October 13, 2025

MTAR Technologies Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Cash credit	297.00	280.00	[ICRA]A (Stable); reaffirmed
Long term – Fund based – Term loan	139.00	108.49	[ICRA]A (Stable); reaffirmed
Long term/Short term – Non-fund based	214.00	200.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Short term – Standby limit	20.00	00.00	-
Long term/Short term – Unallocated	0.00	81.51	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Total	**670.00**	**670.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings continues to factor in the extensive experience of the promoters of MTAR Technologies Limited (MTL) and its track record in the precision engineering industry, which caters to various segments, including clean energy, nuclear, space, aerospace and defence. Also, the established relationship with renowned clients, including the Indian Space Research Organisation (ISRO), Bloom Energy Corporation (Bloom), Nuclear Power Corporation of India (NPCIL) and Defence Research and Development Laboratory (DRDL), among others, has ensured repeat orders from its customers over the years. Further, the company is developing new products as well as acquiring new clients, both of which are expected to augment the revenues, going forward. Moreover, MTL is the key supplier of several products to its clients, indicating its expertise in manufacturing niche and quality products, which limits the competition.

The ratings also take into account MTAR's healthy financial risk profile, with a comfortable capital structure and debt protection metrics. ICRA notes the improvement in revenue in FY2025, supported by a strong order book position. However, the profitability slightly moderated during the year from the FY2024 levels, though it remained healthy, leading to relatively stable coverage indicators. The company is expected to maintain healthy revenue growth in FY2026, supported by continued execution and robust demand across segments. Further, the growth momentum is expected to sustain in the medium term, supported by healthy orders in the pipeline from domestic and international clients.

ICRA notes that Indian exporters have been navigating a turbulent trade environment, with the recent tariff hikes by the US threatening to reshape long-standing business dynamics. The latest round of US tariffs, effective August 27, 2025, has added a punitive 25% duty on select Indian goods, pushing the effective tariff burden to 50% for some categories, combined with pre-existing levies. These tariffs place Indian exporters at a disadvantage compared to competitors that face lower tariff rates. MTAR has significant exports of ~72% to the US in FY2025. However, MTAR's cost structure and engineering depth, achieved through indigenisation of key components, provide a strong buffer against the tariff impacts. On September 10, 2025, MTAR received orders worth Rs. 386 crore from Bloom Energy Corporation, a major US customer. Further, the company expects to receive healthy incremental orders over the next 12 months. Nonetheless, ICRA will continue to monitor the evolving environment and its implications for MTL's credit profile.

The ratings, however, are constrained by high customer concentration as the company derives a major share of its revenues from one client, i.e., Bloom Energy Corporation (BEC), US. Further, the ratings consider the company's working capital-intensive operations owing to the long production and receivable cycle inherent to the industry. The ratings also consider the vulnerability of its margins to the fluctuations in forex rates to the extent of the unhedged position, and the margins vary, depending on the segment and customer mix.

The Stable outlook reflects ICRA's expectations that the company is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record in engineering industry – MTL, established in 1970, draws comfort from the vast experience of its promoters and has developed strong in-house R&D capabilities over the years. The company has an established presence in the engineering industry, which caters to varied segments, including clean energy, nuclear power, space, aerospace and defence. MTL is the key supplier of several products to its clients, indicating its expertise in manufacturing niche and quality products, which limits the competition. The company has a renowned client base, including reputed players such as Bloom Energy Corporation, Indian Space Research Organisation (ISRO), Nuclear Power Corporation of India (NPCIL) and Defence Research and Development Laboratory (DRDL), among others. It has established relationship with its customers and has been receiving repeat orders from its clients.

Healthy order book position – The company had an unexecuted order book of Rs. 930 crore as of June 2025, which provides revenue visibility for the near to medium term. On September 10, 2025, MTAR received orders worth Rs. 386 crore from Bloom Energy Corporation, the major customer from the US. Further, the company expects to receive healthy incremental orders over the next 12 months. The company is adding new products to its portfolio and acquiring clients in various segments, which is expected to augment the revenues, going forward. Further, the favourable demand prospects in the end-user segments and the Government's thrust on the indigenisation of production augur well for the company's long-term growth prospects.

Comfortable capital structure and healthy debt protection metrics – The company's capital structure continues to be comfortable with a gearing of 0.2 times as on March 31, 2025, which moderated to 0.3 times as on March 31, 2024. The debt protection metrics remain healthy. The company's revenue increased in FY2025. Also, though the profitability slightly moderated during the year from the FY2024 levels, it remained healthy, leading to relatively stable coverage indicators. The total debt/OPBDITA was at 1.5 times as on March 31, 2025 and the interest coverage was 5.4 times in FY2025.

