CRISIL RESEARCH

CRISIL SME IER Independent Equity Research

Thejo Engineering Ltd

Detailed Report

Enhancing investment decisions

Explanation of CRISIL SME Fundamental and Valuation (CFV) matrix

The CRISIL SME CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through SME Fundamental Grade) and Analysis of Returns (SME Valuation Grade) The SME fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals). The SME valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP). This opinion is a relative assessment in relation to other SMEs in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research.

CRISIL SME Fundamental Grade	Assessment	CRISIL SME Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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Last updated: May, 2013

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Disclaimer:

Thejo Engineering Ltd

Plans to gain foothold in international markets

SME

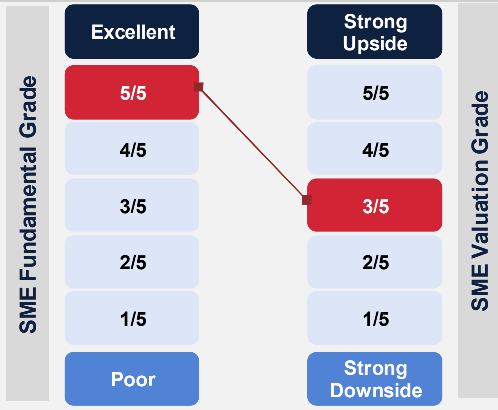
SME Fundamental Grade	**5/5 (Excellent fundamentals)**
SME Valuation Grade	**3/5 (CMP is aligned)**

CRISIL RESEARCH

May 09, 2014

Fair Value	**₹219**
CMP	**₹200**

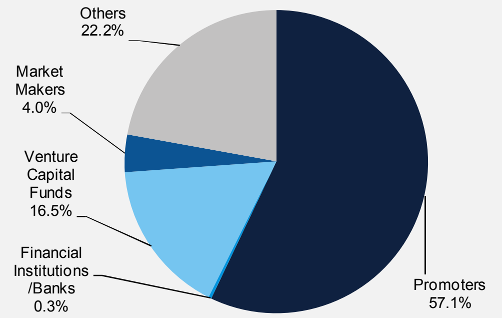
SME CFV MATRIX



KEY STOCK STATISTICS

NIFTY	6858
NSE EMERGE ticker	THEJO
Face value (₹ per share)	10
Shares outstanding (mn)	3.4
Market cap (₹ mn)/(US$ mn)	680/11
Enterprise value (₹ mn)/(US$ mn)	822/13
Free float (%)	42.9%

SHAREHOLDING PATTERN



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Thejo Engineering Ltd's (Thejo's) growth is quintessentially interlinked with growth in the industries (cement, mining, port, power and steel) it serves. Slowdown in the domestic economy coupled with loss of a client in Australia impacted sales growth in H1FY14. However, the company is in the process of setting up a new branch in Australia to sell its products directly in the continent. Further, association with Japan -based Bridgestone Corp. will help Thejo grow its conveyor belt services business in Australia. We expect improvement in the domestic economy and steps taken by the company to tap international markets to boost its revenues. We maintain our SME fundamental grade of **5/5**, indicating that its fundamentals are excellent relative to other SMEs in India.

Increasing its presence in the international market

Thejo actively operates in Australia and Saudi Arabia, where it carries out its operations through subsidiaries Thejo Australia Pty and Thejo Hatcon Industrial Services (51% stake) respectively. The company is planning to increase its presence in South America where it currently operates through channel partners. These countries offer good mining opportunities and, thus, are potential markets for Thejo's products.

Acquisition of stake by Bridgestone in subsidiary is a positive

Bridgestone recently acquired 26% stake in Thejo Australia Pty. The subsidiary will now carry out service related works for conveyor belts (mainly belt splicing) installed by Bridgestone in Australia. This will help Thejo to cross sell its products while carrying out service related works.

Debottlenecking benefits from FY15 onwards

On the domestic front, the company had planned debottlenecking of the rubber mixing facility in FY14. However, the process was delayed due to holdup in the procurement of rubber moulding presses. We expect benefits of debottlenecking in terms of increase in the utilisation rate, from FY15 onwards. Currently, the facility has a capacity of 2,640 tonnes per annum with an utilisation rate of 70%.

EBITDA margin to improve

We estimate EBITDA margin of 11.8% for FY14. We expect margins to improve to 12.1% in FY15 and to 12.2% in FY16 as the company is planning to increase its presence in Australia where margins are higher. However, margin improvement will be restricted by increase in employee cost and higher marketing costs incurred to develop a foothold in the international markets.

