PARTNERSHIPS IN PRACTICE

May 30, 2024

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 Financial Year ended March 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 May 23, 2024 at 5:00 PM IST for the Quarter and Financial Year ended March 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**

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Digitally signed by MANJUREE RAI
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Manjuree Rai
Company Secretary & Compliance Officer

Enclosed: As stated above

"Tega Industries Limited

Q4 & FY '24 Earnings Conference Call"

May 23, 2024

MANAGEMENT: **MR. MEHUL MOHANKA – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER, TEGA INDUSTRIES LIMITED**
MR. SYED YAVER IMAM – DIRECTOR, GLOBAL PROJECT MANAGER AND HEAD OF SALES, TEGA INDUSTRIES LIMITED
MR. SHARAD KUMAR KHAITAN – CHIEF FINANCIAL OFFICER, TEGA INDUSTRIES LIMITED

MODERATOR: **MR. BHAVYA SHAH – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Tega Industries Limited Q4 and FY '24 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavya Shah. Thank you and over to you, sir.

Bhavya Shah: Okay. Thank you, Steve. Good evening everybody and welcome to the Q4 and FY '24 Earnings Conference Call of Tega Industries. Today on this call, we have with us Mr. Mehul Mohanka, Managing Director and Group CEO, Mr. Syed Yaver Imam, Global Project Manager and Head of Sales and Mr. Sharad Kumar Khaitan, CFO. Before we proceed with this call, I would like to give a small disclaimer that this conference call may contain a certain forward looking statement which are based on beliefs, opinion and expectation of a company as of date.

A detailed statement has also been given on the company's investor presentation which has been uploaded on the Stock Exchange. I hope everyone had a chance to go through the results. Now I would like to hand over the call to Mr. Mehul Mohanka for his opening remarks. Over to you, sir.

Mehul Mohanka: Thank you, Bhavya Shah. Good evening everyone. Warm welcome to this call. I am joined by Mr. Imam and Sharad. The Financial Year 2023-2024 has been a milestone year for us. At a group level for FY '24, we have delivered a record revenue of approximately INR 1,515 crores with an EBITDA of INR 343 crores. In the quarter ended 31st March 2024, our total consolidated revenues was INR 511 crores with an EBITDA of INR 145 crores. It is even more noteworthy that we achieved this while successfully navigating a dynamic operating environment. I am incredibly proud of what our team has achieved in the past year to deliver these results and create value for our customers as well as our shareholders.

The consumables business segment recorded revenues of INR 1,287 crores, a growth of 9.3% over last year, and the equipment business delivered revenues of INR 206 crores at a growth of 12.6% over FY '23 on a full year basis. As you know, we had consolidated Tega McNally Minerals Limited for five weeks in FY '23 and hence we should compare the same on a full year basis.

Supply chain challenges eased in Q4 of FY '24 but were not completely eliminated and resulted in transportation delays due to events ranging from the Red Sea crisis and the geopolitical tensions in West Asia. Such transportation delays resulted in higher finished goods inventory of approximately INR 30 crores in the consumables business segment, which, had that not been the case, would have resulted in higher revenues of approximately INR 70 crores and in turn put our revenues at INR 1,360 crores achieving a 15% revenue growth on a Y-o-Y basis as per our estimates in the consumables business segment. We expect to crystallise the same in Q1 of FY '25.

Through the year we have been proactively managing an evolving and complex market environment, taking actions to remediate supply challenges that affected almost every industry worldwide. My team and I have continuously monitored the market movements closely so as to ensure that we are well placed to continue supporting our customers.

We also have a strong order book at a group level of INR 630 crores as of March 24 and vis-a-vis an order book of INR 480 crores at the beginning of the year i.e. an increase of INR 150 crores i.e. 30% during FY 23-'24.

It gives me immense pleasure to inform you that the integration of Tega McNally with Tega has been progressing as per our expectations. For FY '24, Tega McNally has recorded a revenue of INR 206 crores with an EBITDA of INR 20 crores. It may be noted that for FY '23, Tega McNally on a full year basis had recorded a revenue of INR 183 crores with an adjusted EBITDA of INR 10 crores. The group synergies and focused approach has helped us increase the EBITDA margins from 5% last year to 10% in FY '24.