Further, the company is expected to report a healthy revenue growth in FY2026, supported by a strong order book position of ~Rs. 930 crore as of June 2025. Also, the growth momentum is expected to sustain in the medium term, backed by the likely healthy orders in the pipeline from domestic and international clients. The increase in the OI is likely to support the operating leverage, leading to an improvement in the operating margins and healthy coverage indicators, going forward**.**

Credit challenges

High customer concentration risk – The company has high customer concentration. It derived more than 70% of its revenues from a single customer - Bloom Energy Corporation - in FY2025. The company's revenues and margins would be adversely impacted if the offtake by the customer declines. Nevertheless, the overall client profile comprises reputed players with repeat orders received over the years, largely mitigating the counterparty credit risk. A healthy order inflow from domestic clients in the nuclear and space segments and new client acquisitions will be crucial in reducing the concentration risk over the medium term.

Working capital-intensive operations – The company's operations are working capital intensive, reflected in NWC/OI of ~62% in FY2025 (71% as of FY2024) due to the long receivable cycle and high inventory holding requirements. The company extends a credit period of up to 120 days to its customers and receives a credit period of 30-120 days from its import suppliers (majority of the period is in transit time). As MTAR manufactures products with a long cycle, the inventory levels remain high. Further, the sharp increase in the inventory levels in the recent past is attributable to the raw materials which are in transit. The overall working capital intensity is expected to remain high in the medium term due to a growing order book and a relatively long manufacturing cycle and lead time**.**

Exposure to fluctuations in forex rates – The company's margins are exposed to the fluctuations in forex rates as MTL is a net exporter. Thus, any sharp adverse movement in the forex rates can impact the realisations and the operating margins. The margins also vary, depending on the segment and customer mix. However, the margins have remained healthy over the past few years.

Environmental and Social Risks

Environmental considerations - The precision engineered systems manufacturing sector may face environmental risks due to changing regulations, such as tighter energy and carbon norms. According to the disclosures made in the company's annual report, its operating units are compliant with the applicable environmental laws/regulations and guidelines, as per the national and state-level mandates. Over the years, MTL has strategised to grow in the clean energy segment to manufacture climate-positive products with majority of the revenue (~64% of total revenue in FY2025) derived from this segment, including civil nuclear power and fuel cells. Further, the company has been taking steps to reduce its carbon footprint by enhancing its reliance on renewable sources for power.

Social considerations - MTL, like most precision engineered systems suppliers, has a healthy dependence on human capital. Hence, retaining human capital and maintaining healthy employee relations and a supplier ecosystem remains essential for disruption-free operations of the entity. Another social risk that MTL faces pertains to product safety and quality, wherein instances of product recalls may not only lead to financial implication but could also harm the reputation and create a more long-lasting adverse impact. In this regard, MTL's strong track record in catering to leading players in the industry underscores its ability to mitigate these risks to an extent. The company's strong technological capabilities are likely to help it align its products with any change in customer preferences.

Liquidity position: Adequate

The company's liquidity position is adequate with average fund-based working capital utilisation of 23% in the 16 months ended July 2025. As on March 31, 2025, the company had free cash and liquid investments of Rs. 2.3 crore. Moreover, the anticipated annual cash flows are expected to remain healthy against a repayment obligation of ~Rs. 48 crore in FY2026 and ~Rs. 39 crore in FY2027. Further the company has capex plans of Rs. 100 crore for FY2026 which would be funded by debt and internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company is able to sustain a healthy revenue growth, aided by diversification of the customer base and improvement in the working capital cycle, while maintaining healthy margins and liquidity.

Negative factors – ICRA may downgrade the ratings if any significant reduction in margins or lower-than-expected accruals, or if any stretch in the working capital cycle impacts its liquidity position, or if there is a higher-than-anticipated debt-funded capex. Specific credit metrics that may downgrade MTL's ratings include TD/OBDITA of more than 2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of MTAR and its wholly-owned subsidiaries (Annexure II)

About the company

MTAR started as a partnership firm in 1970 and was incorporated as a private limited company in 1999 by the Late P. Ravindra Reddy, Sri K. Satyanarayana Reddy and Sri P. Jayaprakash Reddy. The company went for Initial Public Offer (IPO) and publicly listed on exchanges in March 2021. The company has eight manufacturing units in Hyderabad. Its plants are ISO 14001:2015 and AS9100D certified.

