

Thejo Engineering Limited

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Chairman's Speech at the 36th Annual General Meeting of the Company

Dear Shareholders,

Good Morning to all.

I am happy to report to you that the Financial Year 2021-22, turned out to be a good year for the Company with satisfactory performance. When I look back, it was an eventful year. The year started on a worrisome note with the second wave of COVID bringing out unprecedented number of COVID cases every day during the first quarter. Your company was proactive to respond to this uncertain scenario. The entire management team expressed their solidarity with the company by taking a voluntary salary reduction for three months, which was subsequently made good by the Company. Many of our employees were affected during the second wave and we are happy that we could take care of the employees during those testing times and provided adequate moral and financial support for them and their family.

With the experience of handling the first wave, the Government could manage the second wave without affecting the business environment in a major way. The Government resorted to lockdowns at a localized level, which did not have a crippling effect on the businesses and economy across the nation. The Government also focussed on vaccination drive and achieved the herculean task of vaccinating a vast majority of the adult population. The global economy also recovered reasonably well in the calendar year 2021 even as new variants of the COVID-19 virus fuelled additional waves of the pandemic.

In the case of our Company, the manufacturing activities of the Company were temporarily closed for a short period of time during the last week of May 2021 as a result of localized lockdown in Tamil Nadu. During the second wave of the pandemic, the Company was actively monitoring all customer engagements across the country to minimize risks and ensure continuity of services. As many of the customers of the Services and Operation and Maintenance divisions of the Company fell under essential products/services/continuous operation plants, the Company consistently served them in line with their requirement and operation levels. Even the local level restrictions were slowly relaxed and the business momentum was fully regained in due course.

As the Members are aware, the Company caters primarily to the core sector industry. The cumulative growth of the core industries during FY 22 was estimated to be about 10.4%. Despite being hit by COVID-19, the steel industry, one of the major sectors catered to by the Company, benefitted from the rally in commodity prices. In this backdrop, the Company performed well during FY 21-22.

Your Company has a balanced portfolio of products and services, which helps to moderate the impact of cyclicity experienced by its customers. It also helps the Company to tap the business opportunity during expansion as well as during regular operations. Operation & Maintenance (O&M) is one line business, which is perceived

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by the Management as the major line for our long term future. However, as things stand, we find that O&M continues to be viewed as a commodity with consequent price pressures bordering on manpower contract. In this background, the Company focussed primarily on such O&M contracts that add value to the Company as well as to the customers. We continue to place our faith on the good potential in O&M in the long term as the market matures. Our Managing Director, during his speech will address this aspect also.

Your Company considers exports as the area of opportunity and is taking various measures to establish its products in the overseas markets over the medium to long term.

Financial Performance and Dividend

The performance of the Company during FY21-22 has shown good growth. The turnover from Manufacturing Division has increased with reasonable increase in profitability. The Services Division saw a better performance with increase in turnover and profitability. Exports registered a sizeable increase of 43% compared to the previous year.

A standalone level, the revenue from operations during FY22 was Rs. 277.54 crore with an EBITDA of Rs. 48.26 crore and a net profit of Rs. 29.25 crore. This represents a 30% growth over the previous year in terms of revenue from operations, 29% in terms of EBITDA and 36% in terms of PAT. At consolidated level, the revenue from operations during the year was Rs. 424.46 crore with an EBITDA of Rs. 69.96 crore and a net profit (attributable to the Owners of Company) of Rs. 37.63 crore. This represents a growth over previous year of 30% in terms of revenue from operations, 32% in terms of EBITDA and 42% in terms of net profit (attributable to the Owners of Company). The order book position of the Company is about 253 crores of which some of the service and operation and maintenance orders would be periodic contracts extending beyond the current financial year.

During the Financial Year 2021-22, Bonus issue of Equity shares was made in October, 2021 in the proportion of Two new fully Paid-up Equity Share of Rs.10/- each for every One existing fully Paid-up Equity Share of Rs.10/- each. Your Directors have recommended a dividend of 20% i.e. Rs. 2/- per Equity Share of Rs.10 each for the Financial Year ended 31st March, 2022.

