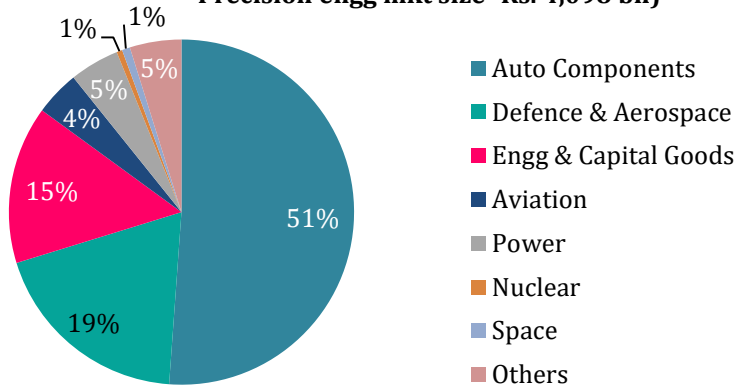
Precision Engineering Industry Overview

Precision engineering industry to grow at a CAGR of 6 – 7% from FY20-FY25P

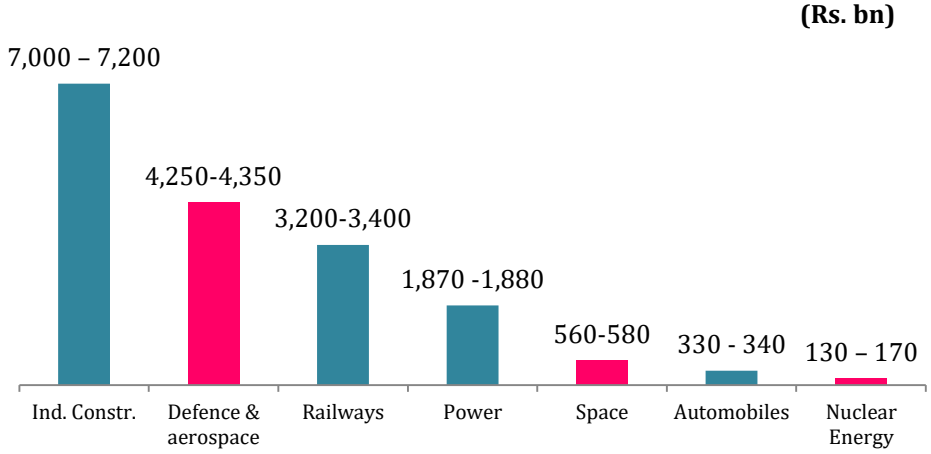


Auto component and defence sector to drive demand for precision engineering components

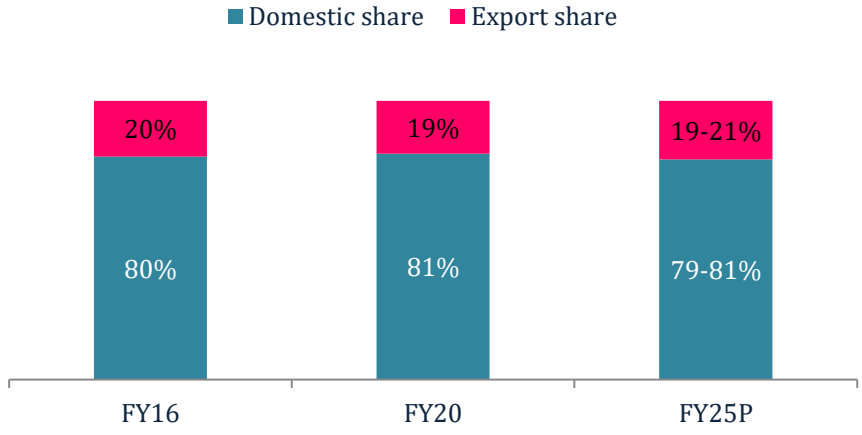
End use segment wise break-up of precision engg. industry (FY20 Precision engg mkt size- Rs. 4,098 bn)



Investment in capacity augmentation to drive demand for precision components up to FY25

