



IPO Report

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Snapshot

Tega Industries 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, company is the second largest producers of polymer-based mill liners on the basis of revenues as of June 30, 2021.

VALUATION

Company is bringing the issue at price band of Rs 443-453 per share at p/e multiple of 22 on post issue FY21 eps. Company being leading producer of specialized and "critical to operate" products, with high barriers to replacement or substitution is insulated from mining capex cycles, as its products cater to after-market spends, providing recurring revenues. Also, company's high value add and technology intensive products, backed by strong R&D and focus on quality control has long standing market player with marquee global customer base and strong global manufacturing and sales capabilities. Company with consistent growth characterized by operational efficiency and high repeat business has experienced management team supported by large, diverse and skilled work force. Hence we recommend "Subscribe" on issue for both listing gain & long term purpose.

Price Band (Rs./Share)	443-453
Opening date of the issue	01st Dec 2021
Closing Date of the issue	03rd Dec 2021
No of shares pre issue	66,293,149 Eq Shares
Issue size	Rs 606-619 Cr
Offer For Sale (No)	13669478 Eq Shares
Face Value (Rs/ share)	10
Bid Lot	33

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 6834738 Eq Shares)
Non-Institutional	15% of the offer (Approx 2050422 Eq Shares)
Retail	35 % of the offer (Approx 4784318 Eq Shares)
Lead managers	Axis Capital Ltd, JM Financial
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

Leading producer of specialized and "critical to operate" products, with high barriers to replacement or substitution.

Globally, company is the second largest producers of polymer-based mill liners in terms of revenues as of June 30, 2021, in a near oligopolistic market structure. 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 its customers. Also, company's relationships with some of the world's largest senior miners and a robust order book of ₹3,161.36 million as of June 30, 2021 allow company significant visibility to plan for future growth.

Insulated from mining capex cycles, as company's 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 three 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 company's sale of products and services in three months period ended June 30, 2021 and last three Fiscals 2021, 2020 and 2019 resulted from repeat orders of spares.

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 (calculated as revenue from operations less cost of material consumed and change in inventories of finished goods and work-in-progress divided by revenue from operations x 100) and 16.54%, 27.86%, 16.85% and 16.49% EBITDA margins in the three months period ended June 30, 2021, Fiscals 2021, 2020 and 2019, respectively. Company's strong market position and entry barriers helps company maintain high margins over time. Company's 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, company have successfully maintained this operational efficiency while completing and integrating acquisitions, joint ventures and strategic alliances, including company's acquisitions in Chile, South Africa and Australia. Company's repeat business from existing mineral processing sites accounted for 76.28%, 74.29%, 75.43% and 79.72% of company's revenue from operations in the three months period ended June 30, 2021, Fiscals 2021, 2020 and 2019, each year.



COMPANY BACKGROUND

Tega Industries offer comprehensive solutions to marquee global clients in the mineral beneficiation, mining and bulk solids handling industry, through its wide product portfolio of specialized abrasion and wear-resistant rubber, polyurethane, steel and ceramic based lining components, used by company's 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 company's customers.

Company's product portfolio comprises more than 55 mineral processing and material handling products. 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, company's products include chutes and its liners, grinding mill liners, trommels and screens, hydrocyclones, pumps and flotation parts and conveyor products. Company's product range is engineered with a combination of mineral processing engineering, mechanical engineering and material sciences, while utilising its expertise in tribology.

The details of company's customer base for the respective periods are set out below

Customer Base	Three months period ended June 30,2021	FY21	FY20	FY19
Domestic	98	255	239	215
Overseas	114	258	259	264
Total	212	513	458	479