I am happy to inform you that as part of our efforts to enhance Governance practices and give better disclosures to its stakeholders, your Company adopted Ind-AS on a voluntary basis during FY 21-22.

As Members are aware, the enhancement in share capital through the issue of bonus shares and adoption of Ind-AS accounting standards are enablers for the company to migrate to the Main Board. The Board periodically deliberates on the subject of migrating to the Main Board and in the near future will be considering timing of same, keeping the interest of the shareholders, in particular the public shareholders.



Now, I request Mr. Manoj Joseph, Managing Director to give an overview of our operations.

<Overview of Operations by Mr. Manoj Joseph, Managing Director>

Respected Chairman, Vice Chairman, my co-Directors, Chairman Emeritus, Shareholders, colleagues and friends, it's my privilege and pleasure in addressing this 36th Annual General Meeting of your Company.

I shall say a few words about the historical journey of the operations of the Company before I share my thoughts on the current operational position and outlook. As many of you may be aware Thejo began its journey as a service provider in 1974 and was the pioneer for cold belt conveyor splicing in India. The service vertical of THEJO covers all related services like belt splicing, belt repairs, pulley lagging, etc. for installation, commissioning, and upkeep of various types of belt conveyors.

Aided by the expertise and exposure in the components that gets into conveyor belt related services, and the reliance of customers on our capabilities, we initially started manufacture of various rubber related products used for our services offering.

Subsequently, based on the knowledge and expertise gained by our continuous presence in the mining industry, we could make inroads into manufacturing and supply of various engineered products for the mining, mineral processing, bulk material handling and corrosion protection industry. Furthermore, in the past few years, the company has ventured into offering comprehensive Operations and Maintenance service relating to material handling.

Technical Services

Being the pioneer of cold vulcanizing technology for belt conveyors, and on the back of our continued customer centricity, we have established leadership and maintained market share in the technical services for belt conveyor maintenance within the country. Despite the competition, we retain majority market share with steady growth in services segment. To retain our leadership position and to increase the revenue from the services vertical, we have introduced new offerings, while retaining our core strength i.e the upkeep of belt conveyor system.

As I had outlined during my address last year, 'Triple S' or 'Sustainable Synergetic Solutions', is a specialized, comprehensive offering that we have recently introduced under our service portfolio. Like many of our other offerings, 'Triple S' was also designed with our understanding of customer requirements. It involves audit of conveyor transfer points, design, fabrication, supply, and maintenance of engineered transfer chutes. When combined with other ancillary products viz. belt cleaners, impact beds, skirting, belt trackers, dust suppression systems, wear, and abrasion liners etc., "Triple S" offers attractive total cost of operations to clients through higher performance life, while reducing pollution and increasing the safety levels of

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operations, which are important factors in today's ESG conscious business environment. Am happy to report to you that we have successfully introduced 'Triple S' to some of our customers and have already bagged orders for this new offering. We are bullish on the prospects of this product offering and look forward to more takers, based on our efforts to explain the advantages of this product to our existing customer base as well as to the potential new customers.

On the services front, with our wide network of service centres across the country, having 24x7 contact with the client operations, proven track record in the past, ability to work with the customer and design new offerings to suit their needs, we foresee a steady growth of our service business subject to the cyclical nature of the core sector industries.

Engineered Product Solutions

Our product solutions have been engineered to meet the requirement of customers. They have been designed based on our knowledge and understanding of the user requirements, aided by our longstanding relationship with them and the continuous presence of our service crew at their sites. We have broadly categorized our product solutions under five verticals namely, Conveyor Care, Transfer point solutions, Wear abrasion and separation, Filtration, and Corrosion protection. Barring very few, all the products have been designed by our R&D initiative and manufactured at our own manufacturing units. The current manufacturing plants cater to Rubber moulding and extrusions, Polyurethane castings, Industrial Adhesives and coatings, Metal fabrications and Rubber lining activities. Our entire manufacturing activities are based out of Chennai, and caters to both our Indian and global operations. As part of our strategy to increase sales volumes, we have strategically focused on high volume products under the Wear abrasion and separation category during FY22. As a result, the production of moulded and extruded rubber products have registered a growth of 43% in FY22 i.e a production volume of 1,665 tonnes, as against 1,162 tonnes in the previous year. We expect the volumes to increase further in the medium term.

