

Equity Research Report

MTAR Technologies

Repeat Guidance Misses Raise Red Flags: Investors Beware

About The Company

MTAR Technologies Limited ki shuruaat 1969 mein teen founders — P. Ravinder Reddy, K. Satyanarayana Reddy aur P. Jayaprakash Reddy — ne ki thi, taaki India ke post-embargo engineering needs ko pura kiya ja sake.

Yeh company ek "one-stop solution provider" hai jo apne integrated value-chain ke zariye design, precision machining, assembly, testing, quality control, fabrication, brazing, heat treatment jaise specialized processes offer karti hai.

Company ka focus un complex aur mission-critical projects par hota hai jo baaki service providers ke liye kaafi challenging hote hain — especially aise precision components jinme 5–10 microns tak ke close tolerance maintain karne hote hain, ya phir critical assemblies jo national importance ke projects mein kaam aate hain.

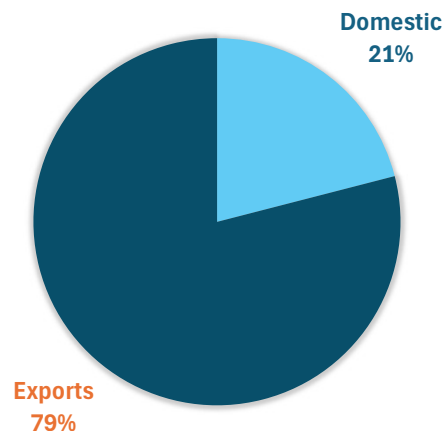
MTAR nuclear reactors ke core parts jaise Fueling Machine Head, Coolant Channel Assemblies, Bridge & Column, aur Drive Mechanism design aur fabricate karta hai; Space aur Defence sectors ke liye Liquid Propulsion Engines, Electro-Pneumatic Modules, Base Shroud Assemblies aur Airframes banata hai; aur Clean Energy sector ke liye SOFC aur hydrogen units supply karta hai jo fuel cells mein use hote hain.

Company ke **paas 8 manufacturing units** hain, jismein ek Export Oriented Unit (EOU) bhi hai Telangana mein. FY24 ke dauraan, MTAR ne capacity badhane ke liye capex kiya, aerospace vertical ke liye ek nayi unit set up ki aur specialized fabrication facilities bhi develop ki.

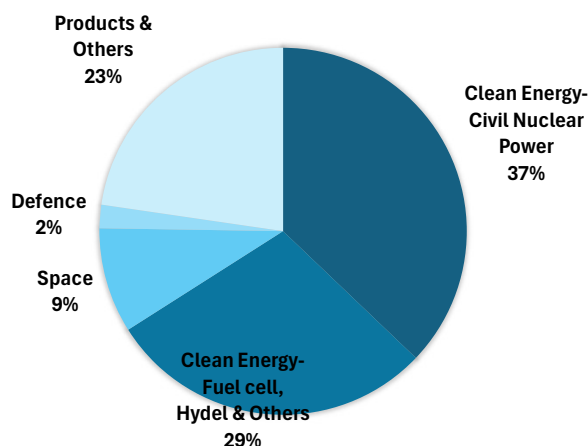
Highlights

- Company ka **70%+ revenue** FY24 aur Q1 FY25 mein sirf ek client – Bloom Energy Corporation – se aaya tha. FY24 ka revenue Bloom ke kam offtake ki wajah se impact hua, jiski wajah se operating margins (OPM) bhi pressure mein aaye.
- Shareholders lagatar apni **holdings reduce** kar rahe hain, jo investor confidence ke liye ek red flag ho sakta hai.
- Management FY25 ke liye ₹700 Cr+ revenue ka target de raha hai, saath hi 21% (±100 bps) EBITDA margin ka guidance diya gaya hai.
- Company expect kar rahi hai 30% revenue growth in FY26, aur agle 2 saalon tak similar growth trajectory continue rehne ki ummeed hai.
- EBITDA margins FY26 mein 24%, FY27 mein 26% aur FY28 tak 28% tak stabilize hone ka projection diya gaya hai.
- Clean Energy aur Aerospace sectors mein global demand ke chalte achhi growth expected hai, aur company is opportunity ko capitalize karne ka plan kar rahi hai.