Source:RHP



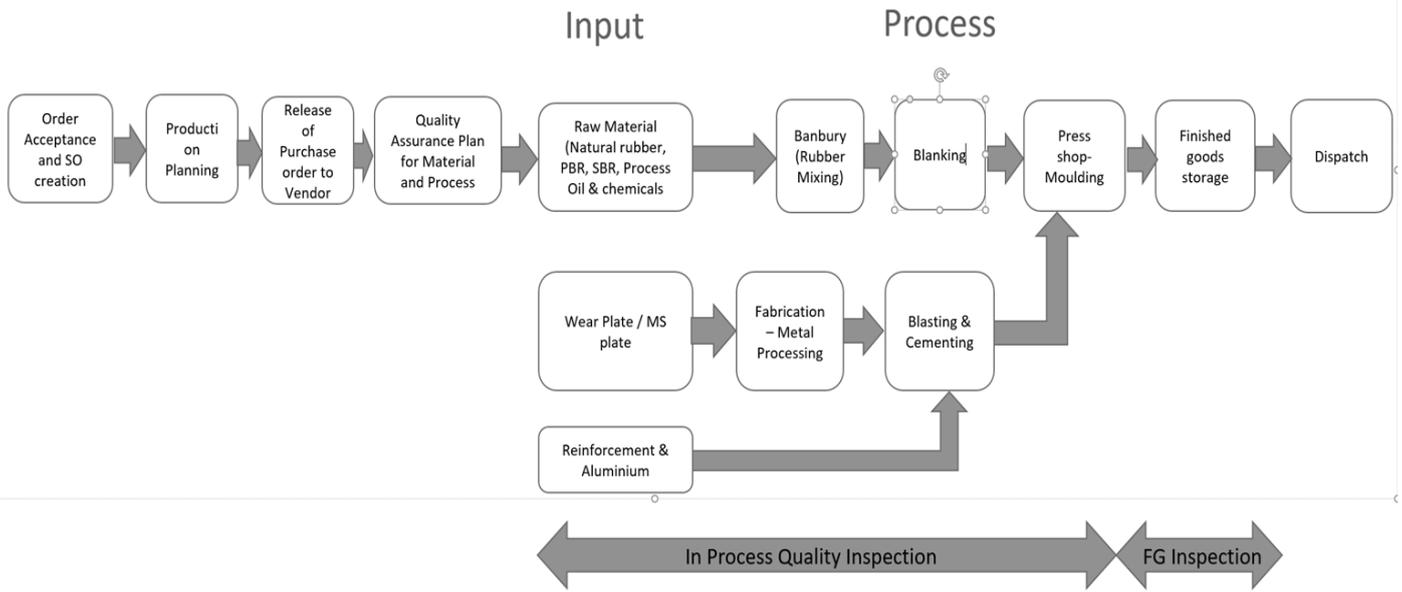
INVESTMENT RATIONALE

<p>Leading producer of specialized and “critical to operate” products, with high barriers to replacement or substitution</p>	<p>Globally, company is the second largest producers of polymer-based mill liners in terms of revenues as of June 30, 2021, in a near oligopolistic market structure. Company is present across the value chain of mineral processing site, providing a wide range of products and solutions for processing across different stages of mineral processing.</p>
<p>High value add and technology intensive products, backed by strong R&D and focus on quality control</p>	<p>Company’s in-house R&D and manufacturing capabilities, including design, process engineering and manufacturing facilities, allow company to turn around customized designs in a short time frame, offer comprehensive solutions and better service standards to its customers and cross sell multiple products to its customers. Company design and customize its 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</p>
<p>Strong Track record</p>	<p>Company 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 company in 2018.</p> <p>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 company. As of March 31, 2021, Company’s order book for DynaPrime includes 23 target sites. As of June 30, 2021, company’s order book for DynaPrime includes 28 target sites.</p>
<p>Long standing market player with marquee global customer base and strong global manufacturing and sales capabilities.</p>	<p>Company commenced operations with a foreign collobaration with Skega AB, Sweden in 1978. Over time, company have diversified its capabilities by expanding its product portfolio and augmenting its technical capabilities. Starting from one manufacturing facility in 1978, company have now grown to operate six manufacturing facilities across the globe.</p> <p>Company have a track-record of servicing leading global mining companies for a long period of time and in several cases, company’s relationships with key customers span more than 10 years, leading to high repeat revenues for company.</p> <p>Moreover, company’s deep relationships with some of the world’s largest senior miners and a robust order book of ₹3,161.36 million as of June 30, 2021 allow company significant visibility to plan for future growth.</p>



MANUFACTURING PROCESS

Manufacturing Process Flow Diagram



Source : RHP

OBJECTS OF ISSUE

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale of up to 13,669,478 Equity Shares.

RISKS

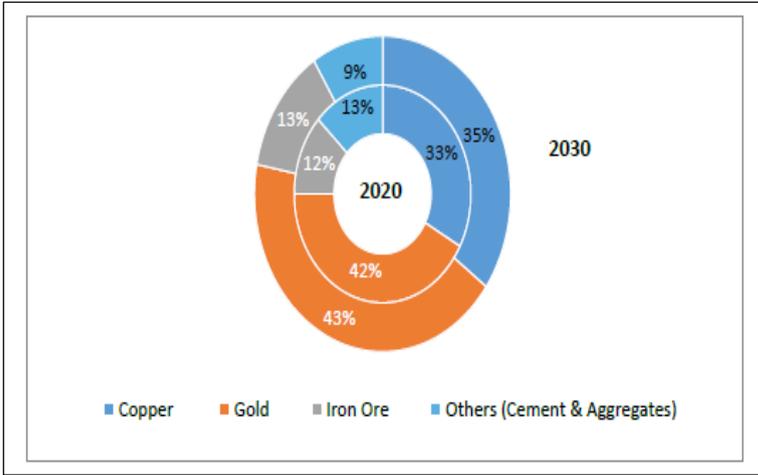
Company’s global manufacturing facilities, sales and operations expose it to the risks of doing business in foreign countries, which may adversely affect company’s business, financial condition and results of operations.

