Initiating Coverage

India I Capital Goods

31 March 2024

Institutional Research

Tega Industries

The Head'liner'

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CENTRUM

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BUY

Price: Rs1,240

Target Price: Rs1,625

Forecast return: 31%

Tega Industries (TEGA) offers strong growth prospects in the mill liner industry, a critical consumable in the mineral grinding process. It is the fifth largest global player in an oligopolistic industry, gaining rapid market share (currently 8-8.5% vs. 5% three years ago) led by strong success of a disruptive product DynaPrime. It offers multiple growth levers such as geographic expansion, break-through products and a huge scale-up opportunity in McNally's equipment business. We expect TEGA to register 18%/30% revenue/earnings CAGR over FY24E-26E, along with robust long term scale-up potential. Initiate with BUY and target price of Rs1,625 based on 32x FY26E EPS.

Consumable product offerings provide structural growth prospects

Mill liners are critical consumables in grinding mills for extraction of minerals from rocks. Hence, growth is structural, non-cyclical and isolated from commodity price fluctuation. Notably, 75% of TEGA's liner need is met from copper and gold industry, where superior quality of consumable is needed to get desired throughput for higher beneficiation amid ore grade depletion. Mill liner is an oligopolistic market globally with top five players (incl. TEGA) controlling ~50% share. TEGA's key strengths are product customization, superior quality & close proximity to clients (global manufacturing plants and branch offices) whereby its employee can reach a customer site in 48 hours.

Presence of multiple growth catalysts to outpace industry peers

TEGA presents multiple growth levers for a 15% CAGR over the medium term (4-5 years) such as (1) successful penetration of DynaPrime, a hybrid mill liner, in metallic liner market (8-10% conversion achieved in USD900mn market, 50-60% market up for grabs), (2) commissioning of new manufacturing plant in Chile by April 2025 (Rs8bn sales potential at full utilization), (3) new subsidiary in Peru, which has substantial mineral reserves providing significant business opportunities, (4) launch of new smart product offerings, which has moved from R&D phase to testing phase at customer's site and will be commercially launched in FY25, (5) possibilities of large long-term orders such as recently won Rs6.8bn five year contract from Europe's largest copper mine, and (6) ramping up McNally's equipment business (USD30bn global market, 15x of mill liners).

Sound financial profile to complement business uptick

TEGA is a healthy financial franchise with revenue CAGR of 17% over FY19-23, average gross margin of 58.4% and average EBITDA margin of 19.7%. Cash flow conversion is also healthy with aggregate OCF/EBITDA of 66% and FCF/OCF of 58% leading to FCF/sales of 7.5% over FY19-23. Besides, pass through of freight cost, lower execution period (4-5 months in consumables and 8-9 months in equipment), high exports (85% of sales) and larger share of repeat orders (75% of sales) also aids financial health.

Initiate coverage with a BUY rating and a target price of Rs1,625

With multiple growth levers, we expect TEGA to register 18% revenue and 30% earnings CAGR over FY24E-26E. Healthy growth prospects and a sustainable EBITDA margin profile of 21-22% will drive ~300bps expansion in return ratios to ~20% over the next three years. We initiate coverage on TEGA with BUY rating and a target price of Rs1,625 based on 32x FY26E earnings (1.1x PEG ratio and at par multiple to AIAE).

Financial and valuation summary

YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	9,518	12,140	15,612	18,621	21,722
EBITDA	1,829	2,704	3,096	3,995	4,804
EBITDA margin (%)	19.2	22.3	19.8	21.5	22.1
Adj. Net profit	1,169	1,840	2,008	2,755	3,381
Adj. EPS (Rs)	17.6	27.7	30.2	41.4	50.8
EPS growth (%)	(14.3)	57.3	8.9	37.2	22.7
PE (x)	70.3	44.7	41.1	29.9	24.4
EV/EBITDA (x)	46.1	31.5	27.5	21.3	17.3
PBV (x)	11.2	7.8	6.7	5.6	4.6
RoE (%)	17.2	20.6	17.6	20.3	20.7
RoCE (%)	14.3	16.8	15.1	17.6	18.5

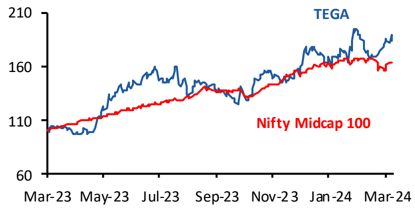
Source: Company Data, Centrum Broking

Market Data

Bloomberg:	TEGA IN
52 week H/L:	1,380/644
Market cap:	Rs82.6bn
Shares Outstanding:	66.5mn
Free float:	25.0%
Avg. daily vol. 3mth:	1,02,156

Source: Bloomberg

TEGA relative to Nifty Midcap 100



Source: Bloomberg

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	74.9	74.9	75.0	79.1
FIIs	1.5	1.8	2.5	2.4
DIIs	18.3	17.5	16.6	12.1
Public/other	5.3	5.8	5.9	6.4

Source: BSE

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Thesis Snapshot

Centrum vs. consensus

YE Mar (Rs bn)	Centrum FY25E	Consensus FY25E	Variance (%)	Centrum FY26E	Consensus FY26E	Variance (%)
Revenue	18,621	17,792	4.7%	21,722	20,763	4.6%
EBITDA	3,995	3,809	4.9%	4,804	4,647	3.4%
EBITDA margin	21.5	21.4	10bps	22.1	22.4	(30bps)
Adj. PAT	2,755	2,514	9.6%	3,381	3,172	6.6%
Diluted EPS (Rs.)	41.4	37.8	9.6%	50.8	47.7	6.6%

Source: Bloomberg, Centrum Broking

Tega Industries vs. NIFTY Midcap 100

	1m	6m	1 year
TEGA IN	6.2	34.3	84.4
NIFTY Midcap 100	(0.0)	19.9	63.9

Source: Bloomberg, NSE

Key assumptions

YE Mar	FY24E	FY25E	FY26E
Sales growth (%)			
Consumables	15.0	20.0	17.0
Equipment	15.0	15.0	15.0
EBITDA Margin (%)			
Consumables	21.0	22.5	23.0
Equipment	12.0	14.0	15.5

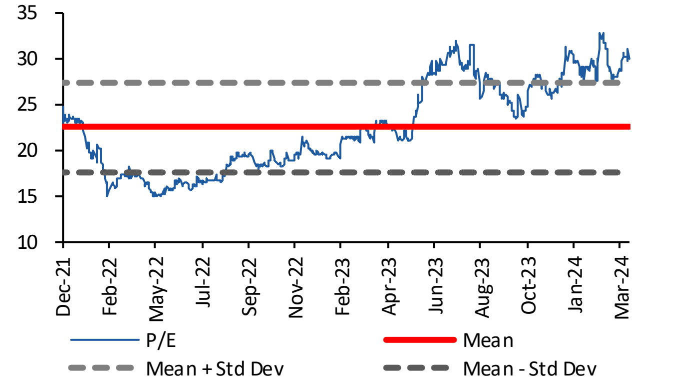
Source: Centrum Broking

Valuations

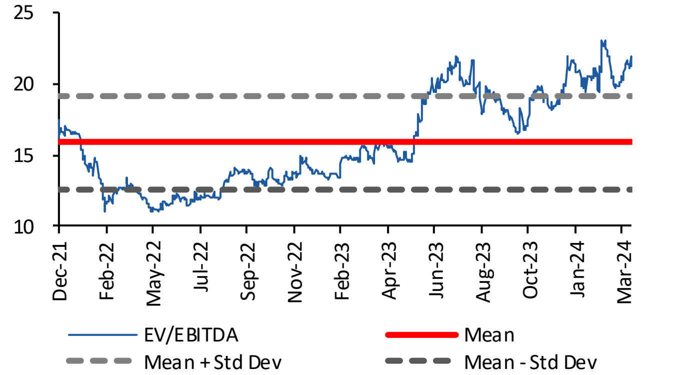
We value TEGA at 32x FY26E EPS and arrive at the target price of Rs1,625.

Valuations	Rs/share
FY26E EPS	50.8
PE (x)	32
Target price per share	1,625

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs mn)	CAGR (FY24E-26E) Sales	EBITDA	EPS	P/E (x) FY24E	FY25E	FY26E	ROE (%) FY24E	FY25E	FY26E	ROCE (%) FY24E	FY25E	FY26E
AIA	3,57,262	10.0	7.5	8.1	32.7	31.8	28.0	18.3	16.4	16.3	17.7	16.2	16.2
TEGA	**82,464**	**18.0**	**24.6**	**29.8**	**41.1**	**29.9**	**24.4**	**17.6**	**20.3**	**20.7**	**15.1**	**17.6**	**18.5**

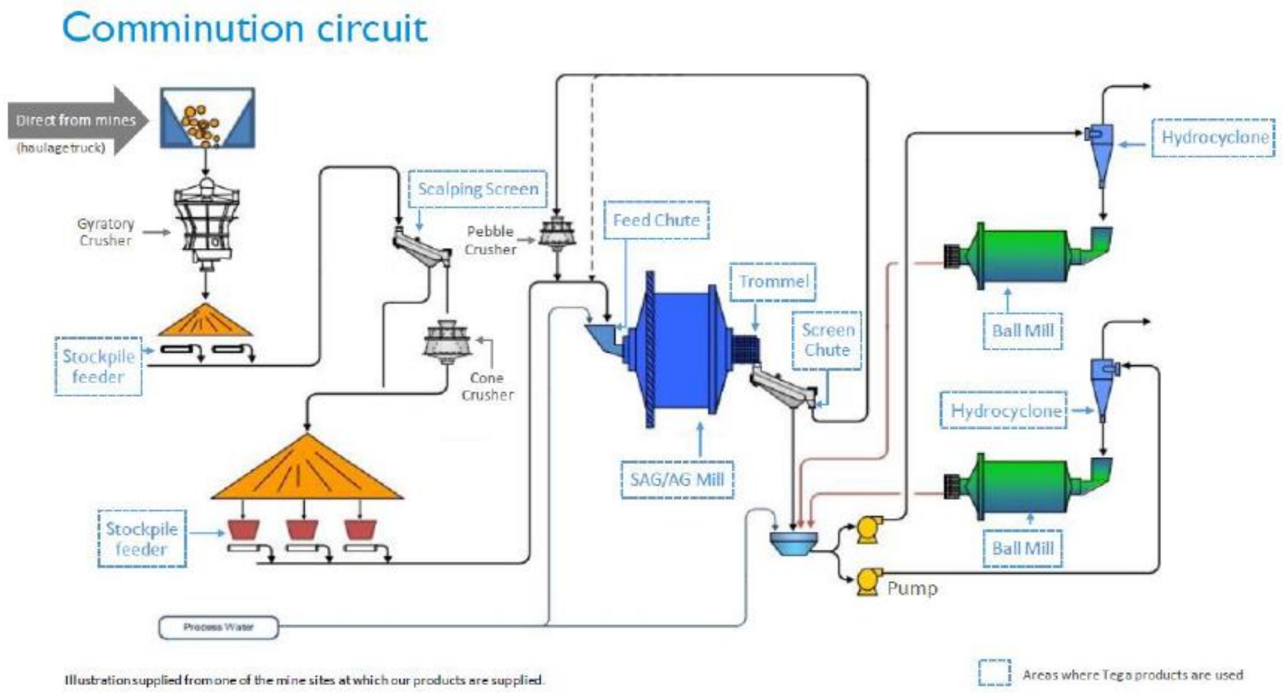
Source: Company Data, Centrum Broking

Business Overview

Tega Industries (TEGA) is one of the leading manufacturers and distributors of specialized 'critical to operate' consumables that find recurring applications in global mining, minerals and bulk solids handling industry. Through its robust product portfolio that comprises 55 mineral processing and material handling products, TEGA presents an array of solutions to marquee global clients in mineral beneficiation, mining and bulk solids. TEGA is the second largest player in manufacturing of polymer-based mill liners and fifth largest in overall mill liner industry, as its products find application across complete value chain of mineral and mining industry that involves processing, screening, grinding and material handling. Additionally, their products fulfil the after-market spending needs of mining industry where recurring capex is 3x the upfront capex over the lifecycle of a mill consisting wear and tear, spare parts, grinding media and power thus ensuring insulation from mining capex cycle. In the mineral processing value chain, sequence-wise core categories include grinding mill liners, chute and its liners, trommels & screens, hydrocyclones, pumps & flotation parts and conveyer products. TEGA derives significant portion of its sales from international markets (at 86%/88%/84% in FY21/FY22/FY23, respectively) which is strongly leveraged by its close proximity to major copper and gold mining regions across the globe coupled with robust manufacturing facilities. Key international markets are Latin America, Africa, North America, EMER (Europe, Middle East and Russia) and Asia Pacific (South East Asia and Australia). TEGA has three domestic manufacturing facilities at Dahej (Gujarat) and at Samli and Kalyani in West Bengal whereas overseas plants at located in Chile, South Africa and Australia.

TEGA has maintained a steady track record of engaging in inorganic acquisitions and establishing joint ventures. These endeavours aim to broaden their presence in untapped regions, secure access to pivotal manufacturing sites, attract new customer segments, and fortify their range of products. A notable acquisition of MSEL (McNally Sayaji Engineering Ltd), a leading mineral OEM (Original Equipment Maker) has aided TEGA deliver offerings beyond consumable products and gain access to MSEL's manufacturing location and an installed base of equipments spread across the world.

Exhibit 1: TEGA's products finds application across complete value chain in mining industry



Source: TEGA's RHP, Centrum Broking.

TEGA's key business strengths

Criticality of product range for key end user industries: TEGA is one of the leading manufacturers of mill liners, a critical consumable required in the mineral processing industry. These products play a crucial role in asserting a unit's productivity in terms of throughput, lower grinding media consumption, lower energy consumption and reduced downtime leading to lower cost for end-consumers. TEGA offers solutions across entire value chain to marquee global clients in the mineral beneficiation, mining and bulk solids handling industry.

TEGA is one of the five global majors in an oligopolistic market: The global mill liner industry is an oligopolistic market with 5 large players (that include Metso Outotech, Me Elecmetal, Bradken, PT Growth and Tega Industries) collectively accounting for 49% market share. TEGA enjoys higher customer stickiness as for a mining unit, switching to a new supplier involves high cost of initial planning, higher lead time in seeking fresh approvals, product quality comparison with already approved supplier and higher downtime cost. Such entry barriers for new players safeguard TEGA's market share position and aid in maintaining higher margins with the existing clients. While TEGA is the second largest player in the sub-segment of polymer based liners, the launch of a break-through product DynaPrime has helped TEGA penetrate the largest sub-segment of metallic liners. This has helped TEGA to increase its market share to 8-8.5% currently vs. 5% three years ago.

Strong manufacturing capability along with global distribution presence: TEGA has a strong presence in close proximity to key mining sites around the globe enabling it to achieve economies of scale and logistical advantages. In India, TEGA has 3 manufacturing locations (one at Dahej, Gujarat and two each at Samali and Kalyani, West Bengal) while its overseas plants are located in close proximity to world's major copper and gold mining locations in Chile, South Africa and Australia.

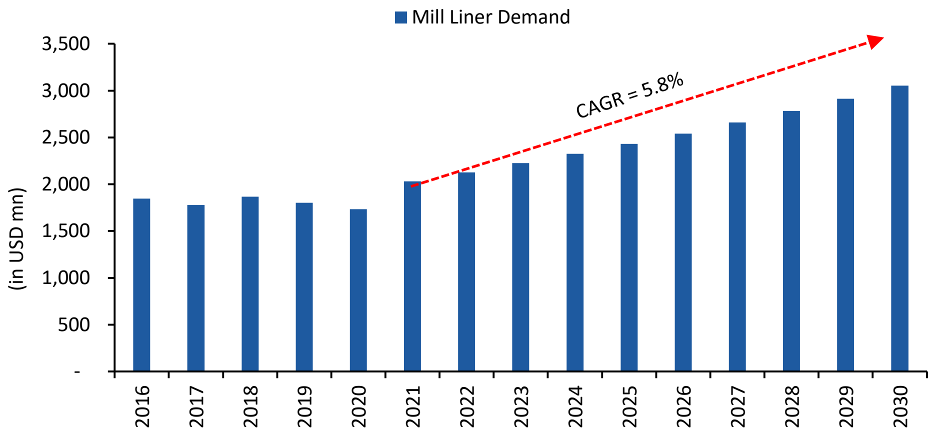
Large export revenue: TEGA derives significant portion of its sales from international markets at 86%/88%/84% in FY21/FY22/FY23, respectively. With in-house sales and distribution network including 14/18 domestic/international sales offices strategically located near to key customers, TEGA offers its products to more than 70 countries. With higher overseas sales, TEGA's business model stands out in a depreciating currency environment.

Mill liners – An indispensable cogwheel in the mineral processing industry

A basic mineral processing value chain involves conversion of large lumps of ores extracted from mines into finer granules as desired by the end user industry. This is achieved by deploying various mineral processing equipment such as chutes, grinding mills, trommels & screens, hydrocyclones, pumps, flotation parts and conveyers. During the entire process, the surface of these equipment undergoes numerous high impact sliding abrasion and corrosion. In order to ensure longer service life, lower downtime, noiseless operations and lower running costs, these equipment need to be protected thereby necessitating the regular use of mill liners. Mills are machine used in mining processing industry that cuts, grinds and crushes solid materials into usable sizes for use in further processing while mill liners shield mills from wear and tear that results from grinding of harsh materials and hence are ‘must to have’ component in any mining processing. Mill liners generally have life cycle of around 6 months (based on the ore’s hardness), and hence, calls for replacement on regular basis due to wear and tear. Consequently, replacement demand constitutes a major chunk (70-80%) of mill liners sales vis-à-vis demand from newly installed machines’ capex.

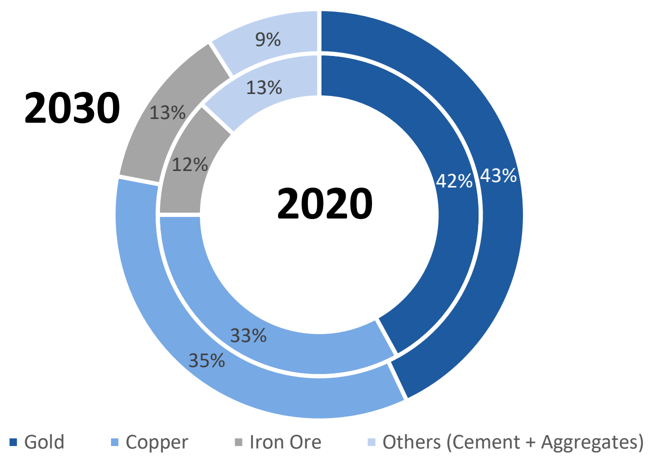
Key minerals driving demand for mill liners consumption are copper and gold as the mined mineral is highly abrasive in nature while the yield per tonne of ore mined in these two segments has been on a declining trend due to ore degradation. Mill liners also find application in processing of iron ore and cement/aggregates. It is estimated that copper and gold together contributes to 75% market share of global mill liners market while the rest 25% came from iron ore and other segments (cement/aggregates).