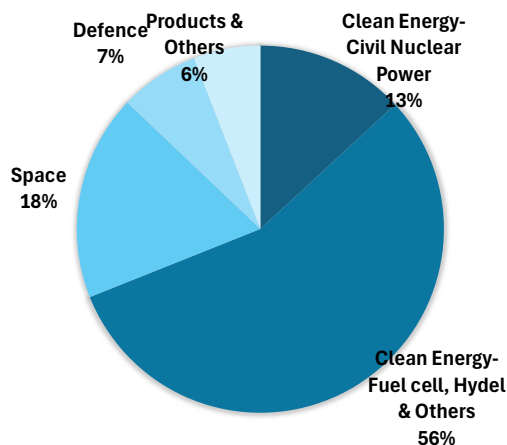
Geographical Split 9MFY25



Revenue Bifurcation – 9MFY25



Diversified Order Book of Rs.1030crs as on 31st Dec 2024



CONFERENCE CALLS

OBSERVATION

“Management apne targets achieve nahi kar raha, fir bhi har baar naye bade targets deta hai” Yeh behaviour indicate karta hai ki:

1. Narrative-Driven Management Hai, Performance-Driven Nahi Har quarter mein:

- Revenue growth ka bada projection
- Volume production ka promise
- MNC tie-ups ka hype
- Future EBITDA margin expansion ka gyaan

Lekin jab ground reality dekhi jaye:

- Execution delays
- Guidance miss hota hai
- Margins improve nahi hote
- Proto se volume production shift nahi hoti

Toh yeh clear signal hota hai ki management sirf “confidence show” kar raha hai, delivery nahi.

2. Repeated Guidance Misses = Public Ko Mislead Karna Jab management bar-bar:

- Targets set karta hai (₹700+ crore revenue, 21% EBITDA etc.)
- Fir unhe achieve nahi karta
- Aur agle quarter mein naya target le aata hai (FY26 – 30% growth, 48% EBITDA by FY28!)

Toh yeh ek pattern ban jata hai:

“Pichle quarter mein jo nahi hua, woh agli baar aur bada hoga.”

Yeh investor ko hope mein daal kar engagement aur valuation high rakhne ki strategy ho sakti hai — especially jab stock price pe pressure hota ho.

3. "Proto to Production" ka Excuse Har Baar

Har baar bola jata hai:

“Abhi proto chal raha hai, next year volume production start hoga.”

Agar 2–3 saal tak yehi bola jaye, toh actual intention suspect hota hai. Proto stage sirf ek baar hota hai — har MNC ke saath baar-baar proto stage ka matlab hai:

- Ya toh company qualify nahi kar pa rahi
- Ya orders waise critical nahi hai jaise dikhaye ja rahe hain
- Ya MNCs ke saath engagement superficial hai
- Yeh investor ka trust dilute karta hai.

4. "Target Confidence" ka Overuse = Manipulation ka Signal

Har time jab management kahe:

- “We are confident of achieving...”
- “Strong pipeline ahead...”
- “Strategic growth coming...”

Lekin aap past data se dekhein ki:

3 saal mein kabhi bhi confident targets achieve nahi huye

Execution slow raha

Margins inconsistent rahe

Toh phir yeh confidence asli nahi, cosmetic lagta hai.

Is tarah ka communication:

Investors ke perception ko control karne ki koshish lagti hai — jise hum “Soft Manipulation” kehte hain.

5. Public Shareholders ko “Hope Cycle” mein daalna

Yehi sab karne ka ultimate goal hota hai:

- Public investor excited rahe
- Stock mein demand bani rahe
- Valuation unjustified levels pe sustain ho
- Promoters aur insiders ko time mile higher valuation pe fund-raising ya stake monetization ke liye
- Isse short-term mein stock chal bhi jata hai, lekin long-term mein trust ka erosion hota hai.

“Company ke management apne goals achieve nahi kar pa rahe hain, fir bhi bar-bar naye promises karte hain — jo ki investor sentiment ko manipulate karne jaisa lagta hai.”