We have completed all groundwork including finalisation of designs for our Chile project and shall start the construction of the project very soon.

We had earlier made an announcement of a wholly owned subsidiary company entering into an agreement with one of the largest copper mines in Europe to completely manage the wear product assets of the mines covering all the mills and non-mills for a period of 5 plus extended by another year, with minimum revenues over the contract period estimated to be at INR 685 crores. It has now been nearly 5 months of operations of this contract and it has been progressing extremely well.

Tega has always recognised the significance of environment, social and governance, that is ESG, and is committed to being a sustainable business as we believe it is not only a commercial and moral imperative, but also a tremendous opportunity. As we work towards our net zero goals, our technologies and products are helping our customers on their own sustainability journeys by enabling significant reductions in power consumption and in reduction of their carbon footprint.

We are a learning organisation and are actively committed to demolishing barriers for people to succeed. Through our various employee initiatives, we are championing learning and ensuring our employees take up higher roles and responsibilities within the organisation.

To summarise, given the headwinds, we have had a good year. Our FY '24 results demonstrate the strength of our business today and is a solid foundation for future growth. A long established leadership in the industry, the breadth of our portfolio and the trust we built with our customers and partners and a collective commitment to innovation and to our purpose gives me great confidence in our future and our ability to capture the many opportunities ahead while embarking on this new phase of 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 for joining this earnings call for Q4 of FY '24 and for FY '24 performance.

For FY '24 we generated a total revenue of INR 1,515 crores up from INR 1,235 crores same period last year. Overall, at a group level on a full year basis, the revenue from operations has grown by 23% i.e. from INR 1,214 crores to INR 1,493 crores. This includes the addition of the equipment segment which has contributed INR 206 crores. Thus, on a like to like basis the consumable segment has grown by about 9.5% from INR 1,176 crores to INR 1,291 crores.

The overall Group EBITDA has grown from INR 295 crores to INR 343 crores on a full year basis as compared to last year. We achieved an operating EBITDA of 21% at a group level versus 22% last year. There has been certain one-time expenses during the FY 23-24 of approximately INR 8 crores which if adjusted would have taken the Group EBITDA to 22%. The consumables business segment achieved an EBITDA margin of 23% in the current year vis-a-vis 22% last year. The equipment segment on a full year basis recorded healthy EBITDA margins of approximately 9% from 5% last year.

On a quarterly basis, the Q4 total revenues at a group level have been at INR 511 crores from INR 403 crores. It has been up by about INR 108 crores from the same period last year.

As already updated, the supply chain challenges have eased out but still continue and we are closely monitoring the situation and are in constant discussions with our customers including evaluation of alternatives such that our customers aren't impacted in any manner.

Thank you very much for your attention and now the forum is open to any questions you may have. Over to you Bhavya.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Srishti from Niveshaay. Please go ahead.

Srishti: Congratulations being for the good set of numbers. Sir, I want to know what will be the timeline for the Chile project that you are doing, like probable timeline of starting and completion and the revenue potential from the same?

Sharad Kumar Khaitan: Yes, the Chile project as informed you we are starting the construction very soon and we expect the construction to be complete by June 25.

Srishti: And revenue potential from the same?

Sharad Kumar Khaitan: The revenue potential we see from the project will be about USD 100 million after this capex.

Srishti: And secondly capacity utilization for the quarter and for the full year as well?

Sharad Kumar Khaitan: See the capacity utilization generally on an overall basis the capacity utilizations are about 65% for us.

Srishti: And what was the same for FY23?

Sharad Kumar Khaitan: It remains around the same level about 60%, 65% because we keep adding new capacities when need arises for us.

Srishti: And sir so depreciation was increased this quarter also fixed costs, fixed assets is increased, but it was not in line with the increase in the fixed assets. So what is the reason and how should we look this going ahead?

