



INDUSTRIES LTD
PARTNERSHIPS IN PRACTICE

21st February, 2022

BSE Limited

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

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

Scrip Code: 543413

NSE Symbol: TEGA

Dear Sir/Madam,

Sub: Transcript of the Investor Conference Call

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investor Conference Call of Tega Industries Limited ('the Company') held on 15th February, 2022 at 4:00 PM IST. The same can also be accessed on the Company's website at www.tegaindustries.com.

Thanking You,

Yours faithfully,

For Tega Industries Limited



Manoj Kumar Agarwal

Chief Financial Officer, Company Secretary & Compliance Officer

Tega Industries Limited

Registered Office: I47, Block G, New Alipore, Kolkata - 700 053 | Tel: +91 33 3001 9000 | Fax: +91 33 2396 3649 | www.tegaindustries.com

Corporate Office: Godrej Waterside, Tower-II, Office No 807, 8th Floor, Block DP-5, Salt Lake Sector V, Bidhannagar, Kolkata-700 091, West Bengal
Tel: +91 33 4093 9000 | Fax: +91 33 4093 9075 | www.tegaindustries.com



An ISO 9001:2008 Company
CIN : L25199WB1976PLC030532



“Tega Industries Limited Q3 & 9 Months FY22 Earnings
Conference Call”

February 15, 2022



MANAGEMENT: **MR. MEHUL MOHANKA –
MD & GROUP CEO
MR. MANOJ KUMAR AGARWAL – CFO
MR. SYED YAVAR IMAM – DIRECTOR,
GLOBAL PRODUCT GROUP**

MODERATOR: **MR. NACHIKET KALE –
ORIENT CAPITAL PVT LTD.**



*Tega Industries Limited
February 15, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the maiden earnings conference call of Tega Industries Limited organized by Orient Capital. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance getting the conference call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mehul Mohanka, Managing Director and Group CEO. Thank you and over to you, sir.

Mehul Mohanka: Good afternoon and a warm welcome to all the participants. I am joined today on this call by my colleagues Mr. Manoj Agarwal, the CFO of the company and Mr. Yaver Imam who is the Director of Global Product Group as well as Orient Capital, our investor relations partner.

It is our maiden earnings call today after the initial public offering. As you all know, the company listed on the Indian bourses on the 13th of December 2021. I hope by now all of you have had the opportunity to go through our financial results and investor presentations which have been uploaded on the stock exchanges as well as our company website.

Before we get to the Q3 performance, I would like to thank everyone for supporting the IPO of the company. With your support and trust, the IPO was oversubscribed by almost 219 times. Since this is the first call, there are some of you with whom we will be interacting for the first time and hence I would like to take this opportunity to quickly give you a brief description about the company.

Tega commenced operations in 1978 in India with a foreign collaboration with Skega of Sweden with an objective of providing unique products and services for handling complex problems in material handling and mineral processing. We are the leading manufacturer and



*Tega Industries Limited
February 15, 2022*

distributor of specialized critical-to-operate and recurring consumable products catering to global mineral beneficiation, mining, and bulk solids handling industries. We are the second largest producer of polymer-based mill linings as well as one of the largest players providing hybrid liners across semi-autogenous and ball mills. We have close to 55 products in our portfolio spread across multiple geographies globally. Today we operate 6 manufacturing plants across the world with three in India and three in overseas locations. And we have approximately 513 installations at different mine sites across the world and as of financial year March 2021 in about 17 countries with 18 global and 14 domestic sales offices across the world, and almost 85% of our revenues is generated outside of the country.

From the macro industry data, mineral processing industry is set to grow at a CAGR of 6.3% between 2020 and 2030. Infrastructure growth, shift to EVs, RE electronics, volatility hedge, etc., are key demand drivers for relevant metals. Declining ore grade enhancing demand for beneficiation products, decreasing ore grades requires a higher throughput which has led to greater demand for larger-sized equipment as well as high consumption of consumables. This is supported by the fact that our business is immune from CapEx cycles and it caters to aftermarket spend for customers which has recurring revenue in nature. So, all our products tend to be an operational expense for our clients. We drive continuous design innovation in all our products. As you all know, we launched the DynaPrime range of our products in 2018. It's a composite liner which is first of its kind in the entire world, and this has helped us unlock new addressable markets for our company, which includes larger-size mills which offers greater productivity gains and cost savings for our customers as well as almost a 50% increase in life compared to traditional steel linings. We have also embarked on



*Tega Industries Limited
February 15, 2022*

inorganic strategy in the past. We have successfully integrated more than 3 acquisitions across the world.