Yeh behaviour:

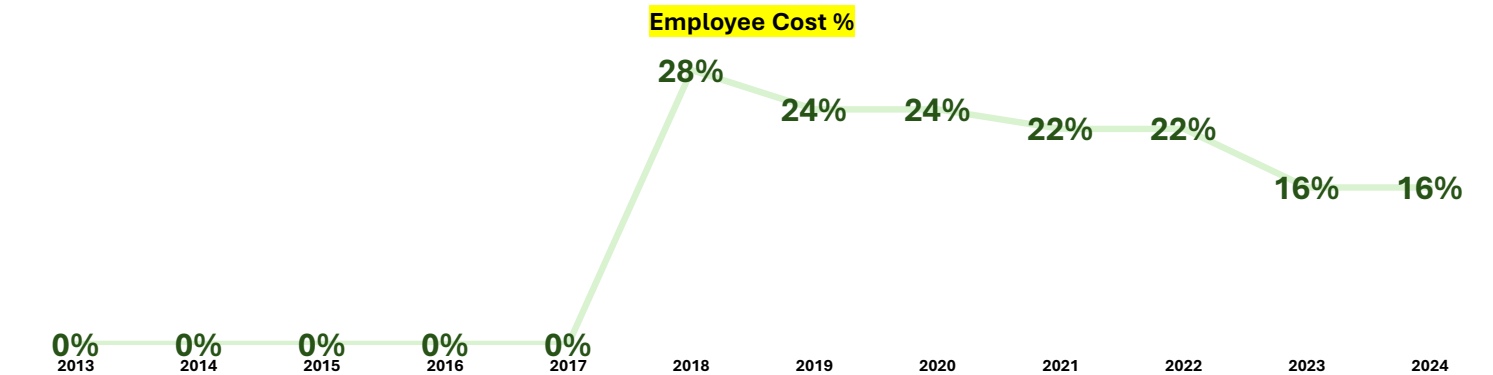
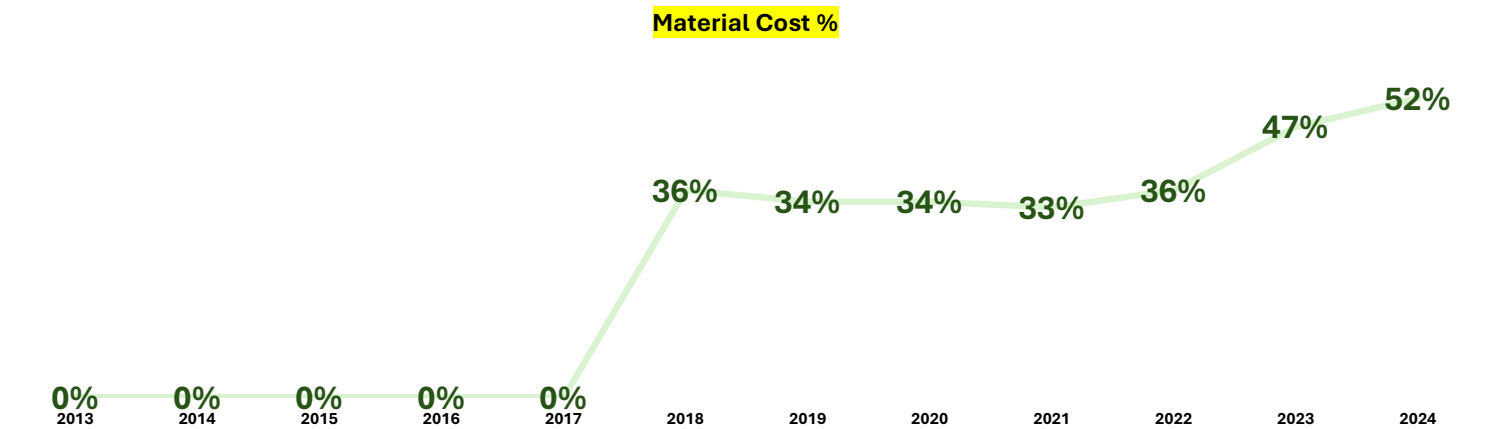
