

CMP: INR 1,551

Rating: BUY

Target Price: INR 2,094

Stock Info

BSE	543270
NSE	MTARTECH
Bloomberg	MTARTECH:IN
Reuters	MTAR.NS
Sector	Aerospace & Defence
Face Value (INR)	10
Equity Capital (INR mn)	307.6
Mkt Cap (INR mn)	47,707
52w H/L (INR)	1,872 / 1,152
Avg Yearly Volume (in 000')	179.7

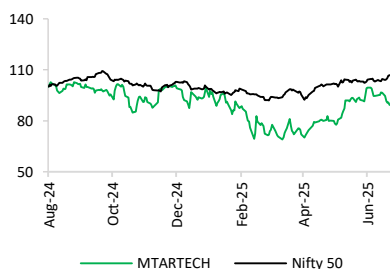
Shareholding Pattern %

(As on Jun, 2025)

Promoters	31.65
DII	23.51
FII	7.57
Public & Others	37.26

Stock Performance (%)	3m	6m	12m
MTARTECH	11.3	-1.4	-12.8
NIFTY	0.8	4.1	2.4

MTARTECH vs Nifty



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MTAR Technologies Ltd reported numbers, Q1FY26 revenue grew by 22.1% YoY (-14.5% QoQ) to INR 1,566mn; below our estimates of INR 1,631mn. Gross Profit stood at INR 849mn (+38.3% YoY/-11.3% QoQ); above our estimates of INR 814mn; Gross margins improved by 635 bps YoY (up by 195 bps QoQ) to 54.2% vs 47.9% in Q1FY25. The margin improvement due to higher production volumes, operating leverage, and efficient execution of long-cycle projects, particularly in the civil nuclear power segment EBITDA stood at INR 284mn (+70.9% YoY/-16.9% QoQ); above our estimates of INR 252mn. EBITDA margin improved by 518 bps YoY (down by 52 bps QoQ) to 18.1% vs 12.9% in Q1FY25. PAT stood at INR 108mn (+144.2% YoY/-21.2% QoQ); In-line with our estimates of INR 114mn, and PAT margin improved by 345 bps YoY (down by 59 bps QoQ) to 6.9% vs 3.5% in Q1FY25.

Key Highlights

Strong order inflows are expected in Nuclear: The company is supplying critical components for pressurized heavy water reactors (PHWRs). The nuclear orders of INR 10bn is expected in the next 3-6 months, including projects for Kaiga 5 and 6 and refurbishment reactors in Madhya Pradesh, Rajasthan, and Chennai. A new dedicated facility for civil nuclear projects is under development to meet the expected surge in orders.

Business visibility remains strong from Bloom Energy: The company supplies critical components such as hot boxes and enclosures for Bloom’s energy servers, which are widely used in data centers and other power-intensive applications. Despite recent tariff uncertainties in the U.S, Bloom Energy provided the highest-ever forecast for hot box production, signaling strong demand growth. Bloom energy orders are expected to increase by 25% YoY in FY27E. The company is expanding its wallet share in enclosures and other assemblies, positioning itself for long-term growth in the fuel cell market.

Diversification of clean energy portfolio through battery storage: The company is diversifying its clean energy portfolio through battery storage systems for Fluence Energy, where it is currently developing prototype energy pods. The company is also exploring opportunities in electrolyzers for green hydrogen production, though widespread adoption depends on infrastructure development.

Aerospace and Oil & Gas remain key growth drivers: The company supplies parts for ISRO’s launch vehicles, including the Vikas and semi-cryogenic engines. Semi-cryogenic engine program delayed due to design issues, and production is expected to commence soon. The company is also developing electromechanical actuator systems for ISRO’s launch vehicles, which could bring in additional orders of INR 600-700mn. The growing demand for indigenous defense manufacturing, coupled with Europe’s supply chain challenges, can be an opportunity for the company. The company signed a long-term contract with Weatherford and is setting up a dedicated facility to support this vertical, expecting significant revenue contributions from FY26E.

Outlook & Valuation: MTAR Technologies' revenue is expected to grow 25% CAGR over the next 2-3 years and margins are expected 21% with 100bps variations. The business visibility from Bloom Energy remains strong despite tariff uncertainties. Around INR 10bn orders are expected from the nuclear segment in the next 3-6 months. The company is developing prototype energy pods for fluence, can be an opportunity in the clean energy. The company is setting up dedicated facilities for nuclear and oil & gas would address demand going forward. At CMP of INR 1,551 per share, We maintain our “BUY” rating at a TP of INR 2,094 per share; valued at a PE multiple of 50x and its FY27E EPS of INR 41.9; an upside of 35.0%.

