PARTNERSHIPS IN PRACTICE

November 17, 2023

To,

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

BSE Scrip Code: 543413

NSE Symbol: TEGA

Sub: Transcript of the Earnings Conference Call for the Quarter and Half Year ended September 30, 2023

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 November 09, 2023 at 4:00 PM IST for the Quarter and Half Year ended September 30, 2023. 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
DN: c=IN, postalCode=793014, st=MEGHALAYA, l=EAST KHASI HILLS, o=Personal, title=5207, serialNumber=f053cd6842e858553a4efb7befa251c1779c9ec807823c7fb56aab279c901602, pseudonym=5207202205131815311159, 2.5.4.20=e6d8b52115d69ccb296debdf1a4214fcb7cd41fd34d1dd2b9fd018d220a20077, email=MANJUREE.RAI@LAFARGEHOLCIM.COM, cn=MANJUREE RAI
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Manjuree Rai
Company Secretary & Compliance Officer

Enclosed: As stated above

"Tega Industries Limited
Q2 FY 2024 Earnings Conference Call"
November 09, 2023

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 Second Quarter Fiscal Year 2024 Earnings Conference Call.

As a reminder, all participant lines will be in a 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 call an operator by pressing star and zero on your touch tone phone. Please note that this conference is being recorded.

I will now hand the call over to Mr. Bhavya Shah from Orient Capital. Thank you and over to you, Mr. Shah.

Bhavya Shah: Good evening, everybody. Welcome to the Q2 and H1 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 Imam, Director Global Project Manager and Head of Sales and Mr. Sharad Kumar Khaitan, CFO.

Before we proceed with the call, I would like to give a small disclaimer that the conference call may contain some forward-looking statements, which are based on beliefs, opinion and expectations of the 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. Over to you, sir.

Mehul Mohanka: Thank you, Mr. Shah. Good afternoon and a warm welcome to all the participants on the call. I'm joined this evening by Mr. Imam, who is our Director of Global Product Management Group and Mr. Sharad Khaitan, who is our CFO.

I'm pleased to announce that after a muted start in quarter 1 of this fiscal year, we have delivered robust growth in key financial metrics in quarter 2 of FY '24. We witnessed strong revenue growth in this quarter with Q2 FY '24 revenue at INR377 crores, clocking a 36% growth year-on-year.

We are encouraged by the growth witnessed across all our businesses in various geographies across the world. We are happy to inform that the integration of McNally Sayaji with Tega is progressing as per our expectations. We are working towards leveraging the full potential of this integration between the two entities and creating value from the synergy, which will have a positive impact in the future. In this step, apart from various structural changes and strategic initiatives, we have changed the name of the company from McNally Sayaji Engineering Limited to Tega McNally Minerals Limited. The new brand name is more vibrant and shall lend credibility to product efficacy as well as quality assurance and letting our consumers know what they can expect from us going forward.

We had earlier made an announcement of a wholly owned subsidiary company entering into an agreement with the largest copper mine in Europe to completely manage the wear products assets of the mines, covering our mills and non-mill product lines. The agreement covers supply, maintenance and other services for a period of five years, extendable by another year, with effect from 1st January 2024, and the agreement is linked to production. The minimum amount the customer is expected to spend during the term of this agreement is estimated to be approximately INR 685 crores.We are pleased to inform you that we are on track for execution of this contract.

We have completed all the groundwork, including finalization of design, structural design and environmental clearances for the Chile project, and as communicated in our last investor call, we expect to get all the regulatory approvals in this quarter. As soon as we have the approvals, we will be ready to commence construction of our new facility in Chile.

On the ensuing challenges on the supply chain front due to the Russian-Ukraine war, we don't foresee any significant impact from logistic and operation point of view on our business, as Russia accounts for approximately 2-3% of the overall business, and the order flow remains good. Further, with respect to the ongoing Israel conflict, despite its intensity, major ports have managed to maintain their operational integrity, and the shipping companies have ensured that the essential services continue unabated. As a matter of precaution, we are closely monitoring the situation and planning well in advance to ensure timely shipments, and have also planned alternate routes in case any detour is required.

Tega has always recognized the significance of Environment, Social and Governance, that is the ESG stewardship. This commitment extends beyond our Indian operations to our global endeavors as we work diligently towards reducing our carbon footprint. Further, we have a strong order book at a Group level of INR 600 crores as of September end, an order book of INR 480 crores as on 1st, April 2023 i.e. an increase of INR 120 crores, that is 25% growth during the six months ending 30th, September 2023.

