

## Textual information (1)

### Disclosure in board of directors report explanatory [Text Block]

#### DIRECTOR'S REPORT

To

The Members of MTAR Technologies Private Limited,

We have pleasure in presenting the 21st Directors report together with Audited accounts for the year ended 31st March, 2020.

#### FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFAIRS:

(Rs. In Lakhs)

Particulars	Standalone		Consolidated
	2018-19	2019-20	
2019-20			
Revenue from operations	21377.35	18367.03	21,377.35
Other Income (Including Exceptional Items)	436.7315	353.16	436.73
Profit/ (Loss) before Interest, Depreciation & tax	6233.44	5,724.95	6233.44
Depreciation	(1,204.79)	(1,123.42)	(1,204.79)
Financial charges	(475.29)	(446.02)	(475.29)
Profit Before Tax	4553.36	4155.51	4553.36
Provision for Tax (including deferred Tax )	(1,421.45)	(235.60)	(1,421.45)
Comprehensive Income –As per Ind AS	(239.73)	46.27	(239.73)
Profit After Tax	2892.18	3966.18	2892.18

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#### PERFORMANCE REVIEW:

The Company has recorded a turnover of Rs.21377.35 Lakhs and earned profit for the year Rs.2892.18 Lakhs in the financial year 2019-20 as against the turnover of Rs. 18367.03 Lakhs and profit for the year of Rs. 3966.18 Lakhs in the financial year 2018-19.

#### Company's Battle with COVID 19

The COVID-19 pandemic has developed rapidly into a global crisis in the last month of FY 2020, thereby forcing governments to enforce lock-downs of all economic activity. The focus of the company immediately shifted to ensuring the health and well-being of all employees, and on minimizing disruption to services for all our customers globally. We have managed to reach the targets of FY 2020 despite the COVID 19 pandemic during the last month of the FY 2020

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**TRANSFER TO RESERVES:**

Directors have decided not to transfer any amount to reserves for the year.

**DIVIDEND:**

For half year ended 30/09/2019, the Company declared and paid an interim dividend of 30% (Rs.3 per share) which resulted in an outflow of Rs. 8,46,42,396/- towards dividend and Rs. 1,73,98,493/-towards tax thereon @ 20.55% for the Company.

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**OVERVIEW OF COMPANY'S PERFORMANCE SO FAR IN FY 2021**

The company has clocked a revenue of Rs.125 Cr in H1 FY2021 which is 23% higher than revenue of 102 Cr in H1 FY2020. The EBITDA is 34 Cr which is ~4% higher than the EBITDA of 32.8 Cr in H1 FY2020. The company has exceeded its H1 2020 targets in spite of supply chain disruptions due to COVID and less than 5 months of effective operations, because of the timely measures taken by management to resolve the bottlenecks and commitment of the employees. The revenue target for FY 2021 is 250 Cr and target for EBITDA is ~87 Cr



**FUTURE OUTLOOK OF BUSINESS:**

**General Outlook:**

The future of our customer segments such as Defence & Aerospace, Space, Nuclear, Clean Energy to which the company caters are estimated to have a lucrative growth. In spite of challenges due to COVID 19 the company's order book is expected to grow aggressively by the end of the year FY 2021 and all the four customer segments are estimated to witness a growth in the number of orders

**Space Sector:**

Global Space market is witnessing increased use of Space Launch Vehicles for Satellites and testing probe applications, introduction space tourism and development of satellite internet system. ISRO wants to commercialize the Indian Space sector and increase the number of launches to capture the global opportunity, thereby providing lucrative opportunities in Space in the long-term. However, due to COVID 19 the launches might come down during the next two years and are expected to increase exponentially in the subsequent years

The products supplied to ISRO such as Liquid Propulsion Engines, satellite valves etc. are expected to witness an immense demand when the launches increase. In addition, there is huge demand for SSLV (Small Satellite Vehicle) due to the surge in Satellite launches. The company is drawing up plans to take up the complete integration of SSLV in-house. The company also wants to collaborate with ISRO for the development of new technology related to the new missions of ISRO, that will give access to new technology and create a sustainable business in future.

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**Nuclear Energy:**

Nuclear segment is witnessing a huge upward cycle at present. Currently, 10 Fleet reactors with a combined generation capacity of 7000 MW have been sanctioned by GOI. There is an immense opportunity for MTAR from the customers in Nuclear segment in Fleet Reactors and the company's order book is expected to witness a stellar growth as company is sole supplier to some the products to Nuclear customers

**Defense & Aerospace**

Currently, Indian Defence sector is at inflection point with initiatives such as Make-in-India, Atmanirbhar Bharat etc. The company is well-positioned to benefit from the 'Make in India' initiative pursuant to which the Government of India is keen to encourage defence manufacturing in India. The DPP 2020 states that any order released by government shall require 50% of the indigenous content. The FDI limit in Indian Defence is taken to 74% from 49%, which might attract many global OEMs to India.