Sharad Kumar Khaitan: See the depreciation cost has increased in FY24 by about INR 22 odd crores that is from INR 41 crores last year to INR 63 crores. This increase is mainly attributable to the net addition of fixed assets as part of the regular capex plan, depreciation of ROU assets and the addition of the asset base of Tega McNally Minerals Limited which last year was not there actually because we consolidated Tega McNally for five weeks in FY23. And hence the depreciation charge was very negligible which came in the last financial year. Hence you see a spike in the depreciation cost this year.

Srishti: So this is the same going forward or we should look at the same number of INR 63 crores?

Sharad Kumar Khaitan: Because now the numbers are on a full year consolidated basis for the group as a whole. So this is the new benchmark which you should see and move forward. Last year numbers shall not be comparable when you talk about Tega McNally because the revenue was consolidated for about five weeks, the P&L part and the balance sheet since it is 31st March everything comes into the financial statements.

Srishti: And sir lastly I want to know what is the mix of our business from copper and gold and how should we expect this moving forward and from where are we witnessing better growth from copper and gold or whatever?

Syed Yaver Imam: So, copper and gold, our business is around 75%. Last year copper overall grew by 2.2%, but they were in the last quarter because of closure of Panama mines and a few other projects getting delayed. There was a little bit of headwinds on copper which will be there also in the first half of 2024, but number of projects in Russia as well as in Congo that are coming on stream, the copper projection is going to be pretty good in 2025.

Srishti: Can you provide a mix between copper and gold?

Syed Yaver Imam: No. See, the basic bit we are talking right from the beginning, we are looking at between copper and gold around 75% of our business to be there because that is where the large market for liners are there. So, consolidated between copper and gold we will continue to have that 75%.

Srishti: Thank you, sir. That's it from my side. I will join in with you again.

Moderator: Thank you. The next question is from the line of Karan Kokane from PGIM India. Please go ahead.

Karan Kokane: Yeah. Hi, sir. Congratulations on a good set of numbers. Am I audible?

Moderator: Yes, sir. You are audible. Please go ahead.

Karan Kokane: Yes. So, first question is on the margins of the consumable business. So, this quarter, it has touched 30%. I just wanted to understand are there any one-offs in that and what is the sustainable margin for consumables business going forward?

Sharad Kumar Khaitan: Can you just repeat your question? I have not been able to hear you.

Karan Kokane: My question is the consumables margin has hit 30% this quarter. So, are there any one-offs and what is the sustainable margin for the consumables business?

Sharad Kumar Khaitan: The quarter 4, if you see our business trend, it happens that quarter 4 is the heaviest quarter, the best quarter for us actually. And hence, you have a very high margin because the revenues are higher in quarter 4 actually. So, basically, H2 is higher than H1 and hence you find the margins improved in quarter 4, but on an overall basis, if you see on a full year basis, the consumable business segment gives a EBITDA margin of about 20% to 22%.

Karan Kokane: And sir similarly for the equipment business, the equipment business margin has fallen quite sharply on a sequential basis. What is the reason for that and what can we expect going forward?

Sharad Kumar Khaitan: Again, you should not see the equipment business in comparison to last year because last year a very small portion of that was consolidated to us. On an ongoing basis, on a full year basis, the EBITDA margins what we see on the equipment business is in the range of 10% to 11%.

Karan Kokane: Sir on a sequential basis it has fallen quite a lot, not Y-o-Y?

Sharad Kumar Khaitan: A sequential basis, it falls because it can be a movement between the sequential, you are talking about Q3 versus Q4.

Karan Kokane: Yes.

Sharad Kumar Khaitan: There can be movement in quarters because of the revenues and the projects which are there. So, it is a mixed impact also. So, you should see it on an overall basis because there are certain long-term projects, contracts, etc. So, seeing on a quarter to quarter basis should not be the right way. If you see on an overall basis, on a full year basis, on a 12-monthly basis, the EBITDA should give about 10% to 11% EBITDA margin. Further, if you see last year, if you see full year numbers of McNally it had a revenue of about INR 183 crores and had an EBITDA of about 5%. This year we have been able to increase our revenue to about INR 206 crores with an improved EBITDA margin of about 9.5%.

