PARTNERSHIPS IN PRACTICE

February 11, 2025

To,

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

BSE Scrip Code: 543413

National Stock Exchange of India Limited
The Listing Department
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051

NSE Symbol: TEGA

Sub: Transcript of the Earnings Conference Call for the Quarter and nine months ended December 31, 2024

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the Transcript of the Earnings Conference Call of Tega Industries Limited held on February 06, 2025 at 6:15 PM IST for the Quarter and nine months ended December 31, 2024. The same can also be accessed on the Company's website at https://www.tegaindustries.com/investor#stock-exchange.

Thanking You,

Yours faithfully,

For **Tega Industries Limited**

MANJUREE RAI Digitally signed by MANJUREE RAI Date: 2025.02.11 12:13:25 +05'30'

Manjuree Rai
Company Secretary & Compliance Officer

Enclosed: As stated above

"Tega Industries Limited
Q3 & 9 Months FY '25 Earnings Conference Call"
February 06, 2025

MANAGEMENT: **MR. MEHUL MOHANKA – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – TEGA INDUSTRIES LIMITED**
MR. PRATIK BASU ROY – PRESIDENT, PRODUCT MANAGEMENT, GLOBAL SALES AND MARKETING – TEGA INDUSTRIES LIMITED
MR. SHARAD KUMAR KHAITAN – CHIEF FINANCIAL OFFICER – TEGA INDUSTRIES LIMITED

MODERATOR: **MR. HITESH AGARWAL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Tega Industries Limited Q3 and 9 Months FY '25 Earnings Conference Call hosted by Orient Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hitesh Agarwal from Orient Capital. Thank you, and over to you, Mr. Agarwal.

Hitesh Agarwal: Thank you, Manav. Good evening, and welcome to Q3 and 9 months FY '25 Earnings Conference Call of Tega Industries Limited. Today, on this call, we have with us Mr. Mehul Mohanka, who is the Managing Director and Group CEO; Mr. Pratik Roy, Product Management/Global Sales and Marketing; and Mr. Sharad Kumar Khaitan, who is the CFO.

Before we proceed with this call, I would like to give a small disclaimer that this call may contain certain forward-looking statements, which are based on beliefs, opinion and expectation of the company as of date. A detailed statement has also been given on the company's Investment Presentation, which has been uploaded on the stock exchange. I hope everybody had a chance to go through the results.

Now I would like to hand over the call to Mr. Mehul Mohanka, sir, for his opening remarks. Over to you, sir.

Mehul Mohanka: Thank you. Good evening, and a warm welcome to all the participants on the call. I'm joined this evening by Mr. Pratik Basu Roy, who's our President, Product Group and Sales; and Mr. Sharad Kumar Khaitan, our CFO.

The total revenues of the group for the 9 months ended 31st December '24 stood at INR1,139 crores with an EBITDA of INR230 crores. That is an EBITDA margin of 20%. The group revenues has been higher by INR135 crores or 13% in comparison to the same period last year, that is 9 months ended 31st December 2023. The group revenues for the Quarter 3 of FY '24-'25 was higher by 21% over the same quarter last year with EBITDA margins of 25%.

We have an order book of INR1,258 crores as 31st December '24, out of which executable orders within 1 year stands at INR758 crores. A significant portion of our products, as you know, are customized for the gold and copper mines, and we believe robust demands for both the metals continue to prevail.

Gold prices buoyed in part by strong central bank demand is likely to remain elevated right through 2025. Sustained elevated price expectations, which is attributed to gold has broken price records in 2024 due to strong demand, both official demand from several emerging markets and developing economy central banks and private demand boosted by declining U.S. interest rates and heightened geopolitical tensions.

The global mine demand of gold appears to be robust and coupled with declining grades would lead to increased consumption of Tega's offerings. Copper has multiple sources of increasing demand fuelled by traditional economic growth, energy transition and the digital space.

The demand for copper is broad-based and shows strong growth as the long-term trends remain compelling. Grade decline has been a consistent long-term trend, and it would lead to increased consumption of critical consumables supplied by us.