The company is focusing on projects such as gear manufacturing, gun barrel in the near term and want to take up opportunities such as Aerostructures, complete integration of missile systems in the next 3 years. The company has started quoting aggressively for Defence orders and is strategically focusing on critical sections of missiles, bombs, launchers etc. to turn its long-term plans of taking up complete integration of missiles, launchers into reality.

The company has also reactivated its relationship with Elbit and trying get orders for critical assemblies from Rafael. It also targets to reach to OEMs that have major deals with India.

**Clean Energy:**

Globally, clean energy market is expected to reach USD 1500 bn by 2025. Amidst this upward surge, the business potential of Bloom is expected to increase substantially that will in turn provide a lucrative growth to MTAR. Bloom has a substantial market share of USD 213 Bn in US and USD 608 in top 10 power generating countries. The company is expecting the annual revenue from Bloom will grow to 250 Cr in the next 3 years



Bloom has ventured into Hydrogen fuel cell economy in collaboration with a South Korean firm. Hydrogen Fuel Cell Market is expected to grow exponentially which is an immense opportunity for Bloom that would in turn provide huge upside to MTAR. The company has started working on manufacturing electrolyzers to produce Methane free hydrogen for existing customers and the prototype will be dispatched in the month of Nov 2020, which might give a huge upside.

The Business Plan envisages a growth in topline to 486 Cr in FY2023 from 218 Cr in FY 2020 by 123% and the EBITDA to 172 Cr in FY 2023 from 62 Cr in FY 2020 by 177% in the next three years.

**CHANGE IN THE NATURE OF BUSINESS, IF ANY:**

During the period under review and the date of Board's Report there was no change in the nature of Business.

**EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:**

There are no material changes and commitments affecting financial position of the company between 31st March, 2019 and the date of Board's Report. (i.e. 08.09.2020) except for the impact of the outbreak of COVID-19 which affected every business one way or the other in the country.

**BOARD MEETINGS:**

The Board of Directors met 4 times during the year on 09.07.2019, 09.08.2019, 23.10.2019, and 27.01.2020 and the maximum gap between any two meetings is less than four months, as stipulated under the provisions of Companies Act, 2013.

Date

Board Strength

No of Directors Present

09.07.2019	12	10
09.08.2019	12	09
23.10.2019	12	09
27.01.2020	11	10

**PUBLIC DEPOSITS:**

The Company has not accepted any deposits falling within the meaning of Sec.73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the financial year under review.

**CAPITAL OF THE COMPANY:**

Authorized Share capital and paid up share capital of the company stand at Rs. 66,00,00,000 divided into 6,60,00,000 equity shares of Rs.10/- each and Rs. 28,21,41,320 divided into 28214132 equity shares of Rs.10/- each respectively.

The members had approved Buyback of 26,58,621 Equity Shares at a price of Rs.123.206 through tender offer route in the Extraordinary General Meeting held on 28.02.2020 out of which 1454541 equity shares were surrendered and accordingly the consideration was paid. Thereby, reducing the paid up capital of the company to Rs. 26,75,95,910/- divided into 26759591 equity shares of Rs. 10/- each.

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**INFORMATION ABOUT THE FINANCIAL PERFORMANCE OF SUBSIDIARIES / ASSOCIATES/ JOINT VENTURES:**

As on 31st March, 2020, the Company has one subsidiary company namely Magnatar Aero Systems Private Limited. The Financial performance of the subsidiary company is mentioned in FORM AOC- 1 in accordance with Section 129(3) of the Companies Act, 2013 which is annexed as Annexure I to this Annual Report.

**COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR:**

In order to enter into business agreements/ business with the Defence companies as Indian Offset Partner (IOP), the Company has incorporated a wholly owned subsidiary company “Magnatar Aero Systems Private Limited” on 04.11.2019.

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**RISK MANAGEMENT:**

The Company ensures that all the risks are timely defined and mitigated.

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**DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR:**

**Directors:**

Sri. N. Rangachary resigned w.e.f. 23.10.2019.

Sri. P. Jayaprakash Reddy was designated as non- executive Chairman w.e.f 09.07.2019 and subsequently resigned w.e.f. 10.04.2020.

Sri. K. Satyanarayana Reddy was designated as Non – Executive Co - Chairman w.e.f 09.07.2019. Subsequently, due to his sad demise the office was vacated on 07.05.2020.

Mrs. P. Kalpana Reddy resigned w.e.f. 18.08.2020.

Dr. Sukesh Reddy resigned w.e.f 08.09.2020



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**Key Managerial Personnel:**

Although sec. 203 of Companies Act, 2013 is not applicable to the Company being a private limited, there were appointments and resignations of designated persons considered as Key Managerial Personnels as mentioned below:

Mr. P. Srinivas Reddy was appointed as Managing Director of the Company w.e.f 01.09.2020.

