

# TEGA INDUSTRIES LIMITED

TEGA aspires to become a global mining behemoth!

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Tega Industries Limited (TEGA), in consortium with Apollo Funds (Apollo Management Singapore Pte. Ltd), has entered into a term sheet to acquire Molycop (AIP MC Holdings Ltd.) at an enterprise value of \$1.48 bn (~Rs. 130 bn). Under the deal, TEGA will be acquiring a major stake of 77%, while Apollo will retain 23%. Based on FY25 numbers, combined revenue of TEGA & Molycop will stand at ~Rs.152 bn (~\$1.7 bn) and combined EBITDA of Rs.18.5 bn (~\$ 212 mn), valuing Molycop at 8.6x of EV/EBITDA.

Acquisition of Molycop is set to significantly enhance TEGA's capabilities, transforming it into a global leader in critical-to-operate consumables for the mining sector. The acquisition will significantly enhance TEGA's global capabilities, transforming it into a leader in mining consumables by integrating Molycop's grinding media portfolio with TEGA's wear-resistant liners and material handling solutions, offering a complete end-to-end service across the mineral processing value chain. While TEGA's consolidated EBITDA margins are expected to decrease from ~20–21% to 11–11.5% post-acquisition, management targets a recovery to 15% initially and 16–17% hopefully by fifth year, alongside a consolidated ROE of 18%. This strategic expansion will position TEGA to access global markets and scale into the big leagues, reinforcing our positive stance on the stock.

## Molycop Overview

Molycop, established in 1917, is a global leader in grinding media and mining consumables, with a century-long legacy of innovation and industry leadership. Known for its patented "Molycop" grinding balls and pioneering electric arc furnace steelmaking, the company has built a comprehensive product portfolio including SAG and ball mill media, high-chrome balls, rods, bolts, instrumentation, flotation chemicals, and process optimisation services. With 13 manufacturing facilities, 3 joint ventures, and operations in over 40 countries, Molycop serves more than 400 mines annually—including the top 10 global copper and gold miners—with relationships averaging over 25 years. Its global scale, deep technical expertise, and proximity to key mining regions ensure unmatched reliability, supply chain resilience, and performance for the mineral processing industry.

## Fund Raising

TEGA's acquisition of Molycop is being supported by a well-balanced funding structure, with \$248 mn in equity (~Rs.21.8 bn) raised through preferential allotment and QIP, including Rs.1.5–2 bn from the promoter family, leading to a dilution of ~9.6% of promoters stake as per our calculation and supplemented by \$112 mn in corporate debt.

Key Financials	FY24	FY25	FY26E	FY27E
Revenues (₹ mn)	14,927	16,387	19,485	23,766
EBITDA (₹ mn)	3,160	3,398	4,092	5,181
EBITDA Margin (%)	21.2	20.7	21.0	21.8
PAT (₹ mn)	1,894	1,956	2,625	3,526
PAT growth (%)	12.5	11.6	13.1	14.4
EPS (₹)	29.1	29.4	39.5	53.0
EPS growth (%)	7.6	0.9	34.2	34.3
P/E (x)	48	48	36	27
P/BV (x)	11	10	8	7
EV/EBITDA (x)	42.8	39.8	32.8	25.7

\* Forecasted financials do not include Molycop's numbers as of now.

Current Market Price (₹) **2,016**

## Stock Data

Sector :	Industrial Equipment
Face Value (₹)	10
Total MCap (₹ bn)	135
Free Float MCap (₹ bn)	34
52-Week High / Low (₹)	2,329 / 1,201
BSE Code / NSE Symbol	543413 / TEGA
Bloomberg	TEGA IN
Sensex / Nifty:	81,904 / 25,114

## Shareholding Pattern

(%)	Jun-25	Mar-25	Dec-24	Sep-24
Promoter	74.80	74.80	74.80	74.79
MFs	15.30	15.69	15.99	15.99
Insurance	3.02	3.03	3.01	3.10
FPIs	1.75	1.73	1.68	1.76
Others	5.13	4.75	4.52	4.36

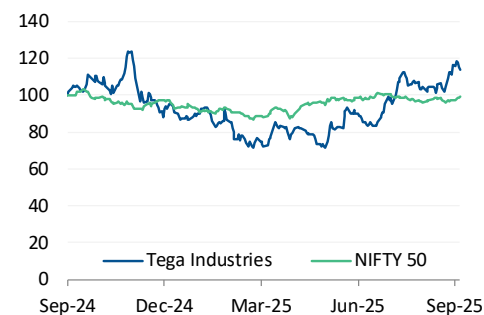
Source: BSE

## Price Performance

(%)	1M	3M	6M	12M
TEGA	11.4	30.0	54.8	13.7
Nifty 50	2.6	0.9	11.8	-1.1

\* To date / current date: September 12, 2025

## TEGA vs Nifty 50



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Proportionately, Apollo will be contributing another \$108 mn into the SPV. Additionally, a contingent deferred payment of \$120 mn (~Rs.10.5 bn) may become payable within 45 months following the completion of the proposed acquisition, only if Molycop meets predefined targets linked to reopening closed mines and generating additional EBITDA. The remaining enterprise value will be financed by Molycop as debt on its balance sheet, amounting to ~\$1 bn.

