

TEGA INDUSTRIES LIMITED

Strong Quarter, Outlook stays positive

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Tega Industries (Tega) had a good quarter, with consolidated revenues up 20.3% YoY, mostly due to a 24% YoY increase in Consumables which partially offset a 3% YoY decline in Equipment revenues, linked to customer-driven delays. Higher operational efficiency led EBITDA margins improve by 583bps to 22.3%, while APAT jumped 52.3% YoY to ₹543 mn, lifting PAT margins to 13.3% from 10.5%. The firm's order book remains sturdy at ₹12.6 bn, with ₹7.8 bn slated for execution within the next year. Despite a six-to-eight-month delay in the Chile project due to pending site approvals, management emphasized contingency measures to avert capacity bottlenecks and ensure no revenue loss. Even as global supply chains struggle with inflationary pressures, rising freight costs, and logistical issues like container shortages and port congestion, macroeconomic factors like declining U.S. interest rates driving demand for gold and strong copper usage across sectors are predicted to sustain demand for consumable. Tega has kept its FY25 revenue growth outlook at 15%, with unchanged capex plans despite minor timing adjustments. The outlook reflects confidence in the company's ability to navigate near-term headwinds while capitalizing on favorable commodity trends. Based on the performance in 9MFY25, we have tweaked our estimates for FY25E & FY26E and introduced FY27 estimates and rolled over our valuation to FY27E. We maintain our BUY rating with an unchanged PT of ₹1,865 (33x FY27E EPS).

Result snapshot for Q3FY25:

Revenue grew by 20.3% YoY/15.8% QoQ to ₹4bn on the back of strong growth in the Consumable (+24% YoY) while Equipments business declined 3% YoY. Gross margin improved by 180bps YoY to 59% while EBITDAM improved by 583bps YoY to 22.3%, on the back of higher operating leverage. APAT jumped 52.3% YoY to ₹543 mn, lifting PAT margins to 13.3% from 10.5%. Management highlighted that despite a six-to-eight-month delay in the Chile project due to pending site approvals it has contingency measures to avert capacity bottlenecks and ensure no revenue loss. Additionally, the company anticipates that revenue from the Chile project will range between ₹9-10 bn once the full capex is implemented. Furthermore, following de-bottlenecking and capacity expansion at its Dahej facility, the company expects to double its revenue from that location. On the equipment front, Tega continues to see healthy enquiries and tenders from both government and non-government projects and bidding accordingly.

Key Financials	FY23	FY24	FY25E	FY26E	FY27E
Total Sales (₹ mn)	12,140	14,927	16,803	20,452	25,125
EBITDA Margins (%)	22.3	21.2	19.7	20.5	21.2
PAT Margins	15.2	13.0	12.0	13.7	15.0
EPS (₹)	27.1	29.1	29.4	41.2	55.5
P/E(x)	56.7	52.7	52.2	37.3	27.7
P/BV (x)	3.0	2.6	2.3	1.9	1.6
EV/EBITDA (x)	44.4	37.7	35.9	28.0	21.6
RoE(%)	20.6	17.3	15.7	18.6	20.8
RoCE(%)	21.5	19.8	18.5	22.0	25.4

Rating	BUY
Current Market Price (₹)	1,535
12 M Price Target (₹)	1,865
Potential upside (%)	21

Stock Data

Sector :	Industrial Equipment
FV (₹) :	10
Total Market Cap (₹ bn) :	101
Free Float Market Cap (₹ bn) :	25
52-Week High / Low (₹)	2,329 / 1,070
BSE Code / NSE Symbol	543413 / TEGA
Bloomberg :	TEGA IN

Shareholding Pattern

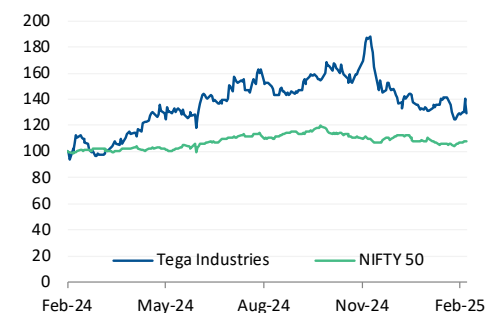
(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	74.80	74.79	74.79	74.79
MFs	15.99	15.99	15.82	15.81
Insurance	3.01	3.10	2.89	2.99
FPIs	1.68	1.76	1.70	1.47
Others	4.52	4.36	4.80	4.94

