

Export tariffs remain a key challenge in the short term.

CMP: INR 2,374

Rating: REDUCE

Target Price: INR 2,219

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)	73,022
52w H/L (INR)	2,572 / 1,152
Avg Yearly Volume (in 000')	263.0

Shareholding Pattern %

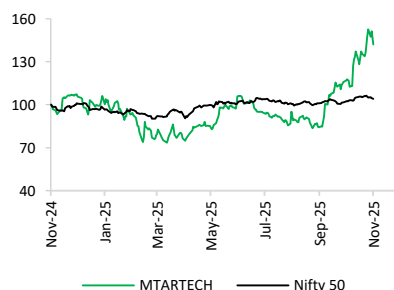
(As on Sep, 2025)

Promoters	31.41
DII	24.81
FII	9.21
Public & Others	34.58

Stock Performance (%)

	3m	6m	12m
MTARTECH	53.0	70.3	42.2
NIFTY	3.8	4.6	4.2

MTARTECH vs Nifty



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MTAR Technologies Ltd reported numbers, Q2FY26 revenue de-grew by 28.7% YoY (-13.4% QoQ) to INR 1,356mn; below our estimates of INR 1,871mn. Gross Profit stood at INR 694mn (-23.1% YoY/-18.2% QoQ); below our estimates of INR 885mn; Gross margins improved by 373 bps YoY (down by 301 bps QoQ) to 51.2% vs 47.5% in Q2FY25. EBITDA stood at INR 170mn (-53.8% YoY/-40.1% QoQ); below our estimates of INR 375mn. EBITDA margin contracted by 682 bps YoY (down by -559 bps QoQ) to 12.5% vs 19.4% in Q2FY25. PAT stood at INR 42mn (-77.4% YoY/-60.7% QoQ); below our estimates of INR 198mn, and PAT margin contracted by 674 bps YoY (down by 377 bps QoQ) to 3.1% vs 9.9% in Q2FY25.

Key Highlights

Order inflows remain strong despite tariff challenges: The order book stood at INR 12.97bn as of Q2FY26 and increased to INR 17.03bn (~2.5x of FY25 revenue) on 5thNov 2025. The order inflows stood at INR 4.8bn in Q2FY26. The closing order book is expected to be INR 28bn by the end of FY26E. Major contributions are expected from the civil nuclear sector and the clean energy (fuel cell) vertical. The order book and strong order inflows show business visibility over the medium term. The tariffs might pose execution challenges and slightly lower margins in the short term.

Capacity expansion is expected to be an additional growth driver: The company is expanding Hot box capacity from 8,000 units to 12,000 units by Mar-26, with a capex of INR 350-400mn. Further expansion is planned to reach 16,000 units by Sep-26 and 20,000 units by Mar-27, with a capex of INR 600mn. The company is also scaling up production of other components like Annual Stake Production (ASP), from 80,000 to 1,25,000 units per annum due to strong demand from Bloom Energy. The capex for fuel cells and oil & gas is expected to be INR 1.5bn over FY26-27E. The capex funding is expected through a mix of internal accruals and new debt. We anticipate capacity expansion to be in line with future demand from Bloom Energy and other customers.

Nuclear and battery storage remain on track: The company is expecting to receive orders of INR 5bn from Kaiga 5 & 6 reactors in Nov-25. The orders from refurbishment projects for 5 reactors by FY26E. Overall, nuclear orders are expected to be INR 8bn in FY26E. The company has visibility on future projects like Mahi Banswara. The company is also involved in discussions for Small Modular Reactors. The company is working on the 2nd prototype for Fluence. The long-term agreement is expected to be finalized by Q4FY26E, and revenue generation is expected from Q2FY27E.

Aerospace and Oil & Gas remain key growth drivers: The company is actively developing 1st articles for several international customers for Aerospace. The completion is expected by mid-2026; post that, volume production will commence. The company is progressing with the qualification of indigenously developed products like roller screws and Electro-Mechanical Actuators for the DRDO. The volume orders are expected post-qualification. The Oil & Gas's new dedicated facility is expected to be commissioned by Q2FY27E.