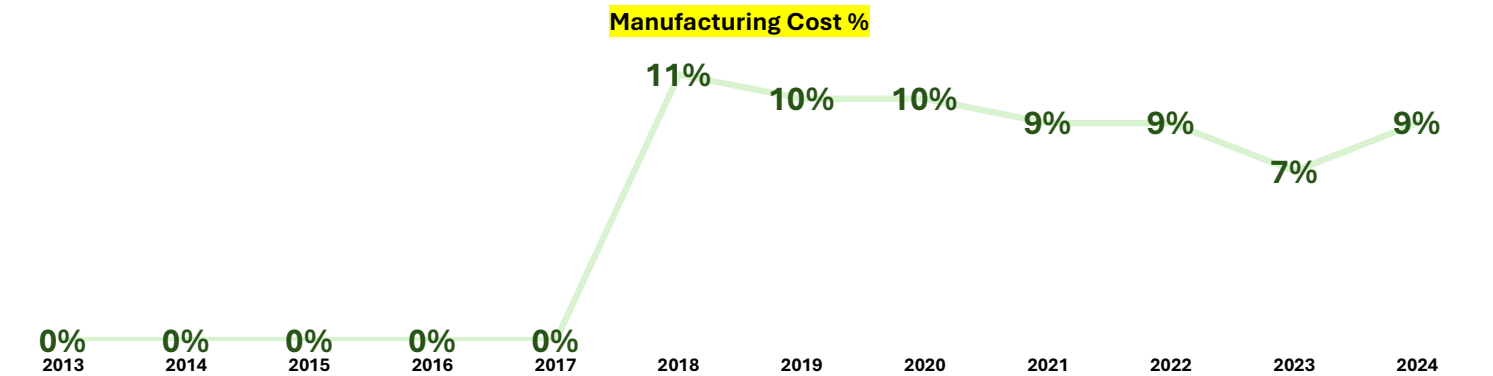
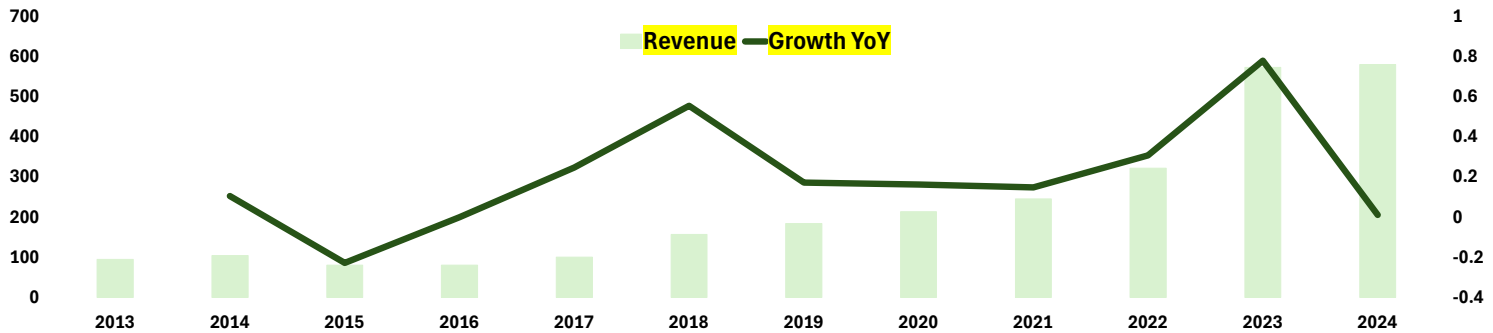
Long-term investors ke liye risky hota hai