Karan Kokane: Understood, sir. And, sir, recently, we had one of your five year contract, INR 700 crores with a European customer. So, just wanted to understand what was the contribution from that contract in this quarter?

Sharad Kumar Khaitan: We cannot give specific contract-wise details at this juncture. What we can say is that it is in line with our overall business portfolio and we maintain our guidance of about 20% to 22% EBITDA margins in the consumable business segment.

Karan Kokane: No, no, sir, I was asking more on the revenue contribution from the European contract, that INR 700 crores contract, which we had won for five years.

Sharad Kumar Khaitan: The revenue contract is spread over a period of five plus one six years and the cash flows account for us over the period on a regular basis.

Karan Kokane: Okay, understood. And, sir, lastly, when do you expect the commercial production to start at the Chile plant? And what will be the ramp up --

Sharad Kumar Khaitan: We just answered in the last question as well. June ’25 is when we expect the commencement of the factory to be complete and any time between July ’25 onwards, we will see commercial production from the Chile plant.

Karan Kokane: Okay, okay. Thanks, sir. Thanks a lot for taking my questions and all the best to you, sir.

Sharad Kumar Khaitan: Thank you.

Moderator: Thank you. The next question is from the line of Jasdeep from Clock Wise. Please go ahead.

Jasdeep: So, thanks for taking my question. So, my first question is with respect to the European contract. So, what kind of liabilities you've undertaken for the execution of this contract? So, I'm guessing you would have assured some minimum production run rate. And let's say for some reason, the production falls to below that. So, what kind of liabilities come on the company?

Sharad Kumar Khaitan: You say if you're talking about minimum guarantee, then if minimum guarantee is not achieved, then there is no liability on the part of the vendor. I'm not getting into specifics of this contract. But we don't have any liability as such. And moreover, all commercial liabilities, whatever is to be done, we have completely taken insurance coverage to ensure that we are adequately protected.

Jasdeep: Sir, if liability doesn't come on account of not meeting the minimum production, what is promised and what is the commercial liability on account of for which you have taken insurance?

Sharad Kumar Khaitan: There are other insurance liabilities which you have to take for your assets deployed, for people at the site, etc, safety and all those things. So, for that, we have to take an insurance coverage at the site.

Jasdeep: Got it, sir. Got it. But theoretically, if you don't hit the minimum production level, then client is forced to suffer a significant loss. So, it is surprising that there are no liabilities that will come on you in that scenario.

Syed Yaver Imam: These are specifics of contracts, which we cannot reveal on this. Let me tell you that we have done the contract in a manner that we are protected fully. And the service required by the client and the customer, they require this service. And they also understand how people will be affected if the production is not there.

So, we have come to an agreement, which I cannot reveal this agreement, because it's a pretty competitive kind of issue on this. But we are well protected on this. And we as a company have no issue of what is going to happen. And that's why we have said okay, six years, what will be our minimum value of revenue.

So, when we have given the guidance on this thing, we have told what the minimum revenue will be.

Jasdeep: So, your growth in consumables as far as the sales is concerned for FY'24 is only [inaudible], I believe, at the starting of the year, you had given guidance for around 15% growth in top line for consumable segment. So, what are the reasons why the growth has been below expectations in this year?

Sharad Kumar Khaitan: In the consumable segment, we have grown by about 9.3% and 9.5% approximately. As we informed earlier, there had been supply chain challenges during the year, which eased out in Q4 of FY'24, but they were not completely eliminated and have resulted in certain transportation delays. There were various events like Red Sea crisis, the West Asia geopolitical tensions, etc.

Such transportation delays have resulted in higher FG for us, which is approximately at a cost of about INR 30 crores, which in case would have crystallized into revenues would have been about INR 70 crores of revenue for us, which would have resulted in our total revenues from consumable segment to about INR 1,360 crores.

And if we would have been able to get those numbers, we would have met our guidance estimates of 15% revenue growth. So, it's just a timing difference and we expect to crystallize all of this in Q1 of FY25.