Outlook & Valuation: MTAR Technologies faced challenges in Q2FY26 due to export tariffs. However, order inflows remain strong. The company is focused on doubling the execution in H2, compared to H1. The company has negotiated with customers, and margins are expected to recover in H2FY26E. Around INR 8bn orders are expected from the nuclear segment in FY26E. The company is expanding hot boxes capacity in a phased manner, with a capex of INR 1bn would lead to additional revenue going forward. The nuclear and battery storage projects are progressing well. The Company submitted EOI with Adani to form a JV for the AMCA program. If the company is shortlisted, it can be the biggest business opportunity going forward. We anticipate execution and margins are expected to be lower in H2FY26E due to uncertainties in tariff situations. At CMP of INR 2,374 per share, we downgraded to "REDUCE" (earlier "BUY") rating at a TP of INR 2,219 per share; valued at a PE multiple of 50x and its FY28E EPS of INR 44.4; a downside of 6.5%.

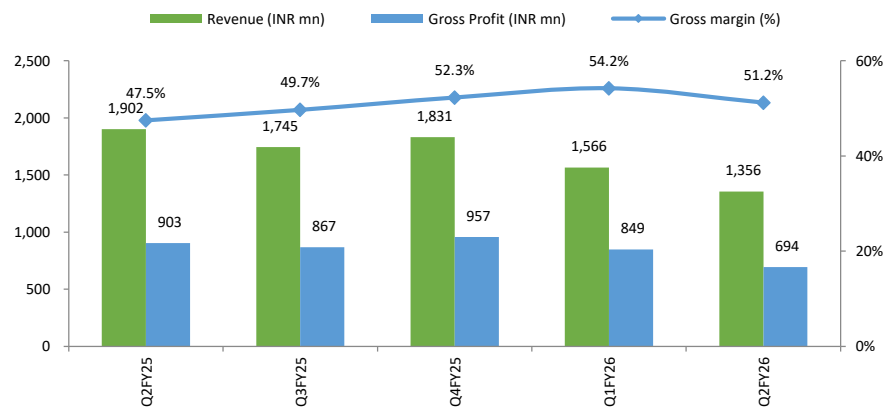
Q2FY26 Results

Income Statement Summary

Particular (INR mn)	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Revenue	1,902	1,566	1,356	-28.7%	-13.4%
Net Raw Materials	999	717	662	-33.8%	-7.7%
Gross Profit	903	849	694	-23.1%	-18.2%
Gross Margin (%)	47.5%	54.2%	51.2%	+373 bps	-301 bps
Employee Cost	299	343	333	11.5%	-2.9%
Other Expenses	236	222	191	-19.0%	-13.9%
EBITDA	368	284	170	-53.8%	-40.1%
EBITDA Margin (%)	19.4%	18.1%	12.5%	-682 bps	-559 bps
Depreciation	78	84	88		
Interest expense	52	58	62		
Other income	14	6	37		
Profit before tax	253	148	57	-77.6%	-61.7%
Taxes	65	40	14		
PAT	188	108	42	-77.4%	-60.7%
PAT Margin	9.9%	6.9%	3.1%	-674 bps	-377 bps
EPS (INR)	6.1	3.5	1.4		

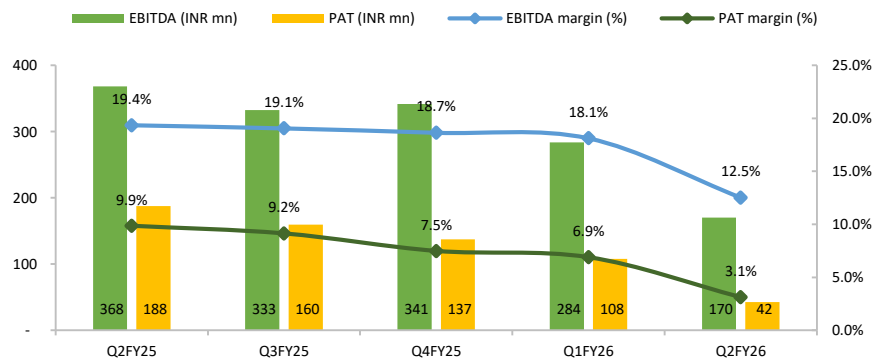
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 373 bps YoY (down by 301 bps QoQ) to 51.2% in Q2FY26 due to higher RM costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 682 bps YoY (down by 559 bps QoQ) to 12.5% in Q2FY26, due to increase in employee cost and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q2FY26 Concall Highlights**Revenue**

- The company is targeting revenue growth of 30%-35% YoY in FY26E. H2 revenue is expected to be double that of H1.