A stream of disruptions has created a persistent state of uncertainty and instability in global supply chains and supply chain risk management is still a challenge for the industry at large, amid increasing geopolitical challenges, inflationary pressures, ongoing supply chain disruptions and weather-related disasters.

Global supply chains are more vulnerable to global shocks affecting multiple sectors at once. Through our operational excellence, we have managed the challenges and are well-positioned to continue strong momentum into the future while maintaining tight cost control, and we have a clear pathway for growth.

I would like to express our sincere gratitude to all our investors for their unwavering faith in our Company. Thank you for your continued support. And now I would like to hand over to Sharad to take you through the financial performance of the company for the period under review.

Sharad Kumar Khaitan: Thank you, Mehul. A very warm welcome to everyone and thank you once again for joining the earnings call for Q3 of FY '25 and YTD December '24 performance and results.

The total group revenues for the 9 months ended December '24 stood at INR1,139 crores with an EBITDA of INR230 crores, that is an EBITDA margin of 20%. For the similar period last year, that is the 9 months ending December '23, the total group revenues was at INR1,004 crores with an EBITDA of INR198 crores, again with an EBITDA margin of 20%. On a year-on-year basis, the total revenues has increased by approximately 13%.

The revenue from operations of the consumable business for the 9 months ended December '24 stood at INR970 crores vis-a-vis INR841 crores during the same period last year. That is an increase of INR128 crores or roughly 15%. The revenue from operations of the equipment business for the 9 months ended December '24 is INR136 crores as against INR147 crores during the same period last year, which has moderated by approximately INR10 crores or 8%.

The decline in the equipment business is mainly account non-receipt of pro forma invoices, advance payment from customers, delay at customer sites and certain delays in receipt of manufacturing clearances from customers. The revenue from operations of the equipment business is approximately 12% of the group revenue from operations.

We are in discussions with our customers of the Equipment business segment to ensure that the goods are lifted and all approvals are released on time. The blended gross margins of the group for the 9 months ended December '24 is 57% vis-a-vis 58% during the same period last year. In our business, generally, H2 is always better than H1 in terms of our performance, both in revenue and profitability margins.

You may have observed that in every financial year, the subsequent quarter is generally better than the preceding one. However, there are quarter-on-quarter challenges like the supply chain issues, pending clearances or approvals from customers, mix impact, which again impacts the quarterly performance.

The revenue operations from the Consumable business for the quarter ended December '24 stood at INR356 crores vis-a-vis INR286 crores during the same period last year. That is an increase of approximately INR70 crores or 24%. The revenue from Equipment business for the quarter ended December '24 is INR55 crores as against INR56 crores during the same period and has moderated by about INR1 crores.

Similarly, if we compare the quarter ended December '24 vis-a-vis the immediately preceding quarter, that is the quarter ending September '24, then we observe that the revenue from operations of the Consumable business is at INR356 crores vis-a-vis INR309 crores during the immediately preceding quarter, which reflects an increase of INR46 crores or roughly 15%.

The revenue from operations of the Equipment business for the quarter ended December '24 is INR55 crores as against INR46 crores during the September '24 quarter, which has an increase of about 20% over the last quarter.

The order book for both the business segments, that is the Consumable business and the Equipment business remains strong. As informed earlier, we have an order book of INR1,258 crores as of 31st December '24, out of which the executable orders within 1 year is INR758 crores.

We would also like to inform you that there is a slight delay in the Chile project by about 6 to 8 months due to delay in instituting various requirements as per the approvals received. However, we would like to assure you that no sales would be impacted by such delay as we have put up alternate plants at Chile, which will address any capacity limitations due to growth in revenue.

Thank you very much for your time, and the forum is now open to any questions that you may have. Over to you, Hitesh.

Moderator: We have our first question from the line of Mayank Bhandari from Asian Market Securities.

Mayank Bhandari: Sir, congratulations for a good set of numbers. Sir, my first question is on -- as you highlighted that Chile capex is bit postponed. So what would be your capex number till 9 months? And how your capex -- how will you guide for the capex for next 2 years?