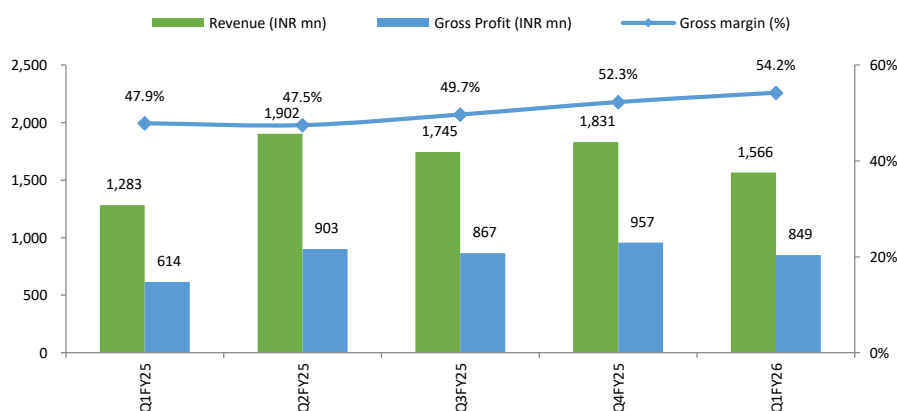
Q1FY26 Results

Income Statement Summary

Particular (INR mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	1,283	1,831	1,566	22.1%	-14.5%
Net Raw Materials	669	874	717	7.2%	-18.0%
Gross Profit	614	957	849	38.3%	-11.3%
Gross Margin (%)	47.9%	52.3%	54.2%	+635 bps	+195 bps
Employee Cost	280	345	343	22.5%	-0.6%
Other Expenses	168	270	222	32.4%	-17.9%
EBITDA	166	341	284	70.9%	-16.9%
EBITDA Margin (%)	12.9%	18.7%	18.1%	+518 bps	-52 bps
Depreciation	61	96	84		
Interest expense	48	59	58		
Other income	5	0	6		
Profit before tax	62	186	148	138.7%	-20.4%
Taxes	18	49	40		
PAT	44	137	108	144.2%	-21.2%
PAT Margin	3.5%	7.5%	6.9%	+345 bps	-59 bps
EPS (INR)	1.4	4.5	3.5		

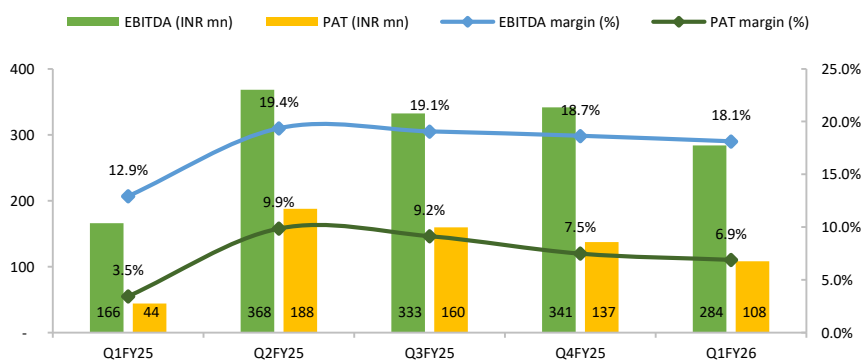
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 635 bps YoY (up by 195 bps QoQ) to 54.2% in Q1FY26 due to lower RM costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 518 bps YoY (down by 52 bps QoQ) to 18.1% in Q1FY26, however employee cost and other expenses in-terms of sales slightly increased.



Source: Company Reports, Arihant Capital Research

Q1FY26 Concall Highlights

Revenue

- Revenue growth is expected to be 25% YoY in FY26E.
- H2FY26E is expected to be better, supported by operating leverage and scale-up of new products in clean energy and aerospace.

Margins

- The gross margin improved due to higher production volumes, operating leverage, and efficient execution of long-cycle projects, particularly in the civil nuclear power segment.
- EBITDA margins are expected to be 21% (± 100 bps) in FY26E.

Capex

- The capex is expected to be INR 1bn+ in FY26E, for expanding facilities in the oil and gas sector (INR 700mn) and addressing bottlenecks in the nuclear division.
- The capex funding is expected through Debt (70%) and Internal accruals (30%).

Nuclear

- The company is supplying critical components for pressurized heavy water reactors (PHWRs).
- The nuclear orders of INR 10bn is expected in the next 3-6 months, including projects for Kaiga 5 and 6 and refurbishment reactors in Madhya Pradesh, Rajasthan, and Chennai.
- A new dedicated facility for civil nuclear projects is under development to meet the expected surge in orders.