Source:RHP

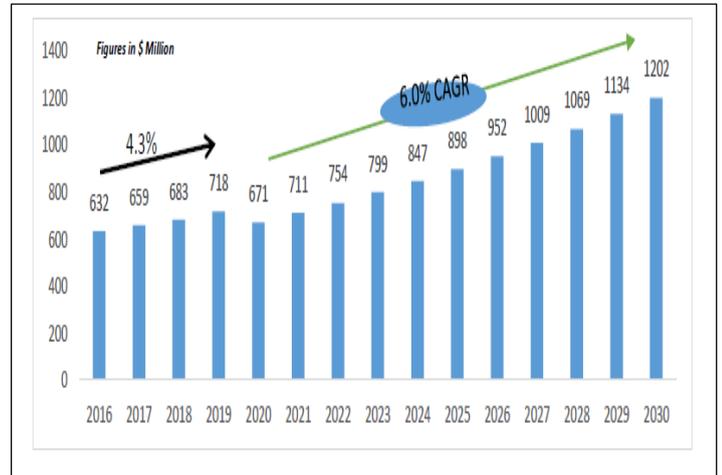


INDUSTRY OVERVIEW

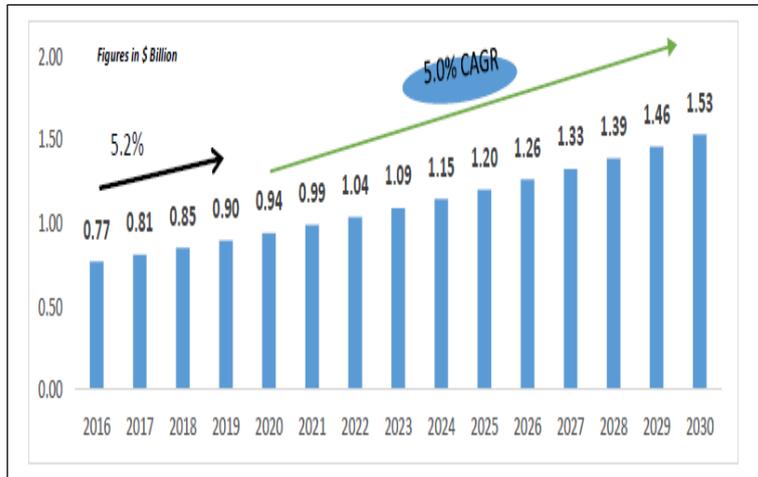
Global Mill Liner Market Share Breakdown by Industry, 2020 & 2030



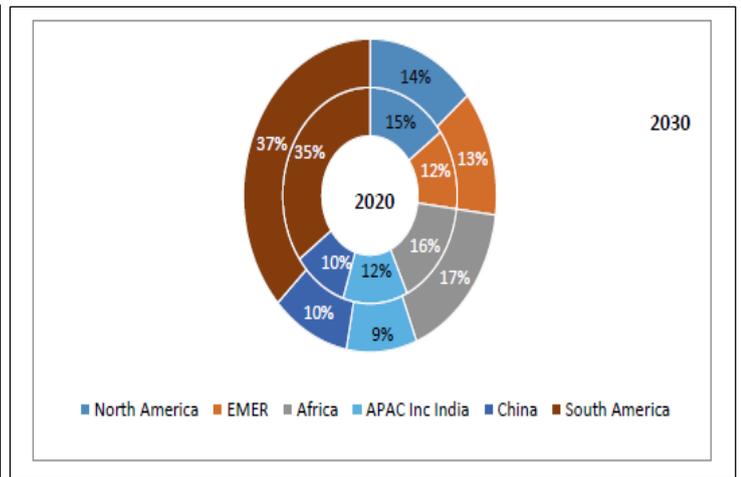
Historic, Future & Current Hydrocyclone Demand Forecast



