

Subscribe for Long Term

Issue Detail	
Price Band (Rs)	Rs.443 - 453
Face Value (Rs)	10
Issue Size (Rs)	619.23Cr
Issue Type	Book Building
Minimum lot	33 Shares
Issue Opens	December 01, 2021
Issue Closes	December 03, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	December 08, 2021
Unblocking of Funds	December 09, 2021
Credit of shares to Demat Account	December 10, 2021
Listing on exchange	December 13, 2021

Other Detail	
Book Running Lead Managers	Axis Capital Limited, JM Financial Limited
Registrar	Link Intime India Private Limited

Distribution Team	
E:	ipo@acm.co.in
D:	+91 22 6132 5931
Associate	
Karan Desai	
E:	karan.desai@acm.co.in
D:	+91 22 2858 3221

Tega Industries Limited

Company Background

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. 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. The company has 18 global and 14 domestic sales offices located close to its key customers and mining sites. Tega Industries are further expanding their operations in major markets including North America, South America, Australia, and South Africa.

Issue Details

The offer comprises offer for sale of Equity shares aggregating upto Rs.619.23Cr.

Issue Objectives

- Achieve the benefits of listing the Equity Shares.
- To carry out the Offer for Sale by the Selling Shareholder.

IPO Share Allotment Pattern

Category	Allocation	Number of Shares	Issue Size at Rs.443 (Rs.Cr)	Issue Size at Rs.453 (Rs.Cr)
QIB	50%	68,34,739	302.78	309.61
Non-Institutional	15%	20,50,422	90.83	92.8
Retail	35%	47,84,317	211.95	216.73
Total		1,36,69,478	605.56	619.23

Source: Company RHP, ACMIL Research

Outlook and Valuations

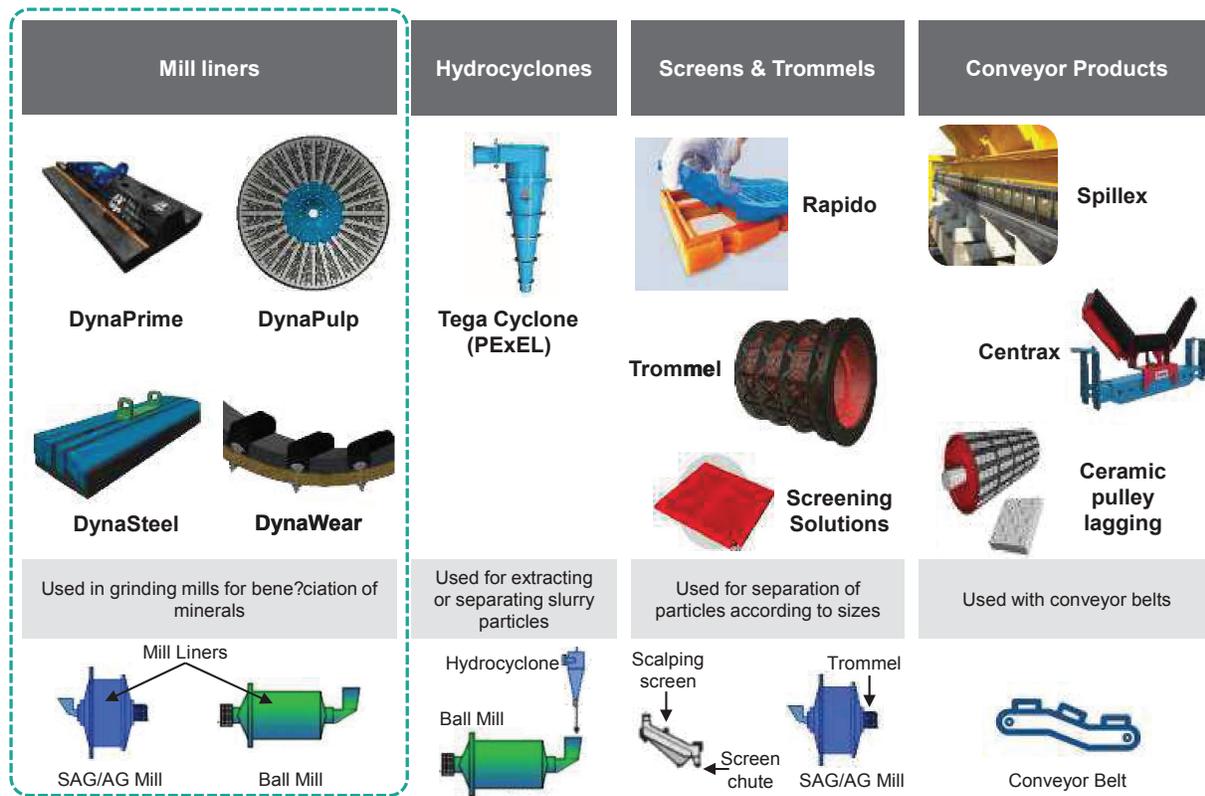
Tega is one of the leading players in mining and mineral beneficiations. Tega has a very diverse product of more than 55 mineral processing material handling products. Globally, they are the 2nd largest producers of polymer-based mill liners. Tega operates in oligopolistic market with very few competitors and therefore it has very high barriers to entry. Tega has grown through organic and inorganic acquisitions in the past. The company has reasonable profit margins and the financials show an increasing trend in the last three fiscals. At the upper price band of Rs.453/-, the stock trades at 22.11x its FY21 EPS of Rs.20.48/-. **Hence, We recommend to subscribe the issue from a long-term prospective.**