Some of the key growth drivers for us would be the demand for iron ore, copper and other metals and minerals which will drive the growth for mineral processing equipment industry in time to come. We all know about the electric vehicle manufacturing which will be top demand drivers for copper, aluminum, and other metals. EV as we know is now something which is synonymous with not only automobiles but it is the future of our country. Global gold and copper concentrate production industry is likely to grow at a CAGR of 4.3% and 3.7% respectively between 2020 and 2030. Gold and copper mill sites require superior quality of consumables and have high beneficiation requirements. Owing to ore grade depletion, miners are required to process more ore to get the desired throughput which will boost the demand for mineral processing equipment. Strong market position and entry barriers have helped us maintain high margins over time with revenues from operations growing at about 12.74% CAGR during FY19-21. Reported operating EBITDA margin was at 23.7% in FY21. We have successfully maintained these operating efficiency levels while completing and integrating acquisitions, JVs, and strategic alliances including our acquisitions in South Africa, Australia, and Chile. In several cases, our relationships with key customers span for more than a decade and it's a testimony to our business excellence. Our order book stands at about Rs. 278.1 crores as of December 31, 2021.

Our strategy going forward is to increase our penetration and market share in North & South America, Australia, and South Africa. To grow our market share and share of customers' wallet with improving market penetration and cross selling opportunities in high-quality products and solutions which have recurring demand and will lead to high repeat and



*Tega Industries Limited
February 15, 2022*

revenues. We will continue to leverage our in-house R&D capabilities to grow our product offerings and capitalize on future trends. Our in-house R&D team focuses on upgrading our existing products and developing product variants on a continuous basis. We're going to continue to expand our manufacturing capabilities with planned expansions in our facilities in Dahej and in the Kolkata plant. We also are going to be setting up a new manufacturing facility in Chile for which, as you know, the board has already given us an in-principle approval. We would also continue to enhance our operational efficiencies and increase economies of scale to strengthen our competitive position globally.

With that, I would now like to hand over to Mr. Manoj Agarwal, our CFO, to take you through the financial performance of the company for Q3 and 9 months under review.

Manoj Kumar Agarwal: A very good evening to all the participants. I hope all of you and your families are in good health. I will share the highlights of our performance for the quarter ending 31st December 2021 and following which we will be happy to respond to your queries.

Quarter-to-quarter net revenue from operations is Rs. 257 crores for the quarter ending December 31st 2021 against Rs. 214 crores previous year same period delivering a growth of 20%. Operating EBITDA stood at Rs. 51 crores in quarter 3 FY22 as against Rs. 47 crores in quarter 3 FY21, a jump of 8%. Operating EBITDA margin stood at 20% as against 22% same period last year. The major impact on EBITDA for the quarter ending 31st December 2021 is due to higher input cost which we need to transfer to the customer which will take another quarter to pass it on. This is also impacted because of abnormally increased logistic cost which will again take some quarters to pass it on. Profit after tax increased to Rs. 33.5 crores for quarter 3 FY22 as against Rs. 31.5 crores



*Tega Industries Limited
February 15, 2022*

in quarter 3 FY21. It is to be noted that non-operating income has gone down from Rs. 14 crores in December 2020 quarter to Rs. 4 crores in December 2021 quarter.

Now we may open the floor for Q&A.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. The first question is from Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: The first question is pertaining to the revenue growth. If you can provide some more color as to how the liner business has grown versus the non-mill lining business, and within mill lining, how has the DynaPrime product range progressed in terms of growth? And also, broadly, with this 20% growth, if you can briefly break it up into how much would be realization increase driven or rather how much realization increase you would require to pass through the cost increases that you just mentioned and what has already been taken?

Manoj Kumar Agarwal: If I just try to break up the revenue, on a 20% growth, what we see is about 10% is coming from the price and 10% coming from the volume. On the mill liner side, the overall growth is about 20% wherein the DynaPrime has grown at a rate of about 16% and the mill liner without DynaPrime has grown about close to 30%. On the non-mill liner, as of now, the growth is virtually flat. It's about 1%. And overall growth is about 20% for the quarter December 2021.