Jasdeep: Got it, sir. Also, if you could give us an idea of how DynaPrime range of products is done in FY'24, has it been able to achieve the target you had set at the beginning of the year?

Sharad Kumar Khaitan: We can't give you specifics, but yes, we have been able to achieve all our internal targets with respect to the product category.

Jasdeep: Got it, sir. Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Chirag from Centrum Broking Ltd. Please go ahead.

Chirag: Thank you for the opportunity. So, sir, first question is actually on the equipment business. So, you have mentioned in the past that you have been investing in the business and on products, etc. So, in FY'25, what kind of growth or diversification in end-user industries can one expect from the equipment business?

Sharad Kumar Khaitan: You see, we have acquired this business last year, Chirag, and we are trying to explore all possible synergies. We see a lot of potential in the equipment business category as a whole. Globally, if you see, it's about a $28 billion to $30 billion industry, and that is the space where we want to operate.

Currently, we are operating in the domestic segment. McNally operates entirely in India. And at an appropriate time, we shall look for global opportunities and take it forward. And we have a diversified portfolio in McNally as well to cater to the various needs and demands of our customers in the mining and industrial sector.

Chirag: Correct. But, sir, even the domestic market is quite large, if I believe, maybe around $4 billion-$5 billion. So even in domestic market, various end-user industries that we would be initially targeting, you know, our foray. So from that point of view, if we can also give some near-term visibility of FY 25-'26, then that would be helpful?

Sharad Kumar Khaitan: That is the reason why we want to first get on a strong foothold in India, set up the entire process, ensure that all synergies between Tega and McNally are achieved, and that is when we will have a global ambition, but that is at a later date. As far as guidance estimates for revenue is concerned, we stick to our guidance estimates given of about 15% growth, both in the consumable business segment as well as the equipment business segment.

Chirag: Okay, sir. Sir, next question is on the trend in realization. So while we know that you don't give realization separately, but can you just qualitatively speak about how realization was for the consumable business in FY'24 and the outlook for maybe next year or so?

Sharad Kumar Khaitan: You see, overall, we have grown by about 9.5%. In this, if you see the volume -- you are talking about volume impact, right?

Chirag: Yeah, correct.

Sharad Kumar Khaitan: Yes. So the volume impact is about 5%-5.5% for us.

Chirag: Okay. And the realization is expected to remain stable or you see an upward movement there for the next year or so?

Sharad Kumar Khaitan: Realizations are stable for us. In case of any increase in RM prices, etc with the time lag, we pass on that to the customers. So you can assume that the realization shall be stable.

Chirag: Okay. The next question is on your capex plan. So, apart from Chile, where we are doing this project, which you already mentioned, so in FY'25, any other either brownfield or greenfield capex plan that we have? And also a related question is that in Q4, you also made an announcement of opening a wholly-owned subsidiary in Peru. So will this be serviced through our Chile plant or we also plan a manufacturing facility here?

Sharad Kumar Khaitan: For Peru, we are not looking for a separate manufacturing facility in Peru. We shall service Peru from existing manufacturing locations itself. The major capex as of now is the Chile new project, which we have already discussed in detail, Chirag.

Chirag: Okay. So capex plan for FY'25, excluding Chile, sir, any other brownfield expansion plan for India or any other markets?

Sharad Kumar Khaitan: We have regular maintenance capex and the Chile capex for FY'25.

Chirag: Okay, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

Abhishek Getam: Thanks for the opportunity, sir, and many congratulations on a good set of numbers. Sir, I wanted to ask on what is the raw material strategy on rubber side and how do we -- I mean, how is the sort of mix between spot and sort of the contract and how has this evolved over last few quarters?

Sharad Kumar Khaitan: You see, there are -- the products what we buy irrespective of the commodity, we go in long-term contracts and we also go ahead and ensure that the raw material prices are secured to these contracts as well as through hedges actually. And any increase in raw material prices is passed on to the customer with a time lag. So we try to protect the raw material costs, but in case if there is a significant increase, that is passed on to the customers.