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. 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

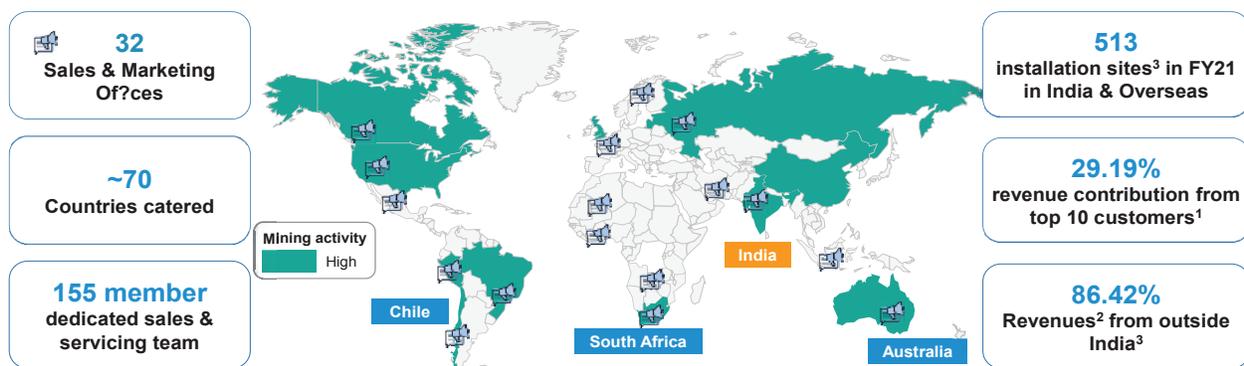
Company's products cater to the after-market spend of a mining processing unit. After-market spend is typically 3 times of the upfront capex spend over the lifecycle of a mill, and is a recurring cost for miners. After-market spend for a mining processing unit comprises regular operating expenses which 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.

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.

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.

The following map shows the locations of tega's manufacturing facilities and sales and marketing offices, both in India and overseas.



Consistent growth, characterized by operational efficiency and high repeat business

Company's business operated with 17.14%, 29.62%, 17.11% and 16.72% 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 FY21 and ROCE of 24.76% for FY21. 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.

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 at a CAGR of 12.74%, from FY19 to FY21. As of June 30, 2021, they have an order book of Rs.316.14 crore.

Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	3MFY21
Equity share capital	576	576	576	576
Net worth	4,011	4,625	6,137	6,312
Revenue from Operations	6,338	6,849	8,055	1,732
EBITDA	1,060	1,172	2,386	297
EBITDA Margin	16.72%	17.11%	29.62%	17.14%
Net Profit	327	655	1,364	119
Net Profit Margin	5.16%	9.56%	16.92%	6.87%
Diluted EPS (Rs)	4.90	9.84	20.48	1.78
ROE(%)	8.14	14.16	22.23	1.88^
ROCE(%)	11.12	11.17	24.76	2.35^

Source: Company RHP, ^ Not annualised

Comparison With Listed Peers (As on 31st March 2021)

Company	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE(%)
Tega Industries Limited	8,567	20.48	105.04	22.11^	22.23
AIA Engineering Ltd	30,537	60.02	449.99	31.71	13.33

Source: Company RHP, All the financial information for listed industry peers mentioned above is on a consolidated basis and is sourced from the financial information for the year ended March 31, 2021, submitted to stock exchange. Financial Information for Tega Industries Limited is derived from the Restated Consolidated Financial Information for the year ended March 31, 2021. P/E Ratio has been computed based on the closing market price as on November 09, 2021. ^P/E Ratio has been computed based on the Issue price and FY21 earnings.

Risks and Concerns

- Social, political, geopolitical conditions and adverse weather conditions, such as natural disasters, and civil disturbance can affect their business and operation.

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Market Watch	Positional Calls
Investor First Magazine	Smart Delivery Calls
IPO/NCD/ETF/OFS/BOND	Investment Ideas
Market Pulse	Master Trades High Risk
RBI Monetary Policy	Master Trades Medium Risk
Union Budget Report	Techno-Funda
Weekly Derivative Synopsis	Top Mutual Fund Schemes
Rollover Snapshot	Portfolio Review
Rollover Analysis	Stock Basket

For More Information on Retail Research Products please visit
<https://www.investmentz.com/research-services>

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

**An ISO 9001:2015 Certified
Company**

Download Investmentz App



Follow us on:



Information pertaining to Asit C. Mehta Investment Intermediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker, Portfolio Manager and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services , Asit C. Mehta Financial Services Limited (all providing services other than stock broking,merchant banking and portfolio management services.).

Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well) : <http://www.investmentz.com/disclaimer>