



TEGA INDUSTRIES LIMITED



IPO NOTE

Issue highlights

- Tega Industries Limited ("Tega")** was incorporated on May 15, 1976. Tega commenced their operations in 1978 in India, with a foreign collaboration with **Skega AB, Sweden**. The company is a leading manufacturer and distributor of specialized 'critical to operate' and recurring consumable products for the global mineral beneficiation, mining and bulk solids handling industry, on the basis of sales as of June 30, 2021. Globally, they are the **2nd largest producers of polymer-based mill liners**, on the basis of revenues as of June 30, 2021.
- Tega offers comprehensive solutions to marquee global clients in the mineral beneficiation, mining and bulk solids handling industry, through their wide product portfolio of specialized abrasion and wear-resistant rubber, polyurethane, steel and ceramic based lining components, used by their customers across different stages of mining and mineral processing, screening, grinding and material handling, including after-market spends on wear, spare parts, grinding media and power, which are regular operating expenses for their customers.
- Tega has **6 manufacturing sites**, including 3 in India, at Dahej in Gujarat and at Samali and Kalyani in West Bengal, and 3 sites in major mining hubs of Chile, South Africa and Australia, with a total built-up area of 74,255 Sq. mts.
- Additionally, their joint venture in India with U.K. branch of **Hosch Group, Germany** is engaged in precision conveyor belt cleaning and caters to various industries in India. They also have **18 global and 14 domestic sales offices** located close to their key customers and mining sites.
- In order to expand their operations globally, they acquired Tega Industries Africa (Pty) Ltd. (formerly, Beruc Equipment (Proprietary) Ltd) ("**Tega Africa**") in FY 2007; Chile based Tega Industries Chile SpA (formerly Acotec SA) ("**Tega Chile**") in FY 2011. They also acquired Perth based Losugen Pty. Ltd. ("**Losugen**").
- In 2011, they received funding from **Wagner Ltd., an entity affiliated with TA Associates**, a global private equity firm.

Brief Financial Details*

(₹ In Cr)

	As at Jun' 30,	As at Mar' 31,		
	2021(03)	2021(12)	2020(12)	2019(12)
Equity Share Capital	57.60	57.60	57.60	57.60
Preference Share Capital	8.69	8.69	8.69	8.69
Reserves	564.86	547.43	396.20	334.81
Net worth as stated	631.15	613.72	462.49	401.11
Revenue from Operations	173.21	805.52	684.85	633.76
Revenue Growth (%)	-	17.62%	8.06%	-
EBITDA	29.68	238.64	117.23	106.00
EBITDA Margin (%) as stated	16.54%	27.86%	16.85%	16.49%
Profit before Tax	16.18	183.86	59.24	46.46
Net Profit for the period	11.88	136.41	65.50	32.67
EPS - Basic (₹)	2.10 [^]	24.10	11.57	5.76
EPS - Diluted (₹)	1.78 [^]	20.48	9.84	4.90
RoNW (%)	1.88% [^]	22.23 [^]	14.16 [^]	8.14 [^]
Net Asset Value (₹)	108.06	105.04	78.78	68.13
ROCE	2.35%	24.76%	11.17%	11.12%

Source: RHP *Restated Consolidated, [^] not annualised, EBITDA Margin to Total Income.

Issue Details

Offer for sale of upto 13,669,478 Equity shares

Issue summary

Issue size: ₹ 606 - 619 Cr
No. of shares: 13,669,478 Shares
Face value: ₹ 10/-

Price band: ₹ 443 - 453
Bid Lot: 33 Shares and in multiple thereof

Post Issue Implied Market Cap =
₹ 2,937 – 3,003 Cr

BRLMs: Axis Capital, JM Financial
Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Wednesday, 1st Dec'2021
Issue closes on: Friday, 3rd Dec'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	08-12-2021
Refunds/Unblocking ASBA Fund	09-12-2021
Credit of equity shares to DP A/c	10-12-2021
Trading commences	13-12-2021

Issue break-up

	No. of Shares	₹ In Cr		% of Issue
		@lower	@upper	
QIB	6,834,738	302.78	309.61	50%
NIB	2,050,422	90.83	92.88	15%
RET	4,787,318	211.95	216.736	35%
Total	13,669,478	605.56	619.23	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

No. of shares	Pre-Offer and Post-Offer Equity Shares
	66,293,149

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	83.21%	77.21%
Promoter Group	1.96%	1.96%
Public – Selling S/h	14.62%	0.00%
Public – Other S/h	0.21%	20.83%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as “Tega India Limited” on May 15, 1976. The Promoters of the company are, Madan Mohan Mohanka, Manju Mohanka, Manish Mohanka, Mehul Mohanka and NFSPL. Currently, the promoters in aggregate hold 55,161,483 Equity Shares, constituting 83.21% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Madan Mohan Mohanka is one of the Promoters of the company, and the Chairman and Executive Director of the company. He has been associated with the company since its incorporation.

Mehul Mohanka is one of the Promoters of the company, and the Managing Director and Group CEO of the company. He is associated with the mining and construction equipment division of Confederation of Indian Industry as the chairman and is the co-chair of the national committee on mining of the Confederation of Indian Industry. He has been associated with the company since almost 2 decades and has been instrumental in diverse functions of the company, such as sales and operations.

Syed Yaver Imam is the Executive Director of the company and has been designated as the Director – Global Product Group. He has been associated with the company since 2005.

Hemant Madhusudan Nerurkar is the Independent Director of the company. He has been associated with the company since 2014.

Jagdishwar Prasad Sinha is the Independent Director of the company. He was previously associated with companies located in India and abroad, including, The Tata Steel (Tata Iron and Steel Company Ltd), Timken India Ltd, Schaeffler Technologies AG & Co., Ace Automation Control Equipment Pvt Ltd, Caparo Maruti Ltd, and Tudor India Ltd.

Madhu Dubhashi is the Independent Director of the company. She was previously associated with Global Data Services of India Ltd.

Rudolph Michael Edge is the Independent Director of the company. He was previously associated with FLSmidth Pvt Ltd as an executive vice chairman.