Abhishek Getam: Okay. And in recent quarters, have we seen any softening in rubber prices?

Sharad Kumar Khaitan: See, the prices are volatile. So there is a movement in the prices. So it's my procurement team which tries to capture the best possible rates and take it forward actually.

Abhishek Getam: Okay, sir. So what will be sort of the gross-margin expectation for FY'25 and if you could provide guidance on revenue and EBITDA?

Sharad Kumar Khaitan: Revenue, we expect the market guidance should be about 15% on a group, overall group level basis. EBITDA margins in the range of 20% to 22% for the consumable business segment, 10% to 11% for the equipment business segment.

Abhishek Getam: Okay. Sir, guidance 15% is for consumables or both for consumables and the equipment?

Sharad Kumar Khaitan: Both for consumables and equipment, 15% each.

Abhishek Getam: 15% each. Okay, sir. Understood. Thank you, sir.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Birla Mutual Funds. Please go ahead.

Jonas Bhutta: Good evening, gentlemen. Thank you for the opportunity and congratulations on a great set of numbers. So just wanted to understand, a, from this long-term contract that we signed, the broad math was even if we equated, it's supposed to be roughly INR 120 crores a year and hence INR 30 crores a quarter.

Is that what we should work with even if we were to analyze this quarter's results where we see a INR 90 crores delta in our sales on a year-on-year basis, INR 360 crores becoming INR 450 crores on the consumable side? Is it fair to assume that one-third of that sort of came from this contract?

Sharad Kumar Khaitan: Yeah, it's a long-term contract, Jonas, and the cash flows which accrues is about the same range what you have quoted on a monthly basis.

Jonas Bhutta: Got it. And the second question was on incremental margins. If we see that our consumable sales have gone up by about 90 crores in this Q4 over Q4, the incremental margins on these is almost 45% because the delta in EBIT is, to that extent, almost 41 crores. So, how much of this would you think is, if we were to continue to grow at this 10%-15% organic growth, do you think that incremental EBIT margins can be in that 40%-45% band?

Sharad Kumar Khaitan: Overall, it will remain the same. With higher volumes, you get leverage and you get economies of scale. So, that will flow down into my P&L.

Jonas Bhutta: That's my exact point. So, if you continue to grow at 15% organically, which you have done, if I remove the impact of this order or this long-term contract, our incremental gross margins should be upwards of 40%, right? Not gross margin sorry- the EBIT margins?

Sharad Kumar Khaitan: The EBITDA margins, what we talk about, Jonas, is about 20%-22% in the range, actually, on a guidance-based estimate. Even if you see the current year estimates, we have got about an EBITDA margin of about 23% in the consumable business segment if you remove the one-off expenses. We would like to stick to our estimates because there are a lot of volatility in the market, etc. Hence, anything upward than our guidance estimate is good, but we would like to stick to the range of 20%-22% for our consumable business segment.

Jonas Bhutta: Sure, Sharad. I will take this offline with you. The last question was on newer geographies. So, you know, we were trying to crack the Australian side of the business or some other Southeast Asian countries, etc. If you can talk a bit about how is that going about and should we expect some bit of movement there as well in the next one or two years?

Sharad Kumar Khaitan: You see, we are well-diversified, actually. If you see, our sales are spread across the globe, actually. So, whether it's North America, South America, Europe, Middle East, Asia, Middle East, Russia, Africa, Asia-Pacific, all of that are growing and are giving us the impetus and the future growth, actually. Australia also happens to be an important market for us and we remain focused and we will definitely see higher growth in Australia as well.

Jonas Bhutta: Sure. That's it from my side. Thank you and all the best for the future.

Moderator: The next question is from the line of Rohit from Aditya Birla Sunlife Insurance. Please go ahead.

Rohit: So, my first question is from the consumer production side. What exactly is the capacity utilization at this time in FY '24? What was it in FY '23 as such?

Sharad Kumar Khaitan: Sir, overall the capacity utilization is about 60% to 65% for us.

Rohit: If you could also give some colour on the India plans as well as the South Africa and Chile, what was the number?

