

**Issue Details**

Issue Opens	1-12-21
Issue Closes	3-12-21
Issue Size (in Rs. Crs)	600-619
Issue Size (Shares)	1.36.69.478
Issued, Subscribed and Paid Up Sh. Pre offer	6,62,93,149
Offer for Sale (Shares)	1.36.69.478
Face Value (in Rs./share)	10.00
Lot Size (Shares)	33
Price Band (Per share)	Rs.443- Rs.453
Issue Type	Book Building
Book Value (in Rs.)(Q1FY22)	108.06
BRLMs	Axis Capital Ltd., JM Financial
Registrar	Link Intime India Pvt. Ltd.
Listing Venue	BSE/NSE
Finalization of Allotment	On or about 8-12-21
Initiation of refund	On or about 9-12-21
Credit to Demat Account	On or about 10-12-21
Listing	On or about 13-12-21

**Issue Structure**

Categories	Allocation
QIBs	50.00%
Non-Institutional	15.00%
Retail Portion	35.00%
Total	100.00%

**Shareholding Pattern**

Categories	Pre issue	Post Issue
Promoter & Promoter Group	85.17%	79.17
Public	14.83%	20.83
Total	100.00%	100.00%

**Recommendation**
**SUBSCRIBE**
**Company Background**

Tega Industries limited ('Tega'), headquartered in Kolkata, 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. The company commenced its operations in 1978 in India with a foreign collaborator Skega AB, Sweden. Tega has 6 manufacturing sites, including 3 in India (2 in WB and 1 in Gujarat) and 3 in major mining hubs of Chile, South Africa and Australia with a total built-up area of 74,255 Sq.mts. Additionally it has a joint venture with U.K. branch of Hosch Group, Germany is engaged in precision conveyer belt cleaning and caters to various industries in India.

**Objects of the Issue**

To achieve the benefits of listing the equity shares on the stock exchanges which would enhance its visibility and brand and provide liquidity to its existing shareholders.

**Key Points**

- Tega's product portfolio comprises more than 55 mineral processing and material handling products. As an average of the last three fiscals, sale of products constitutes 95.08% of its revenue from operations and the balance constitutes from sale of services and other operating revenue.
- In order to expand its operations globally Tega acquired Tega Industries Africa (Pty) Ltd. in FY 2007, Tega Industries Chile SpA in FY 2011 and also acquired Perth based Losugen Pty. Ltd.
- Tega has a strong in-house R&D and manufacturing capabilities which has allowed them to register 8 global patents and several trademarks.
- Much of their capex spend in prior years was to expand its extensive sales and distribution network across geographies with 18 overseas and 14 domestic sales offices strategically located close to its key customers.
- The company has a track record of servicing leading global mining companies for a period of more than 10 years, percolating to high repeat order revenue of 76% in Q1FY22. The current order book stood at Rs.316.14 crs as of June 30,2021 that allows them visibility to plan for future growth.
- Tega's strong market position and entry barrier helped to maintain high consolidated margins between 17%-29% in past three years.
- To augment its global presence and cater to the global clientele based across continents, Tega has ramped up its operation through joint venture and mergers and acquisitions in the past decade. While mining and mineral industry has grown at 5-7% over last few years, the company has grown at a CAGR of 12.74% in FY19-21. Based on FY21 consolidated earnings the P/E stood at 19.13x on upper price band of Rs.453. **Investor with long term view can Subscribe to this issue.**

Consolidated Particulars (in Rs. Crs)	Q1FY22	FY21	FY20	FY19
Revenue from Operations	173.21	805.52	684.85	633.76
Other Income	6.18	51.16	10.70	9.26
Profit Before Tax (PBT)	15.57	181.18	57.43	44.65
Profit After Tax (PAT)	11.27	133.73	63.70	30.86
Share of associates	0.62	2.68	1.81	1.81
Consolidated Net Profit	11.88	136.41	65.50	32.67
PATM (%)	6.50	16.60	9.30	4.87
Equity	57.60	57.60	57.60	57.60
EPS (Rs.)	2.06	23.68	11.37	5.67