Key Managerial Personnel

Manoj Kumar Agarwal is the Director- Global Finance and Chief Financial Officer of the company. He has been associated with the company for more than 6 years. He was previously associated with Sesa Sterlite Ltd for almost a decade.

Manoj Kumar Sinha is the Director- Operations of the company. He has been associated with the company since September 28, 2015.

Kanjanabha Bhattacharyya is the President – Corporate Strategy of the company. He has been associated with the company since April 5, 2021.

Bhanu Sharma is the Senior Vice-President – Human Resources & Administration of the company. He has been associated with the company with effect from August 2, 2021.

Sudipta Bhowal is the General Manager – Legal & Company Secretary of the company. He is also the compliance officer of the company. He has been associated with the company since June 18, 2018.

OFFER DETAILS

Offer for Sale	Upto 13,669,478 Equity Shares
Madan Mohan Mohanka – Promoter Selling Shareholder	Upto 3,314,657 Equity Shares
Manish Mohanka – Promoter Selling Shareholder	Upto 662,931 Equity Shares
Wagner Limited - The Investor Selling Shareholders	Upto 9,691,890 Equity Shares

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group					
Promoter	55,161,483	83.21%	3,977,588	51,183,895	77.21%
Promoters Group	1,300,000	1.96%	-	1,300,000	1.96%
Total for Promoter and Promoter Group	56,461,483	85.17%	3,977,588	52,483,895	79.17%
Public – Investor Selling Shareholders	9,691,890	14.62%	9,691,890	0	0.00%
Public - Other	139,776	0.21%	-	13,809,254	20.83%
Total for Public Shareholder	9,831,666	14.83%	9,691,890	13,809,254	20.83%
Total Equity Share Capital	66,293,149	100.00%	13,669,478	66,293,149	100.00%

BUSINESS OVERVIEW

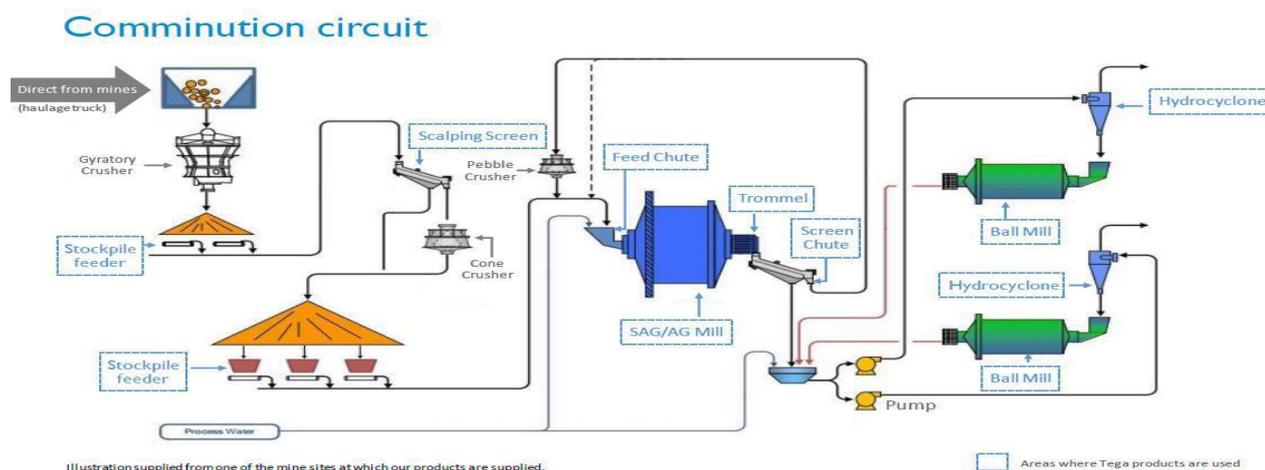
Tega Industries Limited (“Tega”) is a leading manufacturer and distributor of specialized ‘critical to operate’ and recurring consumable products for the global mineral beneficiation, mining and bulk solids handling industry, on the basis of sales as of June 30, 2021. Globally, they are the second largest producers of polymer-based mill liners, on the basis of revenues as of June 30, 2021. Tega offers comprehensive solutions to marquee global clients in the mineral beneficiation, mining and bulk solids handling industry, through their wide product portfolio of specialized abrasion and wear-resistant rubber, polyurethane, steel and ceramic based lining components, used by their customers across different stages of mining and mineral processing, screening, grinding and material handling, including after-market spends on wear, spare parts, grinding media and power, which are regular operating expenses for their customers. Their engineering capability, which has evolved over decades, has enabled them to consistently offer their quality, complex manufactured products within stipulated timelines, allowing them to reduce downtime and maximize operational efficiency for their customers, and forge robust relationships with their customers leading to high recurring revenues.

Tega commenced their operations in 1978 in India, with a foreign collobaration with Skega AB, Sweden. Madan Mohan Mohanka acquired the entire equity stake of Skega AB in the company in 2001. In 2011, they received funding from Wagner Ltd., an entity affiliated with TA Associates, a global private equity firm.

Tega’s product portfolio comprises more than 55 mineral processing and material handling products which covers a wide range of solutions in the mining equipment, aggregates equipment and the mineral consumables industry.

Company’s products offering include consumables required in the mines and mineral processing industry. In the sequence of their usage in the mineral processing value chain, after blasting to floatation, their products include chutes and its liners, grinding mill liners, trommels and screens, hydrocyclones, pumps and flotation parts and conveyor products. Their product range is engineered with a combination of mineral processing engineering, mechanical engineering and material sciences, while utilising their expertise in tribology.

The diagrammatic representation of company’s product range used in the mineral processing and material handling industry value chain:



For the last 3 Fiscals, they have presence in 513, 498 and 479 installation sites, respectively, in over 70 countries. Further, for the 3 months period ended June 30, 2021, they have presence in 212 installation sites.

Their focus end-customers are mineral processing sites involved in gold and copper ore beneficiation, accounting for 34.92% and 27.25% respectively of their sale of products as an average of the last 3 Fiscals and 45.48% and 20.76% respectively of their sale of products for the 3 months period ended June 30, 2021.