In conclusion, I would like to express our sincere gratitude to all our investors for their unwavering faith in our Company. Thank you all, and now I would like to hand over to Mr. Sharad Khaitan 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 the earnings call for Q2 and H1 of financial year '24. In this call, we shall give you a summary of the financial numbers, and then this forum will be open for any questions you may have.

Overall at a Group level on an H1 basis, if we compare the top line, it has grown by 24%, from INR 521 crores to INR 646 crores. This includes the addition of the equipment segment, which has contributed INR 91 crores. That's on a like-to-like basis, the consumable segment has grown by approximately 7%, from INR 521 crores to INR 555 crores. The overall Group EBITDA has grown from INR 100 crores to INR 121 crores. However, on a like-to-like basis, EBITDA of the consumable segment has grown by 13%, from INR 100 crores to INR 113 crores.

We are also higher as compared to the second quarter last year, with the consumable segment achieving revenues of INR 332 crores, vis-a-vis INR 276 crores same period last year i.e. a growth of 20%, and an EBITDA improvement of INR 23 crores, from INR 54 crores in Q2 of last year, to INR77 crores in Q2 of current year. After adjusting for the revenue spillover from Q1 of the current year, of approximately INR 20 crores, we have an adjusted revenues of INR 312 crores, which translates into a growth of INR 36 crores, or 13% of revenues over INR 276 crores achieved in Q2 of last year. Similarly, the adjusted EBITDA growth of Q2 of current year, vis-a-vis Q2 of last year is INR 73 crores, vis-a-vis INR 54 crores, leading to an increase of INR 19 crores, or 35%.

If we compare Q2 of current year, vis-a-vis Q1 of current year, then revenues of the consumable segment have grown from INR 224 crores to approximately INR 332 crores, and EBITDA has grown from INR 35 crores to INR 77 crores. However, after adjusting for the revenue spillover from Q1 of INR 20 crores, we have a revenue increase of INR 68 crores, which is approximately 27%, and an EBITDA increase of INR 34 crores, which is approximately 87%.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from Ashwani Sharma with IC Securities. Please go ahead.

Ashwani Sharma: Good afternoon, and thanks for the opportunity. My first question is if you can help us with volume growth during the quarter and H1, and comparable numbers on a Y-o-Y basis?

Sharad Kumar Khaitan: Over at the Group level on an H1 basis, if we compare, then the top line has grown by 24%, from INR 521 crores to INR 646 crores. However, if we compare ex-McNally on a like-to-like basis, the consumable segment has grown by approximately 7% i.e. from INR 521 crores to INR 555 crores. The volume gain attributes 3% to 4%, the price impact is about 1.5% to 2%, and the impact of exchange rate is approximately 2%.

Ashwani Sharma: Okay. My second question is that was there any new client addition during the quarter? And the related question is if you can help us understand the demand scenario, is there any instance of delay in off-takes due to the inventory in the system or maybe at a client's end?

Syed Yaver Imam: So, as we have said, when we are growing at a certain stage, when we are looking at CAGR growth over the years of 15%, we are looking at gaining of market share and new customers. So throughout this period, when we talk about year to year, there is an increase in the customer base to new business that are coming in.

While we have seen that the order booking has been robust and we are carrying a larger increased order at the end of this H1, there will be impact as always. The earlier year also we have seen H2 has been always stronger than H1 for us historically. And this has to do a lot with how the consumption pattern of the minings are.

Ashwani Sharma: Okay, sir. Thank you very much.

Moderator: The next question comes from Shivansh with Mckinsey Investment Advisory Services. Please go ahead.

Shivansh: Thanks for the opportunity and congratulations for good set of numbers. My first question is how has been the performance of Tega McNally division this quarter? And also just to understand the market, can you throw some color on the competition you face in the composite line of business? And if not, what are the entry barriers for someone else to come in with their own version of DynaPrime? Thank you.

Sharad Kumar Khaitan: The McNally revenues is INR 91 crores in H1 of FY '24. In Q4 of FY '23, we had consolidated INR 36 crores of revenue. Thus, ex-Mcnally revenues on H1 basis, if you see, McNally in FY '23 has recorded a revenue of INR 183 crores with an adjusted EBITDA of INR 10 crores. But if you see the H1 result of this financial year, it has already clocked a revenue of INR 91 crores with an EBITDA of INR 9 crores. I hope this answers your first part of the question.

Shivansh: Yes, sir. Thank you. And the second part regarding the competition in composite line of business?

Syed Yaver Imam: So, as of now, as far as the hybrid liners are concerned, our DynaPrime range, we are still in the pole position. On the fact part, I don't think we have still a single competitor who has similar kind of product with performance. So we are still ahead of the curve over there. At the same time, our patents have been granted on the design. So we will have some production going up. And anyone else who will come into the competition will have to come up with alternative design.