Aur clear red flag hai — especially jab transparency, execution aur margin profile match nahi karta promise ke saath

Source - CONCALL

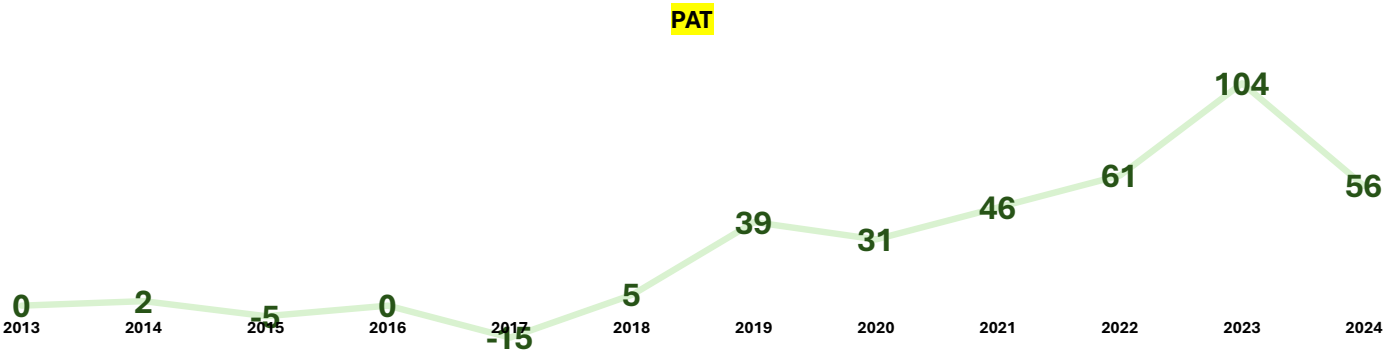
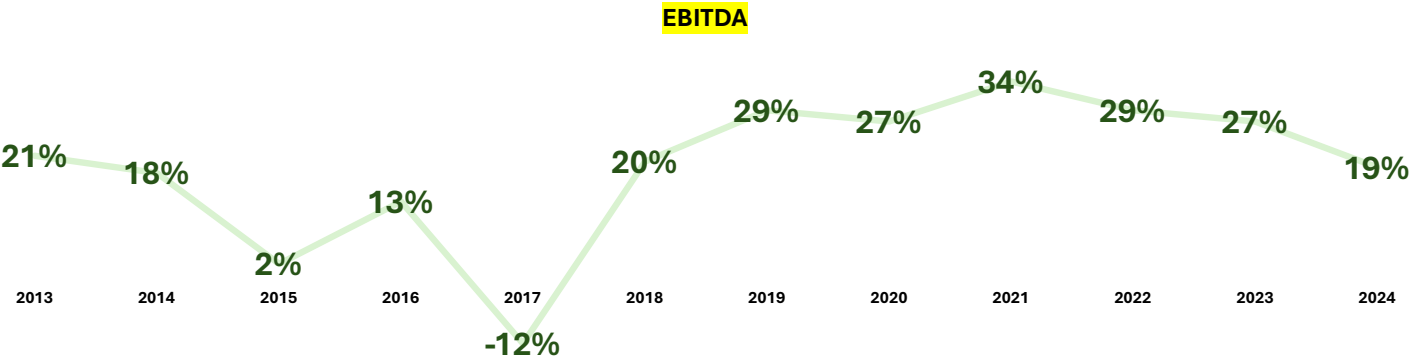