Tega has 6 manufacturing sites, including 3 in India, at Dahej in Gujarat and at Samali and Kalyani in West Bengal, and 3 sites in major mining hubs of Chile, South Africa and Australia, with a total built-up area of 74,255 Sq. mts. Their facilities in India caters to the domestic and overseas markets across mineral processing and materials handling industries, while their facilities in Chile, South Africa and Australia caters to their respective local and regional mineral processing and materials handling industries. Additionally, their joint venture in India with U.K. branch of Hosch Group, Germany is engaged in precision conveyer belt cleaning and caters to various industries in India. They also have 18 global and 14 domestic sales offices located close to their key customers and mining sites.

In order to expand their operations globally, they acquired Tega Industries Africa (Pty) Ltd. (formerly, Beruc Equipment (Proprietary) Ltd) ("**Tega Africa**") in FY 2007 which is a South Africa based manufacturer and distributor of grinding mill liners and screen media, amongst others and this gave them access to manufacturing capabilities and customers in Africa's mining and industrial markets. Their facilities in South Africa also give them access to the member countries of the Southern African Development Community (SADC). They continued their expansion and acquired Chile based Tega Industries Chile SpA (formerly Acotec SA) ("**Tega Chile**") in FY 2011 which is involved in the manufacture of pumps, screen media and wear products. Their facilities in Chile give them access to the South American markets including Chile, Peru and Bolivia (Latin American countries contribute 40% of the global copper production and 8% of the global gold production output).

In the same year, they also acquired Perth based Losugen Pty. Ltd. ("**Losugen**") which specialized in the design, distribution, installation, wear monitoring of wear liners, rubber lining, screens for mining handling industries. They increased their market share in Australia by acquiring their competitor at the time, which gave them access to a ready platform to launch their conveyor accessories and screens in that market.

BUSINESS IMPACT – COVID 19

Covid had limited impact on the mining industry, since it was declared as an essential service in all countries globally. Mines were running continuously since temporary shutdowns of mines are expensive and therefore there was resilient demand for critical mining consumables for regular operations.

Since company's products are critical to operate consumables for the mines, they were largely unaffected. Further, their plant in Chile remained functional with no halts in operations, their plant in South Africa had limited halt in operations, however the plant in Australia was impacted due to stricter and longer inter-boundaries lockdown within Australia, which has since been relaxed. Their strong customer profile, which includes senior miners and mining industries, were resilient during the period. However, Tega faced temporary logistical issues in terms of limited availability of labour, logistics and supply chain constraints. Their exports and production in some of their domestic facilities were temporarily disrupted from March 2020 onwards, across successive waves of national and regional lockdowns in India. Since then, they have resumed their operations in phases as per the GoI and state government's directives. Their plant utilization has improved, raw material suppliers have resumed operations and supply and logistics have become more regular.