So that will need a lot of testing, approval, and finally -- so I still think we are around two years to three years ahead of the curve. And that is something we monitor every year and every quarter to see how the competitors are faring on this front.

Shivansh: Okay. Thank you so much, sir.

Moderator: The next question comes from Dhiral with Philip Capital. Please go ahead.

Dhiral: Yes. Good afternoon, sir. Thanks for the opportunity. Sir, what was the capacity utilization across the key manufacturing locations that we have in Q2?

Sharad Kumar Khaitan: It's very difficult to provide a specific number of capacity utilization due to the peculiar industry we operate in. We are not in a kind of a commodity or a grinding industry where we can specify a specific tonnage in our capacity. But on an overall revenue basis, we see that we are in the right operating in the range of around 60% to 65% from our overall capacity utilization.

And this is across locations. We have also augmented our capacities in Dahej and Chile plants. Apart from that, we are having our capex project in Chile, which will add significant capacities in the overall scheme of things.

Dhiral: Okay. So across the location, the average utilization is 60%- 65%?

Sharad Kumar Khaitan: Yes. On an H1 basis.

Dhiral: Okay. And so once we get the regulatory approval on the Chile side, so what will be the lead time to commence the plant? Because earlier what we guided that this plant may commence by Q1 FY '25. Now since we are waiting for this regulatory approval, by when do you expect this plant to commence?

Sharad Kumar Khaitan: Yes. We expect the plant to be up and running by Q1 of FY '25. In fact, anything between March to June '25, it should be up and running.

Dhiral: Okay. So next year, we will have the additional capacity, which will drive the overall additional growth for FY '25, right?

Sharad Kumar Khaitan: We are saying this plant will be operational in March '25, April '25. In fact, it will come in the first quarter of the next financial year after that.

Dhiral: Okay. FY '26?

Sharad Kumar Khaitan: Yes.

Dhiral: Okay. So what will be the capex requirement, let's say, for the current year FY '24 and FY '25, sir?

Syed Yaver Imam: So as I said, we are growing on 15%. The growth and utilization are 60%- 65%. The capacity addition and capacity increase are being done according to this plan only. So we were anticipating this, and I mean, the plants in Chile, whatever capacity addition we have done, we are running out of space. That was the idea that the new plants will come up by this date. So our growth of 15%, it will be catered through the new facility that will come up.

Dhiral: Okay. And sir, what was the growth in the non-mill liner side? On that particularly, we are growing much faster and at the higher pace?

Syed Yaver Imam: So I think, let's not give a break up on this, because both the products are now this thing. Overall, we should look at the 15% growth that we have forecasted. Because CAGR, when we have looked at, it's both mill, non-mill, DynaPrime, everything combined together.

Dhiral: Okay. No issue. Thank you so much.

Syed Yaver Imam: Thank you.

Moderator: The next question comes from Bhavin Vithlani with SBI MF. Please go ahead.

Bhavin Vithlani: Good evening, gentlemen. Congratulations for good numbers. First, if you could just help us in McNally, in the first half, what was the order flow, what's been the order book here, even though we were sub INR 200 crores last year, but in the peak, this company was over INR 350 crores. So just want to understand the trajectory here and how do we expect the margin trajectories, as we had mentioned, it will take about six months to nine months for us to integrate with our operations?

Sharad Kumar Khaitan: You see, if you see this McNally integration, we started in the current year itself actually, because we acquired this company in Q4 of last financial year, but then the actual handover was given to us during the end of the financial year. And we have started this entire integration process with McNally, and it takes time for such integrations to come up. And once this entire integration process is complete, I think that should help us leverage the synergies which we expect from this acquisition, and that is how we will look forward to.

Because if you see McNally, it has got a huge potential into the equipment space, and we want to leverage the McNally expertise and the Tega expertise and take it forward to new levels actually. As far as the revenues are concerned, like I told earlier, FY '23 on a full year basis, McNally did a revenue of INR 183 crores and had an adjusted EBITDA of INR 10 crores.

During this H1, we have already clocked a revenue of INR 91 crores and are already having an EBITDA of INR 9 crores. So there is a significant improvement in the overall scheme of things at McNally, and we expect this to further improve going forward.

Bhavin Vithlani: In the non-McNally business, just want to understand, because DynaPrime has been our key growth driver, we understand you do not want to give a break up, but directionally, if you could give us, what was the growth in the DynaPrime for the quarter and for the first half?