Earnings estimates lowered, fair value increased to ₹219

We have lowered our earnings estimates marginally for FY14 and FY15 by 3% each. We have rolled forward our valuation to FY16. We continue to use the discounted cash flow (DCF) method to value Thejo and have increased our fair value to ₹219 from ₹182. At the current market price of ₹200, our valuation grade is **3/5.**

KEY FORECAST

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	1,096	1,279	1,350	1,694	2,161
EBITDA	151	180	160	205	264
Adj net income	67	78	67	94	132
Adj EPS-₹	28.2	22.7	19.7	27.4	38.3
EPS growth (%)	74.5	(19.5)	(13.5)	39.5	39.7
Dividend yield (%)	1.0	1.3	2.1	2.9	4.1
RoCE (%)	31.7	25.1	16.9	20.1	23.7
RoE (%)	31.3	21.2	13.3	16.6	20.2
PE (x)	7.1	8.8	10.2	7.3	5.2
P/BV (x)	1.9	1.4	1.3	1.1	1.0
EV/EBITDA (x)	4.5	4.6	5.3	4.2	3.3

Source: Company, CRISIL Research estimates

Table 1: Thejo Engineering – Business environment

Parameter	Products	Services
Revenue contribution (FY13)	56%	44%
Revenue contribution (FY14E)	59%	41%
Revenue CAGR (FY11-14E)	16%	33%
Revenue CAGR (FY14-16E)	20.0%	35.0%
Product/service description	Rubber liners, screening components, hydrocyclones, pump spares, flotation cell and agitators, rubber lined pipes and fittings and others	Conveyor belt splicing, repairs, belt laying, pulley lagging and corrosion protection applications
Geographic presence	India, Australia, Brazil, Ghana, Saudi Arabia	India, Australia, Saudi Arabia
Market position	Highly fragmented industry with several small and regional players. Thejo has ~70% share in the outsourced O&M business in India.	
Demand drivers	■ Increase in capital expenditure and capacity addition in cement, mining, port, power and steel industries. ■ Increase in contribution from private players in infrastructure development. Private players are more likely to outsource non-core activities such as operation and maintenance of conveyor systems. ■ Increase in focus on tapping international markets	
Key risks	■ Ability to sell products in Australia ■ Volatility in raw material prices and forex rates	

Source: Company, CRISIL Research

Grading Rationale

Slowdown in economy impacted growth; expect demand to pick up in FY15

As Thejo serves clients in core domestic industries such as cement, mining, port, power and steel its growth is quintessentially interlinked with growth in these industries. Hence, the effect of weak macroeconomic conditions on these industries in H1FY14 percolated down to Thejo's top line too. However, as Thejo has a diversified revenue mix (50% - products, 45% - services); we expect loss of business from the product/installation work to be offset by increase in demand for maintenance/service related works. This is because during a slowdown, clients tend to focus more on repair and maintenance of existing facilities than on new installations. We expect the economy and, consequently, demand for Thejo's products and service related work to recover in FY15.

Diversified revenue mix and established relationship with marquee clients to drive growth

Established relationship with marquee clients

Thejo caters to marquee clients such as Coal India Ltd, NTPC Ltd, Jindal Steel, SAIL, TATA Steel, etc. in the domestic market. A diversified client base helps in mitigating risks due to slowdown in a particular sector/industry. Thejo supplies products such as rubber liners and screeners which have a life span of 8-12 months. As these clients operate in the bulk material handling industry, equipment are subject to high wear and tear. This results in high replacement demand for Thejo's products.

To increase exposure to international markets

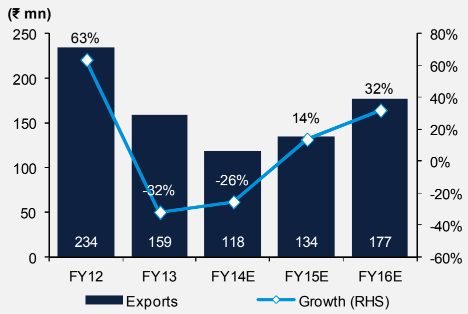
Thejo actively operates in Australia and Saudi Arabia where it carries out its operations through Thejo Australia Pty and Thejo Hatcon Industrial Services. It is now planning to increase its presence in South America and Chile where it currently operates through channel partners. These countries offer good mining opportunities and are potential markets for Thejo's products. Recently, Thejo appointed a consultant to develop market for its products in Brazil. Brazil possesses rich deposits of iron ore, gold, diamond, etc. The mining industry alone accounts for 27% of Brazil's GDP. Thejo has already started receiving orders from Brazil. It intends to sell belt cleaning systems, belt decoilers and dust suppression equipment in Brazil. We expect increase in exposure to these geographies to drive Thejo's export revenues.

Conveyor belt industry in Australia to benefit from mining boom; subsidiary well-placed to tap the market

The mining industry in Australia is going through a transition from mining investment to mining production and extraction phase. The share of mining activities as a percentage of GDP is expected to rise from 18.7% to 19.8% over 2013-2018 (source: BIS Shrapnel). The increase in mining production and extraction business will boost mining activity and maintenance related works and lead to increase in demand for conveyor belt installation and maintenance. This is likely to result in sizeable opportunities for Thejo. Thejo Australia Pty carries out service related activities for conveyor belts, mainly belt splicing. The company initially had set up a workshop in Kalgoorlie to carry out belt splicing. It has now set up a new workshop in Perth as it intends to focus more on the services business in Australia.