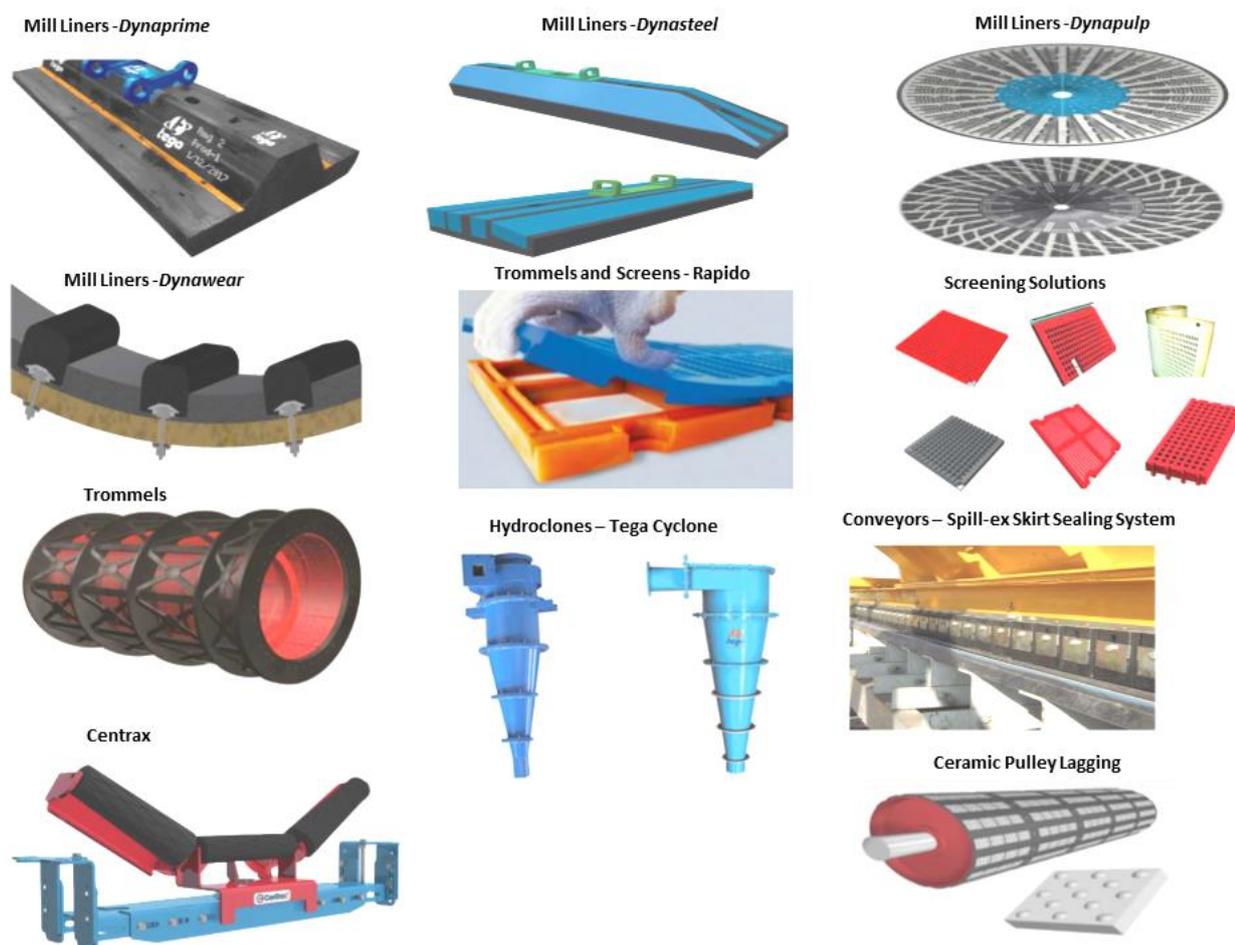
REVENUE FROM OPERATIONS

Revenue from Operations: Category-wise

Product Category	30 June 2021		31 March 2021		31 March 2020		31 March 2019	
	Revenue (₹ Cr)	% of Total						
Sale of Products	163.78	94.56%	773.73	96.05%	650.64	95.00%	595.34	93.94%
Sale of Services	5.77	3.33%	13.18	1.64%	13.37	1.95%	19.10	3.01%
Other Operating Revenue	3.66	2.11%	18.61	2.31%	20.84	3.04%	19.32	3.05%
- Sale of scrap	1.00	-	4.03	-	2.72	-	2.66	-
- Commission income	0.31	-	1.63	-	1.28	-	1.32	-
- Duty drawback & export incentives	2.02	-	11.88	-	15.84	-	14.45	-
- Service Fees	0.33	-	1.07	-	1.00	-	0.88	-
Total for Revenue from Operations	173.21	100.00%	805.52	100.00%	684.85	100.00%	633.76	100.00%

Revenue from Operations (Sale of Products and Services): Geographical Break-up

Product Category	30 June 2021		31 March 2021		31 March 2020		31 March 2019	
	Revenue (₹ Cr)	% of Total	Revenue (₹ Cr)	% of Total	Revenue (₹ Cr)	% of Total	Revenue (₹ Cr)	% of Total
Outside India	146.03	84.31%	696.11	86.42%	588.46	85.93%	543.96	85.83%
- North America	30.57	17.65%	110.71	13.74%	90.78	13.26%	61.93	9.77%
- South America	33.02	19.06%	199.06	24.71%	164.31	23.99%	138.83	21.91%
- EMER (Europe, Middle East & Russia)	24.57	14.19%	124.78	15.49%	146.73	21.43%	95.58	15.08%
- Africa	36.68	21.18%	182.24	22.62%	108.83	15.89%	144.79	22.85%
- Asia Pacific (South East Asia & Australia)	21.19	12.23%	79.32	9.85%	77.81	11.36%	102.83	16.23%
In India	23.53	13.58%	90.79	11.27%	75.55	11.03%	70.49	11.12%
Total for Sale of Products and Services	169.55	97.89%	786.91	97.69%	664.00	96.96%	614.42	96.95%
Total for Revenue from Operations	173.21	100.0%	805.52	100.00%	684.85	100.00%	633.76	100.00%

COMPANY PRODUCT PORTFOLIO


Company's product portfolio includes consumables required in the mines and mineral processing industry. In the sequence of their usage in the mineral processing mines, after blasting to flotation, their products include chutes and its liners, grinding mill liners, trommels and screens, hydrocyclones, pumps and flotation parts and conveyor products. Their product range is engineered with a combination of mineral processing engineering, mechanical engineering and material sciences, while utilising their expertise in tribology.

Product Line	Product Description
Mill liners	Mill liners are used in the grinding mills for the beneficiation of minerals. Growth drivers for the mill liners business includes a new opportunity in relation to replacement of mill liners in the semi-autogenous grinding (SAG) mills, where the DynaPrime range of mill liners are replacing steel liners due to its superior performance. Further, the DynaPrime range of mill liners will also benefit from secular growth trends applicable to other mill liners, sustained growth in the copper and gold commodity volumes and increased ore degradation.

Product Line	Product Description
- <i>DynaPrime</i>	The DynaPrime range has been designed specifically for the bigger size of the mills where modern liner handlers are available. DynaPrime has been engineered to reduce the number of pieces being installed inside the mill, substantially reducing the installation downtime for maximum mill operation up-time. DynaPrime puts safety above all. Bolting from outside and lesser weight of the lining considerably reduces any risk during the installation of the liner.
- <i>DynaSteel</i>	DynaSteel range constitutes of a combination of different alloys and rubber to engineer a perfect blend for grinding application. DynaSteel range ensures a complete protection from excessive wear on the mill lining and delivers maximum grinding efficiency to the mill. The lifting action transferred to the charge remains constant throughout the life of the lining. DynaSteel has proven to be successful in demanding applications, especially in primary grinding mills and the challenges faced by the conventional liners, such as cracking of liners is eliminated by the judicious use of the right material of construction in DynaSteel. The DynaSteel range is designed to be installed in large sized mills where modern liner handlers are not available.
- <i>DynaPulp</i>	DynaPulp, along with their designed grate seeks to achieve a maximum capacity out of the mill. They use advanced computational softwares to simulate the slurry charge using specialized tools, to ensure an efficient discharge system. DynaPulp range has been proven to achieve a lower specific power consumption to save more energy. DynaPulp offers curved and radial discharger system. Curved discharger system ensures a maximum flow out of the mill eliminating carry-over. No back increases the mill capacity and also arrests excessive wear at the trailing edge of the discharger system, substantially increasing the life with minimum weight. Radial discharger system is engineered for both uni-directional and bi-directional mill rotation. Based on simulations and experiments, DynaPulp radial discharger system is designed with hardened steel at right positions to arrest excessive differential wear rate and thus maximizing the life of the discharger.
- <i>DynaWear</i>	DynaWear mill linings provide optimal grinding solutions in major mineral processing plants all over the world. DynaWear range consists of products completely manufactured using specialized rubber to deliver optimized life and capacity to maximize the cost benefit for a plant. The rubber lining system is the preferred lining system for secondary ball mills; regrind mills, rod mills and scrubbers. DynaWear has been successfully used in a wide range and installed in primary, secondary and tertiary grinding mills, batch mills and scrubbe
Trommels and Screens	Screens and trommels are used for separation of particles according to sizes. The key products for the screens and trommels business include Rapido.
- <i>Rapido</i>	Rapido is their patented product which addresses certain major issues of the mining industry relating to clogging and blinding of the apertures during operation with existing screen panels, resulting in downtime of the equipment and lower efficiencies. With its dual system of top and bottom part, it reduces the replacement time of panels substantially and due to the unique patented top part, induces secondary vibration in the panel which results in the elimination of blinding and clogging. It therefore increases the efficiency of the panels, resulting in significant benefits to the customer.
- <i>Screening Solutions</i>	They provide screen applications in mining, mineral processing, steel plants and aggregate industries. The screening solutions deliver unique, highly efficient wear resistant screen decks which increases screening efficiency, reduces down-time and cost per tonne of material handling. Some of the popular screening decks include, bolt down panels, cross tension panel, flip flo panel, panel cord, dewatering panel, polysnap panel, anti-clogging panel and button type panel.
- <i>Trommels</i>	Trommels are becoming an integral part of large SAG mills application. The high tonnage mineral processing plants have replaced screens with high capacity trommels to handle high tonnage of ore processed and to efficiently separate the oversized particles. Therefore, trommels have eliminated the need of having multiple screens in a mineral processing plant and assure uniformity of separation. With their engineering expertise in designing and installing consumables for large sized mineral processing plants, they offer a wide range of trommels for heavy duty, medium duty and light duty applications along with structure, rubber or polyurethane screen panels, spirals, connecting pieces and end flanges. All their trommels are custom designed, optimizing the sizes, capacity and wear