Syed Yaver Imam: See, as we said earlier, if you remember right from the beginning, we are saying 15% growth was based on two parts. One was DynaPrime -- so, when we talked about the 15%, we are talking about the basket of DynaPrime, where if you remember right in the beginning, from the time of the IPO, we have been telling that it will be growing 25% plus.

And the trajectory of Tega on the consumable side is going to be 15% plus on this bedrock. So, that is what is happening. And we are looking at the growth, both the DynaPrime and non-DynaPrime, and the non-mill segment contributing to the other level and giving us an overall. Because the other products are of higher base, the overall growth is 15% and above, and it will continue to be for the next couple of years. So, as long as we are hitting these figures, both DynaPrime is growing and the other product lines are growing.

Bhavin Vithlani: Correct. And because the first half growth was about 7%, that is the reason why I am asking. I just want to understand the internal cycle?

Syed Yaver Imam: So, this is also, that is why I said, this is thinking of timing. We have always had this timing issue, for the H1 and H2, and the area where you should really have a look at when we talked about the robust order book, which is there. So, I think quarter 2 will be much better than what is there, and the margins growth will be according to our predictions.

Bhavin Vithlani: Just lastly, because in the last quarter, you mentioned in the Chile plant, we were awaiting approval. So, have we received those approvals and have we started incurring towards capital expenditure in terms of physical progress of the plant?

Sharad Kumar Khaitan: Even in our last investor call, we updated that the regulatory approvals are awaited in quarter 3 of this financial year. We have received some of these approvals, and a few of them are still in work in progress, which we expect to be completed in this quarter itself. And once we receive those approvals, we are ready to start with our construction of the plant.

Bhavin Vithlani: Sure. So, you are confident it will take about six months for us to get the plant up and running?

Sharad Kumar Khaitan: We are saying about a year. Once we receive the approvals, then we are projecting somewhere in March '25, April '25, the plant should be up and running.

Bhavin Vithlani: Understand. Okay. Sure. Thank you so much.

Moderator: The next question comes from Alisha Mahawla with Envision Capital. Please go ahead.

Alisha Mahawla: Hi, sir, good evening. Thank you for the opportunity. So, speaking from the what the previous participant was asking, if we see H1 to H1 growth, ex-McNally, it is about 6-7%. Is there any particular segment that is probably acting as a drag? And also, I believe that ex-McNally, the quarterly run rate seems to have stagnated a little bit. So, are we just witnessing a slowdown in demand of particular geographies? Just some qualitative color will be helpful.

Sharad Kumar Khaitan: If you see the entire results, ex-McNally, also if you see Q2 versus Q1, and like we gave you the numbers, and even on an H1 basis, we have got significant growth, and we are having a very robust order book actually. So, that should take care of our revenue and going forward. We don't see any stagnation per se as such in the overall business scenario.

Alisha Mahawla: But, sir, In Q1, we did have the cyclone impact, which meant that some of the revenue would have spilled into Q2. Also, sorry, but I joined the call a little late, so you can just give the order book number again, that will be really helpful?

Sharad Kumar Khaitan: The order book which we have as of 30th September at the group level, it is INR 600 crores.

Alisha Mahawla: And on a sequential basis also, like I said, post the cyclone impact, the growth could still be negligible. So, there is no slowdown that we are facing in particular segments, non-mill or DynaPrime, or even in particular geographies, nothing that we would like to call out?

Sharad Kumar Khaitan: Nothing specific to that, because we have to see the business segment as an overall, because we are into the business of supplying consumables and other equipment to the customers. And as and when the requirement comes, we take care of that.

Syed Yaver Imam: So, the other thing is, the base industry, whether it is copper, gold, copper is growing at 3%, gold is also holding at 1%. Iron ore is stagnant, but there is a lot of, overall, the impact in India. So, when we are looking at the segment as such, and the growth, both for copper and gold, continues to be high for the next couple of years. So, there is no dip in the demand as such. If you are looking at the demand from the customer side.

Sharad Kumar Khaitan: One more point which you should note here is that the metals that we primarily focus from the consumables perspective are copper and gold, like we just briefed you. And they are of significant interest globally due to the various end-use applications, especially with the introduction of the electronic vehicles and things like that. So, that should further help us take our sales further.

Alisha Mahawla: So, I understand that. Let me put my question this way. You were saying the demand, that doesn't seem to be impacted by quarters, but yet our growth has been lower than 15%, which increases the last year H2. And hence, I thought, is there a slowdown? And that was the reason to ask the question. So, my next question is, what is the capex that we are finally doing in Chile? Are we doing any capex in McNally?