To meet future planned demand/requirements, the Company has undertaken an expansion of the existing manufacturing facilities that would increase the moulding production capacity from 2400 tonnes p.a. to 3600 tonnes p.a. The expansion would be carried out at an estimated capex of about Rs. 45 Crore and is scheduled to be completed within FY 2022-23. As part of the expansion, the existing manufacturing facilities are also being streamlined for better process control, cost reduction and ease of operations. Focus is on higher productivity and automation of processes, to gear up to meet the short and mid-term growth requirement.

As we try to increase our product offerings and increase our market presence in product segment, we recognize research, development and IP protection would be very important for our product business. As the Members are aware, the Company has its in-house R&D Centre, which is recognized by Department of Scientific and Industrial Research. Over the past few years our in-house R&D Centre and Product

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development team have successfully developed various products/processes and we have filed patents for innovation in products, across chosen geographical territories. We are systematically commercializing our IP protected products with geographic focus.

We have been growing our global footprints through concerted efforts to identifying and appointing distribution network globally albeit in specific geographies in line with our long term plans.

We are also happy to inform you that Industrial Product Finder (IPF) has bestowed the 'Fastest Growing Company Award, Engineering (Medium) 2022', to your Company. We are humbled by the recognition given to us by IPF and the jury, and thank the members of Thejo family for their sincere, continued contributions.

Operations & Maintenance services (O&M)

As mentioned by Chairman during his speech, Operation and Maintenance services (O&M) has been identified as a key offering by us. Unfortunately, this line of activity continues to be viewed as a commodity and as a tool to outsource manpower with a sizeable trade credit by many customers. However, compared to the position about three to four years back, we are seeing changes in the way the O&M contracts are being perceived and structured, without being seen as manpower contract by some users. The change, however, has been slow and not across the board. We maintain our belief that this line of activity would be a key area of operation for the long term and we shall continue in O&M, exercising business prudence.

I hope that I was able to give a broad perspective about our operations, some of the latest developments and our views on our offerings.

Thank you and I hand this back to the Chairman.

<Continuation of Chairman's speech>

Thank you, Manoj.

I will now get into the performance of our subsidiaries.

Performance of Subsidiary Companies

As the Members are aware, the Company has four overseas subsidiaries. These subsidiaries are located in Saudi Arabia, Australia, Brazil and Chile. The subsidiaries have contributed significantly during the FY 2021-22.

Let me give a small brief about each of our four subsidiaries and their performance during FY22.

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Thejo Australia Pty Ltd (Thejo Australia) is our subsidiary in Australia where your Company holds 74% stake with the balance being held by Bridgestone. Thejo Australia is an industrial services company primarily catering to the mining and related sectors in Western Australia. The Mining industry in Australia has shown good growth over the past few years, due to generally higher output and stronger commodity prices. High global demand prompted several major Australian mining companies to commit to new mining projects and expansions early over the period. This helped our subsidiary in Australia to strongly establish its business and continue its profitable operations. It achieved a turnover of AUD 22.07 million (Rs.124.01 crore) with a profit of AUD 0.73 million (Rs. 4.20 crore). During the year, Bridgestone Corporation at Corporate level decided to wind down their conveyor related business. This enabled Thejo Australia to bag some of the shutdown and maintenance job of Roy Hill Mines directly under Thejo Australia Pty Ltd, which were earlier being done by them as subcontract under the contract between Roy Hill Mines and Bridgestone.

Thejo Hatcon Industrial Services Company is our subsidiary located in Saudi Arabia. In this subsidiary, your Company holds 51% stake with the balance being held by Hatcon Industrial Services W.L.L. The economy of Saudi Arabia after registering a stronger-than-expected recovery in 2021, is expected to be on a growth path in 2022, driven by higher oil prices and non-oil activities. With established business and clientele, Thejo Hatcon Industrial Services Company ended the year with a good performance. Thejo Hatcon Industrial Services Company registered a turnover of SAR 11.60 million (Rs.23.03 crore) on which it made net profit of SAR 3.84 million (Rs.7.73 crore).