FINANCIAL ANALYSIS





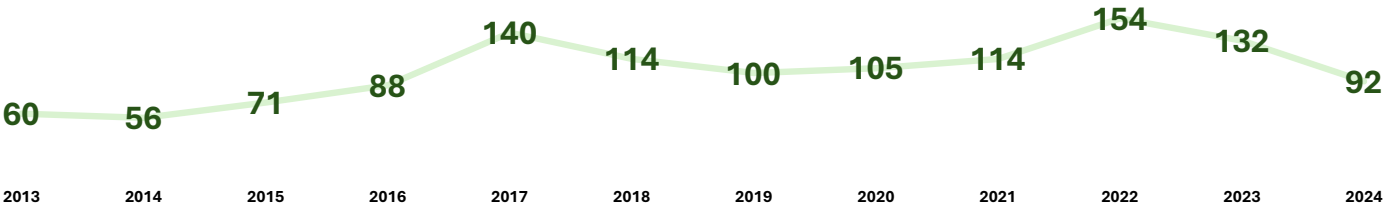
FINANCIAL ANALYSIS



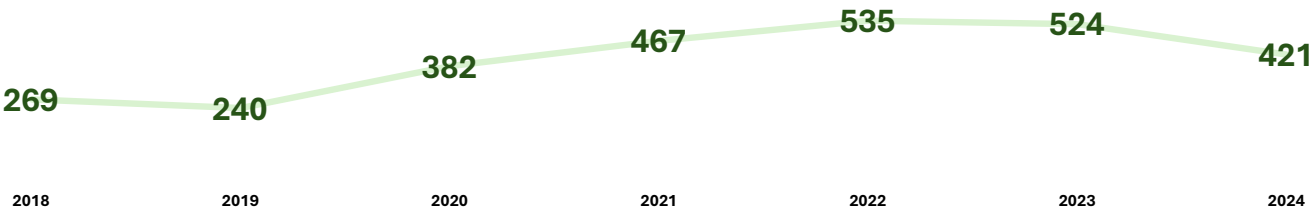


DAYS ANALYSIS

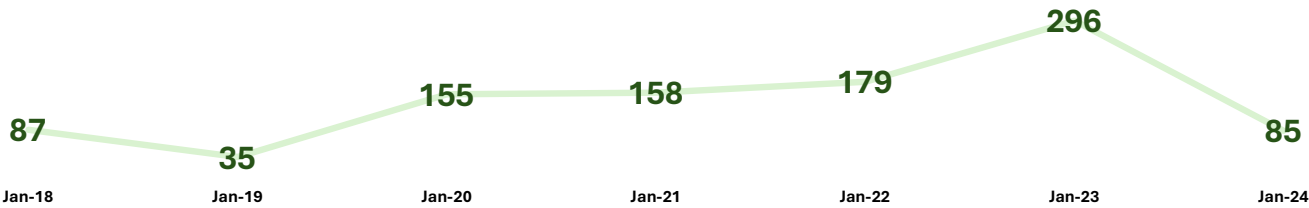
Debtor Days



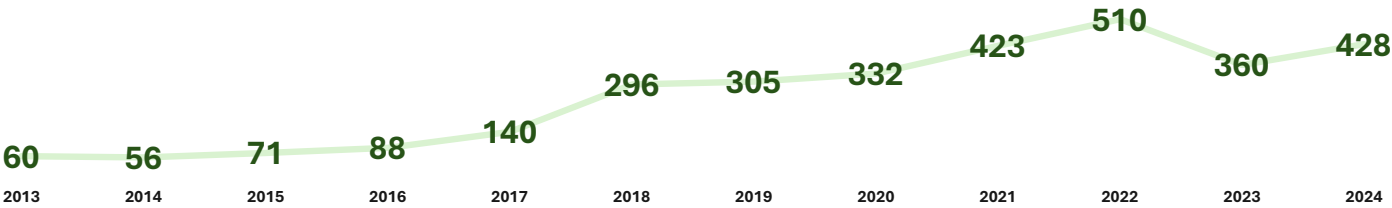
Inventory Days



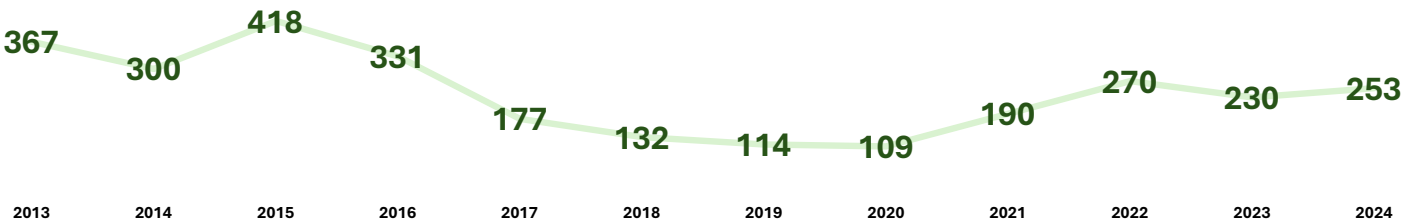
Days Payable



Cash Conversion Cycle

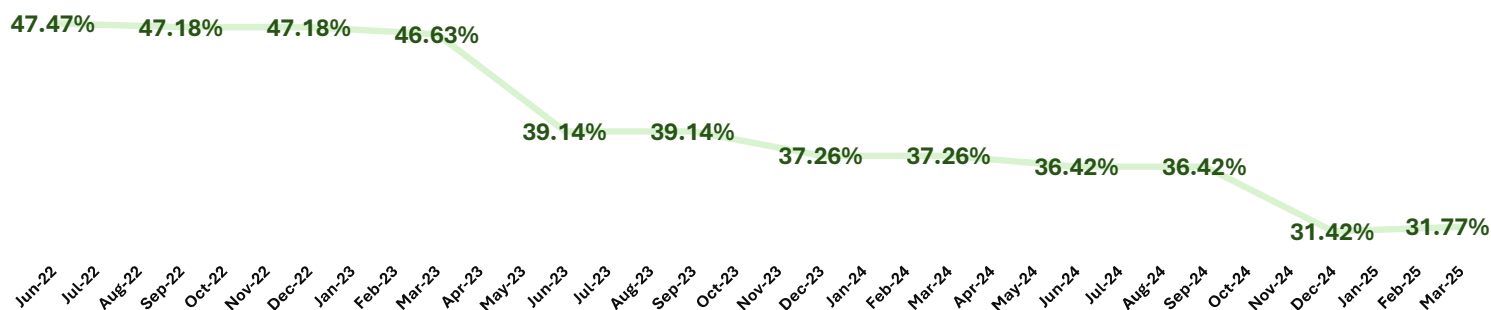


Working Capital Days

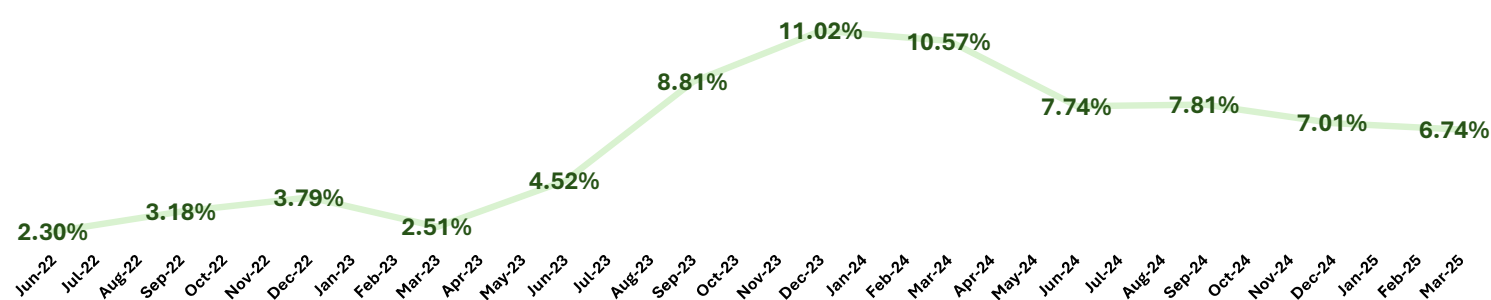


SHAREHOLDING PATTERN ANALYSIS

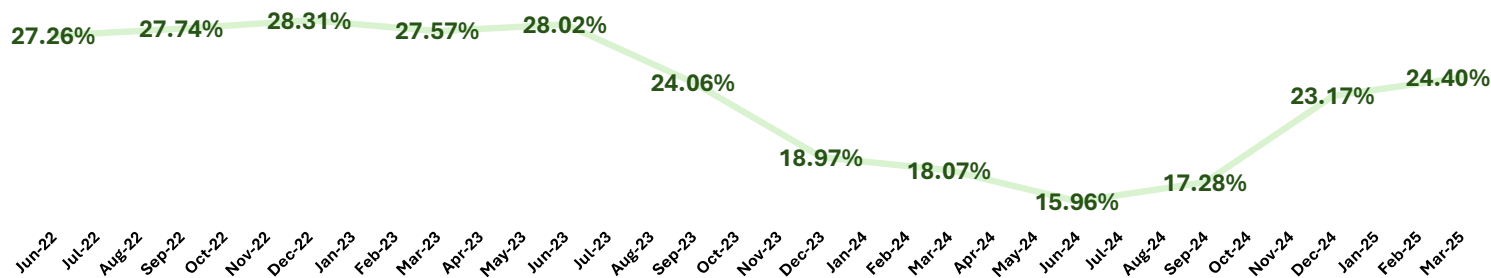
Promoters



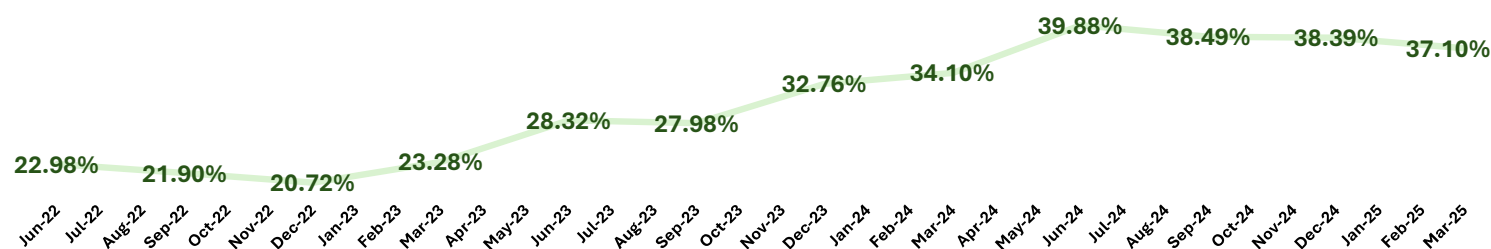
FIIIs



DIIIs



Public



COMMENTARY

1. Material Cost ka Tezi se Badhna – Margin Pressure Ka Sabse Bada Reason

Company ka material cost FY2013 se FY2017 tak 0% tha, matlab ya to cost pass-through model tha ya fir high-value-add work hota tha jahan raw material ka role kam tha.

Phir FY2018 se FY2022 tak yeh 33%-36% ke beech raha – jo manageable tha.

Lekin FY2023 mein material cost badh ke 47% ho gaya aur FY2024 mein aur bhi upar chala gaya – 52% tak.