Thejo India to sell products in Australia

Thejo is setting up a branch, Thejo India, which will sell Thejo's products in Australia. Earlier, the distribution of its products was carried out by its channel partner Losugen Pty Ltd (contributed substantially to the export revenues). However, it was acquired by its competitor Tega Industries in February 2011. Losugen continued to buy products until FY13 followed by decline in volumes which resulted in a sharp decline in Thejo's export revenues in H1FY14. Thejo has got the statutory approvals required for setting up a branch. The branch will become operational in April 2014. It has also recruited two executives from its earlier partner Losugen to look after marketing activities in Australia. However, its ability to sell products in Australia is a monitorable.



Acquisition of stake by Bridgestone to help gain foothold in Australia; Thejo well equipped to cater to these markets

Bridgestone, the world's largest rubber and tyre manufacturer, through its wholly owned subsidiary, has acquired 26% stake in Thejo Australia Pty in H1FY14. We believe this will help Thejo to further expand in Australia by cross selling its products while carrying out service related works for Bridgestone.

Acquisition of stake by Bridgestone is a positive

The subsidiary will now carry out service related works for conveyor belts (mainly belt splicing) installed by Bridgestone (using their procedures) in Australia. Thejo will continue to bid for service related contracts from other players in Australia. Bridgestone has also outsourced its splice kits manufacturing work to Thejo. Earlier, Bridgestone Australia used to manufacture splice kits by importing raw materials from Bridgestone Japan which will now be done by Thejo.

Thejo is well equipped to cater to Australian markets as it has developed expertise in training and sending technical staff from India to operate in Australia. So far, Thejo has already trained and sent eight technicians to Australia along with a senior manager specialised in belt splicing techniques. Such jobs are highly skill- oriented and finding local expertise in Australia could be difficult.

Debottlenecking delayed, benefits from FY15 onwards

On the domestic front, Thejo had planned debottlenecking of the rubber mixing facility in FY14. However, the process got delayed due to holdup in the procurement of rubber moulding presses. Debottlenecking will help to increase the utilisation rate of the rubber mixing facility resulting in increased production. Increase in overseas demand for products will help Thejo to sell its incremental produce. We expect benefits of debottlenecking from FY15 onwards. Currently, the facility has a capacity of 2,640 tonnes per annum with an utilisation rate of 70%. The company has set up a lining unit and a polyurethane plant which has a capacity of 96 tonnes per annum with an utilisation rate of 65-70%. Initially, the company used to import polyurethane blades for belt cleaners, screeners, liners, etc.

Strong focus on innovation to provide competitive edge in product business

Thejo's focus on research and development has helped it to develop products to meet clients' diverse needs. Thejo's products include high tension belt splicing compounds, mill liners, vulcanizing machines, dust suppression systems, screening panels and filtration units. The company has now set up a new R&D centre near its manufacturing unit in Ponneri, Chennai. Earlier, the company used to carry out research-related activities within its manufacturing unit.

Table 2: Comparison of Thejo with players in conveyor belt industry

Parameters	Thejo Engineering	Tega Industries	International Conveyors	Somi Conveyor Beltings	MIL Industries
Product / Service	Manufactures accessories and spares for bulk materials handling equipment, including rubber sheets, glues and vulcanising machines. Also provides O&M services for conveyor systems	Manufactures wear-resistant rubber components and specialised moulded wear resistant products for mineral processing applications and polyurethane lining	Leading manufacturer of PVC conveyor belts. Also engaged in wind power generation	Manufactures various grades of conveyor belts used for industrial applications of material handling in various industries like mining, power, cement, fertiliser, steel, sugar and others	Manufactures corrosion resistant and abrasion resistant linings for chemical, fertiliser and other process industries, in India and abroad
Market capitalisation (₹ mn)	680	Unlisted	730	400	Unlisted
Revenue (₹ mn)	1,279 (FY13)	5,478 (FY12)	1,238 (FY13)	887 (FY13)	252 (FY13)
EBITDA margins	14.1%	20% (FY12)	18.9%(FY13)	15.7%(FY13)	14.9%(FY13)
PAT margin	6.1%	9.9%	8.3%	4.4%	6%

Key Risks

Volatility in raw material prices and forex rates

Rubber forms ~50% of Thejo's total raw material cost. Any volatility in the prices of natural and synthetic rubber will significantly impact the company. In the current macroeconomic slowdown, it will be difficult for the company to pass on the increase in input costs which may adversely impact its profitability. Thejo enters into price contracts on a monthly basis. Since it does not hedge its receivables, any fluctuation in foreign exchange could impact its financials.

Export of products to Australia

Losugen, which used to distribute Thejo's product in Australia, was acquired by its competitor Tega Industries which impacted Thejo's export revenues. Thejo is setting up a branch, Thejo India, and has employed two Losugen executives to distribute its products but its ability to tap clients in the Australian market remains a key monitorable.