Margins

- The company is targeting an EBITDA margin of 21% in FY26E, supported by improved operating leverage from high-capacity utilization.

Order book

- The order book stood at INR 12.97bn as of Q2FY26 and increased to INR 17.03bn on 5th Nov 2025.
- The closing order book is expected to be INR 28bn by the end of FY26E. Major contributions are expected from the civil nuclear sector and the clean energy (fuel cell) vertical.
- The order inflows stood at INR 4.8bn in Q2FY26.

Capacity expansion

- In clean energy, Hot box capacity is expected to increase from 8,000 units to 12,000 units by Mar-26, with a capex of INR 350-400mn. Further expansion is planned to reach 16,000 units by Sep-26 and 20,000 units by Mar-27, with a capex of INR 600mn.
- The capex for fuel cells and oil & gas is expected to be INR 1.5bn over FY26-27E. The capex funding is expected through a mix of internal accruals and new debt.
- The company is scaling up production of other components like Annual Stake Production (ASP), from 80,000 to 1,25,000 units per annum due to strong demand from Bloom Energy.

Bloom Energy

- Bloom Energy announced that double its manufacturing capacity to 2GW by 2026. It will lead to an increase in orders for MTAR.
- The tariff impact is expected to be minimal, due to successful negotiations with Bloom Energy.

Nuclear

- The company is expecting to receive orders of INR 5bn from Kaiga 5 & 6 reactors in Nov-25. The orders from refurbishment projects for 5 reactors by FY26E.
- Overall, nuclear orders are expected to be INR 8bn in FY26E. The execution timeline is around 1-3.5 years.
- The company has visibility on future projects like Mahi Banswara. The company is also involved in discussions for Small Modular Reactors.

Q2FY26 Concall Highlights**Aerospace and Defence**

- In aerospace, the company is actively developing 1st articles for several international customers, including IAI, GPM, etc. The completion is expected by mid-2026; post that, volume production will commence.
- The company is progressing with the qualification of indigenously developed products like roller screws and Electro-Mechanical Actuators for the DRDO. The volume orders are expected post-qualification.
- The company has decided to pause its SSLV projects.
- The work on the semi-cryogenic engine for ISRO is progressing well, and 1st hardware shipment is expected by early 2026.

JV with Adani

- The company has submitted an Expression of Interest (EOI) for the Advanced Medium Combat Aircraft (AMCA) program. The proposed JV, Adani and MTAR stake would be 50:50.
- The JV would develop five prototypes, with the potential for a subsequent order of 126 aircraft.
- The shortlisting of EOI is expected in the coming months. The final bid winner is expected to be announced by May-26.

Oil & Gas

- In Oil & Gas, the new dedicated facility is expected to be commissioned by Q2FY27E.

Fluence

- The company is working on the 2nd prototype for Fluence. The long-term agreement is expected to be finalized by Q4FY26E, and revenue generation is expected from Q2FY27E.
- The revenue is expected to be INR 2-4bn over the next 2-3 years.

Working capital days

- Working capital days increased, due to intentional inventory build-up for H2FY26.
- The company is targeting to bring working capital days to 220 days by FY26E, 200days by FY27E, and a long-term target of 180 days going forward.

Debt

- The company plans to raise additional debt of INR 1.5-2bn.