Iska matlab hai ki input cost ya to uncontrollable ho gayi hai ya fir company ki pricing power weak pad gayi hai.

Yeh ek direct hit hota hai margins pe, jiska asar hume profit numbers mein bhi dekhne ko milta hai.

2. Profit After Tax (PAT) Ka Girna – Direct Financial Deterioration

FY2023 mein PAT ₹104 Cr tha, lekin FY2024 mein yeh gir ke ₹56 Cr reh gaya, yani almost 50% ka decline.

Yeh sirf ek cyclical issue nahi lag raha, balki operational aur structural problems ka indication de raha hai – jaise margin compression, client concentration risk, ya inefficient cost management.

3. Promoters Ki Lagatar Holding Kam Hona – Confidence Crisis

June 2022 mein promoters ki holding 47.47% thi. Lekin March 2025 tak yeh ghatt kar sirf 31.77% reh gayi hai.

Jab management har quarter investor calls mein bold claims karta hai ki growth bhavishya mein zabardast hogi, to fir promoters apne hi business se exit kyun kar rahe hain?

Yeh market ke liye ek bada red flag hai, kyunki jo log sabse zyada company ko samajhte hain – agar woh hi apne stake se nikal rahe hain, to kuch toh dikkat hai.

4. Promoter Pledge – Ek Aur Negative Signal

Iske alawa, promoters ne apni holding ka 10.4% girvi (pledged) rakh diya hai, jo aur bhi concern badhata hai.

Pledging ka matlab hota hai ki ya to promoters ko cash ki desperate zarurat hai, ya unka control weak ho raha hai.

Market aise signals ko bahut seriously leta hai, kyunki agar loan default ho gaya to lender company ke shares bech sakta hai – jis se stock price crash kar sakta hai.

Conclusion – Warning Signs Ignore Mat Karo

Yeh sab indicators – badhti material cost, girta profit, promoters ka exit aur pledge – yeh sab milke dikhate hain ki company financial aur strategic stress mein hai.

Is stage pe investor ko sirf management ke bullish statements par rely nahi karna chahiye, balki numbers aur actions ko dekhkar decision lena chahiye.

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