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Management and Corporate Governance

Strong and professional management driven by highly experienced promoters

Mr K.J. Joseph and Mr Thomas John founded Thejo in 1974 to cater to the maintenance of conveyor belt systems. The promoters bring in rich industry experience which has helped Thejo grow over the years. The company also derives benefits from the experience of Director-Marketing Mr Manoj Joseph (Mr K. J. Joseph's son) and Director-Sales Mr Rajesh John (Mr Thomas John's son); they are engineers and management graduates, and have been associated with the company for more than 10 years. Mr V. A. George is the MD and is responsible for overall management of the company. He has experience of more than three decades in the corporate and banking sectors (both public and private) with 20 years in senior management positions. The company has an experienced second line of management. We believe the right mix of professional management and experienced promoters has contributed to Thejo's growth. The management has shown good ability in identifying growth opportunities in both international and domestic markets. Since it is focused on growth in the international markets, maintaining management bandwidth is a monitorable.

Board meets statutory requirements; experienced independent directors

Diversity in background of independent directors strengthens the board

The board consists of 10 directors of whom five are independent directors and four are executive directors. The company has all the necessary committees, including audit and investor grievance, to support its corporate governance practice. The board possesses diverse expertise in areas of management, finance, law and technology. The board is chaired by Mr K.J. Joseph and Mr Thomas John; Mr. Manoj Joseph and Mr Rajesh John are the other directors from the promoter group. The independent directors are qualified and experienced and their varied background adds diversity to the board.

Independent directors:

- Mr N. Ganga Ram was the executive director of IDBI; consultant to the World Bank, Washington and the Asian Development Bank, Manila; and an adviser to UTI and ICRA. He currently serves as a director on the boards of five companies.
- Mr V.K. Srivastava formerly served as the managing director of Steel Authority of India.
- Other independent directors are Mr M.P. Vijay Kumar (CFO, Sify Technologies), Mr A. Satyaseelan (advocate, Madras High Court) and Mr C.N. Ramchand (CEO, Laila Pharmaceuticals).

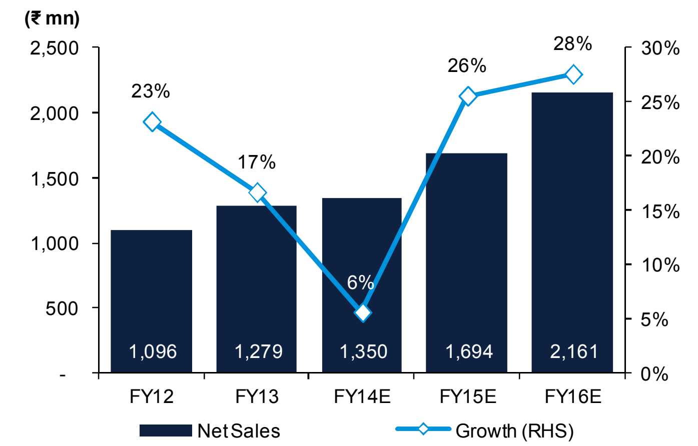
Financial Outlook and Valuation

Increased exposure to international markets to drive 27% revenue CAGR over FY14-16

Increased exposure in international markets to drive growth

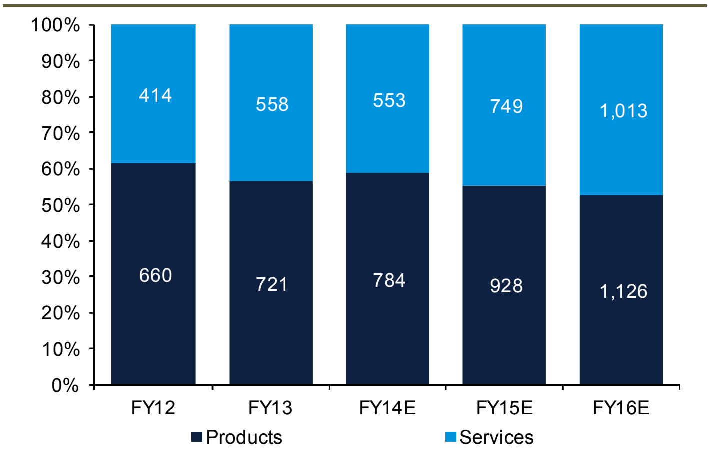
CRISIL Research expects Thejo's consolidated revenues to grow to ₹2,161 mn in FY16 at a two-year CAGR of 27%. Revenue growth will be driven by better penetration in the international markets along with improvement in the macroeconomic outlook in the domestic markets. Economic slowdown coupled with loss of a major client in Australia is expected to impact FY14 revenues. Setting up of a new branch in Australia along with acquisition of stake by Bridgestone in Thejo's Australian subsidiary to carry out service related works for conveyor belts will boost revenues. Also, the increase in outsourcing of operation & maintenance activities of conveyor systems by private players should sustain long-term growth in the domestic service segment.