Exhibit 2: Mill liners demand trend



Source: Frost & Sullivan, Centrum Broking (Note - 2021-2030 growth estimate is 5.8% CAGR)

Exhibit 3: Global mill liners market share break-up by industry



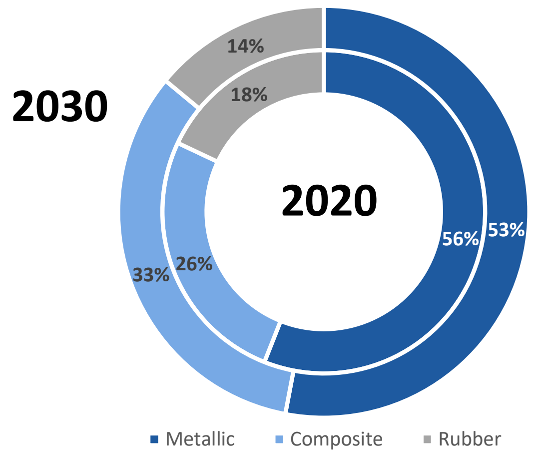
Source: Frost & Sullivan, Centrum Broking

Global mill liners market by type

Mill liners are further categorized based on the type of input material (metal, rubber and composite types) used in their manufacturing which further depends on the type of mineral to be grinded and the mill type. Amongst all, demand for metal mill liners is highest in the industry owing to their easy availability and are preferred in large grinding mills. However, they have several disadvantages such as higher grinding mill time on account of bulk weight and higher exposure to corrosion.

Rubber mill liners, on other hand, are appropriate for small and medium-sized mills with diameter up to 6.5 metres and are most preferred in secondary and tertiary operations where the load of the mill is low. Rubber mill liners are light weight and hence more energy efficient vs. their metallic counterparts. Composite mill liners are formed through combination of various alloys and rubber compounds. The demand for mill liner is dominated by replacement of old liners (at 70-80%) due to continuous wear and tear vs. new machine installation (~20%). The global mill liner industry is expected to grow at a CAGR of 5.8% over 2020-2030 to touch USD3.1bn in 2030. In 2020, the global mill liner industry was dominated by metal type liner at 56%, while rubber/composite mill liner share was at 18%/26%, respectively. In 2030, composite mill liner share is anticipated to rise to 33% from 26% in 2020.

Exhibit 4: Global mill liners market share break-up by type

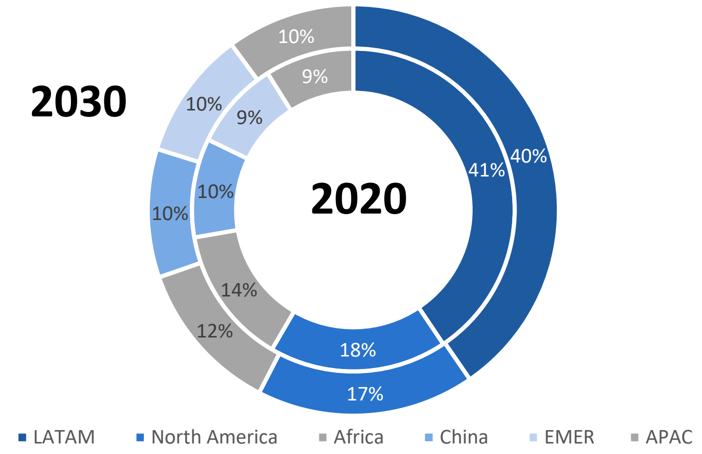


Source: Frost & Sullivan, Centrum Broking

Global mill liners market by regions

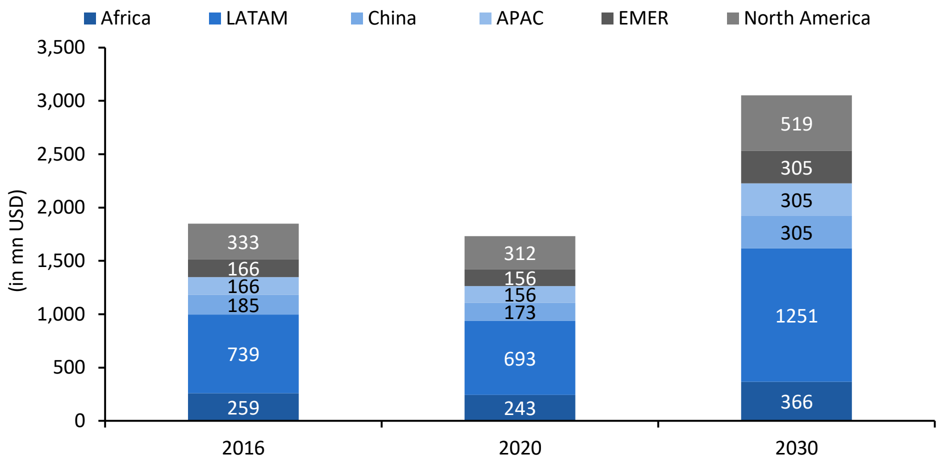
Five regions that are large consumers of mill liners include North America, Europe, Asia-Pacific, Middle East & Africa and South America. Demand for mill liners will continue to be higher from LATAM given this region is the largest producer of both copper and gold. Lower gold production may likely lead to tapered demand from North America region. Region-wise, in 2020, Latin America forms the largest share of global mill liners market at 41% followed by North America (18%), Africa (14%), China (10%), EMER (9%) and Asia-Pacific (9%).

Exhibit 5: Global mill liners market share break-up by regions



Source: Frost & Sullivan, Centrum Broking

Exhibit 6: Global mill liners market share break-up by regions



Source: Frost & Sullivan, Centrum Broking

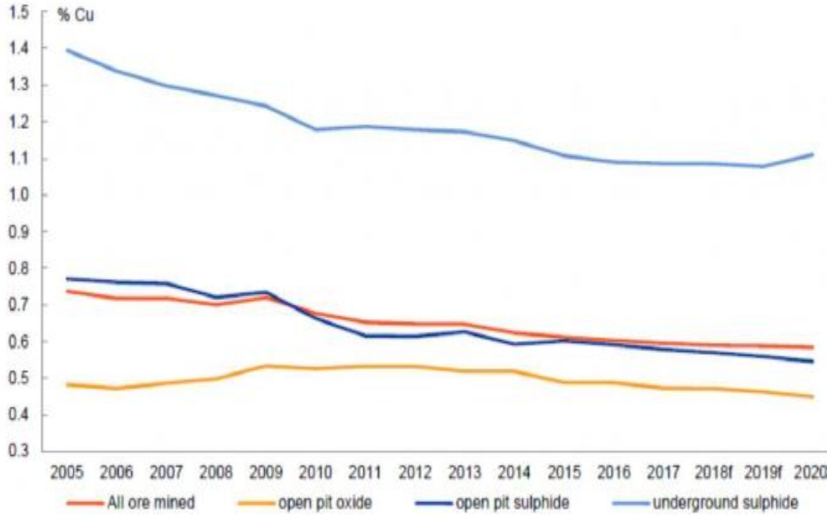
Lower ore grades compelling miners to increase capex

Copper and gold mining industry is expected to witness sustained uptick going ahead. Copper demand will likely be driven by energy, automotive sector and heightened investments towards renewable energy. Gold and Copper are mainstay minerals as they constitute 75% of TEGA's mill liner sales due to their high beneficiation. Further, growing use of copper in smart home appliances, infrastructure and real estate uptick (copper is a key consumable in cables and wires manufacturing) and higher demand for scrap copper will fuel demand. Gold, apart from its traditional investments in jewellery and industries, is finding new applications in sectors of electronics, medicines, renewables, engineering, and aerospace. Medium term growth prospects for copper and gold are healthy and will be led by elevated mining activities in the LATAM countries and rising inclination towards Electric and Hybrid vehicles. Further, depletion of ore grades will need higher ore beneficiation eventually leading to higher replacement demand. On the back of such healthy tailwinds, mill liners market is expected to grow at 5.8% over 2020-2030.

In mining sector, achieving higher percentages of concentrates out of the total extracted ore is desirable as it highly influences the production costs and profitability of miners. Due to years of continuous excavation, ore grades from existing copper and gold mines have been on a declining trend. For instance, ore grades across copper mines have fallen by around less than 1% per tonne over the last few years while a similar kind of ore grade depletion was also witnessed in gold mines. As an example, from 1 tonne of rock excavated from mines, only a gram of gold is extracted. This has compelled miners to lookout for new mining locations for extracting ore with higher concentrates (for both copper and gold) resulting into higher need of capex in global mining industry.

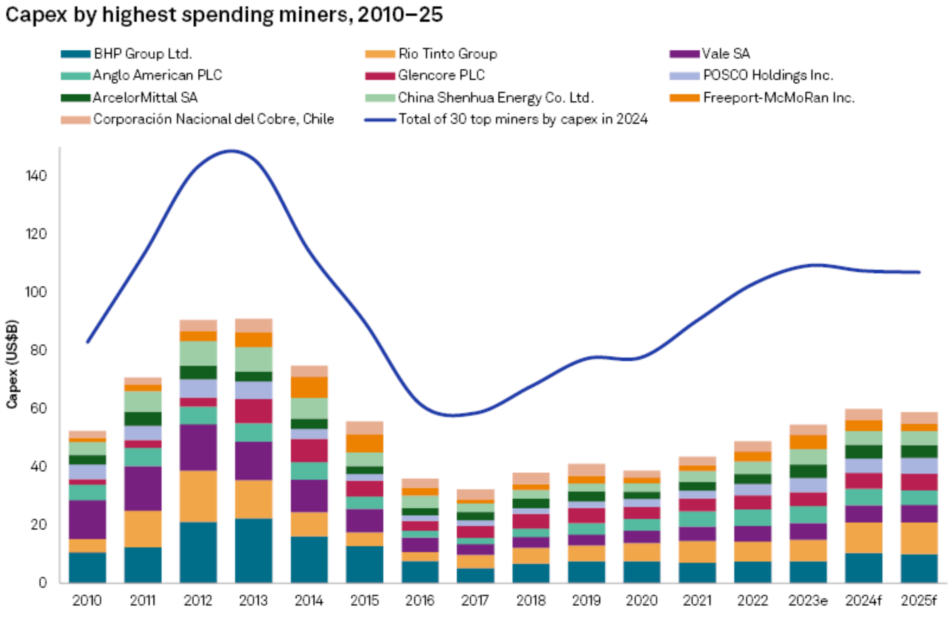
Shift to newer mines having high-concentrated ore deposits will need higher beneficiation requirement which will further open up demand for superior quality consumables that will help in reducing operating expenses and improve profitability. A Frost & Sullivan industry report indicated that replacement demand for mill liners will rise, as with depleting ores miners have to dig deeper in order to achieve higher yields. TEGA, with its superior range of key product portfolio and equipment offerings (post successful acquisition of McNally Sayaji Engineering Ltd), is likely to be a key beneficiary of this mining capex uptick. TEGA's endeavour is to offer products that could help extract minute quantities of minerals in the most efficient manner.

Exhibit 7: Depleting copper ore trend



Source: Industry report

Exhibit 8: Capex spending plans by top global miners for 2024E and 2025E



Source: Industry report

Mill liners – An oligopolistic industry

Mills liners is an oligopolistic market with five prominent global players namely Metso-Outotec, Me Elecmetal, Bradken, PT Growth and Tega Industries collectively having 49% of global market share. Metso Outotech is the market leader with 17% market share (in 2020) followed by Me Elecmetal at 13%. Metso has widest manufacturing presence globally followed by PT Growth and Weir Group. The market share of third, fourth and fifth players are in 5-9% range. While TEGA is the second largest player in the sub-segment of polymer based liners, the launch of a break-through product DynaPrime has helped TEGA penetrate the largest sub-segment of metallic liners. This has helped TEGA to increase its market share to 8-8.5% currently vs. 5% three years ago.

Exhibit 9: Market share position of global mill liners manufacturers

Manufacturer	Manufacturing location	Market share (in 2020)	Revenue (in mn USD)
Metso-Outotech	Finland, India, Argentina, US, Australia, US, Peru, Brazil, Chile, Estonia, Belarus, Indonesia, Kazakhstan, Paraguay, Norway, Russia, South Africa, Sweden UK and Uzbekistan.	17%	300
Me Elecmetal	Chile, USA, China and Zambia	13%	230
Bradken	Australia, China, Canada & Malaysia	9%	163
PT Growth	Indonesia, China, Australia, Ghana, South Africa, Chile, Peru and Mexico	5%	83
Tega Industries	India, Chile, South Africa and Australia	5%	80
FLSmidth	China, India and Poland	3%	54
Uralcem	Russia	2%	31
Weir Group	Poland, US, Mexico, Colombia, India, China, South Africa, Brazil, Peru, Chile	2%	30
Chinese Manufacturers	China	23%	23

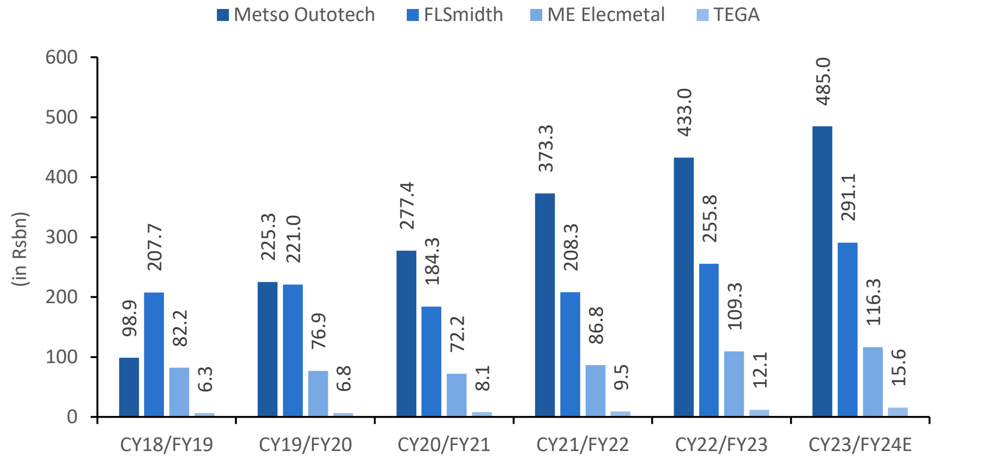
Source: Company Data, Centrum Broking

Exhibit 10: Operational parameters of key global mill lining players

Company	Industry Catered	Sales and Distribution Reach	Key Product Offerings and Development Plans
Metso - Outotech	Mining, Aggregates, Metal refining and Recycling	Finland, India, Argentina, Australia, US, Peru, Brazil, Chile, Estonia, Belarus, Indonesia, Kazakhstan, Paraguay, Norway, Russia, South Africa, Sweden, UK and Uzbekistan	**Skega Poly-Met:** Hybrid mill liner (combination of rubber & steel. **Megaliner** - primarily developed for large AG, SAG and Ball mills to reduce downtime. Company also supplies rubber and metal mill liners. **Hydrocyclones:** MHC - Trademarked and patented. **Trommel** - for aggregates and mining industry.
FL Smidth	Mining and Aggregates	China, India and Poland	**Mill liners - PulpMax**: A lightweight composite mill liner for better efficiency and also makes metal and rubber liners. **Hydrocyclones:** SmartCyclone - to monitor and control grinding process. **Trommel:** In-hosue manufacturing by finite element analysis (FEA).
Weir	Mining and Aggregates	Poland, US, Mexico, Colombia, India, China, South Africa, Brazil, Peru, Chile	**Mill liners:** Makes hybrid, rubber and composite mill liners under the brand Vulco and also supplies metal mill liners. **Hydrocyclones:** Under brand name Cavex. **Screen Media:** Under brand name Linatex

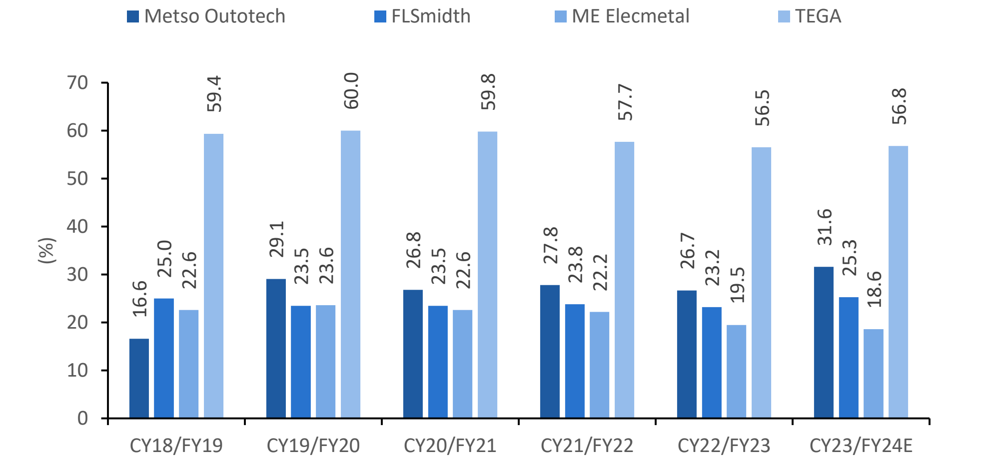
Source: Frost & Sullivan, Centrum Broking

Exhibit 11: Global competitor's revenue trend



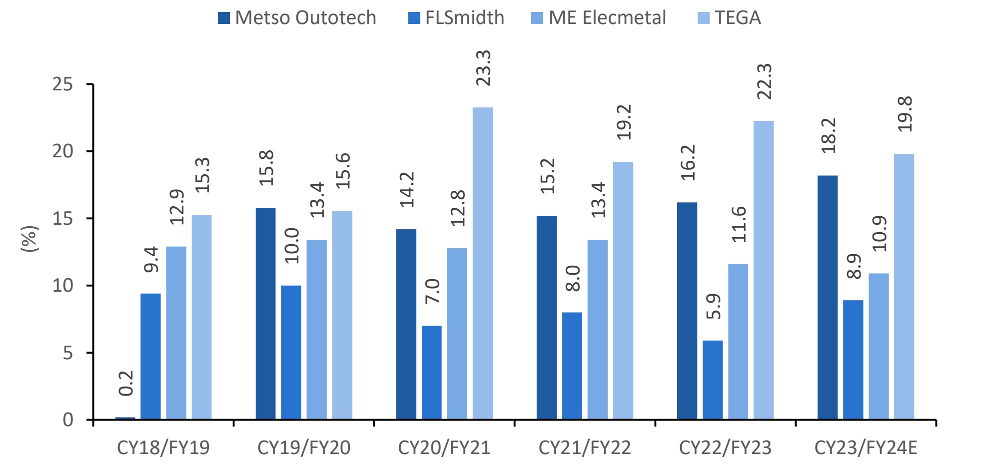
Source: Bloomberg, Centrum Broking

Exhibit 12: Global competitors' gross margins trend



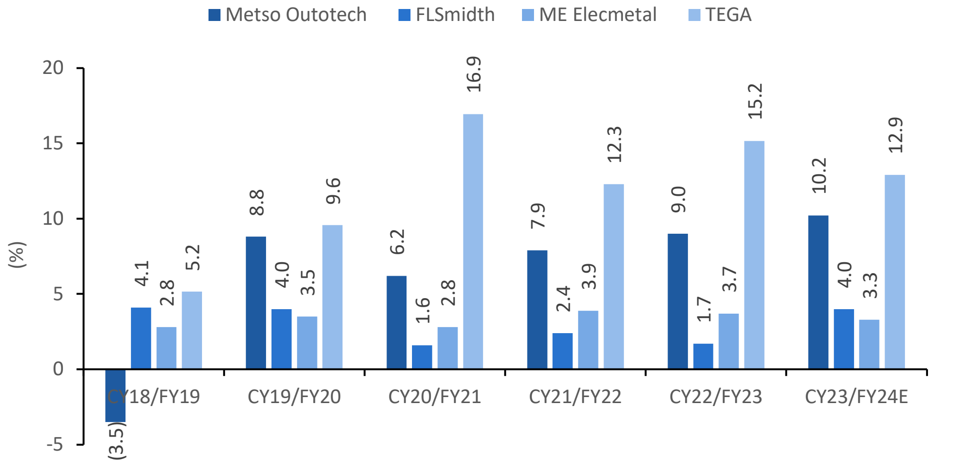
Source: Bloomberg, Centrum Broking

Exhibit 13: Global competitors' EBITDA margins trend



Source: Bloomberg, Centrum Broking

Exhibit 14: Global competitors' PAT margins trend



Source: Bloomberg, Centrum Broking

TEGA poised to capitalize on rising mill liners industry

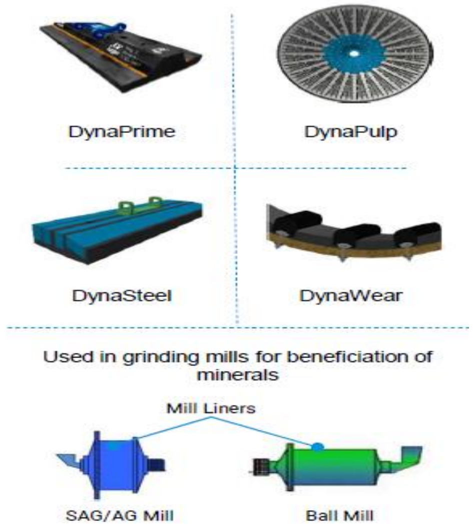
TEGA is the fifth largest player in the global mill liners industry (and second largest in the sub-segment of polymer based liners) providing comprehensive solutions to the global mining sector through its offerings of both mill liners and non-mill products. Traditionally, TEGA has been a significant player in offering mill lining solutions made from rubber, polyurethane, steel and ceramic. In 2018, TEGA introduced its flagship product DynaPrime, a composite mill liner made from mixture of rubber and steel and a dynamic substitute of metallic mill liner.