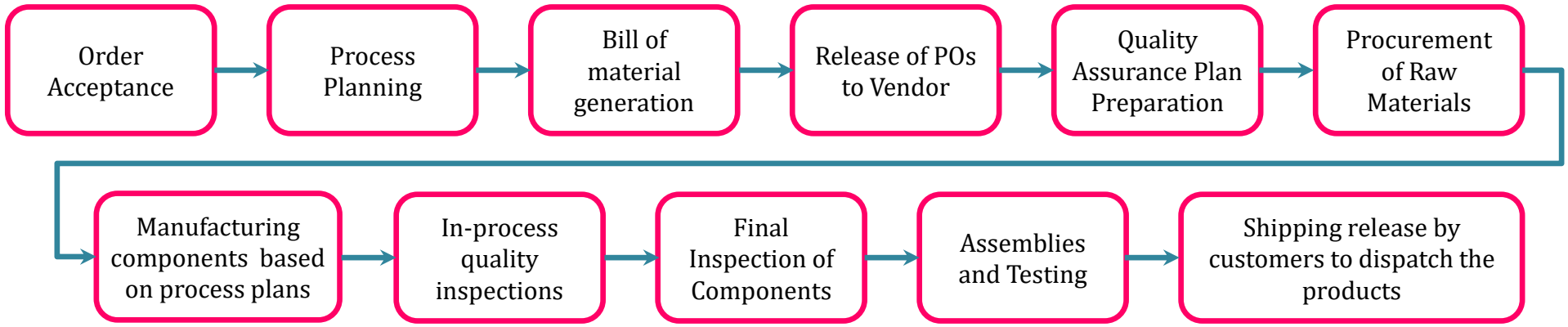


Share of exports in Precision engineering is expected to increase to 19-21% of industry turnover by FY25



Product manufacturing and tendering

Typical product manufacturing cycle



Tendering

For the **nuclear, space & defense sector** bids for projects are invited through a tendering process with a stringent qualification process

However our expertise, long standing relationships, ability to meet customer requirements make us the **partner of choice for our customers**

Several products manufactured on a **single tender basis**

Volume based products

For the **clean energy sector** most current projects are volume based

Typically continuous order inflow for a similar product based on the requirement of clients

Majorly for clients which have steady round the year requirement

Developmental products

For the **nuclear, space & defense sector** where most projects are specialized and require prototyping, designing etc.

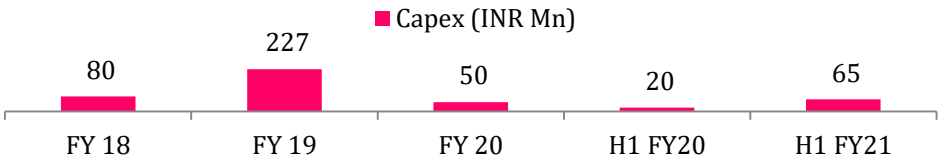
Bulky orders based on client requirement

Majorly for clients which have specific made to order requirements

Manufacturing facilities (1/2)

Units	Products manufactured	Sectors catered	Facilities offered
Unit 1	Complex nuclear assemblies & high end defence products such as base shroud assembly for Agni missiles	Nuclear, defence and aerospace	Advanced computerized numerical control, machining & QC
Unit 2	Liquid propulsion engines, cryogenic engines, semi cryo engine and electro pneumatic modules used in PSLV and GSLV and satellite valves	Space	Advanced CNC machining, assembly, specialized fabrication, QC and testing
Unit 3	High volume nuclear components such as end fittings, liner tubes, products such as ball screws and WLBs and other nuclear site orders	Nuclear, defence and aerospace	Advanced CNC machining and quality control
Unit 4	Supporting unit which undertakes rough machining	-	Rough machining
Unit 5	Supporting unit which undertakes surface treatment such as nitriding, anodization and heat treatment such as gas carbonizing	-	Surface treatment, heat treatment and special processes
Unit 6	Supporting unit with fabrication facility and large clean rooms	-	Assembly
EOU	Power units for supply to Bloom Energy and high end defence components to be supplied to an Israeli defense technology company	Clean energy and export defence	Advanced CNC machining, assembly, special processes, and QC