Figure 1: Revenues to grow at 27% CAGR over FY14-16



Source: Company, CRISIL Research

Figure 2: Revenue contribution from services to increase



Source: Company, CRISIL Research

EBITDA margin to improve to 12.1%

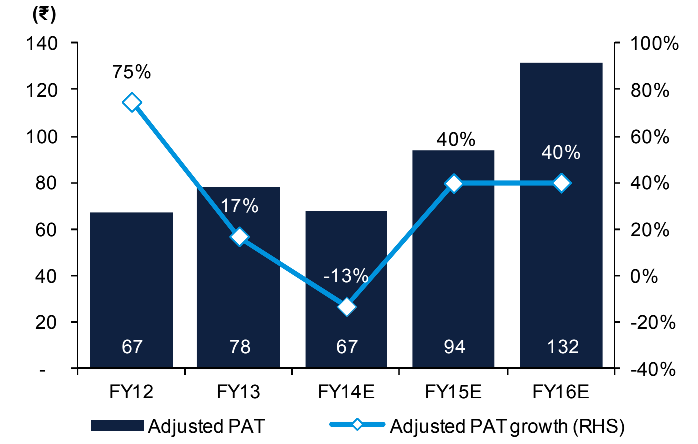
We estimate EBITDA margin of 11.8% for FY14. We expect it to improve to 12.1% in FY15 and to 12.2% in FY16 as the company is planning to increase its presence in Australia where margins are higher (both products & services business). Earlier Thejo used to sell its products via Losugen but now it will sell directly, which will result in higher margins. However, margin improvement will be restricted by increase in employee cost and higher marketing costs incurred to develop a foothold in the international markets.

Adjusted PAT to grow at 40% CAGR over FY14-16

CRISIL Research expects adjusted PAT to grow to ₹132 mn in FY16 at two-year CAGR of 40% owing to strong revenue growth and improvement in EBITDA margin. Thejo carried out equity infusion in FY13 which has impacted its RoE. We expect RoE to improve to 16.6% and 20.2% in FY15 and FY16 respectively.

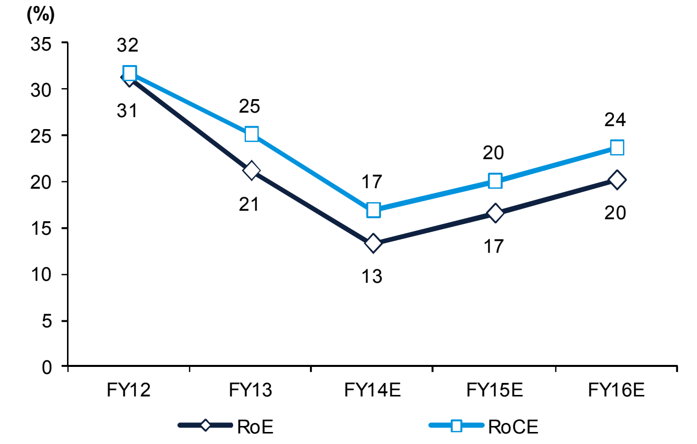
The current net debt-equity is 0.3x and is expected to remain stable at 0.3x in FY15 and FY16.