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
Tega	-3.4%	-25.7%	-15.2%	38.2%
Nifty 50	-0.6%	-2.7%	-3.0%	8.2%

* To date / current date : February 7, 2025

Tega vs Nifty 50

Outlook and Valuation

The positive outlook on Tega is maintained due to several factors: 1) higher penetration opportunities for Dynaprime liners which continues its dominance over steel mill liners 2) cross-selling opportunities of other products and equipment to aid in outpacing industry growth, and 3) Greenfield expansion in Chile to enhance growth opportunities in LATAM. Based on the performance in 9MFY25, we have tweaked our estimates for FY25E and FY26E and introduced FY27 estimates and roll over our valuation to FY27E. We maintain our BUY rating an unchanged PT of ₹1,865 (33x FY27E EPS).

Key Risks:

- Inability to comply with quality standards may adversely impact operations.
- Cancellations in orders or inability to forecast demand may impact operations.
- Adverse movement in currency may impact revenues and margins.

Quarterly performance

(₹ mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Sales	4,093	3,402	20.3	3,533	15.8
Raw Material	1,681	1,460	15.1	1,676	0.3
Employee Cost	656	583	12.5	622	5.6
Other Exp	842	797	5.5	892	(5.6)
Total Exp	3,179	2,841	11.9	3,190	(0.3)
EBITDA	913	561	62.8	344	165.9
EBITDA Margin (%)	22.3	16.5	583bps	9.7	1259bps
Other Income	114	65	73.8	135	(15.8)
Interest	63	75	(15.6)	68	(6.7)
Depreciation	258	140	85.0	266	(2.9)
PBT	705	411	71.4	144	388.9
Tax	174	64	172.1	86	102.3
Adjusted PAT	531	348	52.9	58	809.8
Reported PAT	542	356	52.3	72	651.5
PAT Margin (%)	13.3	10.5	279bps	2.0	1129bps
EPS (₹)	8.2	5.4	52.3	1.1	651.5

Source: Company, LKP Research

Concall Highlights

Future Outlook:

- The company has confirmed that its capex budgets remains unchanged, with only a shift in timing across periods. It maintains its 15% revenue growth guidance for FY25E.
- There is a slight delay in the Chile project by about six to eight months, but the company has put up alternate plans to address any capacity limitations due to growth in revenue, ensuring no sales will be impacted by the delay.
- Additionally, the company anticipates that revenue from the Chile project will range between ₹9-10 bn once the full capex is implemented.
- Furthermore, following de-bottlenecking and capacity expansion at its Dahej facility, the company expects to double its revenue from that location.

Order Book:

- As of December 31, 2024, the company has a significant order book of ₹12.6 bn, with ₹7.6 bn executable within one year.

Macro Outlook:

- Declining US interest rates are driving higher demand for gold, while inflationary pressures and geopolitical tensions are impacting global supply chains and keeping gold prices elevated.
- Ongoing disruptions have created persistent uncertainty, making supply chain risk management a major challenge.
- Rising freight costs, container shortages, port congestion and reliance on key shipping hubs continue to affect efficiency and reliability.
- The company's manufacturing presence across multiple jurisdictions ensures supply chain flexibility. In case of tariffs on a specific country, it can supply the US market from its other facilities.

Income Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	12,140	14,927	16,803	20,452	25,125
Op. Expenses	9,436	11,767	13,493	16,260	19,798
EBITDA	2,704	3,160	3,310	4,193	5,326
Depreciation	412	637	1,013	1,116	1,225
EBIT	2,292	2,523	2,297	3,076	4,102
Other income	207	222	473	576	730
Interest Exp.	181	320	264	139	100
Reported PBT	2,318	2,425	2,506	3,513	4,731
Tax	521	531	551	773	1,041
Reported PAT	1,797	1,894	1,955	2,740	3,690
Minority /Associates	43	44	53	61	67
Net Profit	1,840	1,939	2,008	2,801	3,758
Adjusted PAT	1,797	1,894	1,955	2,740	3,690
Adjusted EPS (INR)	27.1	29.1	29.4	41.2	55.5