Aerospace

- The aerospace segment revenue is expected to be INR 1bn in FY26E, driven by repeat business and expanded production capacity.
- The company is strengthening its portfolio with new products for multinational customers and tenders for electromechanical actuator systems for ISRO. Its would bring additional orders of INR 600-700mn.
- European partnerships are opening new export opportunities due to local manufacturing constraints in Europe.

Bloom

- Bloom energy orders are expected to increase by 25% YoY in FY27E.
- The company is expanding its wallet share in enclosures and other assemblies, positioning itself for long-term growth in the fuel cell market.

Oil & Gas

- The company signed a long-term contract with Weatherford and is setting up a dedicated facility to support this vertical, expecting significant revenue contributions from FY26E.

Q1FY26 Concall Highlights**Clean Energy**

- The company is developing battery storage solutions for Fluence, with Proto 1 completed and Proto 2 underway.
- The company is exploring opportunities in electrolyzers, although adoption depends on the global readiness of the infrastructure.

Working Capital and Debt

- Working capital days increased to 267 days due to delayed receivables from customers in conflict-affected regions, though \$2.5mn was received in early July-25.
- The company aimed to reduce working capital days to 200 by the end of FY26E.
- Debt stands at INR 1.2bn, with plans to repay it over the next 2-3 years.

Growth drivers

- Rising demand for fuel cells, hydropower, and solar systems is driving growth in the clean energy segment.
- Increased participation in prestigious programs for ISRO, DRDO, and international customers is expected to boost revenues.
- India's strategic push to expand nuclear power capacity to 100 GW by 2047 presents long-term opportunities.

Financial Statements

Income statement (INR mn)

Year End-March	FY23	FY24	FY25	FY26E	FY27E
Gross Sales	5,738	5,808	6,760	8,239	10,259
Net Sales	5,738	5,808	6,760	8,239	10,259
YoY (%)	78.2%	1.2%	16.4%	21.9%	24.5%
Adjusted COGS	2,695	3,024	3,419	4,058	4,907
YoY (%)	131.8%	12.2%	13.1%	18.7%	20.9%
Employee expenses	935	970	1,238	1,515	1,843
YoY (%)	32.1%	3.7%	27.6%	22.4%	21.7%
Manufacturing & Other Expenses	568	687	895	1,109	1,342
YoY (%)	40.0%	21.0%	30.3%	23.9%	21.0%
Total Expenditure	4,198	4,681	5,552	6,682	8,092
YoY (%)	63.1%	-26.8%	7.2%	28.9%	39.1%
EBITDA	1,540	1,127	1,208	1,557	2,166
YoY (%)	63.1%	-26.8%	7.2%	28.9%	39.1%
EBITDA Margin (%)	26.8%	19.4%	17.9%	18.9%	21.1%
Depreciation	187	232	322	437	430
% of Gross Block	4.9%	5.1%	6.2%	6.3%	5.9%
EBIT	1,353	895	886	1,120	1,736
EBIT Margin (%)	23.6%	15.4%	13.1%	13.6%	16.9%
Interest Expenses	146	223	222	149	134
Non-operating/ Other income	195	58	52	82	103
PBT	1,402	730	716	1,054	1,705
Tax-Total	368	169	187	286	417
Adj. Net Profit	1,034	561	529	768	1,288
Reported Profit	1,034	561	529	768	1,288
PAT Margin	18.0%	9.7%	7.8%	9.3%	12.6%
Adj EPS	33.6	18.2	17.2	25.0	41.9

Source: Company reports, Arianth Capital Research

Balance sheet

Year-end March (INR mn)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Equity Share Capital	308	308	308	308	308
Reserves & Surplus/ Other Equity	5,894	6,456	6,982	7,749	9,037
Networth	6,201	6,763	7,289	8,057	9,345
Unsecured Loans/ Borrowings/ Lease Liabilities	1,434	1,909	1,773	1,566	1,410
Other Liabilities	239	265	302	337	376
Total Liabilities	10,633	10,077	11,303	13,396	14,945
Total Funds Employed	20,250	18,918	21,493	25,725	28,857
Application of Funds					
Net Fixed Assets	2,910	3,405	4,387	5,026	4,946
Capital WIP	644	729	532	477	465
Investments/ Notes/ Fair value measurement	0	0	0	0	0
Current assets	6,967	5,648	6,181	7,643	9,253
Inventory	3,866	3,476	3,461	4,708	5,699
Days	177	231	187	209	203
Debtors	2,084	1,466	2,098	2,227	2,665
Days	110	112	96	99	95
Other Current Assets	382	112	385	500	575
Cash and Cash equivalent	312	508	169	119	216
Current Liabilities/Provisions	3,416	2,078	2,901	4,272	4,567
Creditors / Trade Payables	2,182	714	1,061	2,403	2,672
Days	79	123	59	111	107
Liabilities	559	392	840	993	1,101
Net Current Assets	3,551	3,570	3,280	3,370	4,686
Total Assets	10,633	10,077	11,303	13,396	14,945
Total Capital Employed	7,082	6,506	8,023	10,026	10,259