TEGA's rubber mill liners find application in the downstream value chain of mineral beneficiation process. What sets TEGA apart is its unique approach to securing orders. It actively engages with customers at mining sites, studies mineral beneficiation process and gathers real time feedback in the form of throughput, and ore grades. Post collecting all the information, TEGA conducts simulation exercises to fine-tune its product designs. Subsequently, the company requests trial orders from customers to ensure compatibility before finalizing the product.

Mill liners manufacturing is a highly customized process as even a single customer can have requirements for two different sets of mill liners based on mill size & shape, ore grades, abrasion, diameter of the feed and required output. TEGA prioritizes product quality over pricing, recognizing that customers before finalizing the brand, evaluate them on total power savings, installation time (hours saved) and throughput. Additionally, TEGA consistently interacts with its customers throughout the entire lifecycle of its products, which typically spans from 2-5 months to 12-16 months. This proactive engagement often results into repeat orders from satisfied customers.

With total addressable market estimated at USD2bn, growth opportunity for mill liners is immense. At group level, TEGA's total order book stood at Rs6.7bn, executable over next 4-6 months. For consumables (mill liners), TEGA generates revenue through two modes – (1) repeat conversion of orders, and (2) addition of new customers. Repeated conversion of orders is a highly remunerative business with client retention ratio at 96-97%. Adding new customers on other hand is a longer process as it takes numerous efforts to convince existing miners to shift to new set of consumables. Under consumables, TEGA also undertakes services business wherein it guides it clients in terms of plant shutdowns, and wear and tear management for some service fee. EBITDA margins in consumables business is higher and ranges between 20-22%.

Exhibit 15: Flagship mill liner products of TEGA



Source: Company Data, Centrum Broking

DynaPrime success the main growth driver for TEGA

DynaPrime, a dynamic substitute of metallic mill liner, is made through combination of alloy steel embedded in rubber matrix giving it a sturdy design and a patented product. It was first manufactured and developed in 2018 and is now well sought after in the industry due to its numerous advantages. TEGA's introduction of DynaPrime was intended towards tapping the global metal mill liner market which currently stands at ~USD900mn, constituting a dominating ~55% share of total mill liners market size of ~USD1.7bn ex-China. TEGA markets DynaPrime as a differentiated product (optimal blend of steel and rubber) rather than as a commodity.

Key success factors of market share shifting to Dynaprime

1) Steel mill liners are heavier, undergo higher wear and tear and occupy large volumes of the entire mill. Substituting them with DynaPrime not only reduces weight but also enlarges the mill's available volume, thus facilitating the processing of larger ore quantities.

2) Steel mill liners, due to their large size, consume more power whereas DynaPrime is highly energy efficient.

3) During heavy-duty operations, steel mill liners often become fused or bonded to the mill, posing significant inconvenience to engineers during replacement. In contrast, DynaPrime, with right blend of rubber + alloy steel, ensures smoother operation without fusing and can be bolted from outside the mill. This enhances higher safety standards by eliminating the necessity for engineers to enter the mill for installation purposes.

4) DynaPrime offers a unique value proposition as it is quick to install due to requirement of lesser parts/pieces and hence minimize mill's downtime.

5) Though priced at premium of 30-40% over steel mill liners, DynaPrime's working life cycle is 10-15% higher than their steel/metallic counterparts. While TEGA's immediate competitors, Metso Outotec and FLSmidth, have also introduced similar composite mill liners, DynaPrime's success stands out due to its sustained prime mover advantage.

TEGA manufactures DynaPrime at its facilities in Dahej (India) and Chile. The Indian plant serves both domestic and majority of international demands for DynaPrime, while the Chilean facility provides solutions to the entire Latin American market. Furthermore, TEGA's presses are mostly interchangeable, allowing them to be utilized flexibly for producing both DynaPrime and traditional mill liners. Currently, the Dahej plant operates at a capacity utilization rate of 60-65%, while the Chilean plant operates at a higher rate of 75-80%.

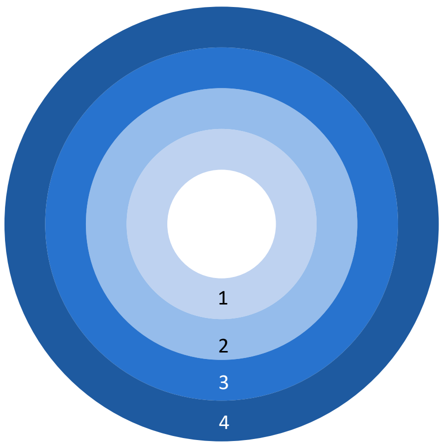
While it is understood that metal and steel liners cannot be replaced completely, demand prospects for DynaPrime type mill liners are immense given its low penetration. Out of total industry size of USD900mn for metallic mill liners, addressable conversion opportunity is 70-80%. It is believed that 50-60% will surely get converted while 15-20% of the market will continue to use metallic mill liners. Further, 8-10% of the market has already converted where DynaPrime captured a large market share. Key minerals driving this demand will be copper and gold due to their higher abrasion. Consequently, management expects DynaPrime to grow at 20-22% CAGR on the base of FY24E.

Exhibit 16: DynaPrime's technical edge over other liners

MILL LINER ATTRIBUTES	DynaWear® Rubber Liner	DynaSteel® Composite Liner	DynaPrime® Combination Liner
Superior compounds	✓	✓	✓
Less downtime during installation	✓	✓	✓
Reduction in noise levels	✓	✓	✓
Leak proof fastening	✓	✓	✓
Weight	✓	✓ ✓	✓ ✓ ✓
Liner life	✓	✓ ✓	✓ ✓ ✓
Steel composite liner		✓	✓
Energy consumption reduction	✓	✓ ✓	✓ ✓ ✓
Grinding durability	✓	✓ ✓	✓ ✓ ✓

Source: Company Data, Centrum Broking

Exhibit 17: DynaPrime – Conversion opportunity from metal liners USD900mn market



1) Market which has already converted to DynaPrime type substitute, (8-10%) USD 90mn

2) Market which will surely get converted, (50-60%) ~USD500mn

3) Addresable market that can be coverted, (70-80%) USD 700mn

4) Total metalic liner market, USD 900mn

Source: Industry reports, Centrum Broking

Exhibit 18: Case-study 1: DynaPrime reduces installation time and manpower by 25%

Industry: Copper

Application: Ball Mill

Diameter: 7.62 m X 11.89 m Long

Process Parameters

Tonnage: 1,800 TPH

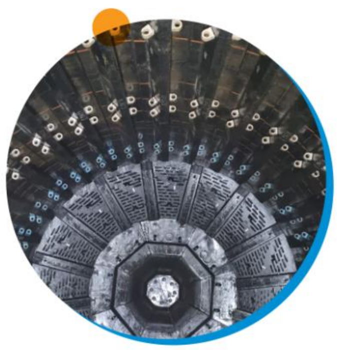
F8O :(-)12mm

Mill Speed: 7 5% critical speed

Top Media Size: 76 mm

Objective:
Increase liner life with faster and safer installation

Delivered through DynaPrime ®:
- 50% increase in life (from 12 months to 18 months)
- 52% reduction in number of pieces installed
- 35% reduction in total weight of the lining
- 24% reduction in number of bolts
- Installationtime of only 23 hours for full mill against 46 hours required with the steel liner
- 5.2% reduction in specific power consumption
- 25% reduction in installation man power



Source: Company Data, Centrum Broking

Exhibit 19: Case-study 2: DynaPrime delivered 80% increase in mill productivity

Industry: Copper

Application: Ball Mill

Diameter: 7.62 m X 11.89 m Long

Process Parameters

Tonnage: 1,800 TPH

F8O :(-)12mm

Mill Speed: 7 5% critical speed

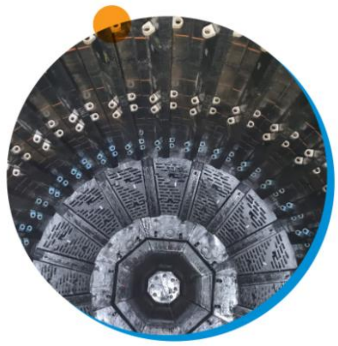
Top Media Size: 76 mm

Objective:

Increase liner life with faster and safer installation

Delivered through DynaPrime ®:

- 50% increase in life (from 12 months to 18 months)
- 52% reduction in number of pieces installed
- 35% reduction in total weight of the lining
- 24% reduction in number of bolts
- Installationtime of only 23 hours for full mill against 46 hours required with the steel liner
- 5.2% reduction in specific power consumption
- 25% reduction in installation man power



Source: Company Data, Centrum Broking

Non-mill products - highly profitable offering

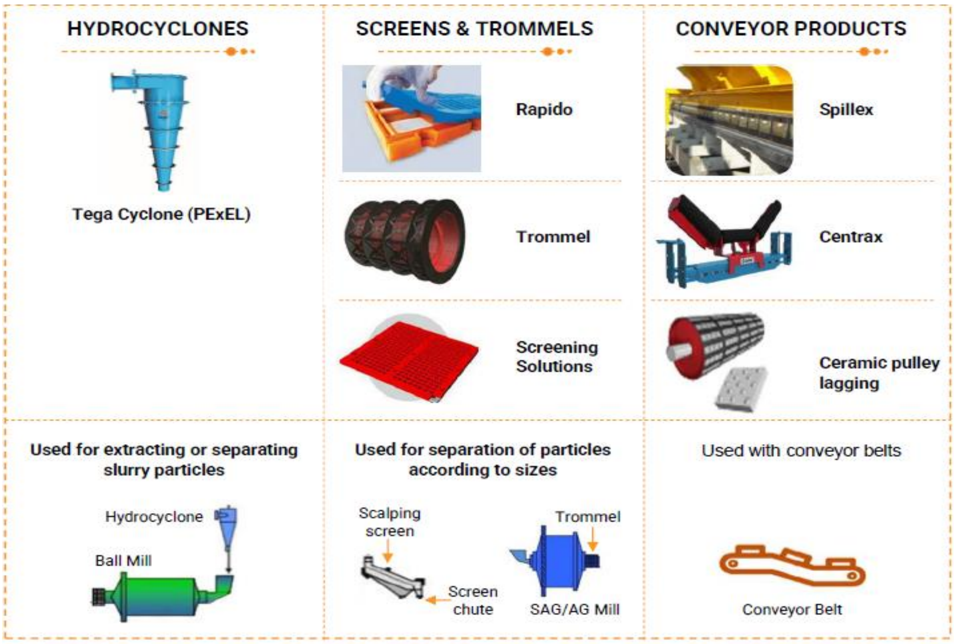
TEGA also offers diverse range of products that are tailored for the downstream section of the entire mineral beneficiation value chain. These products include trommels & screeners, hydrocyclones, conveyer belts, etc.

Trommels: A trommel is a mechanical screening machine that segregates materials and find application in mining, fertilizer, compost, etc. Key competitors in the trommel industry are Multotec, Sandvik, FL Smidth and Metso and collectively account for 85% of the total industry market share. Demand for trommels is primarily fuelled by copper and iron ore mines in Latin American countries that constitute 35% of the global trommel screen revenue. Key sectors driving growth for this product are various mineral companies, water resource management industries, solid waste processing industries and rising industrialization and mining.

Hydrocyclones: A hydrocyclone is used to generate centrifugal force (without having any moving parts) that helps in segregating particulate matter and droplets from a fluid medium. Such products find applications in desliming and dewatering of minerals and construction materials. Minerals such as gold, copper and iron ore account for 60% of total demand for hydrocyclones. Weir, FL Smidth, Metso, Schlumberger and Technip are the top 5 players in the hydrocyclone market collectively forming 43% of total market share. Demand for this product is expected to grow at 6% CAGR over 2020-2030 to touch USD1.2bn in 2030.

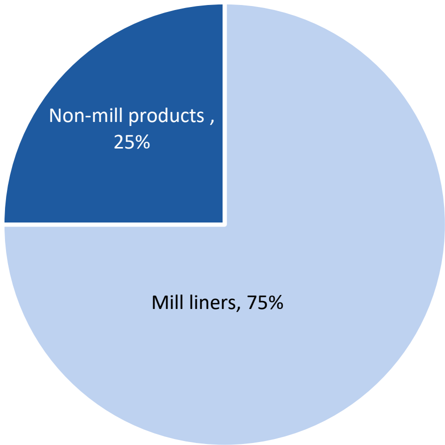
Non-mill products are more profitable with healthier gross margins (higher by 400-500bps) than the core mill liners. Going ahead, management anticipates that the non-mill business will experience higher growth compared to traditional mill liners, primarily due to a low base effect and low ticket-sized nature of products. TEGA manufactures its products completely in-house and constitutes 25% of total consolidated sales. This share is unlikely to change materially going ahead as growth across both mill liners and non-mill products will be in tandem. Additionally, TEGA will capitalize on its well-established network and experience in the mill liners business to effectively cross-sell its non-mill products.

Exhibit 20: TEGA's non-mill portfolio



Source: Company Data, Centrum Broking

Exhibit 21: Sales mix between mill liners vs. non-mill products



Source: Company Data, Centrum Broking

Exhibit 22: Key players in the respective mill lining solutions

Products	Competitors
Mill liners	Metso-Outotec, Mc Elecmetal, Bradken, FL Smidth and Weir
Hydrocyclones	Weir, FL Smidth, Metso-Outotec, Schlumberger and Technip
Trommels & Screens	Multotec, Sandvik, FL Smidth and Metso-Outotec
Mineral Processing Equipment	Metso-Outotec, FL Smidth, Weir and Trelleborg AB

Source: Company Data, Centrum Broking

Financials of TEGA's key subsidiaries

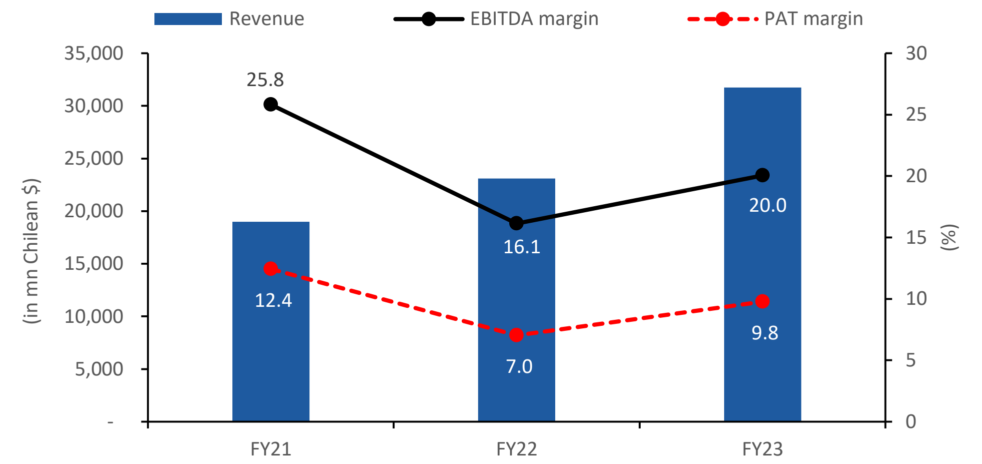
TEGA has established a significant presence in the key global mining regions of Chile, Australia and Africa through its subsidiaries. TEGA has continuously pursued acquisitions of established manufacturing firms strategically located in new geographies to enhance its market reach, secure advantageous manufacturing sites, broaden its customer base, and bolster its product portfolio. Of all the subsidiaries, TEGA Industries Chile is the largest with FY23 sales of Rs3bn, forming 39% of total subsidiaries sales. It is followed by TEGA Industries Africa with topline of Rs1.7bn and forms 22% of total subsidiaries sales.

TEGA has been actively pursuing inorganic acquisitions and forming joint ventures to broaden its presence in new markets, gain access to strategic manufacturing sites, attract new customers, and enhance its product portfolio. Recently, its subsidiary inked a deal with a major European copper mine to oversee all wear product assets, including mills and non-mills, for the next five years. This agreement, which began in January 2024, holds a revenue potential of Rs6.85bn. TEGA has also initiated setting-up a new plant at Chile for which groundwork, including design finalization is complete and majority of regulatory approvals are received. It aims to begin construction in April 2024, with production slated for April 2025. Upon reaching full capacity utilization, the Chile facility is expected to generate annual sales of Rs8bn. Additionally, TEGA established a new subsidiary in Peru, tapping into significant business prospects due to the region's abundant mineral reserves.

TEGA's subsidiaries in Chile, South Africa and Losugen (Australia) serve as vital manufacturing centres, while other subsidiaries focus solely on marketing activities. The Chile subsidiary has experienced rapid growth (robust revenue CAGR at 29% over FY21-23), coupled with healthy operating margin profile (in 16-25% range over FY21-23). African subsidiary witnessed strong 29% topline CAGR over FY21-23 with healthy operating margin profile (in 14-19% range over FY21-23). In the case of Losugen (Australia), topline CAGR over FY21-23 was robust at 54%, though on a low base, with operating margin rising to 13.8% in FY23.