Key Ratios

YE Mar	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data (in ₹)					
AEPS	27.1	29.1	29.4	41.2	55.5
CEPS	33.3	38.0	44.6	58.0	73.9
BVPS	158.1	179.1	206.3	245.4	298.9
DPS	2.0	2.0	2.5	2.5	2.5
Growth Ratios (%)					
Total Revenues	27.6	23.0	12.6	21.7	22.8
EBITDA	47.9	16.8	4.8	26.7	27.0
PAT	57.4	5.3	3.6	39.5	34.1
AEPS	57.4	5.3	3.6	39.5	34.1
CEPS	44.6	14.2	17.3	29.9	27.4
Valuation Ratios					
P/E	56.7	52.7	52.2	37.3	27.7
P/CEPS	14.1	12.4	10.6	8.1	6.4
P/BV	3.0	2.6	2.3	1.9	1.6
EV / EBITDA	44.4	37.7	35.9	28.0	21.6
EV / Sales	9.9	8.0	7.1	5.7	4.6
Operating Ratio					
Raw Material/Sales (%)	43.6	46.6	45.0	45.0	45.0
Other exp/Sales (%)	20.9	20.9	21.3	20.0	19.3
Effective Tax Rate (%)	22.5	21.9	22.0	22.0	22.0
NWC / Total Assets (%)	38.6	31.3	38.2	43.4	45.0
Inventory Turnover (days)	87.1	87.0	90.0	92.0	92.0
Receivables (days)	121.2	121.0	121.0	121.0	121.0
Payables (days)	41.7	60.4	50.0	50.0	50.0
D/E Ratio (x)	0.3	0.2	0.2	0.1	0.0
Return/Profitability Ratio (%)					
RoCE	21.5	19.8	18.5	22.0	25.4
RoNW	20.6	17.3	15.7	18.6	20.8
Dividend Payout Ratio	7.4	6.9	8.5	6.1	4.5
Dividend Yield	0.9	0.9	1.1	1.1	1.1
PAT Margins	15.2	13.0	12.0	13.7	15.0
EBITDA Margins	22.3	21.2	19.7	20.5	21.2

Balance Sheet

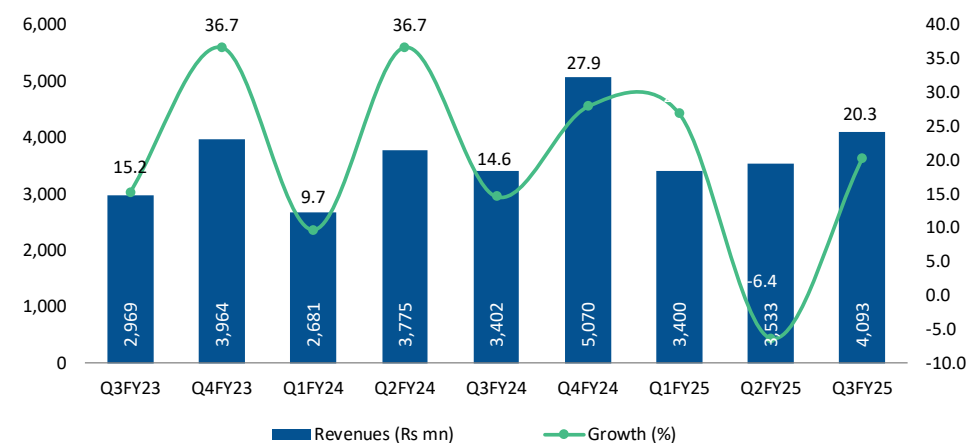
(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Total Current Assets	8,408	9,810	11,275	14,327	19,345
of which cash & cash eqv.	493	867	673	1,313	3,362
Total Curr. Liabilities & Provs	2,709	4,498	4,603	5,435	6,677
Net Current Assets	5,699	5,311	6,671	8,891	12,668
Investments	2,205	2,825	2,966	3,115	3,270
Net Fixed Assets	5,446	5,968	5,955	5,339	4,614
Capital Work-in-Progress	120	110	110	110	110
Goodwill					
Total Assets	13,470	14,214	15,702	17,454	20,662
Liabilities					
Borrowings	3,095	2,431	2,111	1,261	911
Deferred Tax Liability	(115)	(136)	(136)	(136)	(136)
Minority Interest	-	-	-	-	-
Equity Share Capital	664	665	665	665	665
Reserves & Surplus	9,826	11,253	13,061	15,663	19,222
Net Worth	10,490	11,918	13,727	16,329	19,887
Total Liabilities	13,470	14,214	15,702	17,454	20,662