**Competitive Strengths**

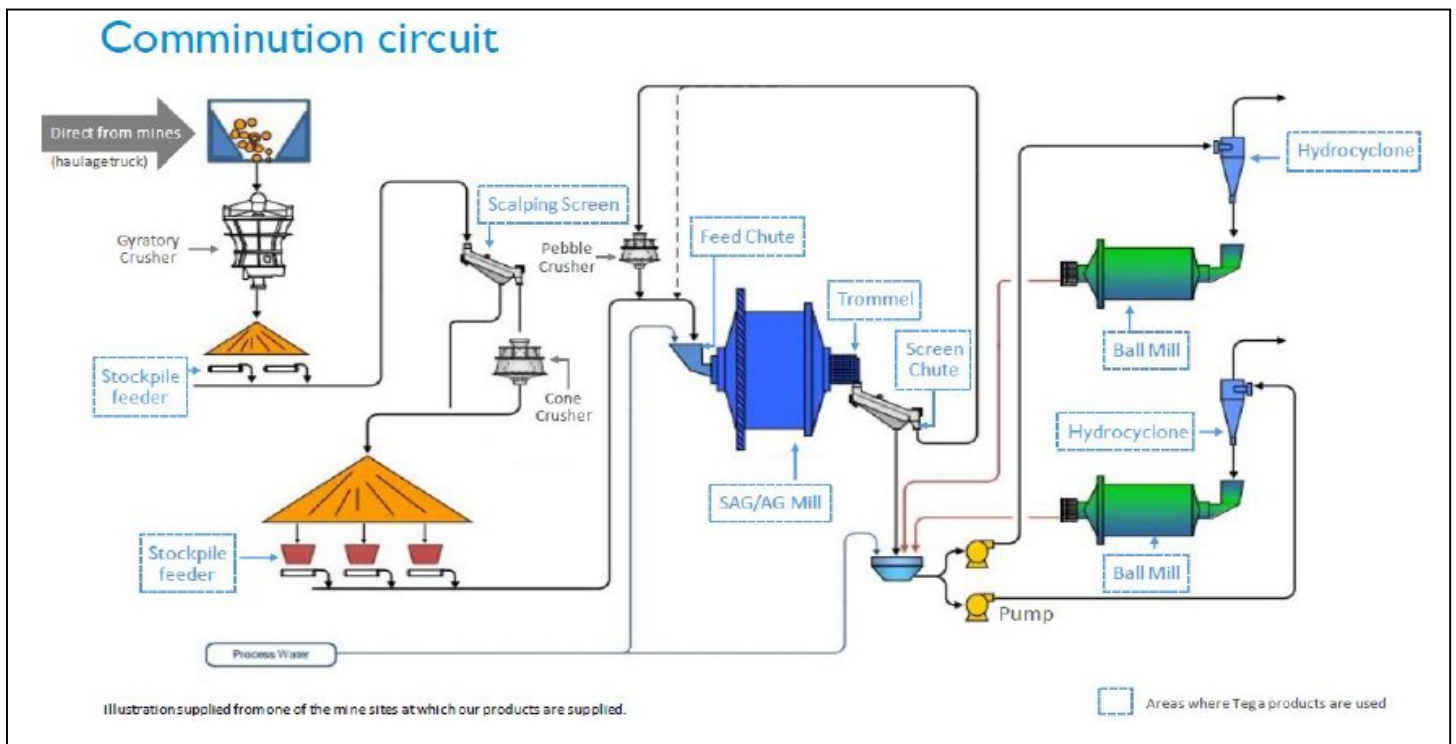
- The industry it operates has limited number of established competitors.
- The company is insulated for mining and capex cycles, as the products they sell cater to aftermarket spend, providing recurring revenues. After market spend is typically three times of the upfront capex spend over the lifecycle of a mill and is a recurring cost for miners.
- It has a track record of developing and commercializing diverse and innovative product portfolio of 55 mineral processing and material handling products over the years backed by strong R&D and focus on quality control.
- Long standing market player with marquee global customer and strong manufacturing and sales capabilities.
- The company has shown consistent growth in past characterized by operating efficiency and high repeat business.

**Risk Factors**

- The extent to which Covid-19 affects its businesses, results from operations and financial conditions will depend on future developments that can't be predicted.
- Global and local shortages of input materials, which in Tega's case, includes carbon black, high grade natural rubber, polyurethane rubber, styrene-butadiene rubber and wear plates.

Tega's product 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, its products include chutes and liners, grinding mill liners, trommels and screens, hydrocyclones, pumps and flotation parts and conveyor products.

**Below is a diagrammatic representation of Tega's product range used in the mineral processing and material handling industry:**



Source: Company's RHP,AUM Research

**Financials**

Financial Highlights- Consolidated (Values in Rs. Crore)			
Description	FY21	FY20	FY19
<b>Inc / Exp Performance</b>			
Gross Sales	805.52	684.85	633.76
Total Income	856.68	695.54	643.01
Total Expenditure	616.73	577.00	535.62
PBIDT	239.95	118.54	107.39
PBIT	199.77	80.19	69.64
PBT	181.18	57.43	44.65
PAT	133.73	63.70	30.86
EPS	23.68	11.37	5.67
Book Value	105.03	78.77	68.12
<b>Equity</b>			
Equity Paid Up	57.60	57.60	57.60
Reserves and Surplus	547.38	396.15	334.76
Net Worth	604.98	453.75	392.37
Total Debt (Long Term plus Short Term)	187.80	243.93	212.69
Capital Employed	801.52	706.42	613.80
<b>Assets</b>			
Gross Block	465.14	392.37	382.66
Investments	205.15	161.09	80.54
Cash and Bank balance	48.41	36.91	19.70
Net Current Assets (Including Current Investments)	345.77	234.38	141.33
Total Current Liabilities	276.94	284.88	296.55
Total Assets	992.71	856.53	781.24
<b>Liabilities</b>			
Cash Flow from Operations	170.25	128.38	68.67
Cash Flow from Investing activities	-79.73	-101.30	-13.42
Cash Flow from Finance activities	-79.00	-9.20	-93.21
Free Cash flow	86.81	86.28	8.82
<b>Financial Ratios</b>			
Debt to Equity(x)	0.31	0.53	0.53
Current Ratio(x)	2.25	1.82	1.48
ROCE (%)	26.50	12.15	11.31
RONW (%)	25.26	15.06	8.11
PBIDTM (%)	29.79	17.31	16.95
PATM (%)	16.60	9.30	4.87

Source: Company's RHP, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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