Sandeep Tulsian: DynaPrime, the growth rate has come up to 16%. If you could highlight what could be the major reasons for that?

Manoj Kumar Agarwal: The growth has come mainly from the India side where we have got some new orders from the North America region and we are also able to expand ourselves in the western Africa region. Those 2 areas are



*Tega Industries Limited
February 15, 2022*

giving the kind of upswing in the DynaPrime segment and that is coming with the fact that we have been doing the trial in many other sites and those trials are getting converted into commercial orders.

Sandeep Tulsian: On the non-mill lining side, you mentioned it is flat. Overall, if you could help us understand the math because you mentioned mill lining has grown 20%, overall revenue just 20%. So, non-mill lining revenues should not be ideally so low for the average to be 20%, right?

Manoj Kumar Agarwal: What I said basically in the mill liner, DynaPrime has grown to about 16%. The mill liner without DynaPrime has grown to about 25% which gives me about 25% overall growth and then the non-mill is coming about 1% and if I take the project in the non-mill liner because as you know that we also have the project under the non-mill business which are not recurring in nature unless the project got commissioned. So, if I add the non-mill liner including project, the degrowth will be about close to -6% to -7%. And if I remove the project business from the non-mill liner, it is about flat. And mill liner has grown substantially about 25 plus percent taking DynaPrime and mill both together. Maybe I can share the breakup separately to you.

Sandeep Tulsian: Second part of the question was on what kind of cost pass-throughs are you expecting over the next 2 quarters for both raw material and logistics so that you are able to maintain the earlier level of margins around 20% to 25%.

Manoj Kumar Agarwal: We are looking at 2 parts here. One is raw material. We are confident that the raw material gap which is about 2.5% we will be able to pass it on. As far as logistics is concerned, which we know that it is abnormally high, it's more of that we will be able to pass through some bit of it in the coming quarters but not all the logistics cost. So, maybe one part is that how much we can pass it to the customers and how much



*Tega Industries Limited
February 15, 2022*

the cost gets normalized in the coming quarters. But basis the current situation what we see is that logistics cost will take another 2 to 3 quarters to come to a lower trajectory. There is a challenge to pass on the entire gap of logistics cost to the customer, and if the logistics cost doesn't come to downtrend, that gap may be there for that period.

Sandeep Tulsian: Last question on DynaPrime per se. Currently if you could give some trajectory as to at how many sites the trials are on currently and based on whatever your expectation is on the conversion rate, what is the average revenue per site can you grow to, and what should be the total growth in DynaPrime over the next 2 to 3 years?

Manoj Kumar Agarwal: Sandeep, actually it is very difficult to give some kind of forecasting in this call basically. So, we can't talk about that forecasting per se but what we can say is that trials are running on in various sites globally and that will take up the growth trajectory as far as DynaPrime is concerned.

Moderator: The next question is from the line of Abhishek Poddar from HDFC Asset Management. Please go ahead.

Abhishek Poddar: Congratulations on a good quarter. Sir, is it possible to give the revenue split for DynaPrime, what percentage of revenue is coming from DynaPrime? Or any absolute number if you can throw?

Manoj Kumar Agarwal: It is about 19% of the total revenue.

Abhishek Poddar: And you would expect that this 19% should grow faster so that percentage will increase going forward in the next 2 to 3 years?

Manoj Kumar Agarwal: I just said that we are expecting our growth trajectory from DynaPrime obviously going forward. So, DynaPrime will take the growth forward for the company.



*Tega Industries Limited
February 15, 2022*

Abhishek Poddar: The raw material gap of 2.5%, this is the commodity price inflation that you have not been able to pass on to the customers is what you are referring to?

Manoj Kumar Agarwal: Yes, generally we tend to target about 60% raw material margin in our business. What we are finding is that there is still a gap of about 2.5% to 3% and we believe that it will take another 2 quarters to pass it on as I said to an earlier query. So, raw material cost we will be able to pass it on. It may take 1 or 2 more quarters but there is a challenge in logistics cost as of now.

Abhishek Poddar: In the Other Expenses, is there any FOREX loss in this quarter?