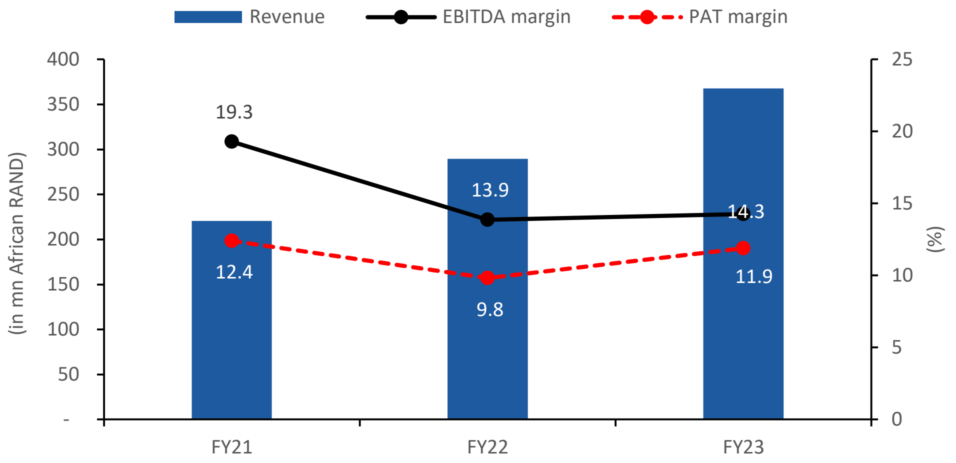
South Africa and Australia (Losugen) subsidiaries' margin is likely to sustain in 17-19% range. While India and Chile's operating margin will remain superior in 20-22% range. Other subsidiaries globally (such as Canada) act as marketing subsidiaries and hence they are trading entities. Thus, they operate at a lower margin profile as they do not capture manufacturing margins.

Exhibit 23: TEGA Industries Chile SPA – 29% revenue CAGR with robust margins



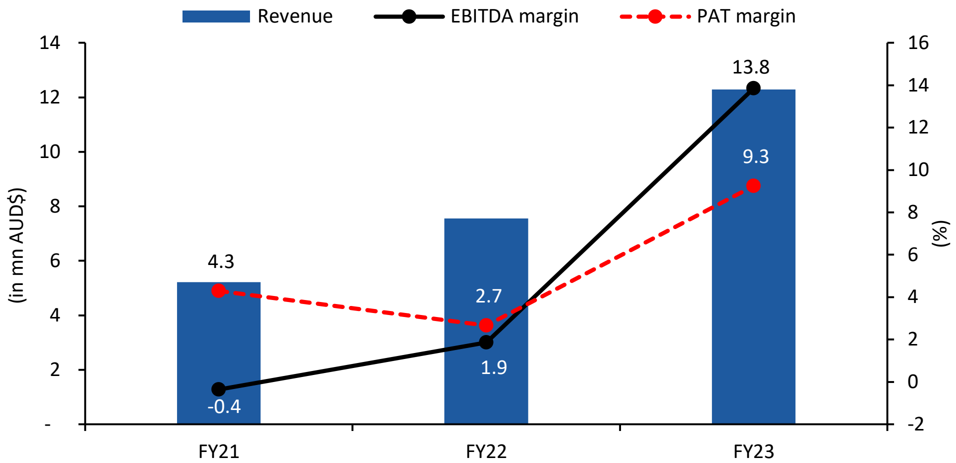
Source: Company Data, Centrum Broking

Exhibit 24: TEGA Industries Africa Pty Ltd – 29% sales CAGR with mid-teens margin



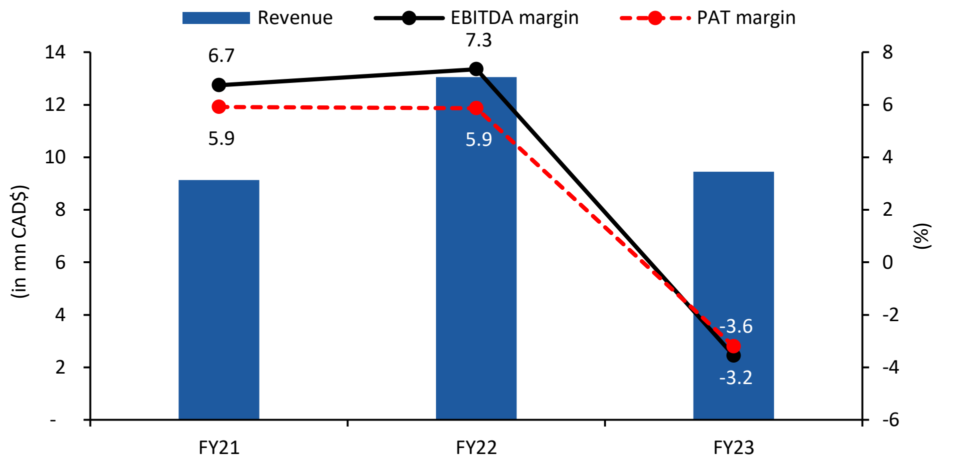
Source: Company Data, Centrum Broking

Exhibit 25: Losugen Pty Ltd – 54% revenue CAGR with rising operating margin



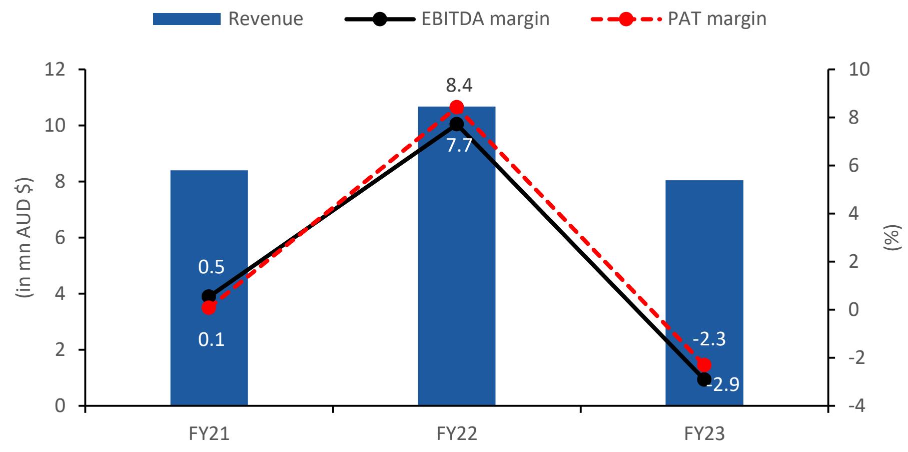
Source: Company Data, Centrum Broking

Exhibit 26: TEGA Industries Canada – Flattish sales with margin contraction in FY23



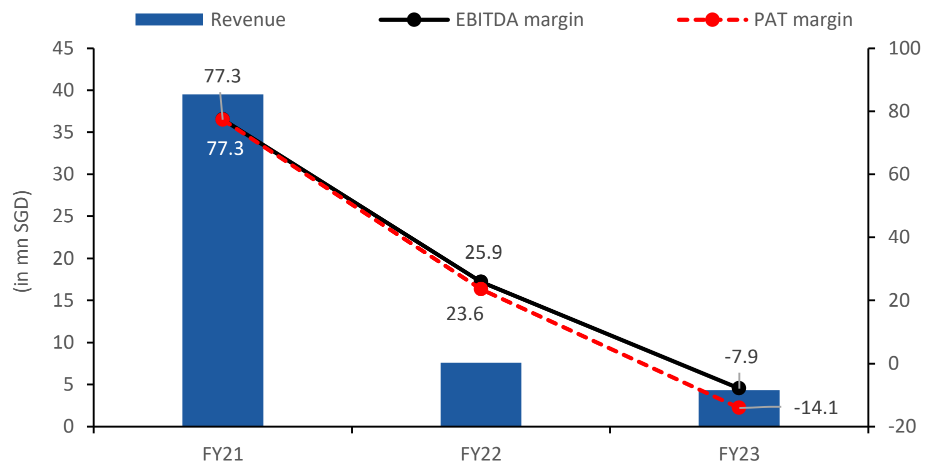
Source: Company Data, Centrum Broking

Exhibit 27: TEGA Industries Australia – Still in the ramp-up phase



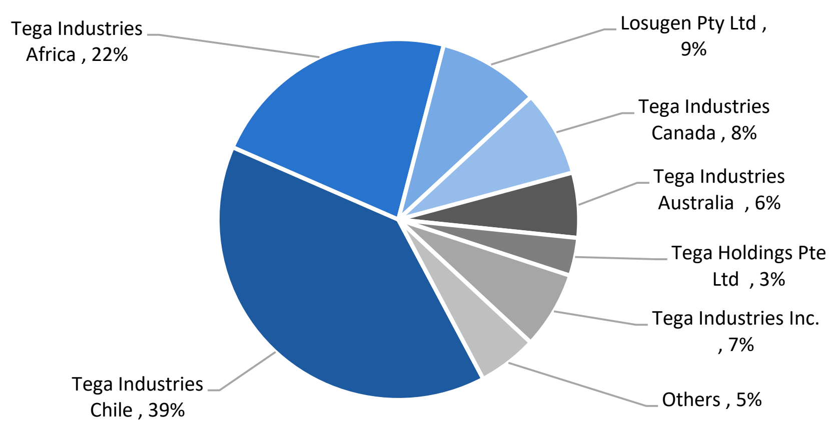
Source: Company Data, Centrum Broking

Exhibit 28: TEGA Holdings Pte. Ltd – Other operating income form bulk of sales leading to abnormal margins



Source: Company Data, Centrum Broking

Exhibit 29: Share of TEGA's individual subsidiaries in total subsidiaries sales



Source: Company Data, Centrum Broking.
Note – Others include McNally Engineering sales worth Rs360mn for the month of March 2023 and Brazilian subsidiary's sales worth Rs35mn.

McNally - Huge value extraction possibility

In a bid to enhance its value proposition and product offerings beyond consumables, TEGA acquired OEM major McNally Sayaji Engineering Limited (MSEL) which offers comprehensive solutions for manufacturing and marketing of crushing, screening grinding, material handling and mineral processing equipment. With robust portfolio of 40 equipment types, MSEL is a key player in the crushing and the beneficiation process.

Global addressable market opportunity for mining equipment (where McNally has presence) is huge at USD30bn (15x that of consumables market size of USD2bn). This acquisition has opened doors of opportunities for TEGA to explore engineering equipment sector, especially in the mineral processing operations. In India, MSEL has factories located in Kumardhubi (Jharkhand), Asansol (West Bengal), Bengaluru (Karnataka) and Vadodara (Gujarat) while internationally it has diversified installed equipment base across Russia, Kenya, Mozambique, Zambia, South Africa, Indonesia, UAE, Oman and Saudi Arabia. Financially, TEGA would also benefit from significant tax savings arising out of unabsorbed losses of MSEL. TEGA intends to leverage on these capabilities and through combined utilization of technical expertise, engineering prowess and diversified global presence, it aims to grab a large share in the mineral processing and beneficiation market driving margins expansion and profitability.

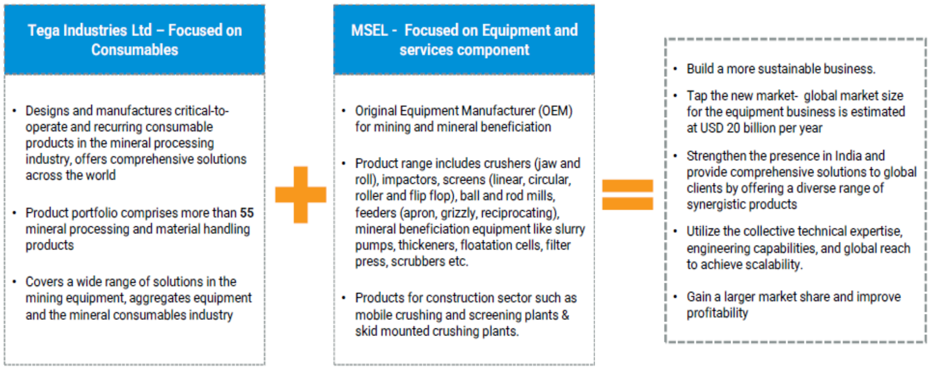
The business integration with McNally is advancing smoothly, with TEGA implementing a new review mechanism to oversee the integration process. Additionally, individuals from TEGA's boardroom have been deployed to McNally to instil a consistent discipline across its manufacturing units. MSEL has been renamed as TEGA McNally Minerals Limited (TMML) to assign TEGA’s brand name and its customer commitment. TEGA aims to leverage its extensive industry expertise and well-established distribution and manufacturing network across more than 70 countries to promote its equipment business. Enquiries have already begun to flow in, prompting TEGA to plan the deployment of common sales representatives to market both consumables and equipment products.

Before expanding into international markets, TMML will initially prioritize enhancing the quality and offerings within its existing product portfolio, particularly in the domestic market. Previously, McNally's equipment business operated at 5-6% EBITDA margin. Under the revamped management, the company will concentrate on developing value-added products that are margin accretive and building a brand image to facilitate market share gains in the domestic market, currently valued at USD4-5bn. TEGA anticipates that this initiative will take 2-3 years to come to fruition once they have achieved design capabilities.

Competition in the industry is largely product-wise with some key players such as Metso Outotec, Elecon Engineering, Décor and CPW. Key end-user industries driving growth are steel, iron and washeries while infra looks like a promising sector led by government’s impetus.

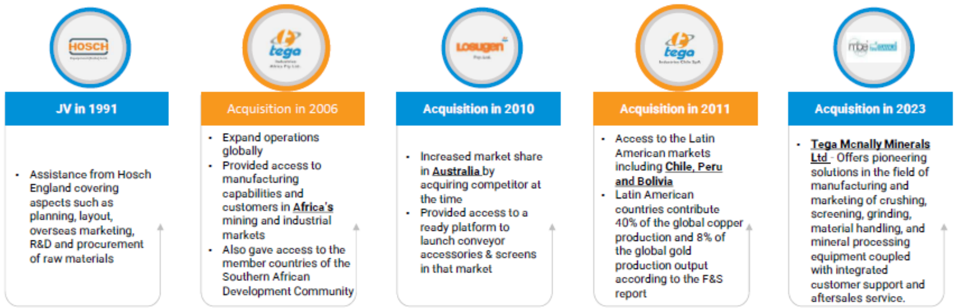
MSEL reported sales/EBITDA of Rs1.83bn/Rs100mn (EBITDA margin at 5.5%) in FY23, respectively while TEGA expects it to grow at heathy CAGR of 15% over next 3-4 years. Current order book stands at Rs1.5bn to be executable over a period of one year. In FY24, the equipment business is expected to register gross/EBITDA margins at 50%/12%, respectively.

Exhibit 30: Synergistic benefits aplenty from MSEL’s acquisition



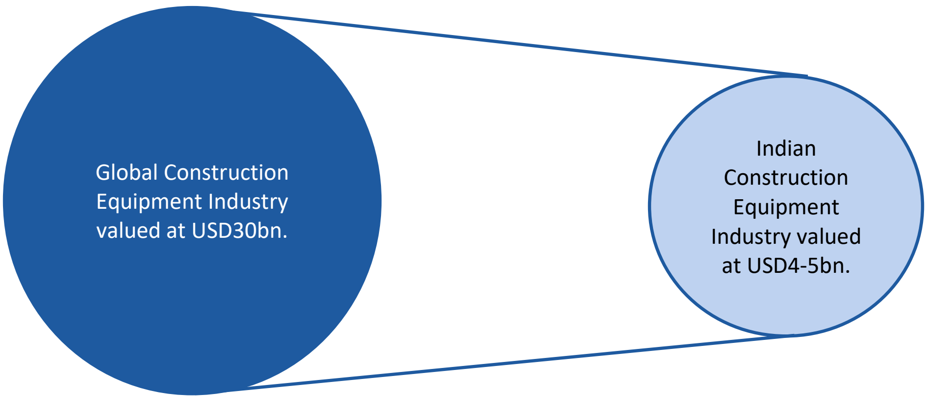
Source: Company Data, Centrum Broking

Exhibit 31: Track record of inorganic growth strategy



Source: Company Data, Centrum Broking

Exhibit 32: Global vs. Indian construction equipment industry size



Source: Industry reports, Centrum Broking

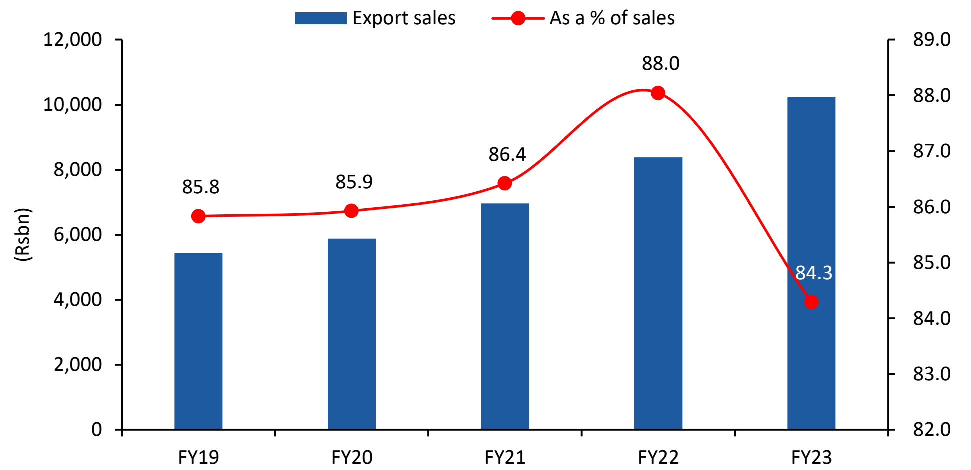
Dominating exports and overseas sales

In the depreciating currency environment, TEGA's business model stands out due to (1) high share of exports (an aggregate of 86% revenue over FY19-23 has come from international markets) as TEGA offers its complete range of mining consumables solutions in more than 70 countries, and (2) well diversified manufacturing presence in close proximity to world's major copper and gold mining locations of Chile, South Africa and Australia. For FY22/FY23, net forex earnings as % of consolidated sales stood at 25%/32%, respectively.

The share of exports will continue to rise given (1) likely rise in capex investments towards copper, gold and iron ore mining, (2) the upcoming manufacturing plant at Chile which has Rs8bn revenue potential and the recently won Rs6.8bn order from Europe whose execution will start from January 2024. There is hardly any mining activity seen in India where TEGA is focused on - copper, gold and iron ore. In order to capitalize on the future growth prospects, TEGA plans to expand its production capacities and capabilities both in domestic and international markets.

The majority of export orders are priced and billed in USD, and TEGA hedges all of its net-exports on a real-time basis. TEGA's South African operations serve the SADC region, while the Indian operations cater to the rest of Africa (East, West, and North) as well as the North American market. In FY24, TEGA secured a large Rs6.8bn five year order from the largest copper mine in Europe that would significantly add to TEGA's topline growth and international sales. Revenue booking from this order commenced from January 2024 and will continue over the next five years (with an extension provision of one more year). Chilean subsidiary services to the entire Latin market. Growth opportunity is immense in South American region as it constitutes 40% of world's copper production and 8% of global gold's production. With an aim to augment its distribution reach across the key mining market of Chile, Peru and Bolivia, it is setting up a new greenfield plant in Chile. The plant is expected to start commercial production in April 2025 and holds a sizeable revenue potential of Rs8bn at full utilization. This new plant will integrate all manufacturing process in Chile (including the existing plant which is facing capacity constraints). In addition, TEGA has also floated a new subsidiary in Peru, which has substantial mineral reserves providing significant business opportunities. All these measures would ensure that international sales would continue to remain the biggest growth driver for TEGA.