Product Line	Product Description
	life. The structural parts, type of panels, fixing type and reinforcement are designed and manufactured on the basis of application. The structural design is cross checked and optimized with the specialized analysis. All the structural parts are covered with rubber coating to resist corrosion. The trammel screen panels are either rubber or polyurethane based, depending on the application and consists of totally embedded mild steel reinforcement to support the load and maintain the curvature of the panels.
Hydrocyclones	Hydrocyclones are used for extracting or separating slurry particles, based on the overall particle weight while consuming relatively lower power. Their key product for their hydrocyclones business is the Tega Cyclone.
- <i>Tega Cyclone (PEXEL)</i>	The range of cyclone are made entirely from highly wear resistant rubber/ Cryston and are housed in mild steel casing. These are available with multiple cone angles to suit Customer requirement. Tega cyclones work in almost every mineral industry such as iron, coal, alumina, clay and many others and are used extensively for mineral classification and beneficiation of ore minerals. They market their Tega Cyclones on the basis of their high capacity per unit area and flexibility.
Conveyor Products	The conveyor products include conveyor components used with conveyor belts. The key conveyor products include Spill-ex skirt sealing system, Centrax, and ceramic pulley lagging.
- <i>Spill-ex skirt sealing system</i>	The spill-ex skirt sealing system is simple, yet effective in making conveyor loading stations spillage free. Skirt sealing is generally provided on both sides of the skirt board, however, for conveyors that are inclined upwards or for those handling fines, sealing of the rear of the belt is necessary. Their Spill-ex skirt sealing system is used in the loading zones of belt conveyors. Rear skirt sealing is provided with a fixed length backing skirt plate that is based on belt width.
- <i>Centrax</i>	Centrax is used to guide the conveyor belt system, when the conveyor belt starts to mistrack and the speed of the two tapered rollers changes. When there is a difference in speed, Centrax belt trackers immediately engage and guide the conveyor belt back to its correct position. The combination of tracker rollers with strong grip and a smooth-running swivel bearing gives Centrax its precision tracking characteristics.
- <i>Ceramic Pulley Lagging</i>	Lagging of the conveyor pulley is essential to improve conveyor belt performance. The use of lagging reduces belt slippage, improves tracking and extends life of belt, bearing & other components. The ceramic pulley lagging is especially suited for pulleys with slippage and excessive wear and tear problems which make normal rubber lagging ineffective. Their ceramic pulley lagging is widely used on the drive pulleys and can also be used on snub, bend and tail pulleys. This product incorporates square ceramic tiles with unique circular nubs which help in proper grip of the belt under wet muddy or any such arduous conditions.

Services segment

Company's services segment offering ranges from undertaking specialized plant audit consultancy service that they offer to their customers for grinding and classification upgrades, supplying individual spare parts, to comprehensive solutions covering maintenance and operations. They focus on creating unique solutions to enhance the performance and productivity of their customers' plants and equipment throughout their entire lifecycle.

The revenue from sale of services was ₹5.77 crore, ₹13.18 crore, ₹13.37 crore and ₹19.10 crore in the 3 months period ended June 30, 2021 and Fiscals 2021, 2020 and 2019 respectively.

MANUFACTURING FACILITIES

Tega owns and operates 6 strategically located manufacturing facilities across the globe, including 3 in India, in Dahej in Gujarat and at Samali and Kalyani in West Bengal, and 3 in the major global mining locations of Chile, South Africa and Australia, with a total built-up area of 74,255 Sq. mts.

Their facilities are located close to mining and emerging industrial markets and material handling industries, allowing economies of scale and logistical advantages for their customers, and to insulate them from local supply or other disruptions. They do not outsource any of their products, which reduces out external dependencies and adds to their ability to turnaround customized designs in a short timeframe.



Manufacturing Facilities:

Facility location	Capabilities/ Products manufactured	Leased/ owned	Year of Commissioning/ Acquisition
Domestic Facilities			
Dahej, Gujarat	Mill liners, Wear products, Screens and Trommels	Leased	2013
Samali, West Bengal	Mill liners, Wear products, Hydrocyclones, Screens, Trommels and Conveyor products	Owned	1985
Kalyani, West Bengal	Mill liners (except DynaPrime), Conveyor products, Chute liners and pump liners, Hydrocyclones	Leased	1978
Overseas Facilities			
Chile	Mill liners, Trommels, Chute liners, Screens, Pipe and pipe repair and spools	Leased	2011
South Africa	Mill liners (except DynaPrime), Spillex, Screen Panel, Chute liners	Owned	2006
Australia	Chute liners and Trommels	Leased	2010