Manoj Kumar Agarwal: Not as such.

Abhishek Poddar: So, trying to understand that how the FOREX has impacted your last year's margin and this year's margin.

Manoj Kumar Agarwal: This year, more or less, the FOREX impact is not there, which was there last year. On the plus/minus side, it is more of getting nullified in terms of impact on the P&L account. If I talk about the number, the P&L account is coming close to hardly about net-net Rs. 13 lakhs.

Abhishek Poddar: For this quarter?

Manoj Kumar Agarwal: For 9 months. For this quarter, it is about Rs. 78 lakhs.

Abhishek Poddar: Any comments on the demand outlook in the overseas market from the mining industry?

Syed Yaver Imam: As far as the mining industry is concerned, in the last 10 months, copper production has increased somewhere around by 4.1%. Gold's latest figures are up to H1 of last year. There also, the growth has been 9%. As far as copper and gold are concerned and as far as the production is



*Tega Industries Limited
February 15, 2022*

concerned, it is more or less following the projections that were given earlier as far as the growth is concerned. The demand both from gold as well as copper is on the rise.

Moderator: The next question is from the line of Bharti Sawant from Mirae Asset. Please go ahead.

Bharti Sawant: What I wanted to understand is you mentioned that the overall growth in revenues of the 20%, 10% is driven by pricing. So, what kind of RM inflation are we seeing and is there a trend that the RM prices are kind of moderating and we should see an improvement in the margins going forward just on account of RM?

Manoj Kumar Agarwal: On the RM side, what we are seeing for the last 2-3 months is that it is flattening down. We are not seeing any upswing which was there in the quarter 3. This is a good news for us in terms of not going to increase every time to the customers. From here, if it goes on a northward trajectory, then obviously it may have some impact but as we said that when talking about pass-through, pass-through works both the sides. We can't talk about pass-through on the upward trend and not the downward trend. And if the prices go down again drastically, again we need to pass it on to the customers also. The ultimate objective of ours is to stay at least at 60% RM margin and plus or minus 1% to 2%.

Bharti Sawant: So, the key increase in the raw material cost could it have been more like 14% to 15%? Because despite of taking a 10% price hike, we are not able to pass on the RM cost. So, would it be that steep?

Manoj Kumar Agarwal: Yes, it is that sharp, even more than that also.

Bharti Sawant: Also, in terms of this 10% pricing, can you just explain us what would be the role of product mix change which will ride the realizations?



*Tega Industries Limited
February 15, 2022*

Manoj Kumar Agarwal: One is the price as well as the product mix. Basically, product mix got normalized in quarter 3 and quarter 4, may not be quarter 1 or quarter 2. Again, price depends on the local landscape of the competition, customer acceptance. There are a lot of levers to decide on the price part, though it is a critical sphere. But again, it is being based on the geography to geography and customer to customer.

Bharti Sawant: Also, dwelling more on the expense front, we have seen a significant increase in the first 9 months. We have seen a significant increase in the employee cost as well as your Other Expenses unlike in the past 3 years wherein both these costs were quite benign. Would you like to throw some light as to where should these numbers stabilize, and given that we are targeting growth of closer to 14 % to 15% CAGR, can we expect a similar growth in the employee cost or should it remain benign?

Manoj Kumar Agarwal: It will remain benign now because as we told earlier also that in our business we have to build up our team a year and two in advance. Last year also because of COVID period, the intent was to preserve cash and not to spend money. So, we have not done hiring per se last year. Most of the hiring has happened in this year itself so that we can take the growth from the next couple of years. What we believe is that whatever trajectory is going in today's employee cost, that will not be in the same proportion going forward. It will be kind of benign going forward as far as the employee cost is concerned.

Bharti Sawant: Also, in terms of Other Expenses?

Manoj Kumar Agarwal: Other expenses as I said because there are 3-4 main items there like I said logistic costs which is about Rs. 20 crores on 9 months to 9 months which is something very abnormal and then we had some repair and maintenance which we have stopped last year, again because of COVID and cost preservation which comes to about Rs. 5 crores and



*Tega Industries Limited
February 15, 2022*

about logistic Rs. 20 crores and traveling also has been started which was absolutely not there the previous year. So, that impact also is coming. So, taking 4-5 bigger items, it's coming to that differences basically and then the other volume and price growths are there in the Other Expenses.