Exhibit 33: TEGA's overseas sales trend

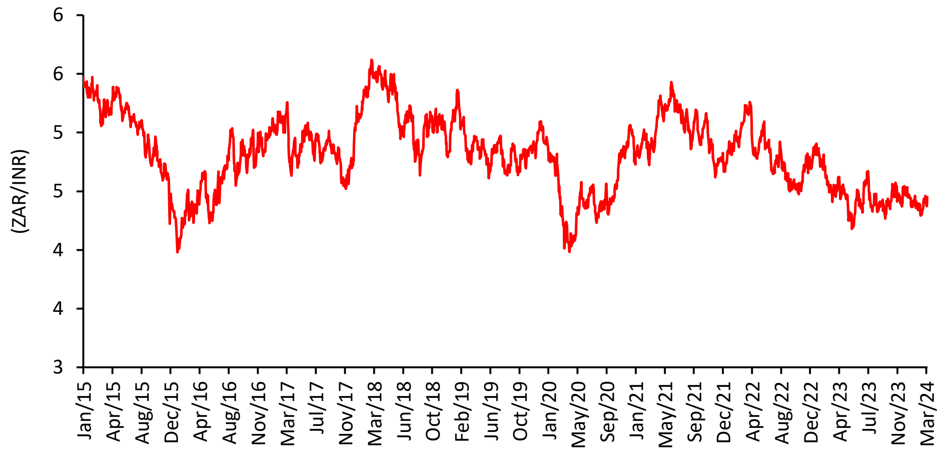


Source: Company Data, Centrum Broking

Exhibit 34: USD-INR trend over the past 10 years

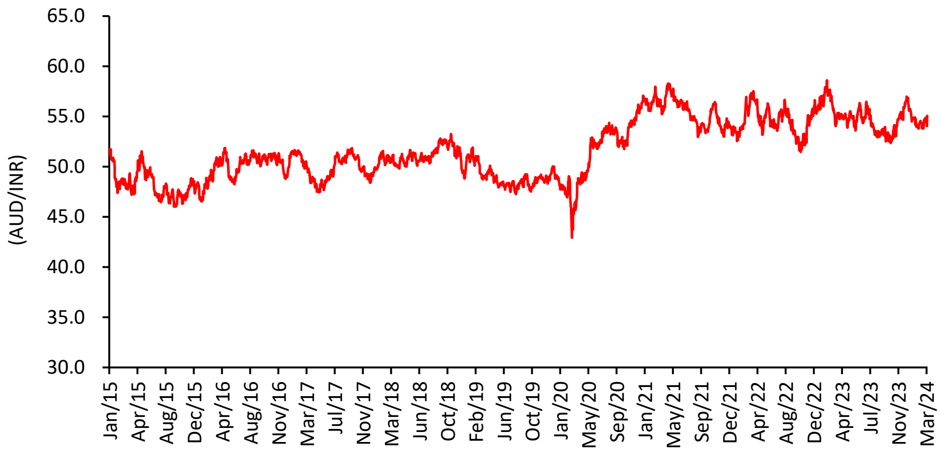
Source: Bloomberg, Centrum Broking

Exhibit 35: ZAR-INR trend over the past 10 years



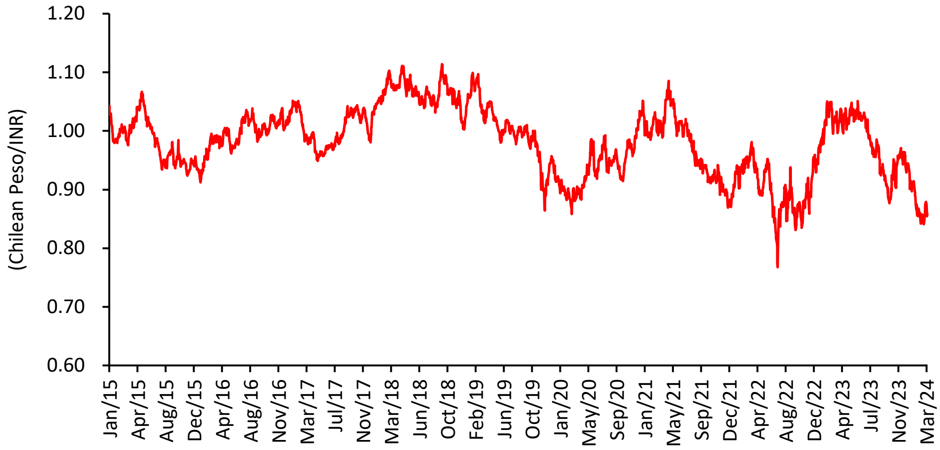
Source: Bloomberg, Centrum Broking (Note – ZAR is South African Rand)

Exhibit 36: AUD-INR trend over the past 10 years



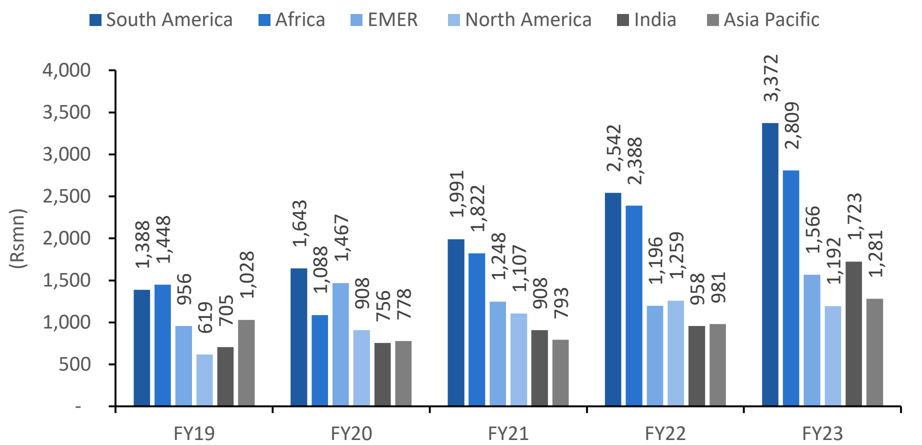
Source: Bloomberg, Centrum Broking

Exhibit 37: Chilean Peso-INR trend over the past 10 years



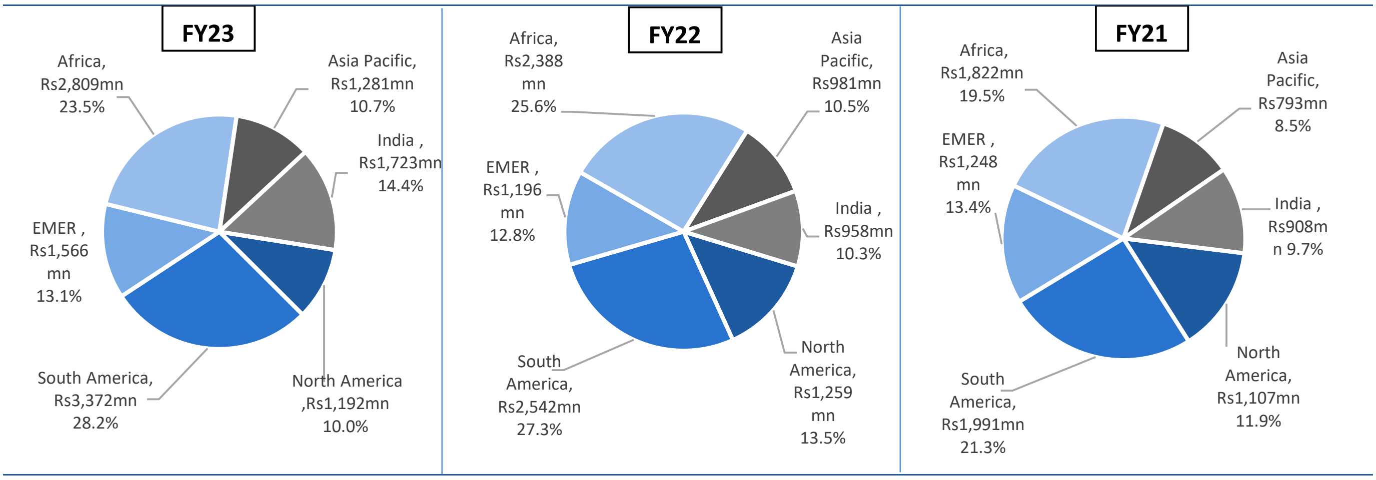
Source: Bloomberg, Centrum Broking

Exhibit 38: Geography-wise revenue trend over FY19-23



Source: Company Data, Centrum Broking

Exhibit 39: Geography-wise revenue mix over the last three years



Source: Company Data, Centrum Broking

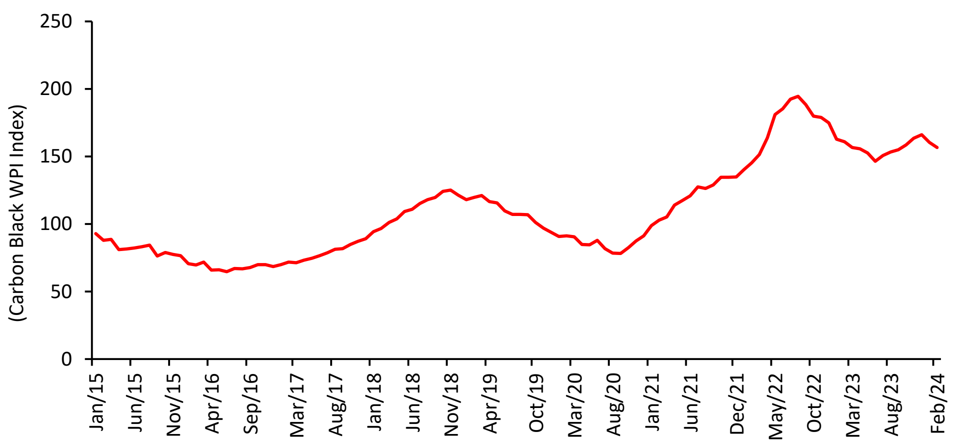
Diversified raw material sourcing

Rubber compound and reinforcements are the two key raw materials TEGA requires to manufacture its products. TEGA prepares rubber compound in India using primary raw materials such as carbon black, high grade natural rubber, polyurethane rubber and styrene-butadiene rubber which are sourced from domestic and overseas suppliers. After setting aside for domestic requirement, TEGA further exports rubber compounds as an intermediate raw material to its foreign subsidiaries, TEGA Chile and TEGA Africa. Reinforcement includes wear plates, castings and aluminium. Out of these primary raw materials, TEGA procures wear plates and polybutadiene rubber from Sweden. Besides, TEGA sources natural rubber from Thailand and Singapore while majority of the steel is procured from Japan, Sweden and other European markets. For FY22/23, TEGA's forex expenses as a percentage of total cost stood at 28.5%/19.5%, respectively.

TEGA operates under two modes – undertaking long term contracts and quotation-based orders on case-to-case basis. Typical period for a long term contract ranges between 2-3 years while the contract price is agreed upon at the time of signing the contract and also consists an element of cost escalation pass through. Raw material prices are mutually validated at the beginning of every year. Selective long term contracts are linked to commodity price indexes such as rubber. TEGA absorbs any price volatility in 5-10% range beyond which any cost increase is passed on to customer. With respect to quotation based orders, contract prices are decided on basis of spot prices prevailing in the market and possess the flexibility of passing on the rise in input materials cost to certain possible extent.

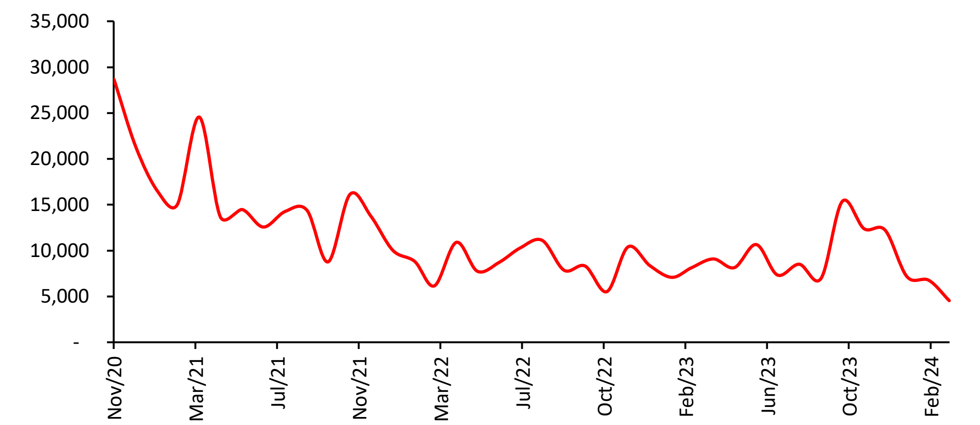
When exporting to international markets, customers bear the import duties imposed by their respective countries. TEGA assesses the comprehensive logistics costs associated with the entire shipping process and incorporates them into the final contract price. Any sharp movement in freight cost is also a pass through with a lag of one or two quarters.

Exhibit 40: Carbon Black Index trend over the past 10 years



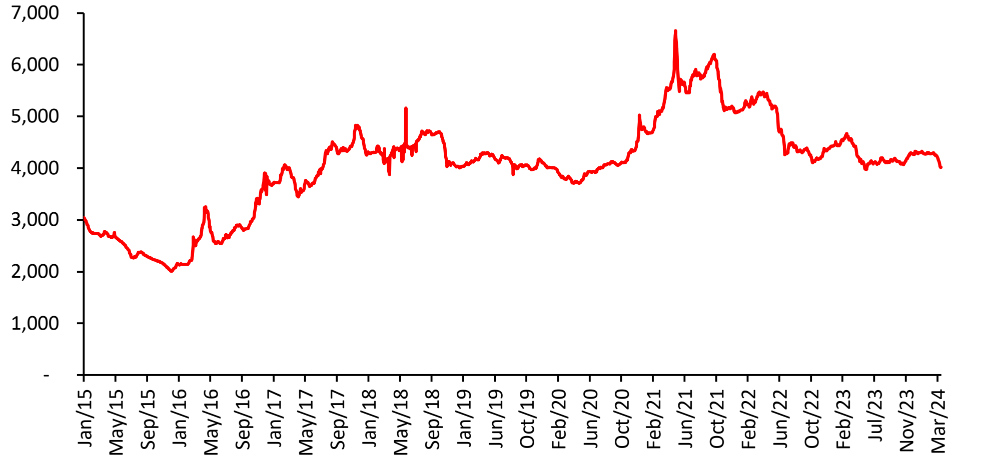
Source: Bloomberg, Centrum Broking

Exhibit 41: Natural Rubber Exchange (China SG Future)



Source: Bloomberg, Centrum Broking

Exhibit 42: Steel Price Index

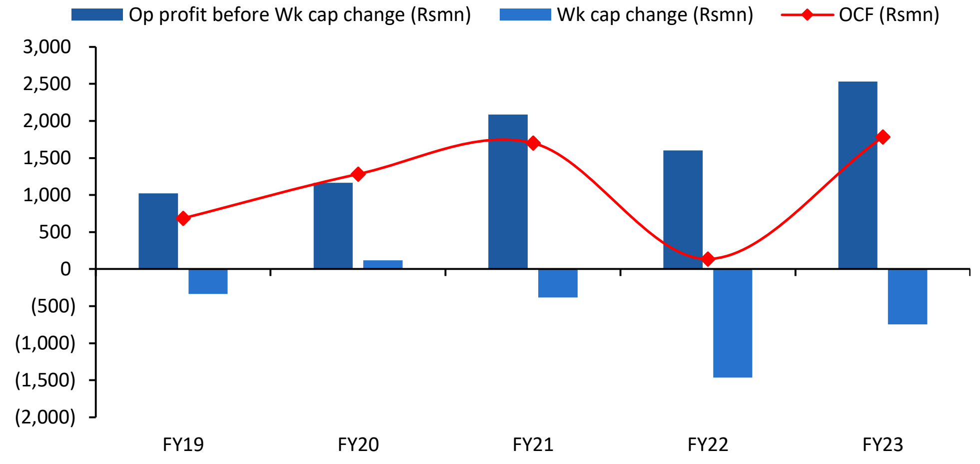


Source: Bloomberg, Centrum Broking

Financial analysis of the past five years

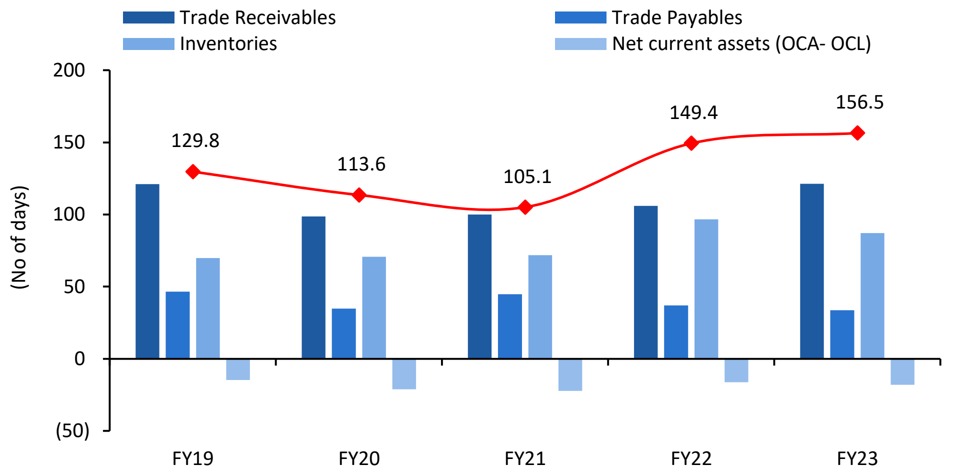
TEGA posted healthy revenue/EBITDA/PBT CAGR of 17.6%/29.3%/50.9% over FY19-23. Ex-cash NWC days are high at an average of 131 days over FY19-23 due to higher debtors (avg. 109 days) and higher inventory (avg. 79 days). Aggregate OCF generation was Rs5.6bn with healthy OCF/EBITDA conversion at 66%. Cumulative capex incurred over FY19-23 was at Rs2.4bn leading to FCF/OCF conversion of 58% with aggregate FCF of Rs3.2bn. Despite better margins profile, return ratios are suppressed due to lower utilization and high cash balance. Average RoE/RoCE is 17.1%/15.2% over FY19-23. Leverage position was stable as net/debt to equity stayed in 0.3-0.4x range.

Exhibit 43: Operating profit has remained healthy with FY19-23 average OPM of 19.1%



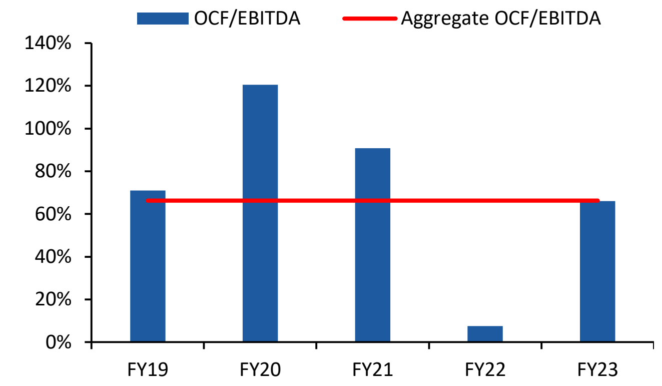
Source: Company Data, Centrum Broking

Exhibit 44: Ex-cash NWC is high due to higher receivables and inventory



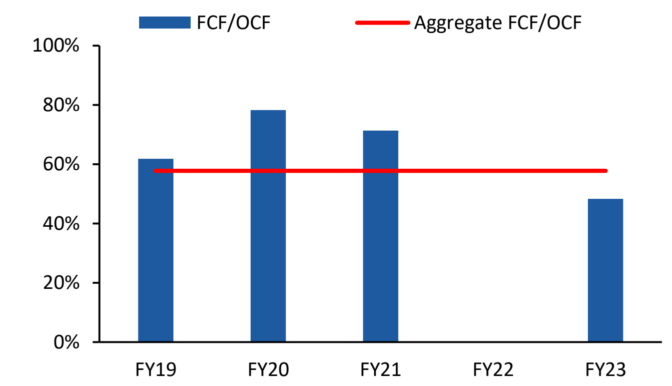
Source: Company Data, Centrum Broking

Exhibit 45: Healthy EBITDA to OCF conversion at 66%



Source: Company Data, Centrum Broking

Exhibit 46: OCF to FCF conversion at 58% over FY19-23



Source: Company Data, Centrum Broking (FCF in FY22 was negative)

Exhibit 47: Fixed asset turnover has remained in the range of 2.0 -3.0x

	FY19	FY20	FY21	FY22	FY23
Fixed Asset turn (x)	2.0	2.1	2.1	2.3	1.3

Source: Company Data, Centrum Broking

Return ratios suppressed despite having better margin profile

Despite better margins profile (aggregate gross/EBITDA/PBT margins over FY19-23 at 58.4%/19.7%/15.5%), returns ratios were supressed. This was primarily on account of higher liquid investments as the company intends to preserve cash for both organic/inorganic expansions. Average RoE/RoCE over FY19-23 are at 17.1%/15.2%. Excluding cash and investments, average RoIC stood at 22.3%. The management expects the RoE and RoCE to expand by ~300bps over the next 3 years.