Figure 3: Adjusted PAT to grow at 40% CAGR over FY14-16



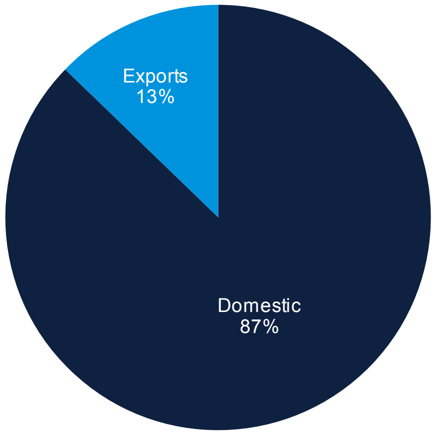
Source: Company, CRISIL Research

Figure 4: RoE expected to improve



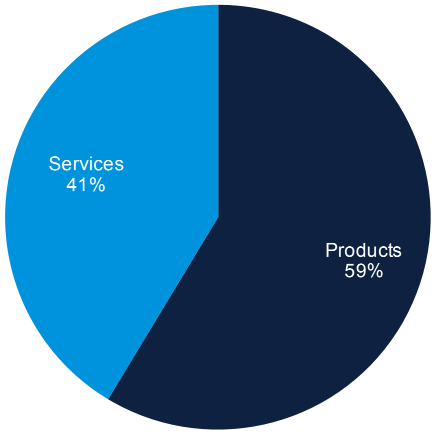
Source: Company, CRISIL Research

Figure 5: Contribution from domestic and exports sales in revenues



Source: Company, CRISIL Research

Figure 6: Segment-wise revenue break-down



Source: Company, CRISIL Research

Earnings estimate revised : Downwards

	FY14			FY15			FY16
(₹ mn)	Earlier	Now	Change	Earlier	Now	Change	New
Operating income	**1314**	**1350**	**3%**	**1694**	**1694**	**0%**	**2161**
EBITDA	**155**	**160**	**3%**	**199**	**205**	**3%**	**264**
EBITDA margin	11.8%	11.8%	0bps	11.8%	12.1%	30bps	12.2%
Depreciation	29	29	0%	33	33	0%	36
EBIT	**126**	**130**	**4%**	**167**	**172**	**3%**	**229**
Interest	32	40	23%	22	40	85%	44
Operating PBT	**94**	**91**	**-3%**	**145**	**131**	**-9%**	**185**
Other income	10	10	0%	3	9	221%	12
Exceptional inc/(exp)	-	-	-	-	-	-	-
PBT	**104**	**101**	**-3%**	**148**	**141**	**-5%**	**196**
Tax provision	34	33	-3%	49	46	-5%	65
Minority interest	-	-	-	-	-	-	-
PAT (Reported)	**69**	**67**	**-3%**	**99**	**94**	**-5%**	**132**
Less: Exceptionals	0	0	NM	0	0	NM	0
Adjusted PAT	**69**	**67**	**-3%**	**99**	**94**	**-5%**	**132**

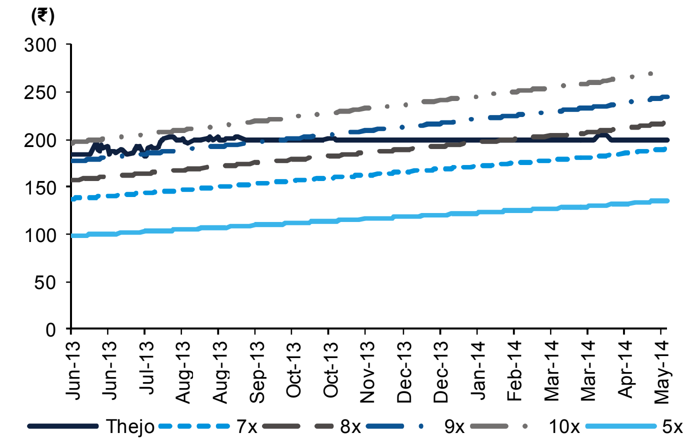
Line item	FY14E	FY15E
Revenues	Broadly maintained	
EBITDA margins	FY14 margins maintained.	We expect FY15 EBITDA margin to improve as company is focusing on international markets where margins are high.
Interest	Increased as we earlier factored in repayment of debt in FY14. Company has no plans to repay debt in FY14.	
PAT	Lowered mainly due to increase in interest cost	

Valuation Grade: 3/5

CRISIL Research has used the DCF method to value Thejo. We have rolled forward our valuation by one year to FY16. Thejo has issued bonus shares in the ratio of 1:1 in September 2013 because of which its share capital has now increased from ₹17 mn to ₹34 mn. Our fair value estimate is raised from ₹182 per share to ₹ 219 per share. This fair value implies P/E multiples of 7.9x FY15E and 5.7x FY16E EPS and P/B multiples of 1.2x FY15E and 1.0x FY16E book value.

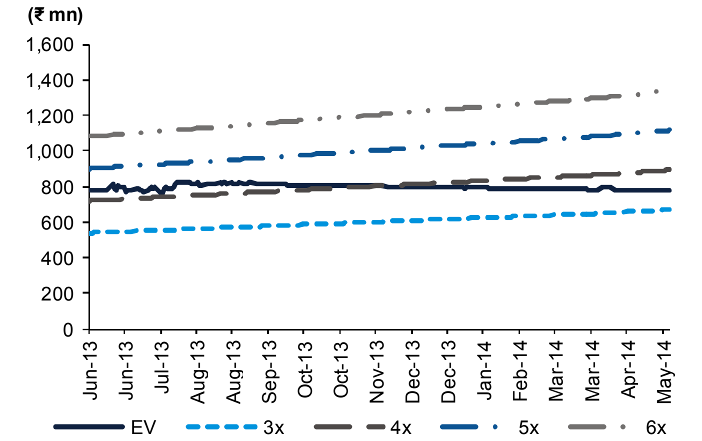
Fair value increased to ₹219 from ₹182

One-year forward P/E band



Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



Source: NSE, CRISIL Research

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
9-Oct-2012	Initiating Coverage	5/5	₹201	3/5	₹187
9-Nov-2012	H1FY13 Result Update	5/5	₹201	3/5	₹198
12-Jun-2013	H2FY13 Result Update	5/5	₹201	3/5	₹185
27-Nov-2013	H1FY14 Result Update	5/5	₹182	3/5	₹200
09-May-2014	Detailed Report	5/5	₹219	3/5	₹200