### Outlook

A large debt of around \$1 bn on TEGA's consolidated books may seem concerning given its current size; however, management's proactive approach one including refinancing to reduce debt to \$780 mn, improving EBITDA margins from 11.5% to 16–17% by fifth year and targeting a ROE of 18%, demonstrates a clear path to managing leverage effectively. Supported by Molycop's \$20–30 mn capex, global capacity expansions such as scaling high chrome media from 20,000 to 200,000 tonnes, and growth in forged media at 5–5.5%, Molycop is positioned to achieve 7.5% growth over three years as guided by the management. With TEGA's consolidated operations and synergies, overall growth for the combined entity is expected to be even higher, potentially unlocking significant value through scale advantages and cross-sell opportunities. We maintain a positive long-term view on the stock and will revisit our estimates once there is greater clarity on Molycop's detailed financials and the integration roadmap.

### P&L Analysis on FY25

Particulars	Amount (US\$ mn)	Amount (₹ mn)
Tega's Revenue	192	16,387
Molycop's Revenue	1,539	1,35,201
<b>Combined Revenue</b>	<b>1,731</b>	<b>1,51,588</b>
Tega's EBITDA	40	3,398
Molycop's EBITDA	172	15,110
<b>Combined EBITDA</b>	<b>212</b>	<b>18,508</b>
Tega's EBITDA %		20.7%
Molycop's EBITDA %		11.2%
<b>Combined EBITDA %</b>		<b>12.2%</b>

Source: Company, LKP Research

### Debt Scenario Post Acquisition

Particulars	Amount (US\$ mn)	Amount (₹ mn)
<b>Tega's debt as on 31.03.25</b>		
Long term-		991
Short Term-		1,629
Funds raised via debt for Acq	113	9,959
Debt on Molycop's Books	1,011	89,114
<b>Total Consolidated Debt Post Acq</b>		<b>1,01,692</b>

Source: Company, LKP Research

## Funding Structure

Particulars	Amount (US\$ mn)	Amount (₹ mn)	No of Shares (mn)
<b>Fund Raising by Tega Industries</b>			
Equity through QIP & Private allotment	248	21,856	
Corporate Debt	113	9,959	
Existing Capital (FV Rs.10)		665	66.5
Share capital to be issued*		112	11.2
Securities Premium*		21,744	
Existing Promoter Stake %		74.8%	49.8
Promoter Holding After Dilution		65.2%	
<b>Equity Diluted **</b>		<b>9.6%</b>	
<b>Total EV of Molycop</b>	<b>1,480</b>	<b>1,30,432</b>	
Tega's Contribution for 77% Stake	361	31,815	
Appolo's Contribution for 23% Stake	108	9,503	
<b>Debt on Molycop's Books (Bal Fig)</b>	<b>1,011</b>	<b>89,114</b>	

Source: Company, LKP Research

Exchange Rate USD-INR =88.13 as per rbi.org

\* CMP taken at 5% discount for offer

\*\*Promoter dilution is lower as they will be contributing in fresh issue as well

## Key highlights from Management's Concall

- Funding for TEGA's Portion:** TEGA's share of the acquisition is planned to be funded through equity portion, totaling \$248 mn, which will be raised via preferential allotment and QIP, with the promoter family contributing Rs.1.50–2 bn through the preferential allotment. This equity infusion will be supplemented by a debt infusion of approximately \$112 mn, ensuring a balanced capital structure to support the acquisition while managing financial flexibility.
- Revenue Guidance for Molycop:** The forged grinding media business, which forms a major part of Molycop's revenue, is expected to grow steadily at around 5% to 5.5%. Its leading position in larger diameter balls for SAG mills, especially in the Americas and Europe, ensures stable demand without significant competition from high chrome media.  
 The high chrome grinding media segment is projected to be a major growth driver with double-digit growth of around 20%. Although it currently represents a smaller portion of total revenue, it has scaled rapidly from 0 to 62,000 tonnes and aims for 200,000 tonnes. This segment is expected to increase overall company growth to about 7.5% over the next three years by expanding into new markets and monetizing rising demand.
- Margin Expansion Outlook:** The acquisition is expected to deliver significant revenue and cost synergies, with SGNA rationalization targeting around 7% savings, procurement benefits from economies of scale, and \$5 mn in annual savings through global capability centers in low-cost locations. These efforts are projected to yield \$20 mn in EBITDA synergies by year 2, scaling to \$30 mn annually from year 4 onwards. The combined entity also aims to expand EBITDA margins from TEGA's consolidated current 11.5% to 15% initially, and further to 16–17% by fifth year, all without adding fixed costs, while achieving a consolidated ROE of 18%.