Bharti Sawant: Last question from my side on the non-mill lining products. Given that earlier we have highlighted that our strategy is to increase the wallet share by increasing the products that we are supplying it to our mining customers, but given the way non-mill lining products have been performing like flattish number for the current quarter – I don't know what that number is for the 9 months. What strategy are we adopting to push more sales or to increase the contribution from the mill lining products if you can just highlight that?

Syed Yaver Imam: The issue which we had discussed earlier also was on the increase the wallet share on acquired customers. What we are looking in the short-term strategy which will be effective for the next 2 to 3 years is that DynaPrime the large customers that we are acquiring now, once we stabilize the customers from going through the trials and making them on board with regular supplies, thereafter we are looking at expanding their product portfolio with the non-mill products and this is already in operation in Chile where we will look at the non-mill growth. We will find good growth over there. Going forward, once we acquire the larger customers in rest of the world, this will happen. It's a question of 1 or 2 years lag with the acquisition of customers for DynaPrime where the following will be the rest of the products to gain market share and wallet share there.

Bharti Sawant: Also, while acquiring customers for DynaPrime, what strategy do we adopt? Is it more led by pricing or do we still earn margins during the trial period?



*Tega Industries Limited
February 15, 2022*

Syed Yaver Imam: We earn margin on trial. Even in the trial period orders with the DynaPrime, we are close to somewhere around gross margin of 55% to 58%. It is not too far off. The basic idea is that we are changing from steel liner. We go in with the value proposition and look at it. So, the changes which will come in once we go into a full application at site, we will bring it back to around 60% gross margin. That is the range in which we are playing with DynaPrime as far as the product lines are concerned.

Moderator: Our next question is from the line of Ashlesha, an individual investor. Please go ahead.

Ashlesha: Congratulations on getting listed. I went through your presentation which helped me get an idea of your business model and I appreciate the company's rich legacy. I have 2 questions. First, what is the expected timeline on expansion in Chile? My second question is, what services do we provide in life cycle management?

Mehul Mohanka: The timeline for the plant to be set up in Chile is within 24 months. The internal estimate is to try and aim for 18 months, but the attempt is to do it within 24 months. When we talk about life cycle management, it is to do with providing services to the customers which include monitoring the performance of the product using laser scanning technology, providing constant performance reports to customers, aiding in installation of our products, and also providing customers with opportunities to save on downtime of the equipment by improving the speed with which the products are installed. Those are part of our life cycle management services.

Moderator: We will move to our next question which is from the line of Abhishek Jain from Arihant Capital. Please go ahead.



*Tega Industries Limited
February 15, 2022*

Abhishek Jain: First, the DynaPrime, if you can explain in detail how big can be the opportunity there right now and what is our product differentiation? Second, as an earlier participant has discussed, what can be the margins we should take for the next 2-3 years down the line from the take margin? Third, if you can throw light on the Chile business right now; after the new capacity, what kind of revenues we are looking at?

Syed Yaver Imam: As far as the DynaPrime opportunity is concerned, it is close to around \$900 million, and globally when we are looking at this, the growth in the DynaPrime will come from this \$900 million section.

The margin which is there, as I have said before also, it is more or less the same gross margin we are looking at and our aim is to be at 60% gross margin as far as DynaPrime is concerned also.

The Chile project that is being set up, as of now, we are running close to capacity in Chile for the next year. The idea is that the growth opportunity that has been put in and the trials that are working in Chile now, which will get into operational and commercial business; by that time, we should get the plant up and ready. The plant that we are looking at, we will be doubling our capacity in Chile and that is what we plan to see to get the growth from there.

Abhishek Jain: What is our current capacity in Chile right now? How much revenue we are doing in Chile at this point of time, sir?

Manoj Kumar Agarwal: Current capacity I will break in 2 parts. On DynaPrime side, we are close to about \$30 million and this product accounts to \$10 million. So, as of today, we can go up to \$40 million in full scale.

Abhishek Jain: After this expansion, we will be reaching around \$80 million?

Manoj Kumar Agarwal: Yes, close to that.



*Tega Industries Limited
February 15, 2022*

Moderator: The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Is it possible to share the 9 months' growth number of DynaPrime?