Cash Flow

(₹ mn)	FY23	FY24E	FY25E	FY26E	FY27E
PBT	2,361	2,470	2,506	3,513	4,731
Depreciation	412	637	1,013	1,116	1,225
Chng in working capital	(748)	(402)	(1,554)	(1,580)	(1,728)
Cash flow from operations (a)	1,786	2,521	1,678	2,415	3,287
Capital expenditure	(2,894)	(1,148)	(1,000)	(500)	(500)
Free cash flow	(1,108)	1,373	678	1,915	2,787
Chng in investments	(1,454)	(412)	(141)	(148)	(156)
Other investing activities	(884)	(495)	(1,000)	(500)	(500)
Cash flow from investing (b)	(2,338)	(907)	(1,141)	(648)	(656)
Dividend paid (incl. tax)	-	(133)	(199)	(199)	(199)
Interest paid	(165)	(304)	(264)	(139)	(100)
Others	(218)	(721)	(355)	(355)	(355)
Cash flow from financing (c)	630	(1,152)	(818)	(693)	(655)
Net chng in cash (a+b+c)	78	462	(281)	1,074	1,977
Closing cash & cash equivalents	493	867	673	1,313	3,362

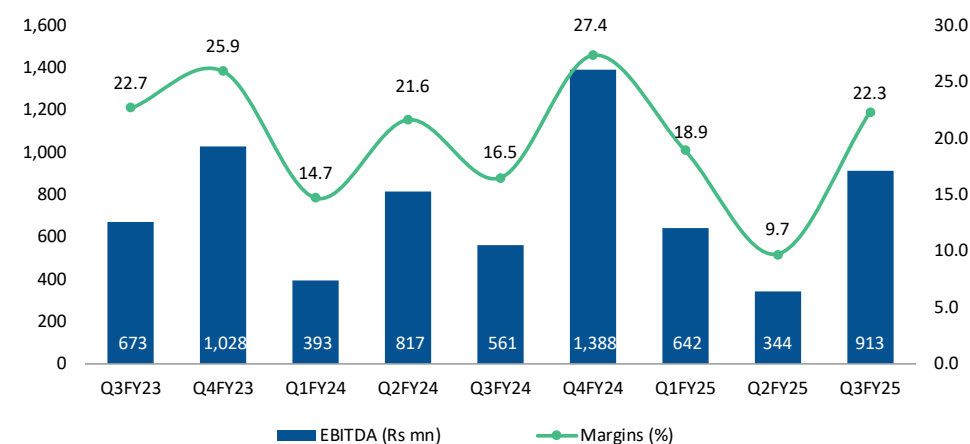
Financials in charts

Revenue trend



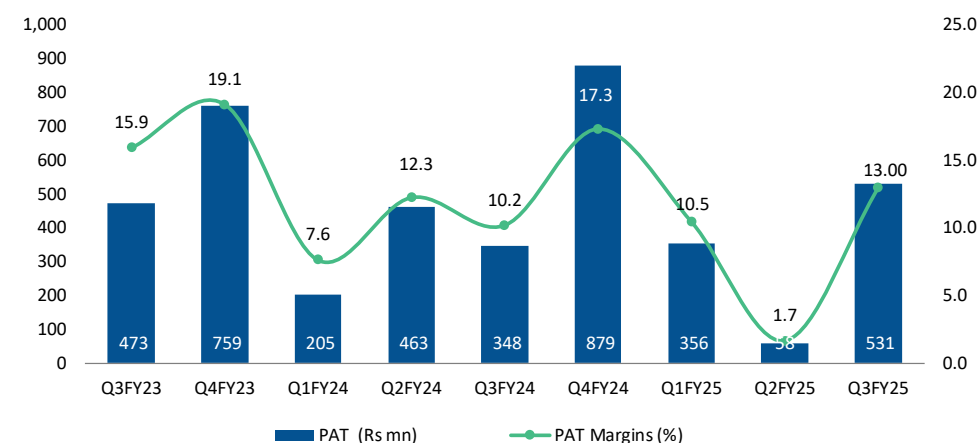
Source: Company, LKP Research

EBITDA and margin trend



Source: Company, LKP Research

Net profit and profit margin trend



Source: Company, LKP Research

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