Financial Statements

Income statement (INR mn)

Year End-March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	5,738	5,808	6,760	8,041	9,920	12,323
YoY (%)	78.2%	1.2%	16.4%	18.9%	23.4%	24.2%
COGS	2,695	3,024	3,419	3,914	4,721	5,803
YoY (%)	131.8%	12.2%	13.1%	14.5%	20.6%	22.9%
Employee expenses	935	970	1,238	1,638	1,988	2,432
YoY (%)	32.1%	3.7%	27.6%	32.4%	21.3%	22.4%
Other Expenses	568	687	895	1,114	1,342	1,667
YoY (%)	40.0%	21.0%	30.3%	24.5%	20.5%	24.2%
Total Expenditure	4,198	4,681	5,552	6,666	8,050	9,902
YoY (%)	63.1%	-26.8%	7.2%	13.8%	36.0%	29.5%
EBITDA	1,540	1,127	1,208	1,375	1,869	2,421
YoY (%)	63.1%	-26.8%	7.2%	13.8%	36.0%	29.5%
EBITDA Margin (%)	26.8%	19.4%	17.9%	17.1%	18.8%	19.6%
Depreciation	187	232	322	340	409	424
% of Gross Block	4.9%	5.1%	6.2%	5.4%	5.9%	5.7%
EBIT	1,353	895	886	1,035	1,461	1,997
EBIT Margin (%)	23.6%	15.4%	13.1%	12.9%	14.7%	16.2%
Interest Expenses	146	223	222	249	251	252
Other income	195	58	52	96	99	105
PBT	1,402	730	716	883	1,308	1,849
Tax	368	169	187	232	343	485
PAT	1,034	561	529	651	966	1,365
PAT Margin	18.0%	9.7%	7.8%	8.1%	9.7%	11.1%
EPS (INR)	33.6	18.2	17.2	21.2	31.4	44.4

Source: Company reports, Arihant Capital Research

Balance sheet

Year-end March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	308	308	308	308	308	308
Reserves & Surplus	5,894	6,456	6,982	7,632	8,598	9,962
Networth	6,201	6,763	7,289	7,940	8,906	10,269
Debt	1,434	1,909	1,773	2,166	2,286	2,292
Other non-current liabilities	239	265	302	337	376	421
Total Liabilities	10,633	10,077	11,303	13,924	15,361	17,313
Total Funds Employed	20,250	18,918	21,493	26,782	29,652	33,547
Application of Funds						
Net Fixed Assets	2,910	3,405	4,387	4,508	4,699	4,875
Capital WIP	644	729	532	468	451	534
Investments	0	0	0	0	0	0
Current assets	6,967	5,648	6,181	8,698	9,930	11,588
Inventory	3,866	3,476	3,461	4,873	5,835	6,661
Days	177	231	187	221	215	197
Debtors	2,084	1,466	2,098	2,173	2,576	3,160
Days	110	112	96	99	95	94
Other Current Assets	382	112	385	500	575	661
Cash and Cash equivalent	312	508	169	1,063	845	998
Current Liabilities/Provisions	3,416	2,078	2,901	4,918	5,386	5,965
Trade Payables	2,182	714	1,061	2,448	2,651	3,065
Days	79	123	59	111	107	104
Other current liabilities	559	392	840	993	1,101	1,222
Net Current Assets	3,551	3,570	3,280	3,781	4,544	5,623
Total Assets	10,633	10,077	11,303	13,924	15,361	17,313
Total Capital Employed	7,082	6,506	8,023	10,144	10,817	11,690

Source: Company reports, Arihant Capital Research

Financial Statements

Cash Flow Statement

Year End-March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	1,034	561	529	651	966	1,365
Adjustments: Add						
Depreciation and amortisation	187	232	322	340	409	424
Interest adjustment	-49	165	170	153	152	147
Change in assets and liabilities	1,172	958	1,022	1,143	1,527	1,935
Inventories	-2,162	389	16	-1,413	-962	-826
Trade receivables	-724	618	-632	-75	-403	-583
Trade payables	1,612	-1,468	347	1,387	202	414
Other Liabilities and provisions	192	116	472	631	267	166
Other Assets	-153	232	-255	-136	-84	-96
Taxes	150	-103	87	-21	-3	-5
Net cash from operating activities	86	742	1,056	1,516	544	1,006
Capex	-1,338	-812	-1,106	-397	-583	-683
Net Sale/(Purchase) of investments	543	333	52	96	99	105
Others	0	-52	19	-3	-3	-3
Net cash (used) in investing activities	-795	-531	-1,036	-304	-487	-582
Interest expense/Debt	382	-15	-356	-319	-275	-271
Dividend paid	-185	0	0	0	0	-1
Other financing activities	-30	1	-3	0	0	-1
Net cash (used) in financing activities	352	-15	-359	-319	-275	-271
Closing Balance	312	508	169	1,063	845	998