Manoj Kumar Agarwal: I think what I shared earlier, it is 9 months' growth only, about 16%.

Nitin Arora: What then in this quarter the DynaPrime growth is? What is the growth in Q3?

Manoj Kumar Agarwal: Q3 growth number I don't have. I will come back to you separately on that.

Nitin Arora: The question is, sir, it's very contradictory statement from 2 angles. One, you are saying the demand is very good and at the time of the IPO also, you said DynaPrime is going to grow much ahead of the company's growth. The question I want to understand is, if the 9 months' figure is 16% and I am assuming the inflation should be about 10%, it is a very low single digit growth its sum up in the 9 months assuming we don't have the numbers for Q3. What has led to this low growth? number 1) the demand is so strong and you are trying to penetrate in decline, is it....

Syed Yaver Imam: Right from the beginning, even in the road show which we were there, we have been saying that to look at our figures on a year-on-year basis. And if you remember, I told you most of the large mining corporations have their year on year on the calendar year. So, for us, especially for DynaPrime and all would be big months in the next quarter. Overall, when you look at it, we have to look at what is the growth in the order booking and then at the same time the pending order as well as what will happen in the next quarter. So, relevance of year-to-year growth would be more appropriate than to look at quarter to quarter or 3 quarters because DynaPrime mainly and the larger mills with life of 6 months



*Tega Industries Limited
February 15, 2022*

and 12 months are in that period where it will be on the 4th quarter for us or 1st quarter of the calendar year. When we look at that, I think that is the period we should look at it on the year-to-year growth. What will happen at the end of the quarter, I think, the figures would be more relevant to see.

Nitin Arora: First of all, I asked for a number which you only gave me, which is 16% growth. I never compared quarter on quarter. It is a good thing you told me Q4 is more of a heavy quarter. So, if Q4 and you have a strong order backlog let us say for the DynaPrime, is it safe to assume a 40% growth what you stated at the time of the IPO 35% to 40% growth for the DynaPrime this year?

Syed Yaver Imam: At the time of the IPO also, we were looking at 25% to 28% growth as far as DynaPrime is concerned, and from whatever the situation is today, we are on track on that.

Nitin Arora: With respect to the cost arbitrage, you are already saying that 10% kind of a cost increase and we have passed on to the customers. In the non DynaPrime line business, if you can throw some light with respect to the pressure? Is there some pressure on the market share because if you go beyond a certain price point, the local player gets a little edge? Let us say not an edge, let us say cost is increasing for everyone, but if someone wants to get higher market share, they can actually do it because of the supply chain. How are you tackling that? In the DynaPrime, the cost arbitrage between the steel liner and the DynaPrime has widened a lot in this commodity scenario?

Syed Yaver Imam: Steel prices have been going up also. It is not that the price of DynaPrime is going up. But there are 2 parts of this when you are looking at it. When we look at passing onto the pricing, we are talking about 75% of our spare business where we are passing on the price. The new business is a



*Tega Industries Limited
February 15, 2022*

combination of what the customer is spending, what the competitive situation is, how we are getting the thing, those are the questions. When we look at most of the DynaPrime where we have the growth coming at 35% to 40% on that, then we look at the balance 75% where the price increases are being passed on to the customer. Where the steel is concerned, yes, steel prices have gone up and the margins we will look at growing according to what the steel prices are going up is about 60% margin. The problem which you have rightly pointed out is the question in the non-DynaPrime mills, especially where the logistic costs become so high that the local supplier would become.... For us, this is the challenge only in 2 territories because we have already covered Latin America, Africa, Australia, and India through this thing. The main geography which would be getting challenging would be USA and Canada. USA and Canada, the margins on the existing business are such that we have to make a call on where to pass on what portion of this thing to pass on to the customer. We are taking a call that the logistic cost somewhere in the near future would normalize. In some of the cases, we take a call to hold the customer and the logistic cost then gets passed on to a certain percentage, maybe not fully. Those are the calls which we take and which we do it overall to see that our margin on the gross level does not get affected. And as of today, the major challenge would be only in these 2 territories because the local manufacturers in other places mitigate that problem.

Moderator: The next question is from the line of Chinmaya Garg from Dron Capital. Please go ahead.

Chinmaya Garg: I just wanted to know since the company is newly listed and we do not have a lot of history of numbers, is there some seasonality in business? You mentioned that Q4 would be big for DynaPrime but for the rest of the business?