Sharad Kumar Khaitan: McNally, we will wait and watch. As and when capex requirement is there in McNally, we will do that.

Alisha Mahawla: Sure. And Chile?

Sharad Kumar Khaitan: Chile is about $20 million.

Alisha Mahawla: And without this capex, also McNally can go to the INR 350 crores revenue that they used to do?

Syed Yaver Imam-: Yes.

Alisha Mahawla: And what are the kind of margins that McNally is operating in?

Sharad Kumar Khaitan: Ma'am, we couldn't hear your last question.

Alisha Mahawla: Just wanted to know the margins that McNally is operating at currently?

Sharad Kumar Khaitan: We expect the material margins in the range of 57% to 60% of the consumables business. As far as the equipment business segment is concerned, we have seen notable improvements with the synergies coming in. But we still prefer to wait for some time to assess the entire cycle of the business and then give a better guidance with respect to the margins of the equipment business. And it will be around 50%. Material margin will be around 50%.

Alisha Mahawla: 50. Five zero. Okay.

Moderator: The next question comes from Mr. Sushrut Gokhale with Caprize Investments. Please go ahead.

Sushrut Gokhale: So my question is regarding his Chile capex. So how are the operations, which are spread out will be integrated in one place, sir?

Syed Yaver Imam: Your question -- can you again repeat your question?

Sushrut Gokhale: My question is regarding Chile capex. So how are the operations, which are spread out will be integrated in one place?

Syed Yaver Imam: Yes. So we are, as of today, we had to, because of the constraint of the space, we had to do quite a few expansion outside the plant, the existing plant. So it is a little spread out today. The plant that is coming up is a huge plant where we will integrate all the manufacturing process into one single place. Production process from this existing facility also will be integrated there. So this is a complete plan of having a completely single integrated manufacturing place.

Sushrut Gokhale: And the second question is regarding this new product launches. So apart from DynaPrime and our other equipments, so what are the products are in line? And if you can share the revenue share from the same, if possible?

Syed Yaver Imam: So on our end, there are a number of products. There are actually a number of products in the patent stages as well as pre-commercial release trial stages. So the figures, the details of this because of the nature of the products and the R&D result of this is something we will not release at this stage. So as and when the products one-by-one will be launched, we will be talking to the investors and giving you the details of that.

Sushrut Gokhale: Thank you, sir. I wish you a happy Diwali.

Syed Yaver Imam: Thank you. Same to you.

Moderator: The next question comes from Shristi Jain with Niveshaay Investment Advisors. Please go ahead.

Shristi Jain: Yes, so firstly congratulations on a good set of numbers. I wanted to know your sustainable EBITDA margins on consumables for the year ahead and for the next year as well? Like are these margins sustainable, the current quarter that you have posted?

Sharad Kumar Khaitan: The consumer business will have an EBITDA of around 20% to 22% and we see in the equipment segment generating an EBITDA of 10% to 12% on an ongoing basis.

Shristi Jain: And sir, like the 22% or 23% margins are sustainable and will they differ in the coming quarters?

Sharad Kumar Khaitan: No, this is our estimates and we hope, we are confident that we will be able to meet our estimates.

Shristi Jain: All right. And sir, I understand your order book is of INR 600 crores. So can we just guide on the executable timeline for the same?

Syed Yaver Imam: So when we look at the order booking, we are looking at the four months to six months depending upon the delivery of the order. So most of the orders would be executed in the next half.

Shristi Jain: And we're not facing any issue on the delivery side, right? Like as you just said, mentioned in your opening remarks. Like there are no issues on the delivery side?

Syed Yaver Imam: Just to give you an idea, even at the time of COVID where the worst time as far as the global shipping was there, we were never delayed with any customer on shipping. So we take quite a lot of active actions to see that the supply chain is not disrupted.

Shristi Jain: All right, sir. Can you just release the bifurcation between a mill liner and a non-mill liner of business, if you can?

Syed Yaver Imam: We have stopped giving this. There has been a lot of issues coming out, post call as far as competitors are there. Some of these breakup, we have stopped giving. I'm sorry, I will not be able to give you the breakup on this.

Shristi Jain: All right. Sir, Happy Diwali.

Syed Yaver Imam: Same to you, ma'am.

Moderator: There are no further questions at this time. I would now like to hand the call over to management for closing remarks.

Sharad Kumar Khaitan: Thank you to all the participants for attending this call and asking us questions, which also allow us to introspect further and help you clarify your doubts around our business. We are very happy to handle this query in the upcoming earnings call for the coming quarters. Wish you all a very happy Diwali in advance. Thank you once again.

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