Exhibit 48: Leverage remains stable; return ratios lower than peers

	FY19	FY20	FY21	FY22	FY23	FY19-23 average
Net Debt/Equity	0.5	0.4	0.2	0.2	0.2	0.3
Net Debt/EBITDA	2.0	1.9	0.7	1.0	1.0	1.3
RoCE pre-tax	21.9%	11.8%	26.0%	19.1%	21.6%	20.1%
RoCE	15.2%	10.5%	19.2%	14.3%	16.8%	15.2%
RoIC (pre-tax)	22.6%	13.1%	27.4%	22.8%	25.5%	22.3%
RoE	8.0%	14.9%	24.9%	17.2%	20.6%	17.1%

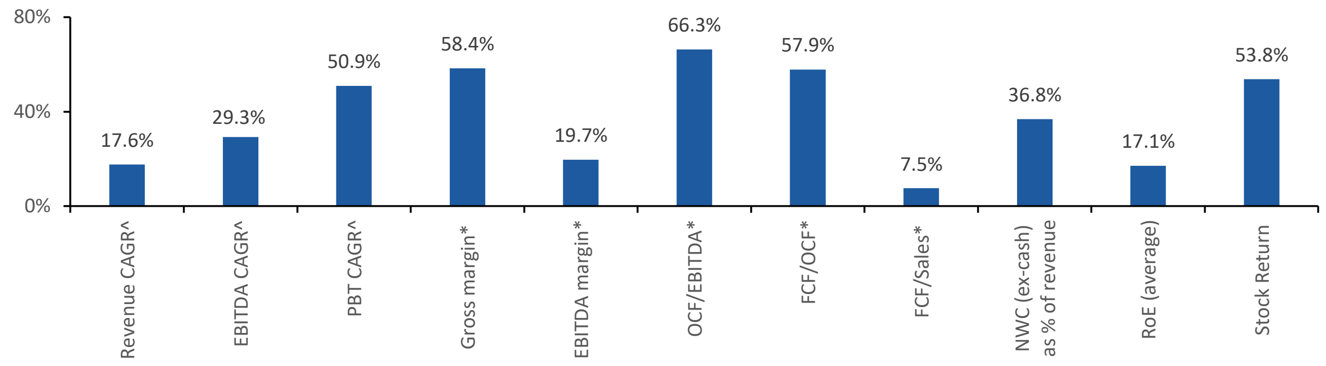
Source: Company Data, Centrum Broking

Exhibit 49: DuPont Analysis – Margins have remained healthy; RoE getting impacted by low total asset turn

	FY19	FY20	FY21	FY22	FY23	FY19-23 average
PAT/PBT	0.73	1.14	0.75	0.77	0.79	0.84
Revenue/average total assets	1.04	1.06	1.10	1.11	1.06	1.07
Average total assets/Average NW	1.49	1.47	1.34	1.27	1.28	1.37
PBT/EBITDA	0.46	0.54	0.97	0.83	0.86	0.73
EBITDA/Revenue	0.15	0.16	0.23	0.19	0.22	0.19
RoE	**8.0%**	**14.9%**	**24.9%**	**17.2%**	**20.6%**	**17.1%**

Source: Company Data, Centrum Broking

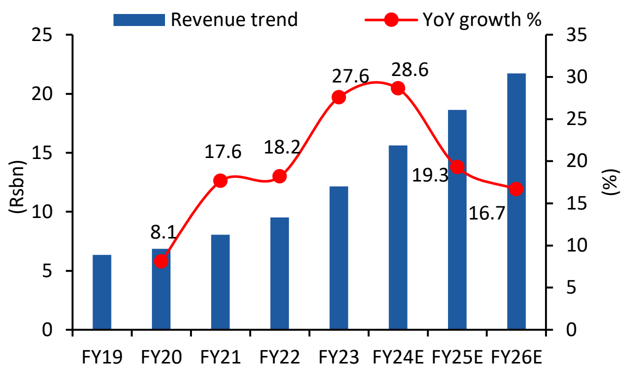
Exhibit 50: FY19-23 aggregate - Healthy growth, margin and cash flows conversion; NWC is high while cash suppresses RoE



Source: Company Data, Centrum Broking; ^: FY19-23 CAGR; *: aggregate (Note; Stock return denotes two year CAGR from 31-Mar-22 to 31-Mar-24)

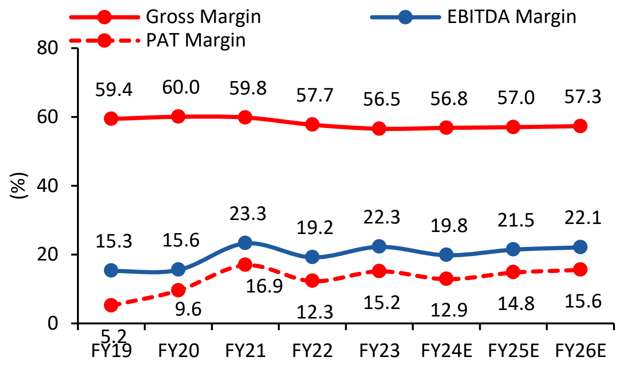
Key financial parameters and estimates

Exhibit 51: Revenue trend



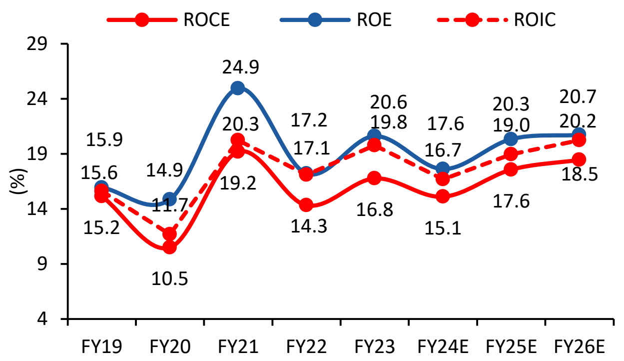
Source: Company Data, Centrum Broking

Exhibit 52: Margins trend



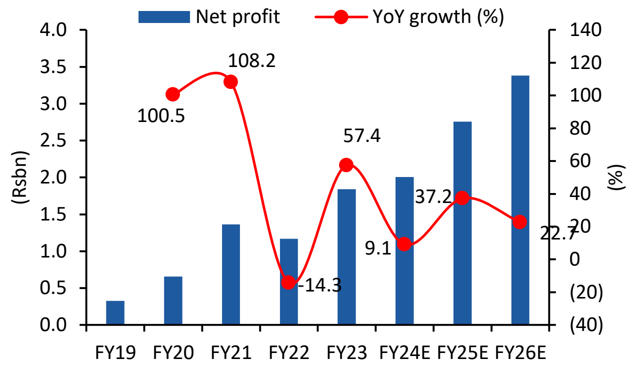
Source: Company Data, Centrum Broking

Exhibit 53: Return ratios trend



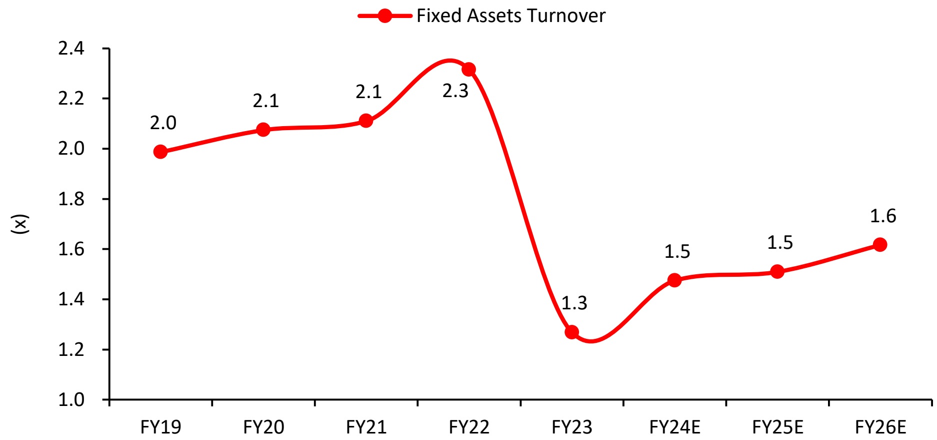
Source: Company Data, Centrum Broking

Exhibit 54: Net profit trend



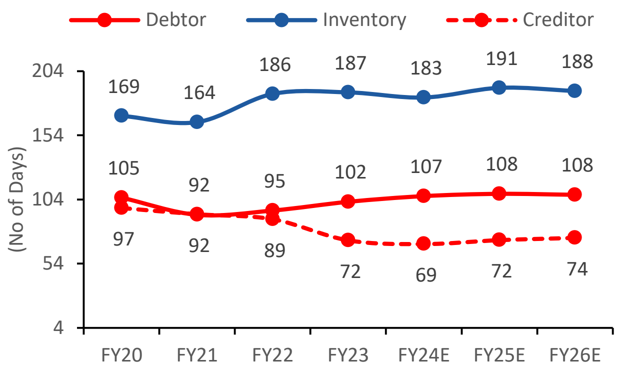
Source: Company Data, Centrum Broking

Exhibit 55: Gross Fixed Asset turnover trend



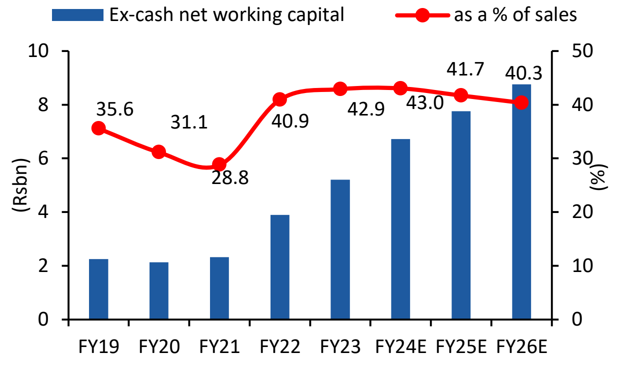
Source: Company Data, Centrum Broking

Exhibit 56: Cash conversion cycle trend



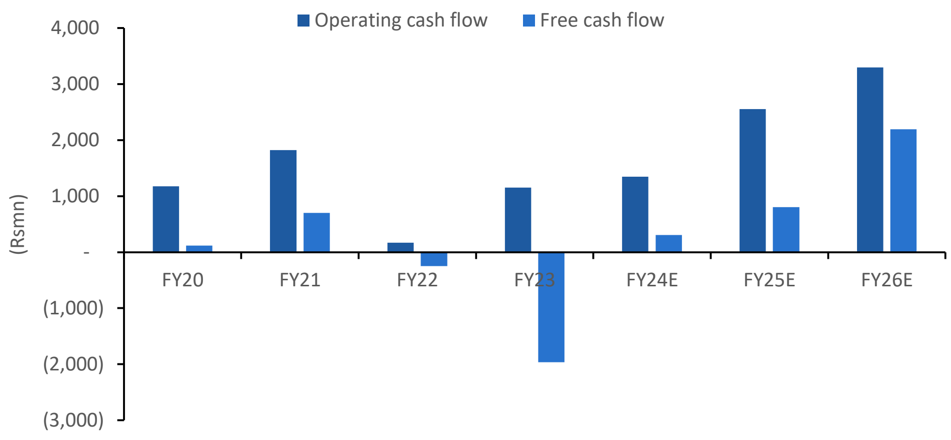
Source: Company Data, Centrum Broking

Exhibit 57: Ex-cash net working capital trend



Source: Company Data, Centrum Broking

Exhibit 58: Cash flow trend



Source: Company Data, Centrum Broking

Exhibit 59: Quarterly Financial Snapshot

Y/E March (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Net sales	**2,901**	**2,444**	**2,762**	**2,969**	**3,964**	**2,681**	**3,775**	**3,402**	14.6	(9.9)
Direct Costs	1,259	1,009	1,166	1,341	1,759	1,111	1,604	1,460	8.9	(9.0)
Gross Profit	**1,641**	**1,435**	**1,596**	**1,628**	**2,205**	**1,570**	**2,171**	**1,942**	19.3	(10.5)
Staff Cost	364	385	424	395	422	489	560	583	47.6	4.2
Other Expenses	588	588	631	560	754	688	794	797	42.5	0.4
Total Expenditure	**2,211**	**1,983**	**2,221**	**2,296**	**2,936**	**2,287**	**2,958**	**2,841**	23.7	(3.9)
EBITDA	**690**	**462**	**541**	**673**	**1,028**	**393**	**817**	**561**	(16.7)	(31.4)
Depreciation	91	91	96	104	121	135	138	140	34.8	1.1
EBIT	**598**	**370**	**445**	**569**	**908**	**258**	**679**	**421**	(26.0)	(38.0)
Interest	76	50	49	51	32	82	89	75	47.8	(15.8)
Other Income	124	(33)	67	106	66	81	33	65	(38.2)	95.2
PBT	**647**	**288**	**463**	**624**	**942**	**258**	**623**	**411**	(34.1)	(34.0)
Tax	165	67	119	152	183	53	160	64	(57.9)	(60.2)
PAT	**481**	**221**	**345**	**473**	**759**	**205**	**463**	**348**	(26.5)	(24.9)
Add: Profit from Associates	8	10	9	11	14	9	11	9	(22.4)	(19.3)
PAT after minority	**489**	**230**	**354**	**484**	**773**	**214**	**474**	**356**	(26.4)	(24.8)
EPS (Rs/share)	7.4	3.5	5.3	7.3	11.6	3.2	7.1	5.4	(26.6)	(24.9)
As a % of revenue										
Direct Costs	43.4	41.3	42.2	45.2	44.4	41.4	42.5	42.9		
Gross Margin	56.6	58.7	57.8	54.8	55.6	58.6	57.5	57.1		
Staff Cost	12.5	15.8	15.4	13.3	10.7	18.3	14.8	17.1		
Other expenses	20.3	24.0	22.8	18.8	19.0	25.6	21.0	23.4		
EBITDA Margin	23.8	18.9	19.6	22.7	25.9	14.7	21.6	16.5		
PAT Margin	16.6	9.0	12.5	15.9	19.1	7.6	12.3	10.2		
Tax rate	25.6	23.4	25.6	24.3	19.4	20.5	25.7	15.5		

Source: Company Data, Centrum Broking

Exhibit 60: Quarterly Segmental Snapshot

Y/E March	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue (Rs mn)										
Consumables	2,901	2,444	2,762	2,969	3,600	2,240	3,315	2,857	(3.8)	(13.8)
Equipment	NA	NA	NA	NA	368	443	469	562	NA	19.9
Total	**2,901**	**2,444**	**2,762**	**2,969**	**3,968**	**2,683**	**3,784**	**3,419**	**15.2**	**(9.6)**
Revenue mix (%)										
Consumables	100.0	100.0	100.0	100.0	90.7	83.5	87.6	83.6		
Equipment	-	-	-	-	9.3	16.5	12.4	16.4		
EBITDA (Rs mn)										
Consumables	690	462	541	673	955	355	772	494	(26.6)	(36.0)
Equipment	-	-	-	-	75	39	45	67	NA	47.5
Total	**690**	**462**	**541**	**673**	**1,030**	**394**	**817**	**561**	**(16.7)**	**(31.4)**
EBIT Margin (%)										
Consumables	23.8	18.9	19.6	22.7	26.5	15.8	23.3	17.3		
Equipment	NA	NA	NA	NA	20.5	8.8	9.6	11.8		
Total	23.8	18.9	19.6	22.7	26.0	14.7	21.6	16.4		

Source: Company Data, Centrum Broking.
Note - Equipment segment refers to the acquired entity of MSEL (McNally Sayaji Engineering Ltd) in Q4FY23.

TEGA’s shareholding pattern

Exhibit 61: TEGA’s shareholding pattern

Category and name	No of shares held	Shareholding as a % of total shareholding
Promoter	**4,97,58,945**	**74.9%**
Nihal Fiscal Services Pvt. Ltd.	3,58,28,203	53.9%
Manish Mohanka	72,78,925	11.0%
Madan Mohan Mohanka	53,48,502	8.0%
Marudhar Foor and Credit Ltd.	13,00,000	2.0%
Mehul Mohanka	3,315	0.0%
Mutual Funds	**99,68,955**	**15.0%**
SBI Large and Midcap Fund	29,56,450	4.4%
HDFC Balanced Advantage Fund	27,21,004	4.1%
Mirae Asset Tax Saver Fund	10,72,611	1.6%
Aditya Birla Small Cap Fund	10,04,917	1.5%
Franklin India Smaller Companies Fund	8,17,064	1.2%
Alternate Investment Funds	**2,23,875**	**0.3%**
Insurance Companies	**19,88,360**	**3.0%**
Tata AIA Life Insurance Co. Ltd	16,87,586	2.5%
Foreign Portfolio Investors	**9,43,649**	**1.4%**
Other non-institutional investor	**35,68,443**	**5.4%**
Total shareholding	**6,64,52,227**	**100.0%**

Source: BSE, Centrum Broking. Shareholding as on 31st December 2023.