Table 3: Peer comparison

Name	M. cap. (₹ mn)	FY13 Sales (₹ mn)	FY13 EBITDA margin (%)	FY13 RoE	FY13 D/E	FY13 Asset Turnover	P/E FY14E	P/E FY15E	P/E FY16E	P/B FY14E	P/B FY15E	P/B FY16E	EV/EBITDA FY14E	EV/EBITDA FY15E	EV/EBITDA FY16E
Thejo Engineering Ltd*	**680**	**1,279**	**14.1**	**21.2**	**0.5**	**4.1**	**10.2**	**7.1**	**5.2**	**1.3**	**1.1**	**1.0**	**5.3**	**4.1**	**3.2**
Elecon Engineering co. Ltd	2,647	15,154	13.7	3.6	1.2	2.3	10.6	8.7	5.3	0.4	0.5	0.4	3.6	4.5	3.9
TRF Ltd	1,312	11,148	-1.9	(77.1)	6.9	10.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Technofab Engineering Ltd	633	4,268	13.1	17.1	0.3	13.3	5.2	3.6	NA	0.3	0.2	NA	1.3	0.9	NA
McNally Bharat Engineering Ltd	1,550	26,464	5.4	(6.2)	2.6	7.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
BGR Energy Systems Ltd	7,389	31,133	14.6	13.8	1.8	5.7	5.0	5.2	4.6	0.6	0.5	0.5	5.6	5.8	5.6
Techno Electric Engineering Ltd	6,771	6,859	34.6	16.7	0.9	0.5	5.2	6.8	NA	NA	NA	NA	NA	NA	NA
Material handling equipment (median)							**5.2**	**6.0**	**5.0**	**0.4**	**0.5**	**0.5**	**3.6**	**4.5**	**4.8**
Apollo Tyres Ltd	62,852	127,946	11.4	19.7	0.8	1.5	7.4	6.9	6.1	1.5	1.3	1.0	4.4	4.2	3.8
MRF Ltd	80,234	122,482	14.9	24.8	0.4	2.2	8.9	7.9	NA	1.7	1.4	NA	4.3	4.3	NA
CEAT Ltd	10,039	50,522	9.0	16.4	1.3	-	3.6	2.9	3.2	1.0	0.7	0.6	2.9	2.5	2.6
JK Tyres & Industries Ltd	5,670	69,489	9.4	24.5	3.0	1.6	2.3	1.8	1.5	0.5	0.4	0.3	3.2	2.9	2.4
Tyre manufacturers (median)							**5.2**	**6.4**	**4.1**	**1.0**	**0.7**	**0.5**	**3.6**	**4.2**	**3.2**
Sintex Industries Ltd	10,818	44,368	15.0	11.2	1.0	1.2	3.4	3.3	2.7	0.3	0.3	0.3	4.4	4.0	3.3
Phillips Carbon Black Ltd	1,672	16,901	4.8	(3.7)	1.5	1.9	15.2	4.1	2.3	0.3	0.3	0.2	7.5	5.6	4.4

*CRISIL Research estimates

Source: Industry estimates, CRISIL Research

Company Overview

Chennai-based Thejo was incorporated in 1986. The company is promoted by Mr K. J. Joseph and Mr Thomas John. It manufactures products for bulk material handling, mineral processing and corrosion protection to mining, power, steel, cement industries. The company also manufactures products for the conveyor belt industry in addition to providing services. The services business includes belt splicing, pulley lagging, installation of conveyor belts, etc. Thejo has a subsidiary in Australia, Thejo Australia Pty, which provides conveyor belt-related services and rubber lining activities in Australia. Recently Bridgestone has acquired 26% stake in Thejo Australia Pty.

Figure 7: Thejo's product and service offerings

Source: Company, CRISIL Research

Table 4: Thejo's clientele include leading players

Industry	Industry prospects
Mining	Coal India, National Mineral Development Corp, Kudremukh Iron Ore, MOIL, BHP Billiton, Allmineral Asia, Konkola Copper Mines
Steel	Steel Authority of India, Tata Steel, JSW Steel, Vizag Steel, Jindal Steel & Power, Qatar Steel
Power	NTPC, Jindal Power, Reliance Energy, Tata Power
Cement	Ultratech Cement, Ambuja Cement, Prism Cement, Lafarge India, Gujarat Ambuja, J.K. Lakshmi Cement, ACC, India Cements
Infrastructure	Lanco, Jaypee Group, Adani Group
Others	Hindalco, Reliance Industries, Tata Chemicals, Hindustan Zinc, ITC, Nirma, Essar Group, Ballarpur Industries, Century Pulp and Paper, Rashtriya Chemicals & Fertilizers, IFFCO

Source: Company, CRISIL Research

Annexure: Financials

Income statement

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	1,096	1,279	1,350	1,694	2,161
EBITDA	151	180	160	205	264
EBITDA margin	13.7%	14.1%	11.8%	12.1%	12.2%
Depreciation	16	26	29	33	36
EBIT	134	154	130	172	229
Interest	37	38	40	40	44
Operating PBT	98	116	91	131	185
Other income	2	3	10	9	12
Exceptional inc/(exp)	28	-	-	-	-
PBT	128	118	101	141	196
Tax provision	38	40	33	46	65
Minority interest	-	-	-	-	-
PAT (Reported)	90	78	67	94	132
Less: Exceptionals	23	-	-	-	-
Adjusted PAT	67	78	67	94	132