Source: Company reports, Arianth Capital Research

Key Ratios

Year-end March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.2	0.3	0.2	0.3	0.3	0.2
Net Debt / Equity	0.2	0.2	0.2	0.1	0.2	0.1
Debt / EBITDA	0.9	1.7	1.5	1.6	1.2	0.9
Current Ratio	0.7	1.2	1.3	0.8	0.8	0.5
DuPont Analysis						
Sales/Assets	0.5	0.6	0.6	0.6	0.6	0.7
Assets/Equity	1.7	1.5	1.6	1.8	1.7	1.7
RoE	16.7%	8.3%	7.3%	8.2%	10.8%	13.3%
Per share ratios						
Reported EPS	33.6	18.2	17.2	21.2	31.4	44.4
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0
BV per share	201.6	219.9	237.0	258.1	289.5	333.9
Cash per Share	4.0	12.8	0.6	3.9	3.1	3.7
Revenue per Share	186.5	188.8	219.8	261.4	322.5	400.6
Profitability ratios						
Net Profit Margin (PAT/Net sales)	18.9%	18.0%	9.7%	7.8%	8.1%	9.7%
Gross Profit / Net Sales	53.0%	47.9%	49.4%	51.3%	52.4%	52.9%
EBITDA / Net Sales	26.8%	19.4%	17.9%	17.1%	18.8%	19.6%
EBIT / Net Sales	23.6%	15.4%	13.1%	12.9%	14.7%	16.2%
ROCE (%)	18.7%	11.2%	10.5%	11.5%	14.6%	17.6%
Activity ratios						
Inventory Days	177	231	187	221	215	197
Debtor Days	110	112	96	99	95	94
Creditor Days	79	123	59	111	107	104
Leverage ratios						
Interest coverage	9.3	4.0	4.0	4.2	5.8	7.9
Debt / Asset	0.1	0.2	0.2	0.2	0.1	0.1
Valuation ratios						
EV / EBITDA	48.2	66.0	61.8	53.9	39.8	30.7
PE (x)	70.6	130.1	138.1	112.2	75.6	53.5

Source: Company reports, Arianth Capital Research

Story in Charts

Exhibit 3: Revenue is expected to grow at a CAGR of 22.2% over the period of FY25-28E.

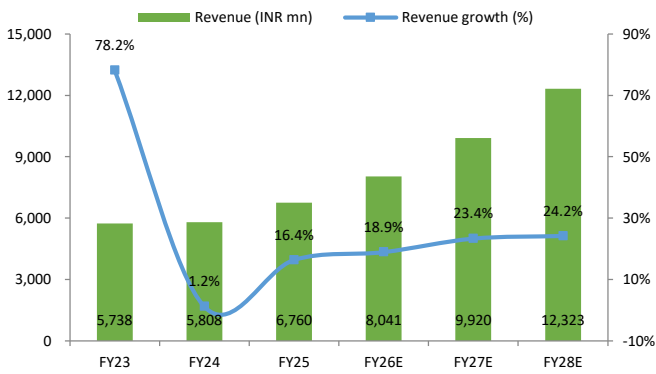


Exhibit 4: Operating leverage and high margin orders will improve gross margins.

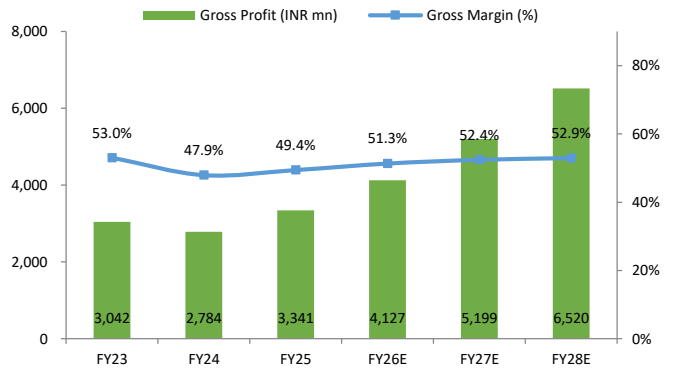


Exhibit 5: EBITDA and PAT margin is expected to improve going forward.