- **Capacity Utilization:** Molycop's forged media capacity of 1.7 mn tonnes is currently utilized at approximately 70%, providing room for growth and supporting long-term stability. High chrome capacity is fully utilized at 20,000 tonnes, with an additional 60,000 tonnes supplied through contracted trading volumes. Expansion plans are underway with facilities in the Middle East and Indonesia, and further capacity development is planned in other regions. The strategy focuses on expanding high chrome offerings in markets where competition is strong, such as Africa and Australia, without cannibalizing the forged segment's core markets.
- **Debt Refinancing and Reduction Strategy:** Molycop's existing debt of approximately \$1 bn will be reduced to \$780 mn from day one through refinancing, facilitated by Apollo's co-investment. This is expected to support a credit rating upgrade. The goal is to lower the net debt to EBIDA ratio to less than 2.5 times over the next four years. Importantly, the debt at Molycop's level carries no recourse to TEGA Industries, insulating TEGA's existing business. The cost of borrowing for Molycop at the moment is approximately 8.4%
- **Capex & Expansion:** TEGA Industries' capex plan for Molycop includes a modest but strategic infusion of \$20–30 mn over time, primarily funded through internal accruals, along with an ongoing sustenance capex of about \$20 mn per year to support operations. A key focus area is the expansion of high chrome grinding media capacity, aiming to scale from the current 20,000 tonnes to 200,000 tonnes by adding approximately 180,000 tonnes over time. With existing facilities in the Middle East and Indonesia and plans for further expansion in other regions, this investment is central to meeting growing demand and strengthening Molycop's position in global markets, even though the exact capex for this expansion has not been detailed.
- **Working Capital Cycle:** The working capital cycle at Molycop is stated to be approximately 70 to 80 days, and the intention is to maintain this level. Efficient working capital management can also positively contribute to free cash flow
- **High-Margin Technology and Digital Focus:** The technology and digital aspects of Molycop's business are currently a small portion of revenue but are a key focus for future growth. This segment offers significantly higher margins (almost double) compared to traditional products and is projected to grow at a CAGR of at least 25% YoY.
- **Integration Plan and Organizational Structure:** Over the next two years, the primary focus will be on seamless integration, aligning organizational structures, harmonizing systems, and embedding a unified culture. Both companies will continue to operate as distinct entities but under a coordinated leadership framework to drive synergy and strategic alignment

To view earlier reports please click on the link below

[TEGA INDUSTRIES LIMITED - Initiating Coverage](#)  
[TEGA INDUSTRIES LIMITED - Q4 FY25 Results Update](#)

## Consolidated Financial\*

## Income Statement

(₹ mn)	FY24	FY25	FY26E	FY27E
<b>Net Revenue</b>	<b>14,927</b>	<b>16,387</b>	<b>19,485</b>	<b>23,766</b>
Op. Expenses	11,767	12,988	15,393	18,585
<b>EBITDA</b>	<b>3,160</b>	<b>3,398</b>	<b>4,092</b>	<b>5,181</b>
Depreciation	637	1,013	1,024	1,152
<b>EBIT</b>	<b>2,523</b>	<b>2,385</b>	<b>3,068</b>	<b>4,029</b>
Other income	222	432	511	659
Interest Exp.	320	269	212	167
<b>Reported PBT</b>	<b>2,425</b>	<b>2,547</b>	<b>3,366</b>	<b>4,521</b>
Tax	531	591	740	995
<b>Reported PAT</b>	<b>1,894</b>	<b>1,956</b>	<b>2,625</b>	<b>3,526</b>
Minority Int./Profit (loss) From Associates	44	45	51	57
<b>Net Profit</b>	<b>1,939</b>	<b>2,001</b>	<b>2,677</b>	<b>3,583</b>
<b>Adjusted PAT</b>	<b>1,894</b>	<b>1,956</b>	<b>2,625</b>	<b>3,526</b>
Adjusted EPS (INR)	29.1	29.4	39.5	53.0