The mining/mineral industries of Brazil showed reasonable growth during 2021, which in turn enabled our subsidiary in Brazil, to report better turnover and turn profitable. It achieved a turnover of BRL 2.14 million (Rs. 3.05 Crore) and made a profit of BRL 0.68 million (Rs. 98.96 Lakhs).

Thejo Engineering LatinoAmerica SpA is our subsidiary located in Chile. Despite rising Inflation and amid buoyant domestic demand and supply bottlenecks, Chilean economy GDP is expected to have grown at 11.7% in 2021. On the back of the steady establishment of our products and our brand in the market, the operations of our subsidiary in Chile, Thejo Engineering LatinoAmerica SpA, remained steady and continued to be profitable during the year. Our subsidiary in Chile achieved a turnover of USD 1.33 million (Rs.9.93 Crore) with a profit of USD 0.06 million (Rs. 68.32 lakhs).

The consistent performance of all our subsidiaries has resulted in the considerable growth achieved by the Company at the consolidated level. Though our subsidiaries have limited direct exposure to Russia and Ukraine in trade, subject to the conflict's impact on the global economy, the subsidiaries are expected to grow in the medium term.

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Corporate Social Responsibility

During the year 2021-22, your Company spent Rs. 45.25 lakhs towards various CSR activities especially in the areas of hunger eradication, preventive health care, promotion of education, etc.

Opportunities and Future Outlook

The products as well as services offerings of the Company are intended for the core sector industries, especially to the steel, mining and power sector industries. The opportunities for the industry in which the Company operates go hand in hand with the opportunities for these core sector industries. Driven by robust performance in the production of cement, coal, fertilizers, and electricity industries, India's eight core industries grew 12.7 % in June 2022 year-on-year. The budget announced by the government for 2022-23 is said to benefit the steel industry with higher infrastructure spending. These measures are a positive sign towards growth in Core Industries and provide the Company with the possibility of new business opportunities.

The Company has been broadening and deepening customer relationships by continually looking for new opportunities and newer areas in their businesses to add value, proactively investing in building newer capabilities, re-skilling its workforce and launching newer services towards long-term sustainability goals.

The Company has managed to considerably grow its exports despite the pandemic and the resultant impact on logistics posing challenge to international trade. The Company considers exports as the area of opportunity over the medium to long term.

However, the geopolitical situation, volatile commodity prices, rising inflation, etc are causes of concern. Overall, the future outlook is one of hope with cautious optimism.

Sustainability Initiatives

Your Company has commenced a number of initiatives under ESG. As the society sees it, sustainable development must be necessarily translated into tangible things that make life secure, less burdensome and more promising for future generations. We are conscious of this fact and will be looking at alternate energy sources other than fossil fuels; keeping in mind the environment in the various processes and policies we adopt, etc. Your Company has presented the Business Responsibility and Sustainability Report voluntarily, though the reporting was not mandatory during FY22 even for companies listed on the Main Board. The preparation of this report has enabled us to identify areas where we can make positive impact on ESG factors in our operations.

Our Core Values continue to pivot around:

- Satisfy the ever-changing demands of Customers through Creative Solutions
- Respect and Protect the Environment

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- Encourage Professionalism and Meritocracy
- Value and Nurture Relationships with all Stakeholders
- Practice High Ethical Standards

The Company has been making sincere efforts in adopting the best practices in Corporate Governance. We have a very competent Board with highly talented and experienced Directors with diversified skills. Your Company has implemented various governance practices which are more than what is stipulated by the Regulators for our Company. The governance-centricity and focus on management excellence practised by the Company have resulted in sustained stakeholder satisfaction levels. The “Corporate Governance- Runner Up Award” of the inaugural Corporate Governance Awards received from MoneyLife Foundation exhibits our commitment towards better governance.

To conclude, we would like to reaffirm our commitment to good governance, quick and swift business decisions based on emerging situation and above all keeping the interest of all stakeholders in mind in all our decisions and actions.

I take this opportunity to thank all our employees for their commitment and dedication. I also thank all our stakeholders for the support extended to us and hope for their continued support in the future as well.

Thank you.

Chennai
27th August, 2022

V.A. George
Executive Chairman

Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company

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