Sharad Kumar Khaitan: You see we had earlier estimated the commercialization of the project by Q2 of FY '26, which is delayed by about 6 to 8 months, and we expect that the same shall be completed in the later part of FY '26. As far as the capex budgets are concerned, we are having those capex budgets intact, and it's just about a timing difference between these two periods actually.

And as I informed you earlier that this delay will not impact my revenue growth because we have put up alternate plant. In fact, we are also putting up an additional press in my Chile plant, which will take care of any capacity limitations for this temporary period of about 6 to 8 months.

Mayank Bhandari: And the plant remains the same, like DynaPrime, you will be expanding?

Sharad Kumar Khaitan: Yes, yes. There is no change in my overall plan, Mayank. It's just about shifting of the project by some 6-odd months.

Mayank Bhandari: And secondly, sir, we have seen very good growth in this quarter. Even sequentially, we have seen improvement. So the container availability issue and export-related challenges, shall we assume that we are now behind that?

Sharad Kumar Khaitan: See, from a logistics point of view, increased freight costs, shortage of containers, congestion at ports and dependence on major shipping hubs still pose a serious challenge to the overall industry and is impacting the efficiency and reliability of supply chains for businesses. However, we have been able to overcome some of these in Q3.

The COVID crisis has also left us with experiences how to manage such logistics challenges proactively. And we are more vigilant and with a better planning and coordination with our customers with whom we are in constant communication, we expect to navigate this crisis, but the challenge still remains.

Mayank Bhandari: And so what guidance you will give for FY '25 growth -- top line growth after the Q3?

Sharad Kumar Khaitan: See, we have been -- if you see our results, we have been growing at about 15% CAGR for the past 4-5 years. And we have a clear pathway for growth and are well-positioned to continue the strong momentum in the future. As I mentioned, the track record is there, and we would like to focus on the growth trajectory and our performance and work towards enhancing the shareholder value.

Moderator: The next question is from the line of Deepak from Sundaram Mutual Fund.

Deepak: Yes. Sir, just Mehul also mentioned this in the opening remarks. Just wanted to understand as a general trend as the ore grades keep going down and the hardness keeps moving up, meaning more processing of ore to get the same amount of output, implying higher consumable use and maintenance work as well. Assuming a stable or higher metal consumption, should this trend lead to higher service and operation and maintenance income for us? I mean that should be margin accretive for us, right?

Sharad Kumar Khaitan: Yes. Obviously, Deepak, with every ore grade decline, the consumption goes up actually. And it's good for us when we are supplying our solutions and consumables. So whether it's gold or copper, with every passing phase, the ores are declining. And it means that to have the same output, you have to process a much higher ore quantity actually.

So with higher ore quantity consumption, definitely, the consumables and the solutions which we give definitely increases by each ore grade actually. So you are right in your assumption that with ore grade decline, our consumption will definitely increase.

Deepak: And particularly, the service income, which is the OEM part should also then be a higher proportion of our income going forward, right, because our installed base is also now at a higher base?

Sharad Kumar Khaitan: Definitely, if the ore grades are declining, whether it's consumption or service, both have a growth trajectory and higher uses actually. So whether it's service income or a maintenance income or supply of critical consumables, all the three verticals have potential to grow even if the same quantity of output is being generated.

Deepak: And my second question is, can you just highlight how does the maintenance schedule or shutdown schedule stack up for our mining clients across regions, let's say, which month do they usually take maintenance shutdowns in regions like Chile, Ghana, Russia, Europe, wherever we have our mining plants?

Pratik Basu Roy: So this is Pratik here. So each mill has got its own cycle schedule, which will depend on the size of the mill, the quality of the ore, the kind of solution that we have provided, whether it's hybrid, whether it's steel, whether it's rubber. So depending on it. So it's more or less evenly spread. So there's no one season of change.

Deepak: But sir, it would differ from region to region, right, like Chile, Ghana, Russia?

Pratik Basu Roy: Differ from mine to mine and plant to plant. So even within the same mine, you can have different schedules.