Ratios

	FY12	FY13	FY14E	FY15E	FY16E
Growth					
Operating income (%)	22.0	16.6	5.6	25.5	27.5
EBITDA (%)	52.2	19.5	(11.2)	27.9	29.3
Adj PAT (%)	74.5	16.7	(13.5)	39.5	39.7
Adj EPS (%)	74.5	(19.5)	(13.5)	39.5	39.7
Profitability					
EBITDA margin (%)	13.7	14.1	11.8	12.1	12.2
Adj PAT Margin (%)	6.1	6.1	5.0	5.6	6.1
RoE (%)	31.3	21.2	13.3	16.6	20.2
RoCE (%)	31.7	25.1	16.9	20.1	23.7
RoIC (%)	27.0	22.9	18.4	20.3	22.9
Valuations					
Price-earnings (x)	7.1	8.8	10.2	7.3	5.2
Price-book (x)	1.9	1.4	1.3	1.1	1.0
EV/EBITDA (x)	4.5	4.6	5.3	4.2	3.3
EV/Sales (x)	0.6	0.7	0.6	0.5	0.4
Dividend payout ratio (%)	5.0	11.0	21.4	21.4	21.4
Dividend yield (%)	1.0	1.3	2.1	2.9	4.1
B/S ratios					
Inventory days	49	54	49	49	49
Creditors days	78	85	80	80	80
Debtor days	102	104	100	100	100
Working capital days	100	95	94	94	95
Gross asset turnover (x)	5.0	4.1	3.2	3.6	4.4
Net asset turnover (x)	11.2	7.6	5.4	6.4	8.5
Sales/operating assets (x)	10.8	7.3	5.3	6.3	8.5
Current ratio (x)	2.1	2.2	2.3	2.4	2.3
Debt-equity (x)	0.9	0.5	0.5	0.5	0.4
Net debt/equity (x)	0.8	0.3	0.3	0.3	0.3
Interest coverage (EBITDA)	4.1	4.7	4.0	5.1	6.0
Interest coverage (EBIT)	3.7	4.0	3.3	4.3	5.2

Per share

	FY12	FY13	FY14E	FY15E	FY16E
Adj EPS (₹)	28.2	22.7	19.7	27.4	38.3
CEPS	35.0	30.3	28.2	36.9	48.7
Book value	107.4	140.2	154.9	175.5	204.3
Dividend (₹)	2.0	2.5	4.2	5.9	8.2
Actual o/s shares (mn)	2.4	3.4	3.4	3.4	3.4

Balance Sheet

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Liabilities					
Equity share capital	12	17	34	34	34
Reserves	243	464	498	568	667
Net worth	254	481	532	603	701
Minorities	3	3	3	3	3
Convertible debt	-	-	-	-	1
Other debt	224	264	264	314	313
Total debt	224	264	264	314	314
Deferred tax liability (net)	3	(1)	(1)	(1)	(1)
Total liabilities	484	747	798	919	1,017
Assets					
Net fixed assets	107	231	270	262	245
Capital WIP	6	5	5	1	2
Total fixed assets	113	236	275	262	247
Investments	20	19	19	19	19
Current assets					
Inventory	116	144	148	186	237
Sundry debtors	332	402	415	523	669
Loans and advances	189	229	202	254	324
Cash & bank balance	27	122	114	144	120
Marketable securities	-	-	-	-	-
Total current assets	664	898	879	1,107	1,349
Total current liabilities	313	405	375	469	597
Net current assets	351	493	504	638	752
Intangibles/Misc. expenditure	0	0	0	0	0
Total assets	484	747	798	919	1,017

Cash flow

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Pre-tax profit	100	118	101	141	196
Total tax paid	(37)	(44)	(33)	(46)	(65)
Depreciation	16	26	29	33	36
Working capital changes	(96)	(46)	(20)	(103)	(139)
Net cash from operations	(17)	54	77	24	28
Cash from investments					
Capital expenditure	(39)	(149)	(69)	(20)	(20)
Investments and others	(17)	2	-	-	-
Net cash from investments	(56)	(147)	(69)	(20)	(20)
Cash from financing					
Equity raised/(repaid)	-	188	-	-	-
Debt raised/(repaid)	28	40	-	50	-
Dividend (incl. tax)	(6)	(10)	(17)	(24)	(33)
Others (incl extraordinaries)	23	(29)	0	(0)	-
Net cash from financing	45	189	(17)	26	(33)
Change in cash position	(27)	96	(9)	30	(24)
Closing cash	27	122	114	144	120

Half-yearly financials (standalone)

(₹ mn)	H2FY12	H1FY13	H2FY13	H1FY14
Operating income	640	627	717	620
Change (q-o-q)	21%	-2%	14%	-13.5%
EBITDA	87	83	108	72
Change (q-o-q)	51%	-5%	31%	-33.1%
EBITDA margin	13.6%	13.2%	15.1%	11.7%
PAT	64	38	59	31
Adj PAT	41	38	59	31
Change (q-o-q)	62%	-8%	57%	-48.2%
Adj PAT margin	6.5%	6.1%	8.3%	5.0%
Adj EPS	17.5	11.1	34.6	9.0

Source: CRISIL Research

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