

MTAR Technologies Ltd : Good Issue

IPO Note : Leading Precision Engineering solutions company with Good Growth, Reasonable Margin, Low Debt. First mover advantage in the space, security and defence segment. Valuation is priced-in : Ranking***



Issue details

Price band (Rs)	Rs.574-575
IPO Opening Date	03/03/21
IPO Closing Date	05/03/21
Issue Size	Rs.596.41

Recommendation

Total revenue grew at a CAGR of 16.56% from Rs.160.54 Cr for the FY 2018 to Rs.218.14 Cr for FY 2020 and Net Profit grew at a CAGR of 140.34% in the same period. Net profit grew from Rs.5.42 crore to Rs. 31.31crore in this period. For the first nine months of FY21 ended on December 31, 2020, it has earned a net profit of Rs. 28.07 cr. on a turnover of Rs. 177.99 cr. According to management, due to more Capex and IAS provisioning methods, it has posted a lower net profit for FY18. MTL has an order book worth Rs. 336.2 cr. as of December 31, 2020. The company has more than 50% export earnings with higher margins. If we annualize latest earnings and attribute it on post-issue fully diluted equity capital, then asking price is at a P/E of around 47.52. As per offer documents, MTL has no listed peers to compare with. The valuation is priced in. Considering its first mover advantage in the space, security and defence segment and its orders on hands worth of Rs. 336.2 cr with good OPM of 29.16% and 30.46% for the last two year, investors may consider it for the long term.

Highlights

- MTAR Technologies Ltd. (MTL) is a leading precision engineering solutions company engaged in the manufacture of mission-critical precision components
- MTL enjoys a long-term relationship with clients like ISRO, DRDO, NPCIL, etc.
- The company has seven plants including an EOU to cater to global demands. It has a wide product portfolio to cater to diverse sectors.
- MTL has an order book worth Rs. 336.2 cr. as of December 31, 2020.
- Debt to Equity ratio 0.27 as on 31 Dec. 2020

Company Introduction

Incorporated in 1999, MTAR Technologies 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.

Since its inception, MTAR Technologies has significantly expanded its product portfolio including critical assemblies i.e. Liquid propulsion engines to GSLV Mark III, Base Shroud Assembly & Airframes for Agni Programs, Actuators for LCA, power units for fuel cells, Fuel machining head, Bridge & Column, Drive Mechanisms, Thimble Package, etc. 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



www.mtar.in

Financial Summary (Rs. In Crore)

Particulars	Nine Month Dec.2021	FY20	FY19	FY18
Total Income	177.99	218.14	185.91	160.54
Net Profit	28.07	31.31	39.19	5.42
EPS (Rs)	9.12*	10.17	12.74	1.76

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

machining, assembly, specialized fabrication, brazing and heat treatment, testing and quality control, and other specialized processes.

Company Promoters:

Parvat Srinivas Reddy, P. Leelavathi, K. Shalini, D. Anitha Reddy, C. Usha Reddy, G. Kavitha Reddy, Anushman Reddy, P. Kalpana Reddy, Saranya Loka Reddy, A. Manogna, and M. Madhavi are the company promoters.

Objects of the Issue:

- To partly or fully repay company's borrowings.
- To finance company's working capital requirements.
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its plans of repayment/prepayment in full or part, of borrowings availed by the company (Rs. 63 cr.), working capital (Rs. 95 cr.) and general corpus fund needs, MTL is coming out with its maiden combo IPO of fresh equity issue (2148149 shares) worth Rs. 123.52 cr. (at the upper price band) and an offer for sale of 8224270 shares. It has fixed a price band of Rs. 574 -Rs. 575 per share for shares having a face value of Rs. 10 per share and mulls mobilizing Rs. 595.38 cr. to Rs. 596.41 cr. (based on lower and upper price bands). The Minimum application is to be made for 26 shares and in multiples thereon, thereafter. MTL is issuing overall 10372419 shares. The issue opens for subscription on March 03, 2021, and will close on March 05, 2021. Allocation of IPO quota is 50% for QIBs, 15% for HNIs and 35% for Retail investors. MTL's current paid-up equity capital of Rs. 28.61 cr. will stand enhanced to Rs. 30.76 cr. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 1768.68 cr.

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