Deepak: And on McNally front, Tega McNally front, so last year, we won the NMDC order. So I just wanted to understand what other pipelines of projects are we bidding for? I mean can we win two or three such orders in FY '26? And let's say, will it be jointly with EPC contractor or direct with the company? I'm just asking to see where are we witnessing more visibility on the Tega McNally front?

Mehul Mohanka: Yes. So this is Mehul. We continue to participate in different bids and tenders that are published on a routine basis. I think it's very difficult to really predict what will come through and what will not. But we are seeing significant number of tenders and inquiries and bids coming out in the market, government and nongovernment projects. And we continue to remain very optimistic and bullish on the growth prospects for the business over the next financial year.

Deepak: And one just bookkeeping question. So post our expansion of the press capacity in both Chile and Dahej, whenever it happens 1 year down the line, what would be your press capacity and what it is currently?

Sharad Kumar Khaitan: See, currently, from Chile, if you see, we have been doing about INR300 crores to INR350 crores of revenue with the Concon project in full because once the entire capex is there, we expect it to be about anything in the range of INR900 to INR1,000 crores. Similarly, for Dahej also, we are doing the debottlenecking to have the capacity augmentation to be ready for future, and we can immediately increase the press and double the entire revenues what we have from Dahej as of now.

Deepak: Okay. So then sir, our total capacity will go above, let's say, 30,000 metric ton press capacity or how is it?

Sharad Kumar Khaitan: Deepak, in our business, we are not being able to give a capacity in metric tons. So it's revenue what we have been discussing, and we see how much revenue we generate from that particular facility because capacity is fungible for me actually. So it's difficult to give you a per ton or some number like that.

Deepak: Got it, sir. If I may squeeze one more question, if you allow.

Sharad Kumar Khaitan: Please go ahead.

Deepak: And sir, just on this equipment front, this is the third quarter where we have seen some slowdown in revenue booking. So just wanted to know, I mean what kind of revenue guidance are we giving on the equipment business for FY '25?

Sharad Kumar Khaitan: You see, like I mentioned earlier, we are -- the decline what you are seeing is a very marginal decline. The percentage looks big, but the decline is not much. And the order book is intact, and we expect that all the orders should flow in.

And as mentioned earlier, we stand by our growth trajectory, what we have done in the past as well, and we are holding on to the 15% revenue guidance, which we gave earlier for equipment business.

Moderator: The next question is from the line of Chirag Muchhala from Centrum Broking.

Chirag Muchhala: Congrats for the good set of numbers. Sir, first question is actually on our order book. So this Q3 order book of INR1,258 crores, sir, is it inclusive of the NMDC equipment order or this is only consumable order book?

Sharad Kumar Khaitan: The INR1,258 crores is the group order book, and it includes all the orders what we have in hand, and we have specifically mentioned what is executable in 1 year; that is INR758 crores.

Chirag Muchhala: Okay. So basically, in Q2 quarter in that PPT of Q2, we had mentioned INR545 crores. So how should we look at it the INR545 crores has gone up to INR1,258 crores. There has been a very strong order inflow in Q3, or in Q2 we had not included NMDC and now we have included NMDC?

Sharad Kumar Khaitan: Earlier, we always used to give a very conservative number, excluding all the projects, etc. Then from the investor fraternity, like last year, we got this request that if we give the total order book, it's easy for the industry as a whole to figure out where we are. So we have started giving the total order book what we have and the executable orders within 1 year.

Chirag Muchhala: So basically, the difference between Q3 and Q2 is not just the new inflow in Q3, but it is also some of the long duration orders which we were not including earlier, which we have now included?

Sharad Kumar Khaitan: Yes. So we have an order inflow as well, which is strong. And then we have also started reporting the entire number so that it is as per the requirement, which came in last quarter.

Chirag Muchhala: And on the NMDC order, so has execution for that order started for the equipment?

Sharad Kumar Khaitan: Yes, we have started the execution. And we will ensure all the supplies are done as per the timeline, milestone schedules agreed with the NMDC.