Source: Company reports, Arianth Capital Research

Financial Statements

Cash Flow Statement

Year End-March (INR mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	1,034	561	529	768	1,288
Adjustments: Add					
Depreciation and amortisation	187	232	322	437	430
Interest adjustment	-49	165	170	66	31
Change in assets and liabilities	1,172	958	1,022	1,272	1,750
Inventories	-2,162	389	16	-1,247	-991
Trade receivables	-724	618	-632	-129	-438
Trade payables	1,612	-1,468	347	1,342	269
Other Liabilities and provisions	192	116	472	31	27
Other Assets	-153	232	-255	-136	-84
Taxes	150	-103	87	-21	-3
Net cash from operating activities	86	742	1,056	1,111	530
Capex	-1,338	-812	-1,106	-1,023	-338
Net Sale/(Purchase) of investments	543	333	52	82	103
Others	0	-52	19	-3	-3
Net cash (used) in investing activities	-795	-531	-1,036	-943	-238
Interest expense/Debt	382	-15	-356	-219	-194
Dividend paid	-185	0	0	0	0
Other financing activities	-30	1	-3	0	0
Net cash (used) in financing activities	352	-15	-359	-219	-194
Closing Balance	312	508	169	119	216

Source: Company reports, Arianth Capital Research

Key Ratios

Year-end March	FY23	FY24	FY25	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.2	0.3	0.2	0.2	0.2
Net Debt / Equity	0.2	0.2	0.2	0.2	0.1
Debt / EBITDA	0.9	1.7	1.5	1.0	0.7
Current Ratio	0.7	1.2	1.3	0.9	0.6
DuPont Analysis					
Sales/Assets	0.5	0.6	0.6	0.6	0.7
Assets/Equity	1.7	1.5	1.6	1.7	1.6
RoE	16.7%	8.3%	7.3%	9.5%	13.8%
Per share ratios					
Reported EPS	33.6	18.2	17.2	25.0	41.9
Dividend per share	0.0	0.0	0.0	0.0	0.0
BV per share	201.6	219.9	237.0	261.9	303.8
Cash per Share	4.0	12.8	0.6	0.4	0.8
Revenue per Share	186.5	188.8	219.8	267.9	333.5
Profitability ratios					
Net Profit Margin (PAT/Net sales)	18.9%	18.0%	9.7%	7.8%	9.3%
Gross Profit / Net Sales	53.0%	47.9%	49.4%	50.7%	52.2%
EBITDA / Net Sales	26.8%	19.4%	17.9%	18.9%	21.1%
EBIT / Net Sales	23.6%	15.4%	13.1%	13.6%	16.9%
ROCE (%)	18.7%	11.2%	10.5%	12.3%	16.7%
Activity ratios					
Inventory Days	177	231	187	209	203
Debtor Days	110	112	96	99	95
Creditor Days	79	123	59	111	107
Leverage ratios					
Interest coverage	9.3	4.0	4.0	7.5	13.0
Debt / Asset	0.1	0.2	0.2	0.1	0.1
Valuation ratios					
EV / EBITDA	31.7	43.6	40.8	31.6	22.6
PE (x)	46.1	85.0	90.2	62.1	37.0

Source: Company reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 23.2% over the period of FY25-27E.

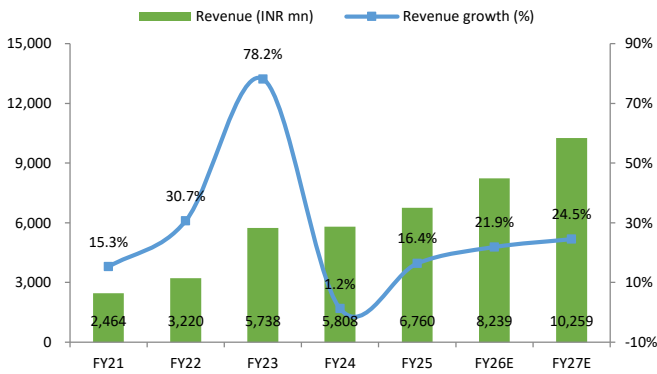


Exhibit 4: Operating leverage and high margin orders will improve gross margins.