Source: Company, LKP Research

## Balance Sheet

(₹ mn)	FY24	FY25	FY26E	FY27E
Share Capital	665	665	665	665
Reserves & Surplus	11,253	13,302	15,795	19,131
<b>Networth</b>	<b>11,918</b>	<b>13,967</b>	<b>16,460</b>	<b>19,796</b>
Debt	2,431	2,619	1,769	1,394
Other Liabilities	506	502	502	502
Net deferred Tax liabilities	(136)	(307)	(307)	(307)
<b>Capital Employed</b>	<b>14,720</b>	<b>16,781</b>	<b>18,424</b>	<b>21,385</b>
Gross Fixed Assets	8,518	9,756	11,256	12,656
Accumulated Depreciation	3,164	4,178	5,202	6,354
Capital work in progress	109	479	479	479
<b>Net Fixed Assets</b>	<b>5,463</b>	<b>6,057</b>	<b>6,533</b>	<b>6,781</b>
Goodwill	614	611	611	611
Investments	2,825	2,655	2,840	3,038
Non Current Investments	2,825	2,655	2,840	3,038
<b>Current Assets, Loans &amp; Advances</b>	<b>9,810</b>	<b>11,259</b>	<b>13,138</b>	<b>16,684</b>
Inventory	3,701	4,145	4,911	5,990
Debtors	4,473	5,010	5,979	7,292
Cash & Bank balance	863	1,143	1,088	2,031
Loans & advances and others	772	961	1,160	1,371
<b>Current Liabilities &amp; Provisions</b>	<b>3,992</b>	<b>3,802</b>	<b>4,698</b>	<b>5,730</b>
Liabilities	3,798	3,554	4,431	5,404
Provisions	194	249	267	326
<b>Net Current Assets</b>	<b>5,818</b>	<b>7,457</b>	<b>8,440</b>	<b>10,954</b>
<b>Application of Funds</b>	<b>14,720</b>	<b>16,781</b>	<b>18,424</b>	<b>21,385</b>

Source: Company, LKP Research

## Ratios

Y/E March	FY24	FY25	FY26E	FY27E
<b>Per share data</b>				
No. of shares (m)	67	67	67	67
Diluted no. of shares (m)	67	67	67	67
BVPS (INR)	179.1	209.9	247.4	297.5
CEPS (INR)	38.0	44.6	54.9	70.3
DPS (INR)	2.0	2.5	2.8	3.7
<b>Margins (%)</b>				
EBITDA Margin(%)	21.2	20.7	21.0	21.8
EBIT Margin(%)	16.9	14.6	15.7	17.0
PAT Margin(%)	12.5	11.6	13.1	14.4
<b>Growth Indicators (%)</b>				
Revenue(%)	23.0	9.8	18.9	22.0
EBITDA(%)	16.8	7.5	20.4	26.6
Adj PAT(%)	5.4	3.3	34.2	34.3
Adj EPS(%)	7.6	0.9	34.2	34.3
<b>Valuation (x)</b>				
P/E	48.4	48.0	35.7	26.6
P/BV	11.3	9.6	8.2	6.8
EV/EBITDA	42.8	39.8	32.8	25.7
EV/Sales	9.1	8.3	6.9	5.6
Dividend Yield (%)	0.1	0.1	0.1	0.2

Source: Company, LKP Research

## Cash Flow

(₹ mn)	FY24	FY25	FY26E	FY27E
<b>PBT</b>	<b>2,470</b>	<b>2,592</b>	<b>3,366</b>	<b>4,521</b>
Depreciation & amortisation	637	1,013	1,024	1,152
Interest expense	300	258	212	167
(Inc)/Dec in working capital	(402)	(1,302)	(1,038)	(1,572)
Tax paid	(420)	(595)	(740)	(995)
Less: Interest/Dividend Income Received				
Other operating Cash Flow	(62)	(16)	-	-
<b>Cash flow from operating activities</b>	<b>2,521</b>	<b>1,950</b>	<b>2,824</b>	<b>3,274</b>
Capital expenditure	(544)	(1,698)	(1,500)	(1,400)
Inc/(Dec) in investments	(412)	277	(133)	(142)
Add: Interest/Dividend Income Received				
<b>Cash flow from investing activities</b>	<b>(956)</b>	<b>(1,421)</b>	<b>(1,633)</b>	<b>(1,542)</b>
Inc/(Dec) in share capital	6	-	-	-
Inc/(Dec) in debt	(669)	188	(850)	(375)
Dividend Paid	(133)	(133)	(184)	(247)
Others	(300)	(258)	(212)	(167)
<b>Cash flow from financing activities</b>	<b>(1,095)</b>	<b>(203)</b>	<b>(1,246)</b>	<b>(789)</b>
<b>Net cash flow</b>	<b>470</b>	<b>327</b>	<b>(55)</b>	<b>943</b>
Opening balance	457	863	1,143	1,088
<b>Closing balance</b>	<b>863</b>	<b>1,143</b>	<b>1,088</b>	<b>2,031</b>

Source: Company, LKP Research

\* Forecasted financials do not include Molycop's numbers as of now.

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