Sharad Kumar Khaitan: Sir, we don't give the bifurcation and the details at the plant level. If you see at an overall company level, the capacity utilization is in the range of 60% to 65% for us.

Rohit: And any colour on the equipment parts**?** [inaudible 0:33.52].

Sharad Kumar Khaitan: It's very difficult for us to give a number for the equipment business because it's a different business altogether. It's not like a FMCG where you have a capacity and you run and say that this is my capacity production. Equipment business, long-term contracts, etc, they work in a different ballgame altogether.

Rohit: Got it, sir. And once the extension of the Chile project that we're talking about, what will be the jump in the total capacity that you can see in Chile, production capacity?

Sharad Kumar Khaitan: It will help us get an incremental revenue of about $40 million.

Rohit: And this could possibly be working around some 80%-85% capacity utilization?

Sharad Kumar Khaitan You see, the capacity is what we keep adding up capacities as and when required. So, generally, we work with a capacity utilization of about 60%-65%, and that is how we operate. In case if my capacity utilization goes up, then we will increase our capacities accordingly. So, for us, our benchmark is 60%-65% is what we keep working upon.

Rohit: Thank you, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Thanks for the opportunity, sir. The question is for Mr. Mohanka. Now that you've almost done a year of operations at McNally, just what is the best way to decide whether you can make sure what are the expenses that you pay at McNally and how do you overcome that specifically? And in that context, also, why is the growth of the IRM between McNally and the small...

Sharad Kumar Khaitan: Sir, we are not being able to hear you. You're not audible.

Anupam Gupta: Am I audible now?

Sharad Kumar Khaitan: Yes, you're audible now. Can you just repeat your question?

Anupam Gupta: Question, McNally... Operated it for a year or so. What have been the changes we have faced in terms of the years.

Moderator: Sorry to interrupt, sir, but your voice is breaking a little.. Sir, if the voice is proper, you can go on with your question.

Anupam Gupta: Yes. So, the question is that on McNally Bharat, within the first year of operations, what are the challenges that you have faced in terms of the integration? How have you overcome them? And in that context, why can't McNally grow faster than 15% given the size of opportunity and the scale of operations at this point of time?

Mehul Mohanka: So, as it is for every new acquisition, there are challenges. Some are foreseen, which are unforeseen. There have been -- In case, as it is in every acquisition, there are issues around people, process, systems, capacity, health of assets, reclaiming some lost customers, because as it was through an NCLT process. The company wasn't at its best health from a reputation perspective with customers.

There were challenges around quality delivery. So, a lot of the past year has gone in fixing that, in rebranding the business, rebuilding the image of the company. Before the customer, we started work on different aspects of restructuring the company. And it's not a journey that's going to be as easy.

A year is still young in terms of the number of amount of time spent on this business. These things normally take a couple of years to turn around. And we are well on our course to turn the business around. And I would say going at about 10% plus, even in these nascent stages of the acquisition, I think is quite healthy for a business of this size.

And as we continue to fix the business, yes, of course, the growth rates would possibly be higher. But at this time, we're taking a little bit more conservative approach to the projections, because we, as I said, a lot of these acquisitions come with planned and unplanned surprises. And as we go along fixing the business, we are very optimistic that the rationale behind why we bought the business remains intact. And we're delivering both on top line and bottom line, even in the first year itself.

Anupam Gupta: And that helps us. The second question is on the consumable business. So we will come in next year. Let's say in terms of volume, does it require specific rules for that? And for you already have clients who you can service better from a J.A. Plant? How will the ramp up work specifically for J.A. Plant?

Sharad Kumar Khaitan: Sir, your voice has been breaking in the entire conversation. You're not being able to understand what you want to ask us.

Anupam Gupta: [inaudible 39:32].

Sharad Khaitan: Okay.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would like to hand the conference over to the management for closing comments.

Sharad Kumar Khaitan: Thank you, everyone, for joining us on this conference call. And thank you once again. And we appreciate all your questions and look forward to more engagements in the future. Thank you.

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