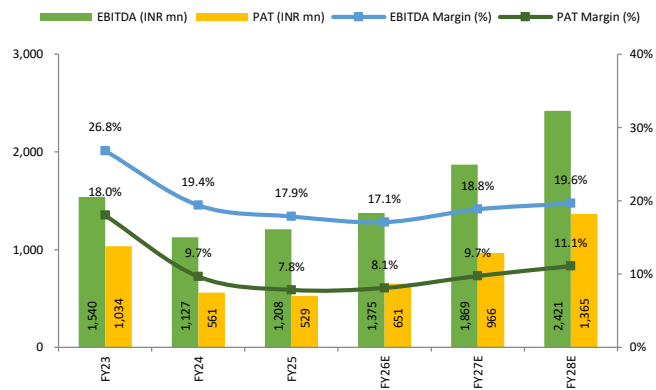


Exhibit 6: Return ratios is expected to improve from FY26E onwards.

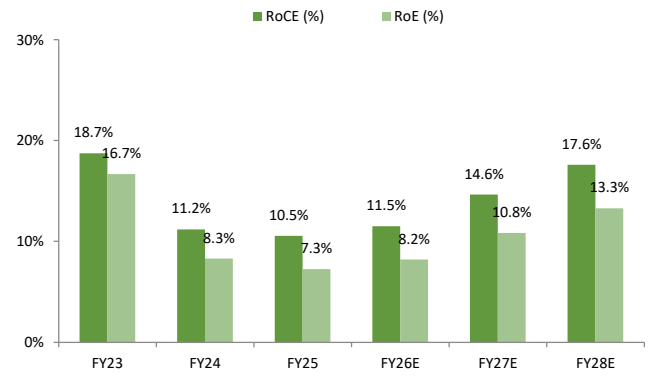


Exhibit 7: The company is focused on working capital days of 200 days going forward.

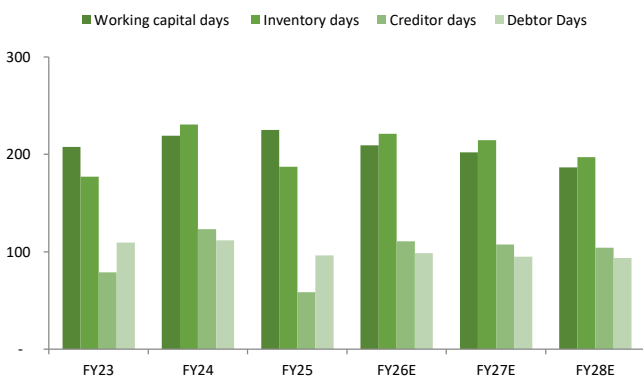
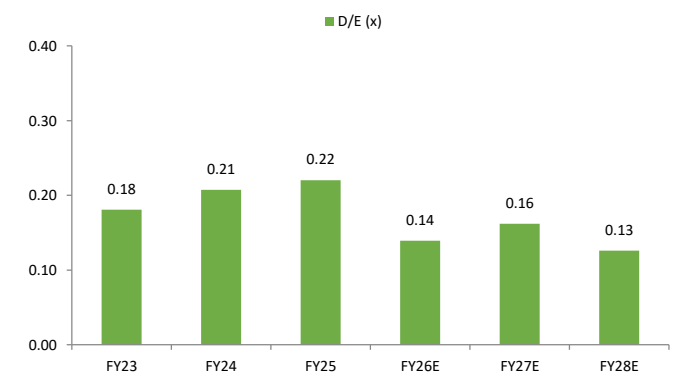


Exhibit 8: Debt to Equity is expected to be lower levels going forward.



Source: Company Reports, Arihant 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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