



## **Chairman's Speech at the 37<sup>th</sup> Annual General Meeting of the Company**

**Dear Shareholders,**

Good Morning to all.

I am happy to report to you that the Financial Year 2022-23 was an eventful one. Your Company has set up the new state-of-the-art expanded manufacturing facility in Chennai, adding 50% capacity to its moulded and extruded products line. The work for the expansion commenced at the beginning of the Financial Year and we could successfully inaugurate the expanded facility by the end of the Financial Year. It is the dedication and commitment of Team Thejo led from the front by the Managing Director that enabled us to achieve this. I am also happy to report that our subsidiary in Australia has added a new upgraded facility of 1,18,000 sq ft at Perth in Western Australia. With this expansion, we hope that we are well poised to take care of the requirements over the medium term.

As the Members are aware, the Company caters primarily to the core sector industries and 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. Your Company looks at taking services business to the international markets and expanding the distributorship for its products in overseas geographies as the key areas of opportunity for the future. With the expansion of operations and penetration into the UAE market through proposed subsidiary, connectivity to international clients is likely to enhance, resulting in newer business opportunities and growth in exports over the medium term.

The Company has been offering bundled products and is taking various measures to establish its products and services in the overseas markets as well. Mill liners and pipe conveyor maintenance are other areas where the Company believes that there will be enormous growth opportunities.

### **Financial Performance and Dividend**

The financial performance of the Company in the year under review has shown growth in terms of turnover with a slight dip in the profitability. The turnover from Manufacturing as well as the Services Division has shown reasonable increase. Exports registered a marginal increase of about 8% compared to the previous year. However, operational costs and some indirect costs that had remained low for the past two years on account of the pandemic have increased during the year. The Company has also stepped up its Information Technology spending focussing on enhanced digitization and digitalization. The increase in these costs have resulted in



a marginal decrease in the profitability despite increase in the revenue. Your Company is expanding its business in the overseas markets through its subsidiaries, which is expected to improve the export turnover in future.

At standalone level, the revenue from operations during FY23 was Rs. 332.70 crore with an EBITDA of Rs. 48.84 crore and a net profit of Rs. 27.58 crore, registering a growth of 1.21%.in terms of EBITDA and a decline of 5.69% in terms of net profit.

At consolidated level, the revenue from operations during the year was Rs. 474.46 crore with an EBITDA of Rs. 62.57 crore and a net profit (attributable to the Owners of Company) of Rs. 32.42 crore. This represents a decline over previous year of 10.56% and 13.85% in terms of EBITDA and net profit (attributable to the Owners of Company) respectively.

The order book position of the Company is about Rs. 208 crores of which some of the service and operation and maintenance orders would be periodic contracts extending beyond the current financial year.

As the Members are aware, your Company had adopted Ind-AS on a voluntary basis from FY 21-22 and the Company issued bonus shares in the ratio of 2:1 in October 2021 resulting in enhancement of the paid-up capital of the Company. I am glad to inform you that, at its Meeting held on May 25, 2023, the Board of the Company had approved the migration of shares of your Company from Emerge SME platform to the Main Board of the National Stock Exchange of India Limited (NSE). The Company has obtained the approval of the Members for the Migration through a postal ballot passed on July 1, 2023. Application to obtain in-principle approval for the migration has been filed with the NSE.

Now, I request Mr. Manoj Joseph, Managing Director to give an overview of our operations including a brief about our operational performance during the year.

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

Respected Chairman, Vice Chairman, my co-Directors, Shareholders, colleagues, and friends, it's my privilege and pleasure in addressing this 37<sup>th</sup> Annual General Meeting of your Company.

As mentioned by our chairman, financial year 2022-23 was an eventful year for us as we could successfully complete and inaugurate our expanded manufacturing facilities, which has increased the manufacturing capacity of moulded and extruded products from 2400 tonnes to 3600 tonnes per annum. Am happy that our projects team could deliver on the expansion in a cost efficient and timely manner.



I will talk a bit more about the expansion when I deal with the products division. First, let me begin by giving a very brief background about how the Company had started and our areas of operation, though many of you may be aware about the historical journey of the Company. Thejo began its journey as a service provider in 1974 and is 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 to manufacture various rubber related products used in our services offering.

As a natural progression of our business, with the knowledge and expertise that we gained by our continuous presence in the mining industry, we made inroads into manufacturing and supply of various engineered products for the mining, mineral processing, bulk material handling and corrosion protection industry.

I would like to give you a brief about the key divisions and their performance during the Financial Year 2022-23.