*Tega Industries Limited
February 15, 2022*

Syed Yaver Imam: For us, the 2nd half usually becomes.... I think we have to look at the global mining companies and their shutdown schedules. Most of them are on a calendar year. The 2nd half of the calendar year, they are on a full production run, would normally not try to have any shutdown periods over there. So, for us, the 3rd quarter and 4th quarter where we get the order and start the shipping to meet schedules in the last quarter of ours and the 1st quarter of theirs. This is what the schedule is. So, for us, the 3rd and 4th quarters become heavy not only in DynaPrime but in most of the mill liner business because the customers are timing their shutdowns to half where they are not ramping up production.

Moderator: The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir, for Dahej and Samali plant expansion, how much will we be spending?

Manoj Kumar Agarwal: Samali plant is a very old plant per se but Dahej is the latest one and we have spent about close to 140 crores for Dahej plant.

Anurag Patil: That expansion is complete as of now, right?

Manoj Kumar Agarwal: The initial project was run in 2013. That was the initial cost. And expansion we will be doing from next year onwards. That expansion will be close to about 9 to 10 million taking Dahej and Samali together.

Anurag Patil: Sir, out of our total revenue, what percentage constitutes the long term contract related revenue and the spot revenue?

Manoj Kumar Agarwal: 25% to 30% is long-term contract, generally.

Anurag Patil: And the rest is on the spot basis?

Manoj Kumar Agarwal: Yes, we used to get recurring orders from the customers.



*Tega Industries Limited
February 15, 2022*

Moderator: The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: Just wanted to understand in terms of your order book, how has the order book grown when you mention that visibility is reasonably good. Just wanted to get a sense of how that has moved up.

Syed Yaver Imam: Order book in this period has grown around 24%.

Mithun Aswath: Typically, how many months of business would you have the order book or is it a short cycle sort of...?

Syed Yaver Imam: Usually if you look at the pending orders that we have, always there is an order booking for the next 3 months. We usually are looking at order booking which is.... because with our shipment and other schedules, this is the cycle that we have. We look at the order booking for a quarter.

Mithun Aswath: So, every quarter, you are able to reprice your products, typically?

Syed Yaver Imam: It's not quarter-wise. It's an ongoing process. What happens is, throughout the year as and when the orders are getting negotiated, we look at what the prices have been and what is passed on. So, when we talk about pass-through, usually 1 or 2 quarters it takes to pass on everything. So, whatever is coming up in receding during 1 quarter, we continue to pass it on.

Mithun Aswath: I just wanted to get a sense because I think in your presentation, there is about 270 or 280 crores of orders pending. Also, your margins have fluctuated throughout this year and there has been some improvement quarter on quarter. Do you see the trend of improvement in the margins on a quarter-on-quarter basis sustainable or this would again depend on, like you mentioned, how the raw material fluctuation would go?



*Tega Industries Limited
February 15, 2022*

Manoj Kumar Agarwal: Yes, you are right. It depends on the raw material fluctuations. As I said that now it has got flattened, if we find that there is no upward movement going forward, then we can reach to our 60% in RMC margin in a quarter or 2 quarters going forward.

Moderator: Ladies and gentlemen, that was our last question for today. I now hand the conference over to the management for closing remarks. Over to you, team.

Mehul Mohanka: I would like to thank everyone for joining this call and I hope we have been able to respond to your queries adequately. For those that we are to come back with additional information, we will do so shortly. For any further information, I would request you all to get in touch with Orient Capital who are our investor relations advisors. Once again, thank you for participating in this call and we hope to see you again in the next quarter's earnings call. Thank you.

Moderator: Mr. Kale, would you like to add any closing comments from your end?

Nachiket Kale: Thanks everybody for participating in the maiden con-call of Tega Industries. We look forward to a continuous engagement with markets and all the participants and we will be more than happy to clarify any further doubts and queries which you would have. Our contact numbers and email ID are also present on the company's presentation. Thank you once again. Stay safe. Have a nice day everyone.

Moderator: Thanks very much members of the management and Mr. Kale. On behalf of Tega Industries Limited and Orient Capital, that concludes today's conference call. Thank you all for joining us, and you may now disconnect the lines.