

Company Overview

MTAR Technologies Limited ("MTAR Technologies") was incorporated on November 11, 1999. The company is a leading precision engineering solutions company engaged in the manufacture of mission critical precision components with close tolerances (5-10 microns), and in critical assemblies, to serve projects of high national importance, through their precision machining, assembly, testing, quality control, and specialized fabrication competencies, some of which have been indigenously developed and manufactured. The company primarily serve customers in the nuclear, space and defence, and clean energy sectors. Since inception, they have strived to grow continually, contributing to the Indian civilian nuclear power programme, Indian space programme, Indian defence and aerospace sector, global defence and aerospace sector, as well as to the global clean energy sector

Objects of the issue

The issue consist of Offer for sale (INR 4.7 bn) and Fresh issue (INR 1.2 bn). Company proposes to utilize the net proceeds from fresh issue the proceeds of the Pre-IPO Placement towards funding the following objects for:

- A) Repayment / prepayment in full or in part, of borrowings availed by company.
- B) Funding working capital requirements.
- C) General Corporate Purposes.

Investment Rationale

Wide product portfolio leading to long-standing relationships with the customers

As on December 31, 2020, company's major product portfolio includes 3 kinds of products in the clean energy sector, 14 kinds of products in the nuclear sector and 6 kinds of products in the space and defence sectors. They strive to understand their customers' specific business needs and provide products to meet their requirements and accordingly, their ability to provide quality products as per the customer specification, and their consistent customer servicing standards, have enabled them to increase their customers' dependence on them. Within the nuclear sector, their long standing relationship of over 16 years with NPCIL bears testimony to their ability to manufacture and supply specialized products. Within the space sector, they have established relationship with ISRO to whom they have been supplying a wide variety of mission critical components and critical assemblies for its various missions, for over 3 decades. They have also invested in the development of roller screws, which is an import substitute, and are involved in developing the associated technology. Once this development has been completed, they will, in India, be the first manufacturer of roller screws, while this product shall be used for a wide variety of applications in the nuclear, space and defence sectors.

Expand international presence including through increase in exports

The company is currently involved in the manufacture of power units, specifically hot boxes, and in the development and manufacture of hydrogen boxes and electrolyzers, to serve Bloom Energy. Further, they have recently acquired a new international customer operating in the clean energy sector. The company intends to continue to expand their international operations to enhance their global presence in the sectors they cater to. They seek to identify markets where they can provide cost and operational advantages to their clients and distinguish themselves from other competitors. In addition, they intend to reach out to global OEMs who either currently have defence deals with India or have their business operations in India. They are also looking to enter into defence offset partnership with certain global OEMs and have incorporated their Subsidiary, Magnatar Aero Systems Pvt. Ltd. in this regard.

Valuation and Outlook

MTAR Technologies is also a key supplier of mission critical components to customers within the space and defence sectors for their programs of national importance. It is also a key supplier of mission critical components to customers within the space and defence sectors for their programs of national importance. On the valuation front, at the upper price band, the company is valued at 56.5x P/E based on FY20 numbers considering the diluted equity shares which is aggressively priced. While comparing on apple to apple basis, company has no listed peers. However, company's wide product portfolio catering to customers in diverse segments and surplus order book of INR 336 cr (Dec 20) will enable to leverage its overall operating efficiency in upcoming years. Considering all these factors, We give a "SUBSCRIBE" rating on this IPO issue for long term.

Issue Details

Offer Period	Mar 03rd - 05th Mar 2021
Price Band	INR.574 to INR.575
Bid Lot	26
Listing	BSE&NSE
Issue Size (no. of shares in mn)	10.3
Issue Size (INR. in bn)	5.9
Face Value (INR)	10

Issue Structure

QIB	50%
Retail	35%
HNI	15%
BRLM	JM Financial, IIFL Securities
Registrar	KFin Technologies Pvt. Ltd.

Particulars Pre Issue % Post Issue %

Promoter	62.24	50.25
Public	37.76	49.75
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY18	FY19	FY20	1HFY21
Revenue				
Revenue from operations	1,596	1,837	2,138	1,773
Total revenue	1,596	1,837	2,138	1,773
Expenses				
Raw Materials Consumed	660	655	873	748
Changes in Inventories	(90)	(30)	(151)	(64)
Employee benefit expenses	446	435	516	374
Other expenses	232	239	320	184
Excise Duty	30	-	-	-
Total Operating expenses	1,277	1,300	1,558	1,242
EBITDA	319	537	580	530
Depreciation and amortisation expense	112	112	120	93
Other income	9	22	44	7
EBIT	216	447	503	444
Finance costs	45	45	48	48
PBT	172	403	455	396
Current tax	43	92	78	71
Deferred Tax charge	74	(89)	63	44
Adjustment of Tax relating to earlier period/year	0	21	1	-
Total tax	117	24	142	115
PAT	54	379	313	281
Diluted EPS	1.8	12.3	10.2	9.1

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY18	FY19	FY20	1HFY21
Cash Flow from operating activities	144	421	562	(64)
Cash flow from investing activities	(13)	(328)	(121)	(160)
Cash flow from financing activities	(138)	(75)	(413)	199
Net increase/(decrease) in cash and cash equivalents	(7)	19	28	(25)
Cash and cash equivalents at the beginning of the period	98	91	108	135
Effect of exchange differences on cash & cash equivalents held in foreign currency	-	(2)	-	-
Cash and cash equivalents at the end of the period	91	108	135	110

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY18	FY19	FY20	1HFY21
Equity				
Share Capital	282	282	268	268
Other Equity	1,773	2,068	1,983	2,189
Net worth	2,055	2,350	2,251	2,456
Long-Term Borrowings	-	-	-	72
Long-Term Provisions	30	6	24	33
Deferred tax Liabilities	88	0	53	99
Total Non Current Liabilities	118	6	77	204
Short Term Borrowings	198	287	291	583
Trade payables	136	60	306	145
current tax liability	-	12	9	-
Other current liabilities	290	329	492	381
Short Term Provisions	13	8	34	26
Other Financial Liabilities	-	-	2	24
Total Current Liabilities	637	696	1,135	1,159
Total liabilities	2,810	3,052	3,463	3,819
Assets				
Tangible Assets	1,522	1,620	1,550	1,550
Right of Use Assets	-	-	-	-
Capital work in Progress	18	56	117	189
Intangible Assets	0	1	1	9
Investments	113	227	33	72
non-current tax assets (net)	23	16	6	15
Other non-current assets	38	41	40	46
Total Non current assets	1,715	1,962	1,747	1,881
Trade Receivables	490	504	616	731
Cash and Bank Balances	91	108	135	110
Other current assets	48	43	95	172
Bank Balances	0	-	97	105
Inventories	419	411	755	791
Other Financial Assets	47	24	17	28
Total Current Asset	1,095	1,090	1,715	1,938
Net Current Assets	458	394	580	780
Total Assets	2,810	3,051	3,463	3,819

Source: RHP, BP Equities Research

Key Risks.

- ⇒ Company depends significantly on orders from NPCIL, ISRO and DRDO. If there is any decline or prioritization of funding by Indian budget towards other departments, company would adversely impact.
- ⇒ They are subject to strict quality standards and any failure to comply may lead to cancellation of existing orders and future orders would have impact.
- ⇒ Volatility in supply of raw materials may have adverse effect on its business.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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