Since we started as a service provider, I shall start with our services division.

### **Technical Services**

Thejo is the pioneer of cold vulcanizing technology for belt conveyors in the domestic market, 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, in the recent past, we have introduced new offerings like 'Triple S' and belt scanning. 'Triple S' 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 operations, which are important factors in today's ESG conscious business environment. Belt scanning is the latest addition to our portfolio of services, and it helps the customers to assess the health of their conveyor belts to plan for the proper maintenance and enable them to avoid production losses on account of problem in conveyor belts.

When it comes to the challenges that we face, Technical Services sector finds talent supply as a challenging area in terms of technical competency, culture, and



efficiency. Cost cutting through multiskilled manpower and preventive maintenance through training on safety and skill upgradation could enhance quality service and sustainable, consistent growth and development in the future. International market has good potential for services sector with skilled manpower, for the Company to capitalise.

### **Operations & Maintenance services (O&M)**

As part of our service offerings, we started Operation and Maintenance services (O&M) to our customers some years back. Based on our outlook and assessment, we intended to develop O&M as the pivot around which our services and products could revolve in respect of certain key customers and industries. We find that the market is yet to mature and 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.

The Company's bet on Operation and Maintenance (O&M) as a key offering is yet to materialize the way that we had intended. In this background, the Company continues to stay away from unhealthy competition and focuses primarily on such O&M contracts that would add value to the Company as well as to the customers. As a result, we are staying away from the opportunities to substantially increase our revenue necessitating high working capital outlay with lower margins.

The services division aided by continuous relationship with customers, new offerings and reasonable and measured growth in O&M registered an increase in turnover of about 19% during the year.

Now, let me move to the products division.

Our product solutions have been engineered to meet the requirement of customers. Our products are 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.

As part of the expansion activities, your Company has set up a 3,10,000 sq. ft expanded manufacturing facility in Ponneri, Chennai. This facility caters to the



production of mill liners, rubber screens, diaphragms, shell lifter bars, pinch valves, splicing kits, rubber sheets, etc. The objective is to expand the existing facility as a state-of-the-art manufacturing facility with capacity increase of the moulded products by 50% to 3,600 MT per annum. The enhanced manufacturing capacity will meet the projected sales plans as well as manufacture of new related products required by the industry. This will help both international and Indian clients, though the primary focus would be to cater to the international market.

During the year under review, when the expansion of the facilities was in progress and despite the resultant operating inconveniences like shifting and relocation of plant and machinery and other manufacturing equipment, the production of moulded and extruded products was 2,289 tonnes during 2022-23, as against 1,665 tonnes in the previous year. Full credit for this is due to our manufacturing team. We expect the volumes to increase further in the medium term. Focus is on higher productivity and automation of processes, to gear up to meet the short and mid-term growth requirement.

In the above background, our product sales registered a growth of about 21% during the year under review.

Now, let me share a few words about our R&D efforts.

As the Members are aware, the Company values research, development, and IP protection for development of its product business and has its in-house R&D Centre, which is recognized by Department of Scientific and Industrial Research. Our R&D Centre and Product development team have successfully developed various products/processes and we have filed patents for innovation in products. We intend to systematically commercialize our IP protected products with geographic focus. During the year under review, the Company had applied for patents in respect of several products/inventions. As at the end of the financial year, the Company had applied for 32 product patents and three design patents, of which 19 product patents have been awarded and the balance were in process. Commercialisation of some of these patents has been encouraging.

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 2022-23.

Let me give a small brief about each of our four subsidiaries and their performance during FY23.

Thejo Australia Pty Ltd (Thejo Australia) is our subsidiary in Australia where your Company was holding 74% stake with the balance being held by Bridgestone. As the Members are aware, the Board of your Company in November, 2022 approved the proposal of Bridgestone Mining Solutions Australia Pty Ltd to sell its 26% stake in Thejo Australia Pty Ltd at the book value as on 31st March, 2022 with the shares being purchased by the Company or bought back by Thejo Australia Pty Ltd or as a combination of both through one of more tranches/transactions to be completed on or before 31st March 2025, subject to all necessary statutory compliances. Accordingly, the Company has purchased 6% stake in Thejo Australia during Q2FY24. With this, the Company currently holds 80% stake in Thejo Australia.