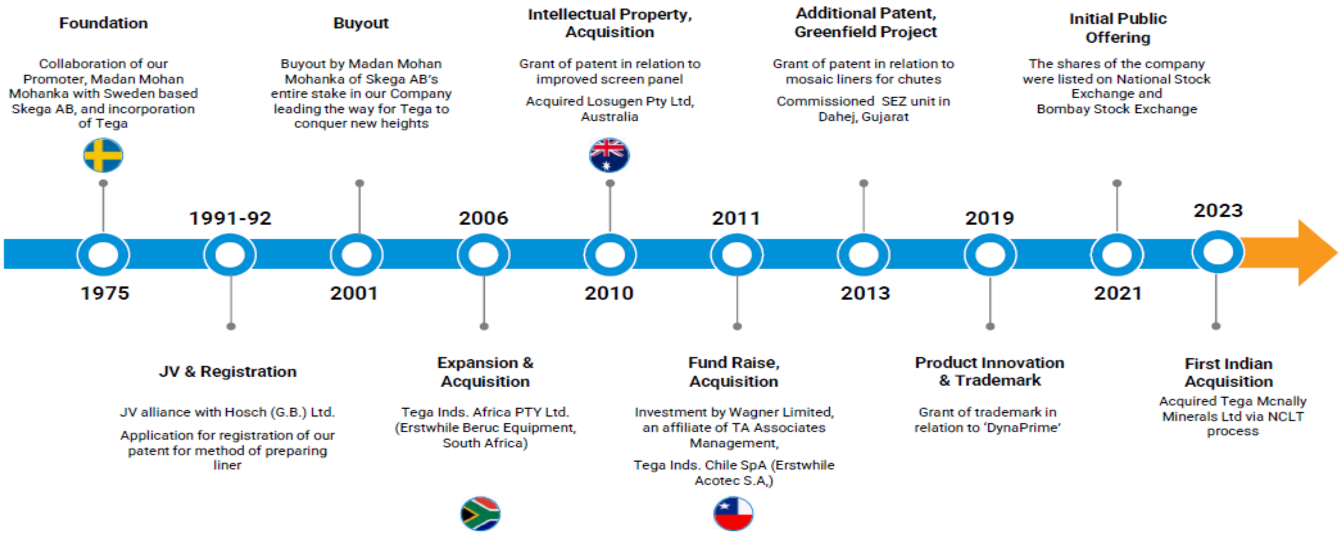
Key Management Personnel

Exhibit 62: Key management personnel

Name	Designation	Brief Profile
Mr. Madan Mohan Mohanka	Executive Chairman	Mr. Mohanka is the promoter and Executive Chairman of the company. He holds a BSc degree from Ranchi University and a Post Graduate Diploma from IIM Ahmedabad.
Mr. Mehul Mohanka	MD and Group CEO	Mr. Mehul holds BCom from University of Calcutta and an MBA from University of Pittsburgh. He also underwent an advanced management programme from Harvard Business School. He currently presides over the Board of the Indian Chamber of Commerce and is a member of National Executive Committee of FICCI. He has been associated for over two decades with the company handling crucial functions of sales and operations.
Mr. Sharad Khaitan	CFO	A qualified CA, Mr. Khaitan has more than 20 years of rich experience in areas of Financial Controllership, Business Finance, FPNA, Accounting, Treasury, Taxation, Revenue Assurance, Internal Audit, Investor Relations and Business Strategy. He has previously worked with some reputed names like S.R. Batliboi & Co, ITC Ltd and Atria Convergence Technologies Ltd.
Mr. Syed Yaver Imam	Whole Time Director	Mr. Imam was inducted into TEGA as a Graduate Engineer Trainee and rose through the ranks of a Board member. He has been associated with the Board since 2006.

Source: Company Data, Centrum Broking

Exhibit 63: TEGA's journey and key milestones



Source: Company Data, Centrum Broking

Exhibit 64: Plant locations

DOMESTIC MANUFACTURING OPERATIONS

DAHEJ, GUJARAT

Commissioning/Acquisition: 2013

Product capabilities: Mill liner, wear products, screens and trommels

KOLKATA (SAMALI), WB

Commissioning/Acquisition : 1985

Product capabilities: Mill liners, Wear products, Hydrocyclones, Screens, Trommels & Conveyor products

KALYANI, WEST BENGAL

Commissioning/Acquisition: 1978

Product capabilities: Mill liners (except DynaPrime), Conveyor products, Chute liners & pump liners, Hydrocyclones

INTERNATIONAL MANUFACTURING OPERATIONS

CHILE

Commissioning/Acquisition: 2011

Product capabilities: Mill liners, Trommels, Chute liners, Screens, Pipe and pipe repair and spools

SOUTH AFRICA

Commissioning/Acquisition : 2006

Product capabilities: Mill liners (except DynaPrime), Spillex, Screen Panel, Chute liners

AUSTRALIA

Commissioning/Acquisition: 2010

Product capabilities: Chute liners and Trommels

Source: Company Data

Exhibit 65: Plant locations of recently acquired McNally Sayaji

DOMESTIC MANUFACTURING OPERATIONS (TEGA MCNALLY MINERALS LTD.)

VADODARA, GUJARAT	BANGALORE, KARNATAKA	ASANSOL, WEST BENGAL	KUMARDUBI, JHARKHAND
Product capabilities: Crushers, vibrating screens, feeders and other material handling equipments	**Product capabilities:** Thickener, pumps, filter press, floatation cells, sand washing plant	**Product capabilities:** Vibrating screens, feeders, ball mills, crushers and job shops	**Product capabilities:** Mills, crushers, screen, feeders and job shops

Source: Company Data

Key risks

- TEGA's capability of continuously upgrading its product range and provide more efficiency to customers is key to further increasing its market share in the oligopolistic industry globally.
- TEGA's products are consumables and supplied to over 70 countries worldwide. Any disruption in its factories in India or globally will pose challenges of continuity in supply.
- TEGA's supplies depend on continuous production at mining sites of its customers. Any stoppages of production in key countries or customers will impact TEGA's volumes.
- Sales to international market constitutes large proportion of TEGA's consolidated sales. Any disruption in supply chain challenges can adversely impact timely delivery of products at the client's site.
- Imposition of import duties or any abrupt change in trade agreement in key export countries can pose challenges to normal business operations.
- Any adverse rise in competitive intensity will impact TEGA's margin structure.

Exhibit 66: TEGA's global presence

Source: Company Data, Centrum Broking.

Exhibit 67: TEGA's mill liners and conveyer components with descriptive information

Mill liner products

DynaMax: The DynaMax® range of mill linings are a core product range of the Company. Mill liners represent the flagship business of Tega with customers across many countries using the DynaMax® range of mill linings. The DynaMax® range of mill lining products comprises DynaPrime®, DynaSteel®, DynaPulp® and DynaWear®, all flagship products.

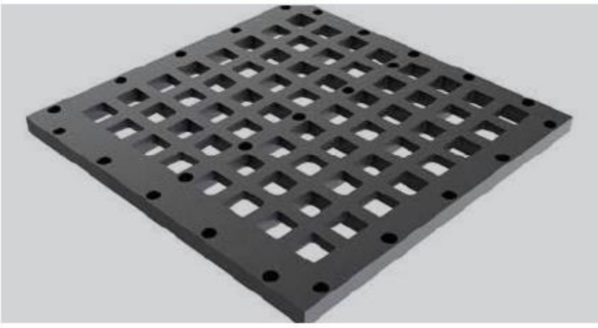
Conveyor component products

Ultimo conveyor components: Tega has been a pioneer in providing quality solutions to the bulk material handling industry, especially belt conveyors. The Company's major conveyor products include Ultimo CenTrax®, Ultimo Jumbo, Ultimo Friflo, Ultimo Spill-Ex Skirt Sealing, Ultimo Eco-Flip Skirt, Ultimo Single Wing, Ceramic Pulley Lagging, Ultimo Ceradisc and conveyor belt cleaners, among others.

Source: Company Data, Centrum Broking.

Exhibit 68: TEGA's screen panels and trommels with descriptive information

Screen panels



Tega is among the leading manufacturers of screens and providers of screening services. Tega's Opti Screen brand offers three screen panels (Opti Prime, Opti Next and Opti Slim).

Trommels

Tega is a market leader in providing a wide range of trommel for heavy and light duty applications. The structures come with rubber or polyurethane screen panels, spirals, connecting pieces and end flanges. The structures are custom designed for higher efficiency, capacity and wear life. The Company's trommel panels have a wide range of options to suit the specific customer requirement. The panels are specifically designed with detailed analysis of the operating parameters, feed distribution, material characteristics and environmental factors to provide the optimum performance in terms of life and efficiency.

Source: Company Data, Centrum Broking.

Exhibit 69: TEGA’s Hydrocyclone with descriptive information

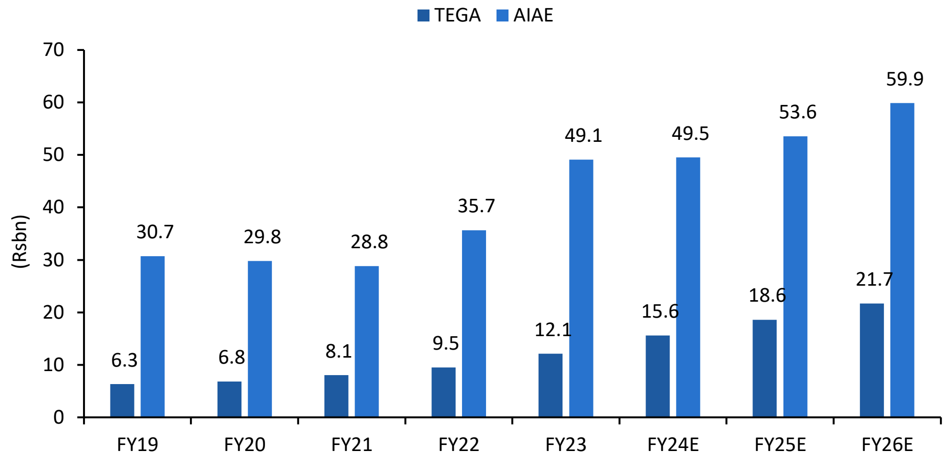
Hydrocyclone

Tega is a leader in the design and supply of hydrocyclones for the mining and mineral processing industry for more than two decades. The Company’s hydrocyclones are made for wet classification with higher capacity and sharper cut points. The Tega Tornado range of hydrocyclones are known for an innovative product portfolio, delivering comprehensive solutions in classification, beneficiation, de-sliming, de-gritting and de-watering applications associated with mineral processing industries.