Mr. Abhaya Shankar was appointed as CEO of the Company w.e.f 09.05.2019.

Mr. Devesh Dhar Dwivedi was appointed as CFO of the Company w.e.f 01.09.2019 and subsequently as Chief Operating Officer w.e.f 01.09.2020.

Office of the CEO was vacated w.e.f 10.05.2020.

Mr. G. Shubham Barot was appointed as Company Secretary of the Company on 09.04.2019 and subsequently resigned on 30.09.2019.

Mr. Sudipto Bhattacharya was appointed as Chief Financial Officer of the Company w.e.f 01.09.2020.

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**DIRECTORS RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Sec. 134(5) of the Companies Act, 2013 the Board of Directors of your Company hereby certifies and confirms that:

- a. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;

The Directors have prepared the Annual accounts on a going concern basis;

The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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**DETAILS IN REPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB-SECTION (12) OF SECTION 143 OTHER THAN THOSE WHICH ARE REPORTABLE TO CENTRAL GOVERNMENT.**

There are no frauds reported by the auditors as per section 143 (12).

**STATUTORY AUDITORS:**

In accordance with section 139 of the Companies Act, 2013, the members of the company in the Extra Ordinary General Meeting held on 23.10.2019 accorded consent for appointment of M/s. S.R Batliboi & Associates LLP, as Statutory Auditors of the company to fill casual vacancy caused by the resignation of M/s. Seshachalam & Co. from the conclusion of Extraordinary General Meeting till the conclusion of this Annual General Meeting of the Company to be held for the financial year 2019-2020.

The Board proposes to appoint M/s. S.R Batliboi & Associates LLP with the approval of members in this Annual General Meeting and details for the same are attached to the Notice annexed to it.

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**MAINTENANCE OF COST RECORDS:**

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Sec. 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

**EXTRACT OF ANNUAL RETURN:**

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report (Annexure IV)

**DISCLOSURE OF INTERNAL FINANCIAL CONTROLS**

The Internal Financial Controls with reference to financial statements as designed and implemented by the Company are adequate. During the year under review, no material or serious observation have been noticed for inefficiency or inadequacy of such controls. The Company maintains appropriate system of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use or disposition. Company policies, guidelines and procedures provide for adequate checks and balances, and are meant to ensure that all transactions are authorized, recorded and reported correctly.

**SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS:**

During the period under review there are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

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**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

The Company has not given any loan, guarantee or investment as specified under section 186 of the Companies Act, 2013 except for investment in the wholly owned subsidiary to the extent of subscription money.

**CORPORATE SOCIAL RESPONSIBILITY POLICY:**

The company has attracted the provisions of Corporate Social Responsibility u/s 135 of Companies Act, 2013 based on the net profit of the company being more than Rs. 5.00 Crores in financial year 2018-19. The company has formed the CSR committee to foresee the CSR activities, adopted the CSR policy and also created a separate bank account exclusively for CSR. The other details are as mentioned in the Annexure III.

**RELATED PARTY TRANSACTIONS:**

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on arm's length basis. Details regarding all such transactions have been mentioned form AOC-2 annexed as Annexure II to this report.

**INDUSTRY BASED DISCLOSURES AS MANDATED BY THE RESPECTIVE LAWS GOVERNING THE COMPANY:**

The Company is not a NBFC, Housing Companies etc., and hence Industry based disclosures is not required.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO:**

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The required information as per Sec.134 of the Companies Act 2013 is provided hereunder:

A. Conservation of Energy

Adequate measures have been taken to reduce energy consumption, wherever possible. Total energy consumption and energy consumption per unit of production is not applicable as company is not included in the industries specified in the schedule.

B. Technology Absorption

All the Factors mentioned in Rule 8 (3) (b) Technology absorption are not applicable to the Company

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C. Foreign Exchange Earnings and Out Go

Foreign Exchange Earnings

Foreign Exchange Outgo

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Rs. 14,217.09 Lakhs



Rs. 9,975.85 Lakhs

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**DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:**

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The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment. The Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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**ACKNOWLEDGEMENTS:**



The directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

For and on behalf of the Board

MTAR Technologies Private Limited

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Place: Hyderabad

Date: 08.09.2020

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Mr. P. Srinivas Reddy

Managing Director

(Din: 00359139)

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Mr. K Vamsidhar Reddy

Director

(DIN: 01133873)



## Textual information (2)

### Description of state of companies affair

The Company has recorded a turnover of Rs.21377.35 Lakhs and earned profit for the year Rs.2892.18 Lakhs in the financial year 2019-20 as against the turnover of Rs. 18367.03 Lakhs and profit for the year of Rs. 3966.18 Lakhs in the financial year 2018-19.