Chirag Muchhala: So sir, when it is likely to get completed that INR120 crores order. So should that -- I mean, remaining part of the order will be booked in FY '26? Or will some execution will also go to FY '27?

Sharad Kumar Khaitan: Some portion will be booked in FY '26 and a small portion may also spill over to FY '27.

Chirag Muchhala: Okay.

Sharad Kumar Khaitan: It's 20 plus month contract. So it takes time for execution of the same.

Chirag Muchhala: Okay. Yes. Sir, one question I had on this -- post this change in government in U.S., there is this renewed uncertainty regarding tariffs. So since North America is one of the large markets for us, so how do we see that either impacting us favorably or unfavorably in terms of both our Chile plant and our other global plants? Will tariff -- are we neutral to it? Is it favorable to us since we have a plant in Latin America? Your thoughts on this?

Mehul Mohanka: So our exposure to the U.S. is not very significant at this given time in the overall percentage of our revenue mix. But as you said, that depending on how the U.S. government reacts to tariffs across different jurisdictions, we are unable to assess the impact of that at this current time.

But the options available to our company is the fact that because we manufacture in multiple different jurisdictions, we have the ability to supply the U.S. market from any of the countries that we have a manufacturing facility in.

So what I'm trying to say is that if there is a tariff imposed on A, particular country, we have the flexibility and the ability to supply products from other countries where we have manufacturing as well to navigate those tariffs. But it is what it is, and I'm sure we will factor that in. But like I said, the U.S. market for us is not very significant in terms of impact on our revenue as far as tariff is concerned.

Chirag Muchhala: Okay. Yes. And sir, last question on the growth outlook for the consumables segment for next year. So depending on DynaPrime's further scale up and the demand for gold and copper, as you mentioned, is it possible to qualitatively speak about in FY '26, I mean, what kind of growth should one expect? Should one expect further possibility of large-sized orders coming in, etc?

Sharad Kumar Khaitan: We are doing a thorough evaluation, and we are in the process of forming up our budget for the next year. So maybe in the Q4 guidance, I'll be able to give you the right numbers of how FY '26 will be there.

Chirag Muchhala: And lastly, on this Europe order. So sir, in Q3, execution continues to be at the same quarterly run rate. Any update on that?

Sharad Kumar Khaitan: Yes, it's on the same quarterly run rate. So it's been about a year now, we have been able to -- we are servicing this particular customer of ours. And the results have been very encouraging for us. The customer is also very happy and satisfied with our performance. We have been able to do value addition at his site as well and we intend to take it forward in the next year as well.

Moderator: We have our next question from the line of Samyak Jain from Marcellus Investment Managers.

Samyak Jain: So on the equipment side, so we have seen that this is the third quarter where there is some delay in getting approvals. So when there is such delay in lifting of material or any approval, what protection does Tega has in terms of, let's say, profitability and cash flow? Because we are incurring -- we are holding the inventory for the customer. So is there any additional compensation built into it when there is some delay?

Sharad Kumar Khaitan: It depends on the orders what we have and the relations with each and every customer. So there are instances where in case of delay, we build that some sort of LD to the customer, and we have that additional revenue as well. But it's on a case-to-case basis, what we examine. There are instances also we have advances and those advances takes care of my cost, etc.

It's that the profitability part, final realizations take some time to come. So it's a mix of having an increased advance as well as certain cases where we do customers compensate us for the delay, and that is how we manage our overall business.

Samyak Jain: And I believe everything would be predefined before entering into the order or contract?

Sharad Kumar Khaitan: Yes, yes. All the terms and conditions are predefined before we enter the contract.

Moderator: The next question is from the line of Harsh Desai from ABC Capital.

Harsh Desai: I would have three, four questions. So first would be mill liners, mill liners account for 75% of your total sales. So what strategies do you have in place to grow the non-mill liner segment and diversify your revenue streams?

Sharad Kumar Khaitan: You see, mill liners are an important part, and so is my other products or solutions than non-mill liners. And we do showcase all our products and solutions to our customers, and we definitely want to grow the other segments also with my mill liners.

