

## Subscribe for Long Term

### Issue Details

Price Band (Rs)	Rs.574- 575
Face Value (Rs)	10
Issue Size (Rs)	596.41Cr
Issue Type	Book Building
Minimum lot	26
Issue Opens	March 03, 2021
Issue Closes	March 05, 2021
Listing on	BSE, NSE

### Indicative Timeline

	On or before
Finalization of Basis of Allotment	March 10, 2021
Unblocking of Funds	March 12, 2021
Credit of shares to Demat Account	March 15, 2021
Listing on exchange	March 16, 2021

### Other Detail

Book Running Lead Managers	JM Financial Limited, IIFL Securities Limited
Registrar	KFin Technologies Private Limited

## MTAR Technologies Limited

### Company Background

Incorporated in 1999, MTAR Technologies Ltd (MTAR) is a leading national player in the precision engineering industry. The company is primarily engaged in the manufacturing of mission-critical precision components with close tolerance and in critical assemblies through its precision machining, assembly, specialized fabrication, testing, and quality control processes. A wide range of complex product portfolios meets the varied requirements of the Indian nuclear, Defence, and Space sector. ISRO, NPCIL, DRDO, Bloom Energy, Rafael, Elbit, etc. are some of the esteem clients. Currently, the firm has 7 state-of-the-art manufacturing facilities in Hyderabad, Telangana that undertake precision machining, assembly, specialized fabrication, brazing and heat treatment, testing and quality control, and other specialized processes.

### Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.123.51Cr and Offer for sale of Equity Shares aggregating upto Rs.472.90Cr.

(The company has also undertaken a Pre-IPO Placement of 1,851,851 Equity Shares at a price of Rs.540/- per share, aggregating to Rs.100 crore.)

### Issue Objectives

- Repayment / prepayment in full or in part, of borrowings availed by Company
- Funding working capital requirements; and
- General corporate purposes

### IPO Share Allotment Pattern

Category	Allocation	Number of Shares	Issue Size (Rs.Cr) at Rs.574	Issue Size (Rs.Cr) at Rs.575
QIB	50%	51,86,209	297.69	298.21
Non-Institutional	15%	15,55,862	89.31	89.46
Retail	35%	36,30,346	208.38	208.74
<b>Total</b>		<b>1,03,72,419</b>	<b>595.38</b>	<b>596.41</b>

### Outlook and Valuations

MTAR Technologies is a leading national player in the precision engineering industry. The company primarily serve customers in the nuclear, space and defence, and clean energy sectors. The company operates in a niche segment with a high entry barriers and caters to segments which offers a healthy prospective pipelines due to make in India and Atmanirbhar Bharat initiatives. At the upper price band of Rs.575, the stock is valued at 47.26x FY21E EPS of Rs.12.17/- (based annualize latest earnings and on diluted basis). **We recommend subscribing to the issue from a long-term perspective.**

### Investment Rationale

#### Precision engineering expertise with complex product manufacturing capability

The company develops and manufactures a wide range of mission critical assemblies and precision components with close tolerances (5-10 microns), through its precision machining, assembly, and specialized fabrication facilities, for onward usage by their customers in the clean energy, nuclear, and space and defence sectors in India, and abroad. These capabilities are further supported by an extensive and stringent testing and quality control mechanism undertaken at each stage of the production process. Towards this end, they use high precision quality inspection equipment such as 3D co-ordinate measuring machines ("CMM"), laser measuring, optical alignment instruments, non-contact measuring, and other such non-destructive testing equipment to ensure ideal quality, as requested by the customers.

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### 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.

### Modern technology at state-of-the-art manufacturing facilities

The company operates through their 7 state-of-the-art manufacturing facilities, including 1 EOU, situated in Hyderabad, Telangana which is one of the key centres for defence research and development in the country. The presence of major defence organizations in Hyderabad not only provides them access to the critical R&D and high-volume projects, but also allows for ease of coordination, specifically in terms of their collaborative R&D efforts, as well as for subsequent close monitoring of manufacture and quality control processes, thereby giving them an advantage over the other players located in other regions.

### Company's offerings

Unit	Nuclear	Defence	Space
Unit 1	Manufactures complex nuclear assemblies such as FM head, thimble package, top hatch beam, bridge and column. Additionally, high-end defence products such as air frames, base shroud assembly for Agni missiles.	Manufacturing of complex nuclear assemblies such as FM Head, Thimble Package, Top Hatch Beam, Bridge & Column etc. High-end defence products such as Air frames, Base Shroud Assembly for Agni missiles.	Manufacturing of complex products for PSLVs, GSLVs, SSLVs and satellites.
Unit 3	Manufactures ball screws (import substitute) used in nuclear assemblies.	It produces ball screws (import substitute), which are used in defence applications	It produces ball screws (import substitute), which are used in aerospace applications
Unit 4,5 & 6	Provides support services to Unit 1 and other units.	Provides support services to Unit 1 and other units.	It produces ball screws (import substitute), which are used in aerospace applications.
Additional two units at Adibatla	Sheet metal manufacturing and specialised fabrication.	Sheet metal manufacturing and specialised fabrication.	Sheet metal manufacturing and specialised fabrication.

### Strong and diversified supplier base for sourcing of raw materials

The company has, over the years, developed a robust supply chain for the sourcing of a wide variety of specialized raw materials used in the manufacture of mission critical precision products. While they source materials from third party suppliers depending upon the requirement of a project that they undertake, in certain instances, especially involving the critical and sensitive raw material and bought out items for the manufacture of certain products are directly procured and supplied by their customers, mostly belonging to the space and defence sectors. The materials utilized for products catered to the clean energy and nuclear sectors, and other consumables and bought-outs are mostly sourced from third party suppliers, both domestic and global.

### Track record of growth in financial performance

The company has able to increase their total income at a CAGR of 16.56% during the last 3 Fiscals, from Rs.160.55 crore in Fiscal 2018 to Rs.218.14 crore in Fiscal 2020. The EBITDA has grown at a CAGR of 37.80% from Fiscal 2018 to Fiscal 2020. Further, as on March 31, 2020 and as on December 31, 2020, the debt equity ratio was 0.13 and 0.27, respectively, as compared to 0.07 as on December 31, 2019, 0.12 as on Fiscal 2019 and 0.10 as on Fiscal 2018. The strong financial position and results of operations have enabled them to invest in key machining, assembly, fabrication and quality control infrastructure, and in R&D.

## Financial Snapshot

Particulars ( Rs.Mn )	FY2018	FY2019	FY2020	9MFY21
Equity share capital	282	282	268	268
Net worth	2055	2350	2251	2456
Net asset value per share	73	83	84	92
Revenue from Operations	1596	1837	2138	1773
EBITDA	328	560	623	538
EBITDA %	20.44%	30.10%	28.57%	30.20%
Net Profit	54	392	313	281
Diluted EPS (Rs)	1.92	13.89	11.11	10.49
ROE	2.64%	16.68%	13.91%	11.42*
ROCE	9.6%	17%	19.8%	14.20*
Debt to Equity Ratio	0.10	0.12	0.13	0.27

\*Not annualized , Source: Company RHP, ACMIIL Research

**Comparison With Listed Peers :** There are no listed companies in India in the same line of business as that of the Company.

### Risk and Concern

- Large revenue dependency over few customers.
- Any supply disruption may negatively affect business revenues.
- Compliance with strict quality standards.

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