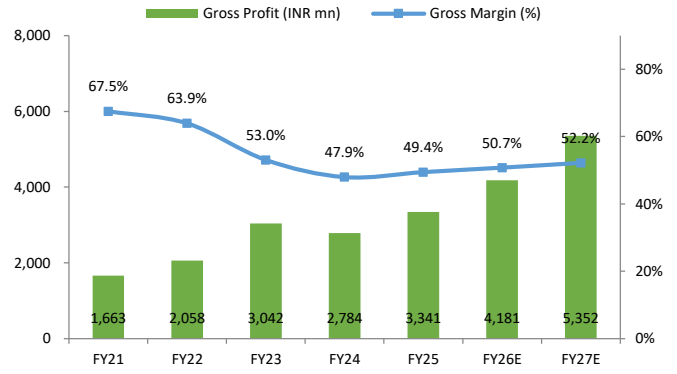


Exhibit 5: EBITDA and PAT margin is expected to improve going forward.

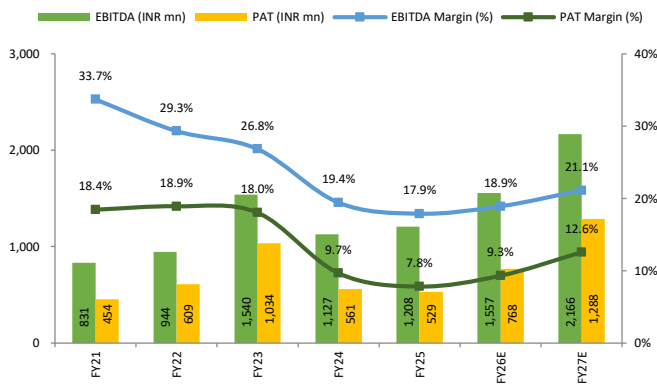


Exhibit 6: Return ratios is expected to improve from FY26E onwards.

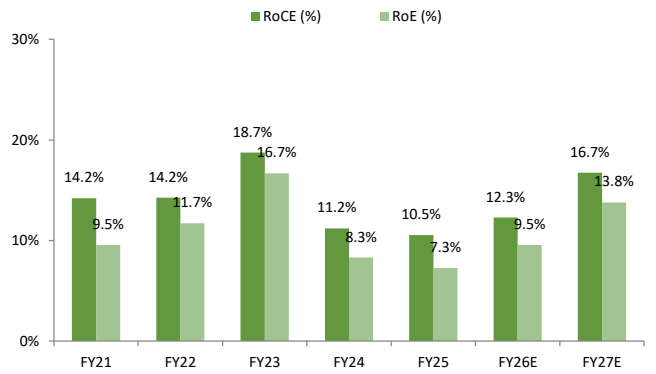


Exhibit 7: The company is focused on working capital days of 200 days going forward.

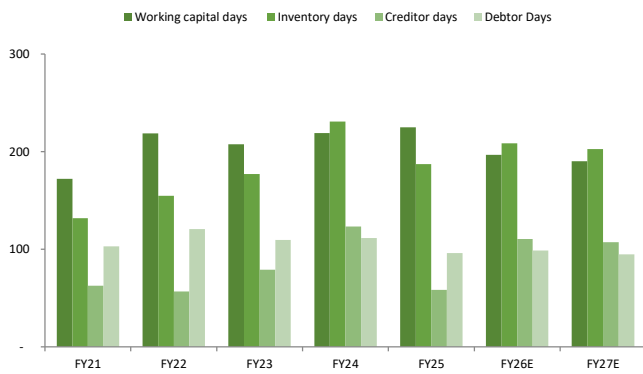
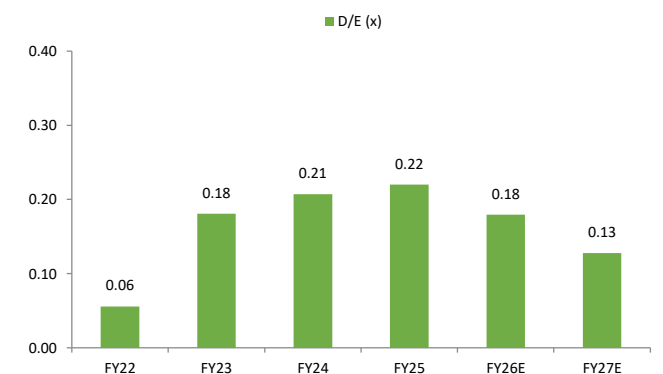


Exhibit 8: Debt to Equity is expected to be lower levels going forward.



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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