Harsh Desai: Okay. Another question would be what makes DynaPrime a key driver for growth? And how does its pricing compare with steel liners in terms of customer acceptance?

Sharad Kumar Khaitan: Can you just repeat your question, Harsh?

Harsh Desai: Yes, sure. What makes DynaPrime a key driver for growth? And how does its pricing compare with steel liners in terms of customer acceptance?

Pratik Basu Roy: This is Pratik here again. So DynaPrime is a unique product that has unique features, especially for the large SAG mills and the large ball mills. So these are the mills that the impact of processing the ore is the highest. And hence, our unique structure, which is now under patenting, gives us that edge on that. So competition will try to develop, but they still haven't been able to replicate our success in those mills.

Sharad Kumar Khaitan: And as far as the pricing is concerned, Harsh, we sell our DynaPrime liners at a premium over the steel liners.

Harsh Desai: Okay. I just wanted to also understand how does Tega McNally set its equipment apart in the highly competitive OEM market?

Sharad Kumar Khaitan: It is about the quality and the assurance which we give to our customers. It's about the assurance about the quality of the product, design and solutions, what we give. And that is how McNally is able to sell the products to its customers actually. And currently, we are focused on the domestic market.

Once we establish ourselves and set up all the processes -- as you are aware, we took this company about 2 years back. So we have done a lot of changes in design, about the products, all of that in people, resourcing. And once we are completely through with our changes and the expected outcomes, what we intend to do, we will go globally. Again, the basis is our commitment and the quality parameters what we have.

Harshal Desai: Just if I could just squeeze in one more question. Could you just shed some light on the sensor-based systems that you are developing and how they are benefiting your customers' operations?

Pratik Basu Roy: I'm Pratik here again. So the sensors actually monitor the health and the efficiency of our liners. This is something that is under trials in multiple locations across the world. So the data that they can get in real time, we do not have to -- earlier what used to happen is you can get the health or how much wear has taken place only after during the shutdowns when the mill has stopped operations. Now we can do that while the mill is still in operations. So it gives them real-time data.

Moderator: We have next question from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Congratulations on a good set of numbers. Sir, I missed the part of reasons for delay in Chile project. Like what are some of the reasons for the delay?

Sharad Kumar Khaitan: No, I already mentioned that we have got the approval. It's about instituting some of these approvals that is causing that delay. And it's only about 6 months, the whole thing is there. We have started that construction. We have been able to do the boundary wall, but we intend to take some more time. And we expect the entire factory to start and do the commercial production in

FY '26 itself. Like I also mentioned in my earlier questions is we have set up alternate plant, which should not impact my revenues or growth trajectory, what we have planned for.

Akhil Parekh: Sir, if you can throw more like what are the execution delays? I didn't get it. Like is it the machinery part or something like what exactly.

Mehul Mohanka: Yes. So it has to do with some regulatory approvals. So while we've got all of them in place, there needs to be some verification to be done at site. And that's taking some time in terms of the inspections that need to be carried out by the local authorities, and we are expecting to overcome that shortly by the time -- and by that time, we would go into full-scale construction.

Akhil Parekh: And what would be the cost overruns because of the delay because it's almost 2 quarters of delay. Do you anticipate any cost overrun because of it?

Sharad Kumar Khaitan: We don't expect any significant cost overrun at this juncture.

Akhil Parekh: And lastly, sir, on the sales growth guidance, I mean you did highlight and we have seen past execution that we have compounded at 15%. But would you like to give some guidance for, say, next 2 years, like are you comfortable attaining the 15% of sales CAGR?

Sharad Kumar Khaitan: See, as I told earlier, we are firming our budgets for FY '26. And once that is firmed up in the Q4 earnings call, I'll give you the guidance for the future years.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to the management for closing comments. Over to you, sir.

Sharad Kumar Khaitan: Thank you, everyone, for joining us, and we will keep you posted of any subsequent developments. Happy to interact and take any subsequent questions you have. You can reach us with our investor department, and we'll be happy to answer if any questions are there. Thank you so much.

Moderator: Thank you. On behalf of Tega Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Hitesh Agarwal: Okay. Thank you.