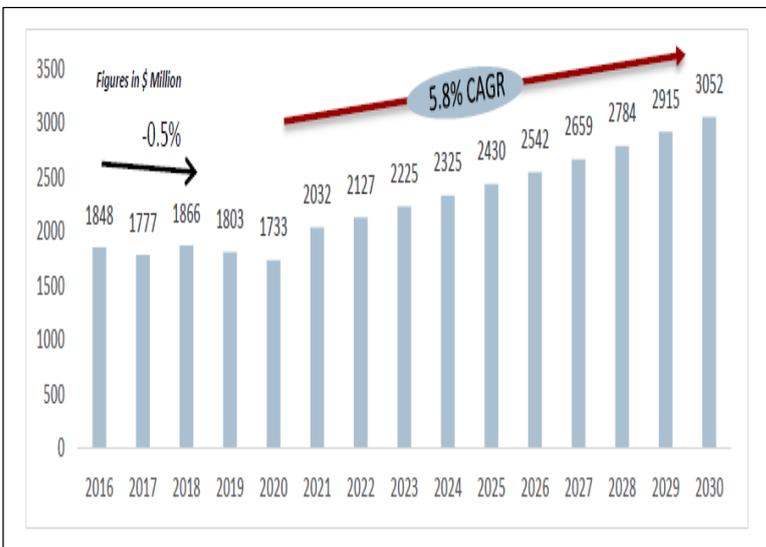
Historic, Future & Current Trommel Demand Forecast



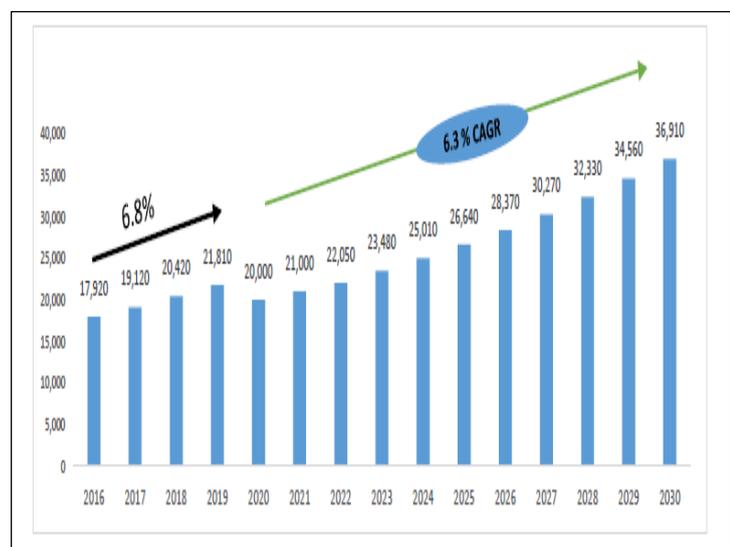
Global Trommel Market Share Breakdown by Region, 2020 & 2030



Historic, Future & Current Mill Liner Demand Forecast



Global Mineral Processing Industry Market Size (Million Tons)



Source: RHP



(Rs in Mn)

Financials	Q1FY22	FY21	FY20	FY19
Total Revenue (A)	1732.07	8055.22	6848.47	6337.57
Total Expenditure (B)	1497.06	6180.42	5783.14	5370.1
EBIDTA	235.01	1874.80	1065.33	967.47
EBIDTA Margin	13.57	23.27	15.56	15.27
Other Income	61.79	511.62	106.95	92.56
Depreciation	105.00	401.80	383.55	377.55
EBIT	191.80	1984.62	788.73	682.48
Interest	36.13	172.78	214.39	236.02
PBT	155.67	1811.84	574.34	446.46
Sh of profit in Associate	6.16	26.78	18.09	18.09
PBT	161.83	1838.62	592.43	464.55
Tax	43.01	474.57	-62.61	137.85
PAT	118.82	1364.05	655.04	326.70
NPM	6.86	16.93	9.56	5.15
ROE %	1.88	22.23	14.16	8.14
EPS	2.06	23.68	11.37	5.67
Eq Cap	576.01	576.01	576.01	576.01
Net Worth	6311.52	6137.22	4624.89	4011.05

PEERS ANALYSIS

Following is peer group analysis:

Particulars (FY21)	Sales (Rs Cr)	PAT (Rs Cr)	OPM %	ROE %	EV/EBIDTA (x)	P/E
AIA Engineering	2818.00	565.70	22.74	20.06	19.79	30.18
Tega Industries	805.52	136.41	23.27	22.23	---	---

Source: Ace Equity Database as on 30th Nov'21

Source: RHP



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