MTAR specialises in the design and fabrication of complex precision engineered systems such as

1. Fuelling machine head, bridge & column, fuel transfer system, coolant channel assemblies, drive mechanisms, fuel locator assembly, sealing & shielding doors etc. for the core of nuclear reactors.
2. Liquid propulsion engines, cryogenic engine sub-systems, electro-pneumatic modules, satellite valves, grid fin structures etc. for space launch vehicles, precision engineered assemblies for various MNC aerospace companies
3. Gear boxes, aerostructures, actuation systems, ball screws etc. for various applications in defence
4. SOFC & hydrogen units for fuel cells, sheet metal assemblies, enclosures, and electrolysers in the clean energy sector
5. Import substitutes such as ball screws, water lubricated bearings, roller screws, ASP assemblies that find various applications in the clean energy -civil nuclear power, space & defence sectors.
6. Specialised fabricated structures such as draft tube, spiral casing, rotar & stator assemblies for various hydro power and wind energy applications

The company incorporated a wholly-owned subsidiary - Magnatar Aero Systems Private Limited (MASPL; an MSME company) - in FY2020 to reach out to global OEMs who either have defence deals with India or have their business operations in India; however, till date there are no operations in the subsidiary. The company acquired Geepee Aerospace and Defence Private Limited in June 2022 (an MSME company) and currently operates in a small scale.

Key financial indicators (audited)

MTAR- Consolidated	FY2024	FY2025	Q1FY2026
Operating income	580.8	676.0	156.6
PAT	56.1	52.9	10.8
OPBDITA/OI	19.4%	17.9%	18.1%
PAT/OI	9.7%	7.8%	6.9%
Total outside liabilities/Tangible net worth (times)	0.5	0.6	-
Total debt/OPBDITA (times)	1.7	1.5	-
Interest coverage (times)	5.1	5.4	4.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Oct 13, 2025	FY2025		FY2024		FY2023	
					Date	Rating	Date	Rating	Date	Rating
1	**Term loan**	Long term	108.49	[ICRA]A (Stable)	Sept 23, 2024	[ICRA]A (Stable)	Jun 16, 2023	[ICRA]A (Stable)	-	-
							Apr 04, 2023	[ICRA]A (Stable)		
2	**Working capital facility**	Long term	280.00	[ICRA]A (Stable)	Sept 23, 2024	[ICRA]A (Stable)	Jun 16, 2023	[ICRA]A (Stable)	-	-
							Apr 04, 2023	[ICRA]A (Stable)		
3	**Bank guarantee**	Long term/ Short term	150.00	[ICRA]A (Stable)/ [ICRA]A1	Sept 23, 2024	[ICRA]A (Stable)/ [ICRA]A1	Jun 16, 2023	[ICRA]A (Stable)/ [ICRA]A1	-	-
							Apr 04, 2023	[ICRA]A (Stable)/ [ICRA]A1		
4	**Letter of credit**	Long term/ Short term	50.00	[ICRA]A (Stable)/ [ICRA]A1	Sept 23, 2024	[ICRA]A (Stable)/ [ICRA]A1	Jun 16, 2023	[ICRA]A (Stable)/ [ICRA]A1	-	-
							Apr 04, 2023	[ICRA]A (Stable)/ [ICRA]A1		
5	**Derivatives/ Credit exposure**	Long term/ Short term	-	-	Sept 23, 2024	[ICRA]A (Stable)/ [ICRA]A1	Jun 16, 2023	[ICRA]A (Stable)/ [ICRA]A1	-	-
							Apr 04, 2023	-		
6	**Unallocated**	Long term/ Short term	81.51	[ICRA]A (Stable)/ [ICRA]A1	Sept 23, 2024	-	Jun 16, 2023	[ICRA]A (Stable)	-	-
							Apr 04, 2023	[ICRA]A (Stable)		
7	**Standby limit**	Short term	-	-	Sept 23, 2024	[ICRA]A1	Jun 16, 2023	[ICRA]A1	-	-
							Apr 04, 2023	-		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Cash credit	Simple
Long term – Fund based – Term loan	Simple
Long term/Short term – Non-fund based	Very Simple
Long term/Short term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	-	-	-	280.00	[ICRA]A(Stable)
NA	Term loan I	Apr 2023	-	Mar 2029	27.09	[ICRA]A(Stable)
NA	Term loan II	Sep 2021	-	Oct 2026	18.74	[ICRA]A(Stable)
NA	Term loan III	Apr 2022	-	Aug 2027	17.72	[ICRA]A(Stable)
NA	Term loan IV	Jan 2024	-	Dec 2028	18.28	[ICRA]A(Stable)
NA	Term loan V	Dec 2024	-	Oct 2029	16.00	[ICRA]A(Stable)
NA	Term loan VI	Dec 2023	-	Sep 2028	10.66	[ICRA]A(Stable)
NA	Non-fund based	-	-	-	200.00	[ICRA]A(Stable)/ [ICRA]A1
NA	Unallocated limits	-	-	-	81.51	[ICRA]A(Stable)/ [ICRA]A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	MEPL ownership	Consolidation approach
MTAR Technologies Limited	Rated entity	Full consolidation
Magnatar Aero Systems Private Limited	100%	Full consolidation
Gee Pee Aerospace & Defence Private Limited	100%	Full consolidation

***Source:** MTAR's shareholding pattern ended March 31, 2025*

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