Source: Company Data, Centrum Broking

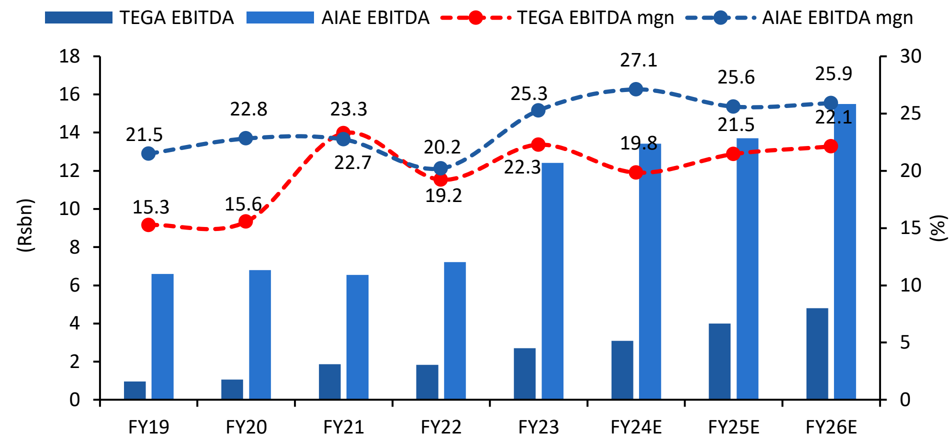
TEGA vs. AIAE – Financial comparison

Exhibit 70: TEGA vs. AIAE – Revenue comparison



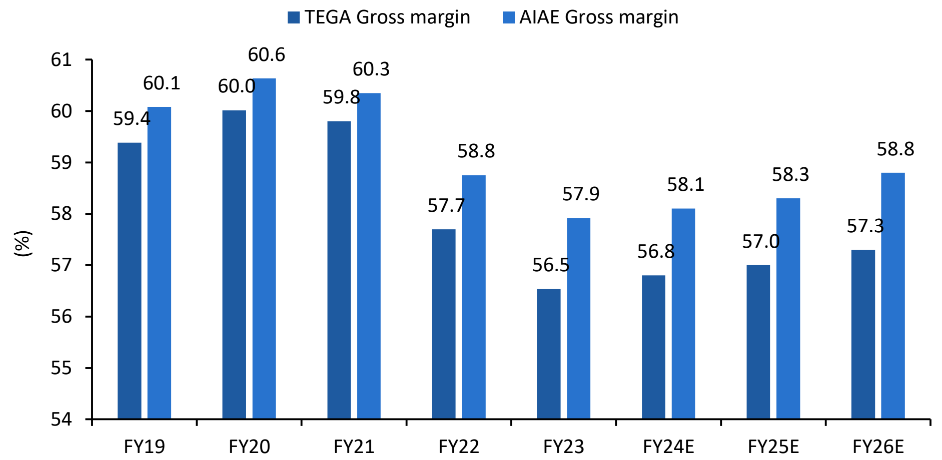
Source: Company Data, Centrum Broking

Exhibit 71: TEGA vs. AIAE – EBITDA and EBITDA margins comparison



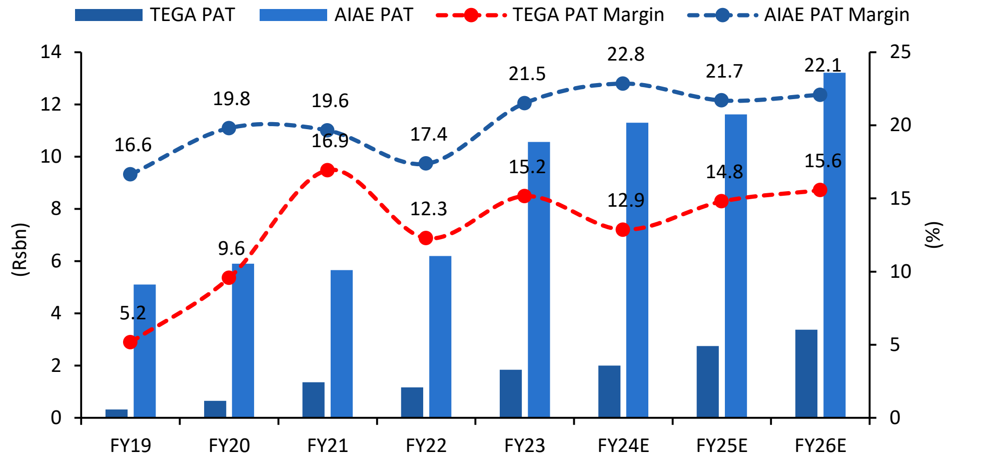
Source: Company Data, Centrum Broking

Exhibit 72: TEGA vs. AIAE – Gross margin comparison



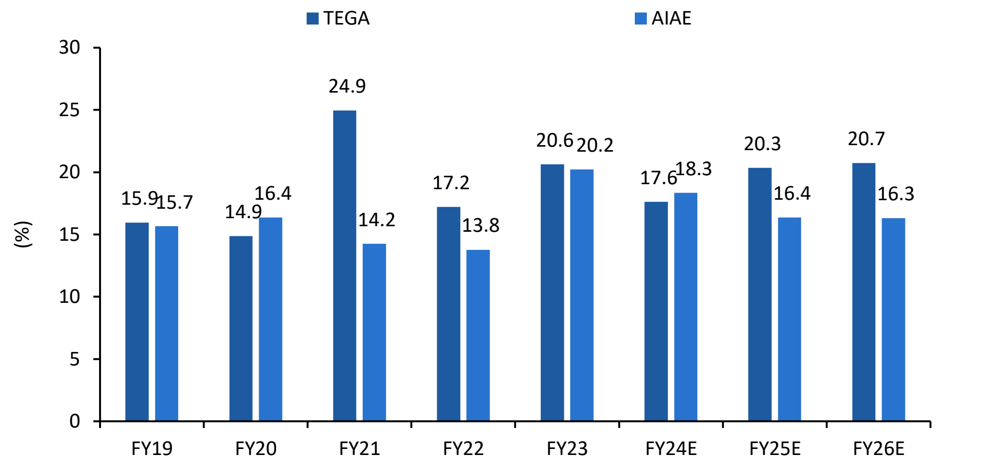
Source: Company Data, Centrum Broking

Exhibit 73: TEGA vs. AIAE – PAT and PAT margins comparison



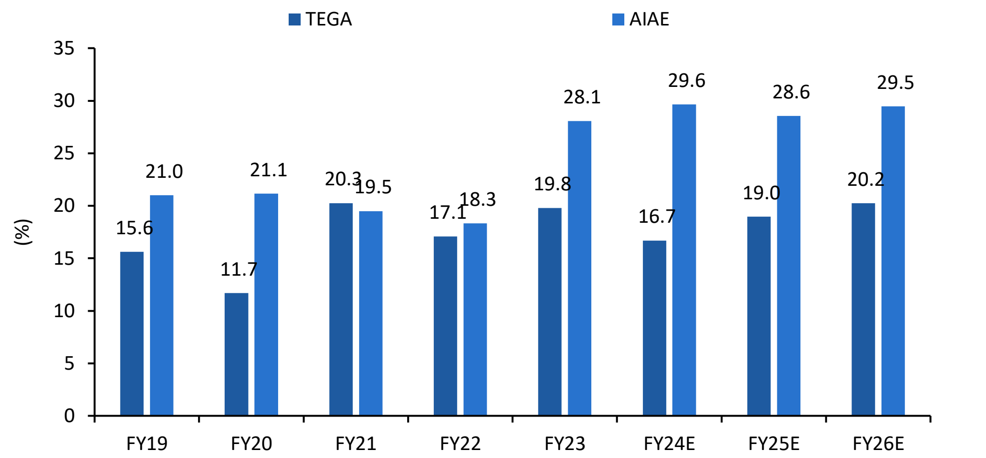
Source: Company Data, Centrum Broking

Exhibit 74: TEGA vs. AIAE – RoE comparison



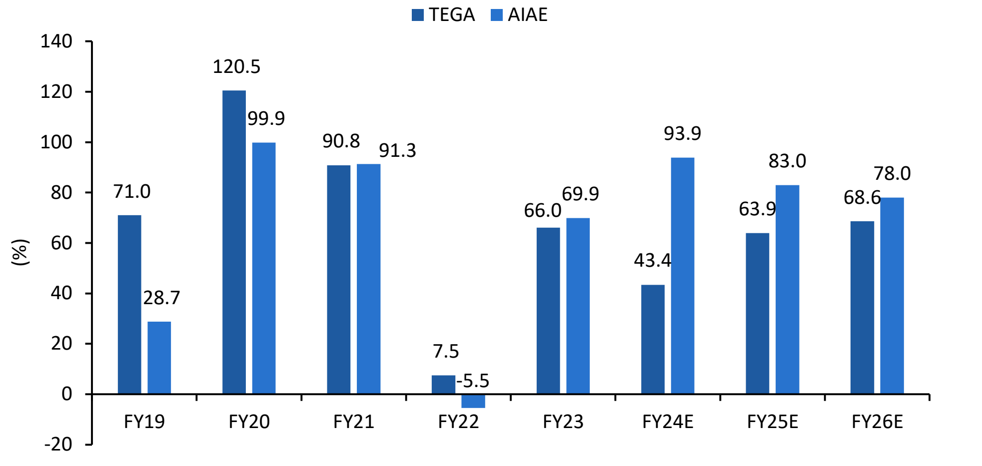
Source: Company Data, Centrum Broking

Exhibit 75: TEGA vs. AIAE – RoIC comparison



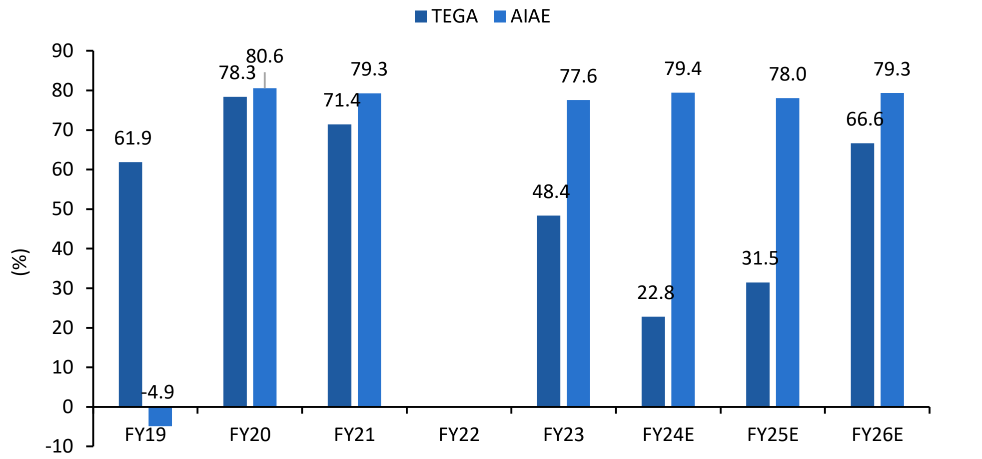
Source: Company Data, Centrum Broking

Exhibit 76: TEGA vs AIAE – OCF/EBITDA comparison



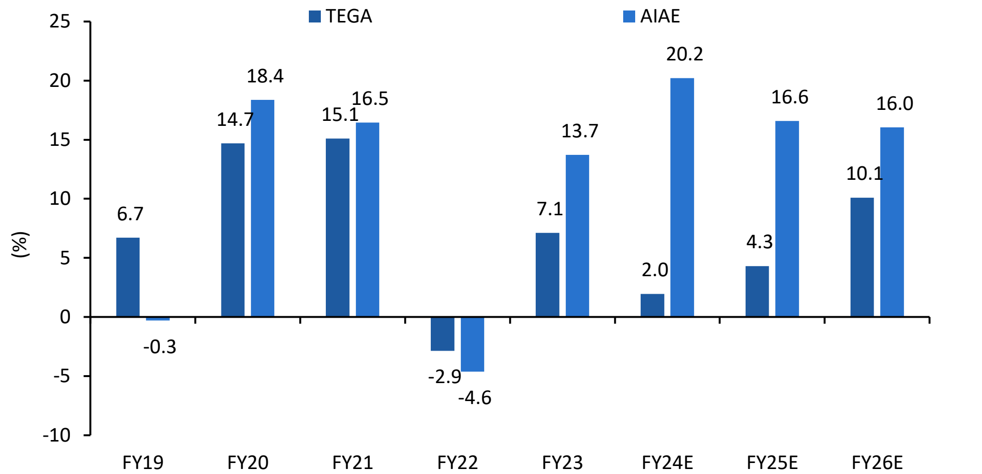
Source: Company Data, Centrum Broking

Exhibit 77: TEGA vs. AIAE – FCF/OCF comparison



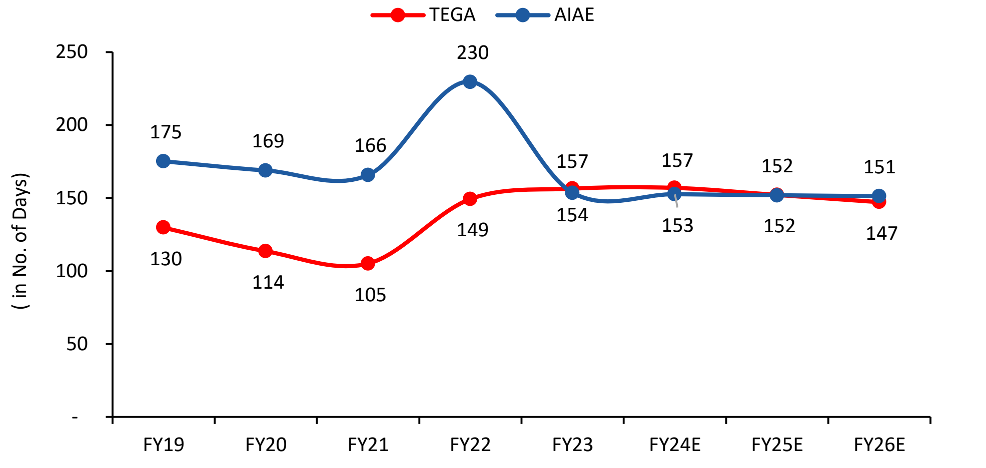
Source: Company Data, Centrum Broking (FY22 – FCF was negative for both firms)

Exhibit 78: TEGA vs. AIAE – FCF/sales comparison



Source: Company Data, Centrum Broking

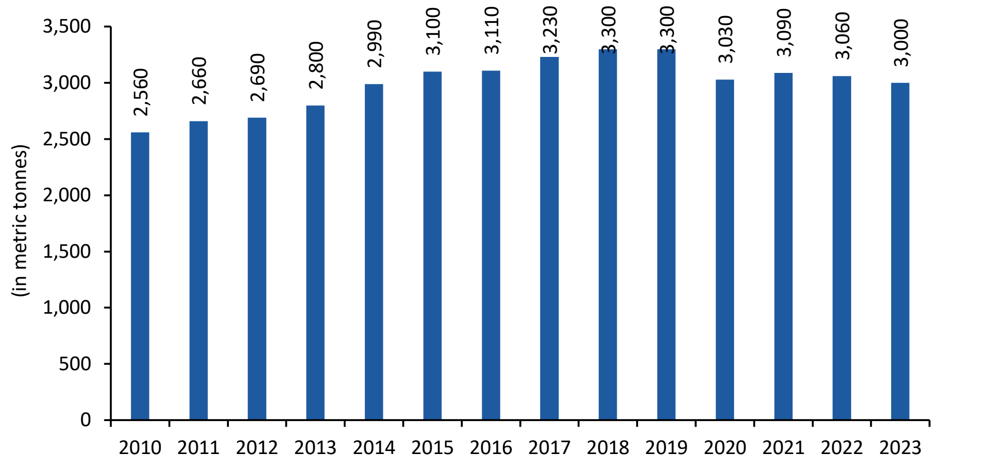
Exhibit 79: TEGA vs. AIAE – Ex-cash NWC in no. of days



Source: Company Data, Centrum Broking

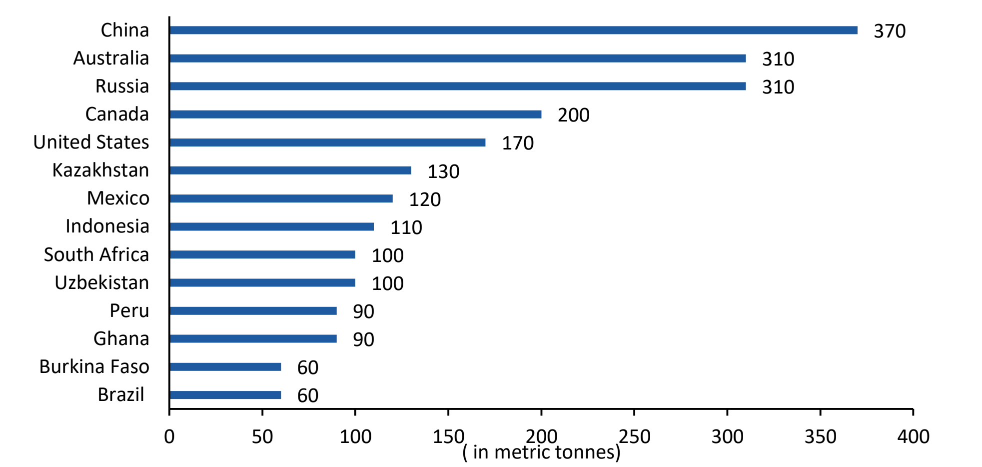
Annexure: Global production trends in gold, copper and iron ore mining

Exhibit 80: Global gold mining production trend



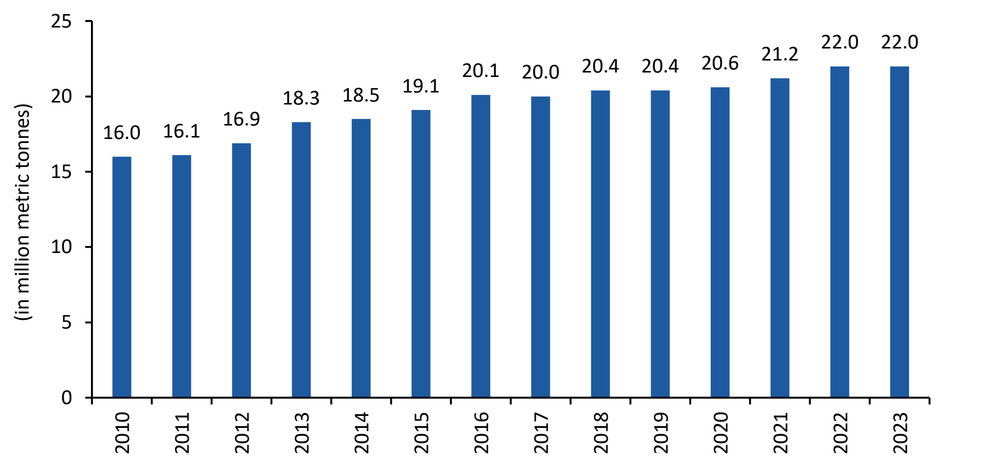
Source: Statista

Exhibit 81: Country wise gold mining production across the globe (in 2023)



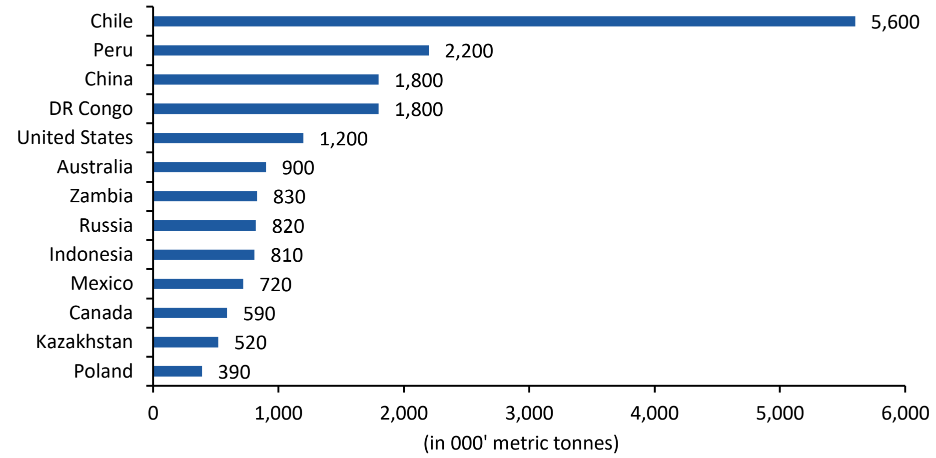
Source: Statista

Exhibit 82: Global copper production trend



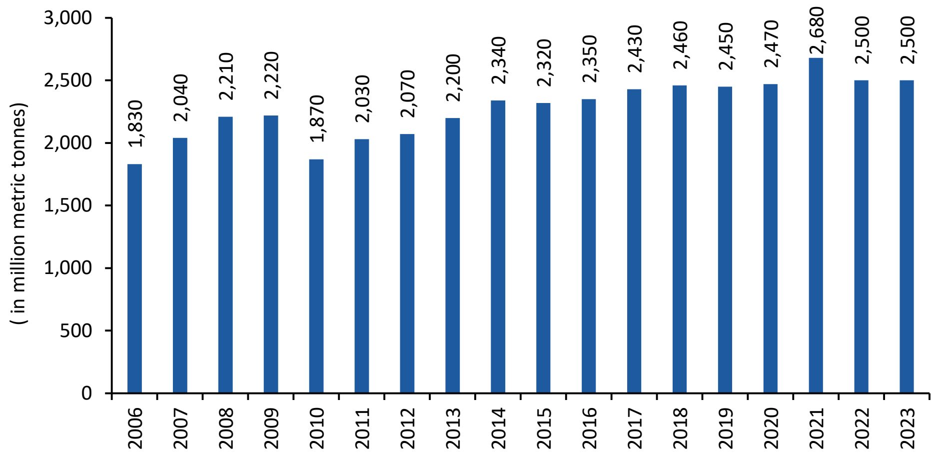
Source: Statista

Exhibit 83: Country-wise copper production trend



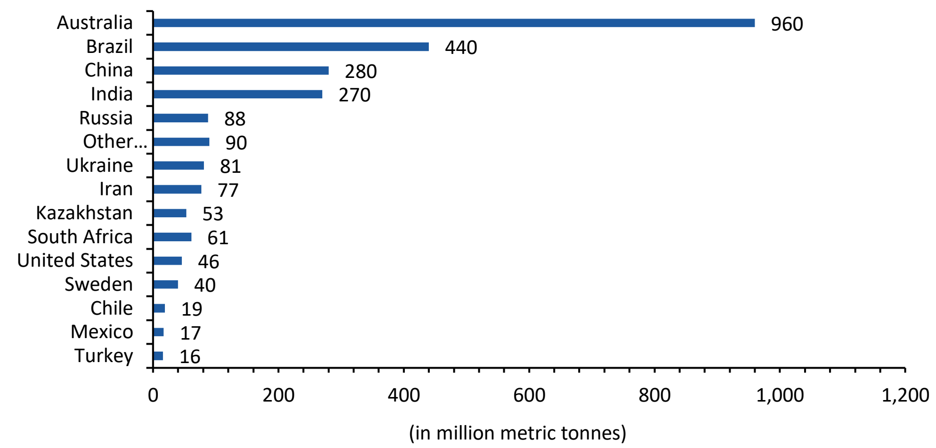
Source: Statista

Exhibit 84: Global iron ore production trend



Source: Statista

Exhibit 85: Country-wise iron ore production trend



Source: Statista.

P&L

YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	**9,518**	**12,140**	**15,612**	**18,621**	**21,722**
Operating Expense	4,026	5,276	6,744	8,007	9,275
Employee cost	1,434	1,627	2,264	2,644	3,041
Others	2,229	2,532	3,507	3,975	4,601
EBITDA	**1,829**	**2,704**	**3,096**	**3,995**	**4,804**
Depreciation & Amortisation	387	412	555	596	709
EBIT	**1,442**	**2,292**	**2,542**	**3,399**	**4,095**
Interest expenses	162	181	294	250	204
Other income	242	207	265	317	369
PBT	**1,522**	**2,318**	**2,513**	**3,465**	**4,261**
Taxes	381	521	553	762	937
Effective tax rate (%)	25.0	22.5	22.0	22.0	22.0
PAT	**1,141**	**1,797**	**1,960**	**2,703**	**3,324**
Minority/Associates	28	43	47	52	57
Recurring PAT	**1,169**	**1,840**	**2,008**	**2,755**	**3,381**
Extraordinary items	0	0	0	0	0
Reported PAT	**1,169**	**1,840**	**2,008**	**2,755**	**3,381**

Ratios

YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	18.2	27.6	28.6	19.3	16.7
EBITDA	(2.5)	47.9	14.5	29.0	20.3
Adj. EPS	(14.3)	57.3	8.9	37.2	22.7
Margins (%)					
Gross	57.7	56.5	56.8	57.0	57.3
EBITDA	19.2	22.3	19.8	21.5	22.1
EBIT	15.1	18.9	16.3	18.3	18.9
Adjusted PAT	12.3	15.2	12.9	14.8	15.6
Returns (%)					
ROE	17.2	20.6	17.6	20.3	20.7
ROCE	14.3	16.8	15.1	17.6	18.5
ROIC	17.1	19.8	16.7	19.0	20.2
Turnover (days)					
Gross block turnover ratio (x)	2.3	1.3	1.5	1.5	1.6
Debtors	95	102	107	108	108
Inventory	186	187	183	191	188
Creditors	89	72	69	72	74
Net working capital	155	160	153	147	161
Solvency (x)					
Net debt-equity	0.2	0.2	0.2	0.2	0.0
Interest coverage ratio	11.3	14.9	10.5	16.0	23.6
Net debt/EBITDA	1.0	1.0	0.9	0.6	0.2
Per share (Rs)					
Adjusted EPS	17.6	27.7	30.2	41.4	50.8
BVPS	111.0	158.1	185.0	222.4	268.2
CEPS	23.5	33.9	38.5	50.4	61.5
DPS	0.0	2.0	3.0	4.0	5.0
Dividend payout (%)	0.0	7.2	9.9	9.7	9.8
Valuation (x)					
P/E	70.3	44.7	41.1	29.9	24.4
P/BV	11.2	7.8	6.7	5.6	4.6
EV/EBITDA	46.1	31.5	27.5	21.3	17.3
Dividend yield (%)	0.0	0.2	0.2	0.3	0.4

Source: Company, Centrum Broking

Balance sheet

YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	663	664	665	665	665
Reserves & surplus	6,697	9,826	11,635	14,124	17,172
Shareholders fund	7,360	10,490	12,300	14,789	17,838
Minority Interest	0	0	0	0	0
Total debt	2,149	3,095	3,095	2,795	2,295
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	(142)	(115)	(115)	(115)	(115)
Total liabilities	**9,368**	**13,470**	**15,280**	**17,469**	**20,017**
Gross block	4,111	9,572	10,592	12,342	13,442
Less: acc. Depreciation	(1,828)	(4,788)	(5,342)	(5,939)	(6,648)
Net block	2,283	4,784	5,250	6,404	6,795
Capital WIP	102	120	100	100	100
Net fixed assets	3,044	5,566	6,050	7,204	7,595
Non Current Assets	260	375	468	559	652
Investments	2,026	2,205	2,205	2,205	2,205
Inventories	2,521	2,896	3,880	4,497	5,082
Sundry debtors	2,765	4,031	5,090	5,969	6,844
Cash & Cash Equivalents	402	493	308	296	1,454
Loans & advances	0	1	0	0	0
Other current assets	541	612	781	931	1,086
Trade payables	967	1,119	1,441	1,733	2,033
Other current liab.	1,083	1,386	1,795	2,141	2,498
Provisions	142	203	265	317	369
Net current assets	4,038	5,323	6,557	7,502	9,566
Total assets	**9,368**	**13,470**	**15,280**	**17,469**	**20,017**

Cashflow

YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	1,522	2,318	2,513	3,465	4,261
Depreciation & Amortisation	387	412	555	596	709
Net Interest	162	181	294	250	204
Net Change – WC	(1,576)	(1,310)	(1,511)	(1,048)	(999)
Direct taxes	(354)	(493)	(553)	(762)	(937)
Net cash from operations	**168**	**1,151**	**1,345**	**2,554**	**3,295**
Capital expenditure	(439)	(2,934)	(1,038)	(1,750)	(1,100)
Acquisitions, net	0	0	0	0	0
Investments	25	(179)	0	0	0
Others	0	0	0	0	0
Net cash from investing	**(414)**	**(3,113)**	**(1,038)**	**(1,750)**	**(1,100)**
FCF	**(246)**	**(1,962)**	**307**	**804**	**2,195**
Issue of share capital	0	1	1	0	0
Increase/(decrease) in debt	271	945	0	(300)	(500)
Dividend paid	0	(133)	(200)	(266)	(333)
Interest paid	(162)	(181)	(294)	(250)	(204)
Others	54	1,421	0	0	0
Net cash from financing	**164**	**2,053**	**(492)**	**(816)**	**(1,036)**
Net change in Cash	(82)	91	(185)	(12)	1,159

Source: Company, Centrum Broking

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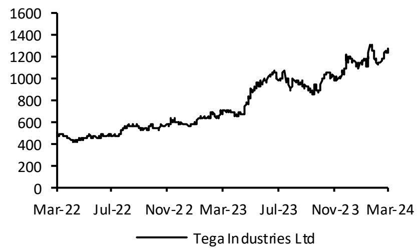
TEGA Industries



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