Installed Capacity, Actual Production and Capacity Utilization

	Fiscal 2021			Fiscal 2020			Fiscal 2019		
	Installed Capacity in MT	Actual Production in MT	% Utilization	Installed Capacity in MT	Actual Production in MT	% Utilization	Installed Capacity in MT	Actual Production in MT	% Utilization
Dahej	9,633	4,899	51%	8,538	5,485	64%	8,173	4,391	54%
Samali	6,449	3,897	60%	6,449	2,859	44%	6,449	2,976	46%
Kalyani	2,008	1,430	71%	2,008	1,616	80%	2,008	1,707	85%
South Africa	3,192	1,643	51%	3,192	1,219	38%	3,192	1,049	33%
Chile	3,276	2,400	73%	2,490	1,800	72%	1,164	1,125	97%
Over all	24,558	14,269	58%	22,677	12,979	57%	20,986	11,248	54%

The company undertakes multiple stringent quality checks and have been awarded Integrated Management System (IMS) certification by SGS United Kingdom Ltd, which are: Quality Management System (QMS) – ISO 9001:2015 (India, South Africa), Environment Management System (EMS) – ISO 14001:2015 (India) and Occupational Health & Safety Management System (OHSMS) – ISO 45001:2018 (India). They have currently applied for ISO certification standard 9001:2015 for their facility in Chile, which is currently pending.

RESEARCH AND DEVELOPMENT

As on June 30, 2021, company's in-house R&D team comprises 36 personnel who focus on upgrading their existing products, such as heat resistant grade rubber and fire retardant anti-static; developing product variants such as locking ceramic liner and thin flexible ceramic liner; development of new products such as Combi liner to withstand high energy impact and wear resistant liner; and developing cutting edge new technologies such as combination lining in new technologies.

With a focus on international markets, they seek to continuously innovate and upgrade their product and service offerings. As many of their products are proprietary in nature, they continually work on developing innovative, lean and cost competitive designs to maintain a technological edge across product range. They are constantly engaged in R&D and have a special team which is engaged in the development of new products and services with a key objective to deliver solutions. Their team of engineers visit customer sites frequently to find solutions to the threats faced by them.

The R&D expenditure in absolute terms and as a percentage of the total expense:

	3 months ended Jun'30, 2021	FY2021	FY2020	FY2019
R&D expenditure (₹ Cr)	0.98	3.75	3.67	4.24
% to Total	0.60%	0.56%	0.57%	0.71%

COMPETITIVE STRENGTHS

- ***A leading producer of specialized and “critical to operate” products, with high barriers to replacement or substitution***

Company’s products are critical to the overall productivity of a mineral processing site. They are a relatively low cost component in a unit’s operations; however, they play a critical role in determining a unit’s productivity, in terms of throughput, lower grinding media consumption, lower energy consumption and lower downtime, leading to lower operating costs for their customers. Downtime can be expensive for their customers at the mining sites, which leads to substantial losses to them.

Mineral processing sites do not tend to switch to a substitute supplier, even if the product offered by a new entrant or established substitute supplier is comparatively cheaper. This is due to the high cost of initial planning involved, the lead time required for approval, degree of certainty of the products of an established supplier, the high cost of downtime or shutdown of a site and relatively lower percentage cost of their components in the total operating costs of a mineral processing site. Since mineral processing sites ordinarily refrain from switching and remain with an existing approved supplier, they have the flexibility to maintain high margins throughout the period of their association with a mineral processing site. It takes from 9 months to 1 year to become an approved supplier at every customer site and once approved, these approvals do not have an expiry period.

- ***Insulated from mining capex cycles, as the products cater to after-market spends, providing recurring Revenues***

Company’s products cater to the after-market spend of a mining processing unit. After-market spend is typically 3 times of the upfront capex spend over the lifecycle of a mill, and is a recurring cost for miners. After-market spend for a mining processing unit comprises regular operating expenses which include costs of wear and separation parts, grinding media, power consumption, liners and other regular operating expenses. As a result, 76.28%, 74.29%, 75.43% and 79.72% of their sale of products and services in 3 months period ended June 30, 2021 and last 3 Fiscals 2021, 2020 and 2019 resulted from repeat orders of spares.

Company’s focus end-customers are mineral processing sites involved in gold and copper ore beneficiation accounting for 45.48% and 20.76% respectively of their sale of products for the 3 months period ended June 30, 2021. Gold and copper mill sites require superior quality of consumables and have higher beneficiation requirements. Despite some volatility in capital expenditure cycles for gold and copper mining sites, their business was not impacted, as a majority of their products were linked to the operating expenditure budget of a mining site and not capital expenditure.

- ***High value add and technology intensive products, backed by strong R&D and focus on quality control***

Company’s in-house R&D and manufacturing capabilities, including design, process engineering and manufacturing facilities, allow them to turn around customized designs in a short time frame, offer comprehensive solutions and better service standards and cross sell multiple products to their customers.

The company design and customize their products uniquely for each customer site, taking into account multiple characteristics of the application including type of ore, ore size, tonnage, breakage rate, power or rotational speed, pH, temperature, humidity, size, distribution and trajectory, sound levels, health and safety standards. Their continuous design innovation makes their products highly engineered “built-to-suit” rather than “off-the-shelf”, with their products being unique for each customer site taking into account multiple characteristics of its application.

They have a track record of developing and commercializing a diverse and innovative product portfolio of 55 mineral processing and material handling products over the years, including DynaPrime launched by them in 2018. This product is targeted towards large mineral processing units which historically or conventionally had relied on traditionally used steel liners. DynaPrime has unlocked a new addressable market for them. As of June 30, 2021, the order book for DynaPrime includes 28 target sites.

Their other recently launched precision technology value-added products include Rapido, also launched in 2018, which is an efficient screening machines used for separation of particles according to size, mosaic liners for chutes launched in 2016 and trommels launched in 2015.

Their strong in-house R&D has allowed them to register 8 global patents and several trademarks. With much of their capital expenditure having been incurred in prior years and their extensive sales and distribution network already set up, they are well positioned for future growth based on acceptance of their pipeline of new products across geographies.

- **Long standing market player with marquee global customer base and strong global manufacturing and sales capabilities**

Tega commenced operations with a foreign collaboration with Skega AB, Sweden in 1978. Over time, they have diversified their capabilities by expanding their product portfolio and augmenting their technical capabilities. Starting from one manufacturing facility in 1978, they have now grown to operate 6 manufacturing facilities across the globe.