Accreditations such as the ISO 9001:2015 and AS9100D

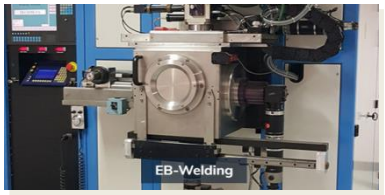


Manufacturing facilities (2/2)

High End Machinery

Assembly, Testing and Clean rooms

Specialized Fabrication facilities



Surface treatment, heat treatment, Painting

with advanced machinery and modern technology

Machines	No of units	Description and usage
Machining facilities		
Conventional / CNC turning	108	to remove the excess material in the form of chips, from the external diameter of a work piece
Milling / CNC milling	62	for producing a variety of custom-designed products
CNC machining centres	12	to perform drilling, milling and lathe operations to manufacture precision components
Electrical discharge machining	6	for machining of hard metal that would be difficult to machine using traditional techniques
EDM drilling	2	to produce fast & accurate machining of customized small deep holes in precision components
Jig boring	28	to enlarge the holes of the machined components so as to make their diameters accurate to achieve close tolerances
Horizontal boring	8	to enlarge holes in a horizontal direction as per the given customer specification
Deep hole boring	9	to produce very deep precision holes
Drilling	13	to cut holes of circular cross section for precision machined parts
Grinding	60	to shape and finish the machined components
Planing	1	to produce accurate flat surfaces & cutting slots as per given specs
Cutting machines	6	to cut raw materials that are required to undergo machining
CNC wire cut	14	advances wire cuts for production of small, detailed items that would be normally difficult to process through other manufacturing processes
Honing	8	to improve geometric form of surface and surface finish
Special purpose machine	14	for special purpose operations
Straightening machines	5	To bend, straighten precision components
Thread grinding	13	to produce accurate threads in hard materials
Fabrication facilities		
Welding equipment	22	to undertake automatic tungsten inert gas (“TIG”) welding, metal inert gas (“MIG”) welding, submerged arc welding, welding head manipulator, job manipulator / positioner, electron-beam (“EB”) welding, orbital welding
Furnaces	21	

Product Portfolio

Nuclear Sector Products

Fuel Machining Head
Comprises of 600 components; Used in loading & unloading of fuel bundles in nuclear reactor

Grid Plate
Used for resting the fuel sub-assemblies in prototype fast breeder reactor

Bridge & Column
Moves fuel machining head in sideways and vertical directions to allow loading and unloading of various fuel bundles in the nuclear reactor

Shield Plug

Liner Tube

Sealing Plug

Coolant Channel assemblies - Sealing Plug, Shielding Plug, End Fittings
Used in the core of civilian reactor

Drive Mechanisms
Critical equipment used for regulating purpose and shutdown of nuclear reactors under normal and undesirable operating conditions

Top hatch cover beams and deck plate assembly
Requires high positional and dimensional accuracies

Fuel Cells Products

Hot boxes
use methane to generate power

Space & Defence Sectors

Base shroud assembly and air frames
Used in Agni missiles such as A1, A2 A3, A4, A5, A1 P.

Components for Aircraft

Main Gear Box – Magnesium

Titanium Center Piece

Sukhoi - HPC Shaft Nickel Alloy

Control Manifold HAL Tejas

Components for Geosynchronous Satellite Launch Vehicle (GSLV)

Cryogenic Engine - Turbo Pump, Injector Head, Gas Generator, Booster Pumps, Interfaces And Start Up Systems

Stage 3

Stage 4 – Inside Satellite

Stage 2 - 4 Nos.

Stage 1 - 4 Nos.

Modules used in Stage 1 & 2

POGO Command Module

Liquid Propulsion Rocket Engine (Vikas Engine)

Ball Screws

Ball screws and water lubricated bearings
Import substitutes used in actuators of nuclear reactors, space launch vehicles, missiles etc.

MTAR manufactures wide portfolio of critical and differentiated engineered products with a healthy mix of developmental and volume-based production, customized to meet the specific requirements of its customers

Thank You