Thejo Australia is an industrial services company primarily catering to the mining and related sectors in Western Australia. The exit of Bridgestone from conveyor business as part of its global strategy resulted in Thejo Australia getting out of one of the key service contracts. With its established offerings and infrastructure, Thejo Australia could absorb the same by adding new customers. With focus on the future, the Company also enhanced its resources in terms of delivery team, sales team and team for other processes. The Company also enhanced its infrastructure by moving to a new and enhanced facility during the year. As a result of this, though the Company could maintain its turnover, there was an increase in cost resulting in dip in its profitability. In this background, Thejo Australia achieved a turnover of AUD 21.57 million (Rs.120.42 crore) with a profit of AUD 0.01 million (-Rs. 0.18 crore).

Thejo Hatcon Industrial Services Company (Thejo Hatcon) 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. Thejo Hatcon has established a market for its service offerings and continued with its profitable operations during the year. However, there was a dip in the turnover and profit due to lack of project jobs during the year. In this background, Thejo Hatcon registered a turnover of SAR 10.13 million (Rs.21.35 crore) on which it made net profit of SAR 2.21 million (Rs.4.95 crore).



Thejo Brasil Comercio E Servicos Ltda (Thejo Brasil) is our subsidiary in Brasil, where we hold 99.99% stake. Thejo Brasil supplies products to core sector industries, especially mines. The mining/ mineral industries of Brazil witnessed a negative growth in 2022. Despite the fall in mining during 2022, on the back of low base and steady establishment of our products with key clients, Thejo Brasil could maintain its profitable position. It achieved a turnover of BRL 1.70 million (Rs. 2.72 Crore) and made a profit of BRL 0.59 million (Rs. 94.08 Lakhs).

Thejo Engineering LatinoAmerica SpA (Thejo Chile) is our subsidiary located in Chile. On the back of the steady establishment of our products and our brand in the market, the operations of our subsidiary in Chile, recorded satisfactory growth with good profits during the year. Our subsidiary in Chile achieved a turnover of CLP 1815.37 million (Rs.18.15 Crore) with a profit of CLP 270.29 million (Rs. 3.30 Crore).

The consistent performance of all our subsidiaries has resulted in considerable revenue growth achieved by the Company at the consolidated level. With Thejo Australia and Thejo Hatcon registering dip in margins for reasons explained earlier and on the back of slight dip in our standalone profit, the consolidated profit has declined despite increase in the revenue.

### **Corporate Social Responsibility**

During the year 2022-23, your Company spent Rs. 58.00 lakhs towards various CSR activities especially in the areas of preventive health care, promotion of education, hunger eradication, etc.

### **Opportunities and Future Outlook**

The last two years have seen the global economy struggling to deal with overlapping crises, the latest being the liquidity troubles after a series of global bank crises. While the impact appears to have been contained, these uncertainties continue to undermine the confidence among consumers and businesses to spend, therefore impacting economic growth.

It is believed that investment will play an important role over the next two years. It is investments that will provide India with necessary momentum to take off on a path of sustained domestic demand-led growth for the next few years. A strong digitization drive the world over, cost-cutting measures by businesses to deal with the impending slowdown, and the growing trend of remote working increased demand for exports of services in technology, where India has a comparative advantage. Interestingly, the share of business and professional services in total services exports also increased as companies globally now prefer outsourcing a wide range of professions, such as accounting, audit, R&D, quality assurance, and after-sales service.



The overall economic outlook of India remains positive. Investments are expected to see a turnaround and propel the economy into sustainable growth. India is expected to grow at a moderate pace of 6.0%–6.5% in FY 2023–24, as the global economy continues to struggle. Growth in the next year is likely to pick up as investments kickstart the virtuous circle of job creation, income, productivity, demand, and exports supported by favourable demographics in the medium term.

It looks like the world has come out of the shadow of the pandemic. However, geopolitical crises, supply chain reorientations, global inflation, and tight monetary policy conditions will weigh on the outlook. In this backdrop, the future outlook is positive combined with a high degree of uncertainty and unpredictability. Though global uncertainties will weigh on growth, the Company and the Management are prepared to take swift decisions based on emerging situation, keeping the interest of all stakeholders in mind.

### **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 was ahead in presenting the Business Responsibility and Sustainability Report (BRSR) voluntarily, though the reporting was not mandatory during FY22 even for companies listed on the Main Board. Preparation of BRSR for the consecutive second year 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
- 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. The governance-centricity and focus on management excellence practised by the Company have resulted in sustained stakeholder satisfaction levels.



Thejo Engineering Limited

41 Cathedral Road,  
Chennai - 600 086.  
India

T +91 44 42221900  
F +91 44 42221910  
thejo@thejo-engg.com  
[www.thejo-engg.com](http://www.thejo-engg.com)



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  
30<sup>th</sup> August, 2023

**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*