Tega has a track-record of servicing leading global mining companies for a long period of time and in several cases, their relationships with key customers span more than 10 years, leading to high repeat revenues for them. Moreover, their deep relationships with some of the world's largest senior miners and a robust order book of ₹316.14 crore as of June 30, 2021 allow them significant visibility to plan for future growth.

Company's extensive footprint across key mining belts worldwide has allowed them to enjoy economies of scale and logistical advantages and develop significant insight into their customers' needs and market trends. Their sales and distribution network is also in-house, with 18 overseas and 14 domestic sales offices strategically located in all the key geographies close to key customers, supported by 155 member dedicated sales and servicing team with ability to assist pre sales and after sales services and in select geographies by commission agents from time to time.

The customer base for the respective periods:

Customer Base	3 months ended Jun'30, 2021	FY2021	FY2020	FY2019
Domestic	98	255	239	215
Overseas	114	258	259	264
Total	212	513	498	479

Tega markets their products primarily through the "plant audit" route (a specialized consultancy service that they offer to their customers across their product range). The company believes in sourcing their customers directly, and maintaining on-going relationships and contact with them. Their direct sales model with dedicated regional teams also allows them to develop a deep understanding of their customers and leverage knowledge sharing between their sales and R&D teams for product development and provide personalized services resulting in a satisfied customer base, increased customer connect and loyalty.

- **Consistent growth, characterized by operational efficiency and high repeat business**

Company's business operated with 60.42%, 59.80%, 60.02% and 59.39% material margins and 16.54%, 27.86%, 16.85% and 16.49% EBITDA margins in the 3 months period ended June 30, 2021, Fiscals 2021, 2020 and 2019, respectively. Their strong market position and entry barriers help them maintain high margins over time. Their business is capital efficient, with sale of products being 4.57 times of the property, plant and equipment (sale of products divided by net carrying value of property plant and equipment) for the Fiscal 2021 and ROCE of 24.76% for Fiscal 2021. Further, they have successfully maintained this operational efficiency while completing and integrating acquisitions, joint ventures and strategic alliances, including their acquisitions in Chile, South Africa and Australia.

Their repeat business from existing mineral processing sites accounted for 76.28%, 74.29%, 75.43% and 79.72% of their revenue from operations in the 3 months period ended June 30, 2021, Fiscals 2021, 2020 and 2019, each year and they are able to consistently add new customers and sites, on account of their value added offering focused on reduction of cost per tonne of processing and reduction of the downtime cost. Conversion revenue (i.e. revenue from new sites added in a year) accounted for 19.26%, 25.13%, 22.35% and 18.09% of their revenue from operations in the three months period ended June 30, 2021, Fiscals 2021, 2020 and 2019. The net cash generated from operating activities was ₹49.24 crore, ₹170.25 crore, ₹128.38 crore and ₹68.67 crore in the 3 months period ended June 30, 2021, Fiscals 2021, 2020 and 2019 respectively.

With the launch of Dyna Prime, a composite liner of rubber and steel, they have expanded their addressable market to include larger sized equipment, offering greater productivity gains and cost savings to existing users of steel

liners. As a result, their revenue from operation year on year increased by 15.52%, 8.06% and 17.62% in Fiscals 2019, 2020 and 2021 at a CAGR 12.74%, from Fiscal 2019 to Fiscal 2021. As of June 30, 2021, they have an order book of ₹316.14 crore.

- ***Experienced management team supported by large, diverse and skilled work force***

Company's Promoter, Founder and Chairman, Madan Mohan Mohanka, is a civil engineer and first-generation entrepreneur with over 44 years of industry experience, and strong relationships with several key industry organizations. The Promoter and Managing Director, Mehul Mohanka, who has been with the company for over 18 years and is responsible for their overall corporate strategy, has a track record of successfully integrating multiple acquisitions across geographies, including Chile, South Africa and Australia. Mehul Mohanka is also serving or has served as chairpersons of key industry organizations. They have an experienced Board, with an optimal mix of whole-time directors, independent directors and a nominee director of Wagner Ltd, each with several years of relevant experience. Their Board is supported by strong management and technical teams, which include individuals with specialized training and/or substantial experience, including in operations, business development, quality assurance, customer relationships, finance and human resource management.

Their global workforce comprised of 1,698 employees (905 permanent and 793 contractual) as of June 30, 2021. Out of their total white collar employees, they have over 151 engineers and other technical employees. As on June 30, 2021, 22.44% of their workforce is overseas, divided into 18 dedicated regional teams. The diversity of their workforce allows them to optimally manage their overseas operations.

KEY BUSINESS STRATEGIES

- ***Gain market share and customer wallet share across high growth markets***

For the period April to June 2021, company's Indian and overseas customer base included 212 installation sites. The company seeks to capitalize on their track record of adding new customers and mining sites across geographies. Their direct sales model with dedicated regional teams is designed to ensure better responsiveness and customer retention. Their direct sales model ensures close interaction of their in-house sales and marketing team and their service engineers with their customers, thereby ensuring engagement in product development and therefore better serviceability.

Their client acquisition period has significantly reduced in new markets, especially in the U.S.A., Chile, Peru and Mexico. They plan to leverage their insights from these market entries to continue their expansion into other markets. They also intend to leverage their strong product development, design, engineering and manufacturing capabilities along with their customer relationships to grow their share of customer wallets and improve their market penetration by cross-selling within their existing customer base. They also aim to strengthen their relationships with their existing customers by continuing their focus on high quality products and solutions which have recurring demand, leading to high repeat revenues.

- ***Leverage in-house R&D capabilities to grow the product offerings and capitalize on future trends***

The company plans to continue expanding their R&D capabilities in order to capture future growth trends. Their in-house R&D team comprising 36 personnel focuses on upgrading their existing products, developing product variants such as locking ceramic liner and thin flexible ceramic liner; development of new products such as Combi liner and wear resistant liners; and developing cutting edge new technologies, using their customised softwares for structural analysis, flow analysis, 3D modelling and product selection.

Further, they seek to continue to focus on their ability to customize their product offerings according to the specific requirements of their customers through innovation and focusing on sustainable solutions. They also seek to continue to promote and strengthen their "plant audit" expertise, which is led by their R&D team.

They also continue to discern emerging trends and proactively identify new products with the use of their in-house software programs, leveraging their recent experience in launching products such as DynaPrime, Rapido and Combi-screen. Similar to their experience with DynaPrime, where a composite liner of rubber and steel, resulted in 50% increase in life of the liner compared to a traditional steel liner, they are continuing to work on introducing similar combination linings in single equipment to allow uninterrupted operations without downtime at their customers' sites.

- ***Expand the manufacturing capabilities to achieve better economies of scale***

In order to enhance their existing capabilities, Tega plans to expand their manufacturing capacity and capabilities, both in India and overseas. Further, evaluating the growth trajectory in South America (which contribute 40% of the

global copper production and 8% of the global gold production output), and to extend their access to and penetration with customers across Chile, Peru and Bolivia, they plan to set up a new manufacturing facility in Chile. In addition, they plan to expand into life cycle management for their customers, with focus on capital equipment having high requirement of bespoke critical spares and services offered by them to increase their customer's production efficiency and deliver sustained performance improvements.

- **Explore opportunities for inorganic growth**

Tega intends to continue to actively pursue acquisitive opportunities and strategic alliances with targets that are complementary to their business. In particular, they will seek to make acquisitions that provide them with access to new technologies, or new customers, or new geographies. They have a track record of successfully completing and integrating acquisitions and benefiting from their participation in joint ventures and strategic alliances. They seek to leverage their free cash flows to selectively evaluate complementary targets for strategic acquisitions, and continue exploring synergies that may arise from strategic alliances, partnerships or initiatives.

- **Operational efficiencies and margin expansion**

Tega intends to continue enhancing their operational efficiencies, to increase economies of scale, better absorb their fixed costs, reduce their other operating costs and strengthen their competitive position. They have, in the past and intend to in the future, continue using a variety of other manufacturing strategies and cost reduction strategies to continue to improve their operational efficiencies. To meet the growing demand from their customers, they have invested in their infrastructure, machines, equipment and technology. Their property, plant and equipment addition was ₹64.86 million, ₹243.29 million, ₹237.91 million and ₹244.30 million in the 3 months period ended June 30, 2021, Fiscals 2021, 2020 and 2019, respectively.

COMPETITION

The industry in which Tega operates is sophisticated, characterized by strong presence of multinational companies. Given the nature and breadth of their product and service portfolio, they have a limited number of competitors globally; however, they face competition, both domestically and internationally, and from organized as well as unorganized players.

Some of their established competitors for certain of their products:

Products	Competitors
Mill liners	Metso-Outotec, Mc Elecmetal, Bradken, FLSmidth and Weir
Hydrocyclones	Weir, FLSmidth, Metso-Outotec, Schlumberger and Technip
Trommels and Screens	Multotec, Sandvik, FLSmidth and Metso-Outotec
Mineral processing equipment	Metso-Outotec, FLSmidth, Weir and Trelleborg AB

INDUSTRY OVERVIEW

Mill Liner Industry: Global Competition Overview, 2020

Mill Liner Manufacturer	Manufacturing Locations Country	2020		2019		2018	
		Market Share	Revenue (Mn \$)	Market Share	Revenue (Mn \$)	Market Share	Revenue (Mn \$)
Metso-Outotec	Finland, India, Argentina, Australia, US, Peru, Brazil, Chile, Estonia, Belarus, Indonesia, Kazakhstan, Paraguay, Norway, Russia, South Africa, Sweden, UK and Uzbekistan	17%	300	16%	293	15%	-
Me Elecmetal	Chile, US, China, and Zambia	13%	230	15%	265	15%	281
Bradken	Australia, China, Canada & Malaysia	9%	163	10%	180	10%	188
PT Growth	Indonesia, China, Australia, Ghana, South Africa, Chile, Peru and Mexico	5%	83	4%	79	4%	78
Tega Industries	India, Chile, South Africa and Australia	5%	80	4%	68	3%	55
FLSmidth	China, India and Poland	3%	54	2%	50	1%	49
Uralcem	Russia	2%	31	3%	28	3%	27
Weir Group	Poland, US, Mexico, Colombia, India, China, South Africa, Brazil, Peru, Chile	2%	30	2%	28	2%	28
Rema Tip Top	Germany & China	2%	30	1%	27	2%	28
Polycorp	Mali, Mongolia & Russia	1%	25	1%	236	1%	24
Chinese Manufacturers	China	23%	400	25%	457	28%	522

Mill Liner Manufacturer	Manufacturing Locations Country	2020		2019		2018	
		Market Share	Revenue (Mn \$)	Market Share	Revenue (Mn \$)	Market Share	Revenue (Mn \$)
RoW: Others	RoW: Chile, Peru, USA, and South Africa	18%	307	17%	305	16%	300
Total		100%	1,733		1,803		1,866

List of key competitors in mill liner industry

Company	Established	Head-quartered	For FY 2020					Industry Catered
			Revenue (\$ M)	EBITDA Margin	PAT Margin	ROE	ROCE	
Metso Outotec	2020	Finland	4,042.96	11.90%	4.20%	16.50%	12.50%	Mining, Aggregates, Metal refining and Recycling
FL Smidth	1882	Denmark	2,668.74	6.90%	1.37%	2.42%	5.10%	Mining & Aggregates
Weir	1871	Scotland	2,759.60	20.00%	(7.60)%	(11.34)%	8.77%	Mining & Aggregates
Tega	1976	India	116.55	27.86%	15.92%	22.23%	24.76%	Mining & Aggregates
AIA Engineering Ltd	1979	India	415.47	27.10%	18.5%	14.20%	17.80%	Cement, Mining, Power, Aggregate

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

Name of the Bank	Consolidated/ Standalone	Face Value	Closing Price as on Nov'9, 2021	Total Income for FY 2021 (₹ Cr)	EPS (Basic)	NAV	P/E	RoNW (%)
Tega Industries Ltd	Consolidated	10	NA	856.68	24.10	105.04	[•]	22.23%
Peer Group								
AIA Engineering Ltd	Consolidated	2	1,903.50	3,053.69	60.02	449.99	31.71	13.33%

Source: RHP

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Tega Industries Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

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