Thejo Engineering Limited
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March 25,2025

The Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai 400051.

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 - Credit Rating
Ref: Our Scrip Code THEJO - EQ

This is to inform you that CRISIL Ratings Limited has reaffirmed the Ratings for the Bank Loan Facilities of the Company as below:

Total Bank Loan Facilities Rated	Rs. 137.50 Crore
Long-Term Rating	CRISIL A/Stable (Reaffirmed) – Rs. 70.08 Crore
Short-Term Rating	CRISIL A1 (Reaffirmed) – Rs. 67.42 Crore

We have received the Rating Rationale from CRISIL Ratings Limited through email on March 25, 2025 at 18:50 hrs. The Rating Rationale is enclosed.

Kindly take the same on record and disseminate.

Yours truly,
For Thejo Engineering Limited,
VADAKKAKARA ANTONY GEORGE
Digitally signed by VADAKKAKARA ANTONY GEORGE
Date: 2025.03.25 19:34:45 +05'30'
V.A. George
Executive Chairman
DIN: 01493737

Crisil Ratings

Rating Rationale

March 25, 2025 | Mumbai

Thejo Engineering Limited

Ratings reaffirmed at 'Crisil A/Stable/Crisil A1'

Rating Action

Total Bank Loan Facilities Rated	**Rs.137.5 Crore**
Long Term Rating	**Crisil A/Stable (Reaffirmed)**
Short Term Rating	**Crisil A1 (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil A/Stable/Crisil A1' ratings on the bank loan facilities of Thejo Engineering Ltd (TEL).

The ratings factor in the expected sustenance of healthy performance over the medium term driven by demand from end users in mining, power, infrastructure, steel and cement sectors. The company is well positioned to capitalise on the demand for material handling products and revenue is expected to grow at a steady rate over the medium term, given its established product basket, diversified segmental and geographic presence (India, Australia, Latin America and the Middle East), and enhanced production capacities. The ratings continue to reflect the healthy business risk profile of the company supported by established position in the material handling segment, diverse revenue profile and healthy operating capabilities as well as financial risk profile. These strengths are partially offset by modest, though improving, scale of operations, susceptibility to cyclicality in end-user segments and large working capital requirement.

In fiscal 2024, TEL registered revenue growth of 17.7% year-on-year, supported by strong performance in both services and product segments backed by healthy demand for its products from end users comprising players from core industries like mining, power, infrastructure, steel, and cement sectors. In the first nine months of fiscal 2025, revenue has fallen by 5% primarily due to revenue decline in Thejo Australia Pty Ltd, Australia (Thejo Australia), amid slowdown in the mining industry. Revenue is expected to de-grow by 3% on-year in fiscal 2025. Over the medium term, TEL is expected to grow on the back of continuous demand from core sectors. As of January 2025, at standalone level, the order book stood at ~Rs 186 crore, out of which Rs 96 crore will be executed in fiscal 2025.

Operating profitability improved to 18.19% in fiscal 2024 from 13.05% in fiscal 2023 supported by stabilization of raw material cost and improving operating leverage on account of revenue growth due to higher order execution in TEL. In the first nine months of fiscal 2025, profitability declined by 330 basis points to 14.9% due to slowdown in revenue in the Australian subsidiary, resulting in lowering operating leverage and elevated employee cost. Cost correction measures taken in the third quarter, wherein a few employees were let go in Thejo Australia, along with expected recovery in revenue will sustain operating margin at 16-17% over the medium term.

Crisil Ratings notes that Bridgestone Mining Solutions Australia is exiting Thejo Australia by the end of fiscal 2025. Bridgestone held 26% share in the subsidiary, out of which 16% has been acquired by TEL for Rs 4.45 crore and will acquire the remaining 10% by March 2025 for Rs 2.76 crore.

TEL has strong liquidity, with Rs 61 crore cash surplus as on December 31, 2024. The company is expected to generate net cash accrual of Rs 60-80 crore against routine annual capital expenditure (capex) of Rs 15-25 crore, which may be funded using term loan of Rs 10 crore in fiscal 2026. Bank limit utilisation was nil as of January 2025.

The ratings also factor in the sustained strong financial risk profile, supported by comfortable debt protection metrics, with gearing below 0.1 time as on March 31, 2024. Gearing will remain comfortable below 0.1 time over the medium term with prudent working capital management and capex, which will be entirely funded through own accrual, minimising reliance on external debt.

Analytical Approach

To arrive at the ratings, Crisil Ratings has combined the business and financial risk profiles of TEL and its subsidiaries: Thejo Hatcon Industrial Services Company, Saudi Arabia (Thejo Hatcon), Thejo Australia Pty Ltd, Australia (Thejo Australia), Thejo Brasil Comercio E Servicos Ltda, Brazil (Thejo Brazil) and Thejo Engineering Latinoamerica SpA, Chile (Thejo Chile) & TE Global FZ-LLC, Ras-Al-Khaimah (Thejo RAK). This is because the entities, collectively referred to as Thejo group, have strong operational linkages and fungible cash flows.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established position and diversified revenue:** TEL is among a handful of recognised players in the organised services segment in India and has a leading market position in the domestic conveyor services market. The company has diversified its revenue by expansion into related products. Sales from the services segment contribute around 65% to consolidated revenue, and the products segment accounts for the remaining 35%. Revenue diversity is supported by export, both directly and through subsidiaries, and presence in diverse geographies helps steady growth in revenue. The company supplies its products to end-users across cement, steel, mining, power and infrastructure sectors, which helps mitigate cyclicality in any sector.

  Along with expertise in servicing conveyor belts and other material handling equipment, the company also manufactures conveyor components and rubber moulded components for equipment used in core sectors as a backward integration effort. This has enabled cross-selling through operations and maintenance (O&M) contracts leading to steady revenue from products and services.

- **Healthy operating capabilities:** The company has strong operating capabilities, which along with continued cost optimisation efforts has enabled its operating margin. The operating margin is expected to sustain at 16-17% over the medium term with operating leverage benefits owing to demand recovery allowing higher order execution by subsidiaries, aiding better fixed cost absorption.

  The company also has a strong in-house research and development (R&D) team, which focuses on developing new products and improvement of existing products; this has helped develop diverse product ranges across sectors.

- **Comfortable financial risk profile:** The financial risk profile of TEL is healthy, as reflected in net worth of Rs 271 crore and gearing of less than 0.1 time, respectively, as on March 31, 2024. Debt protection metrics were comfortable, as reflected in interest coverage and net cash accrual to total debt ratios of over 16 times and 5 times, respectively, in fiscal 2024. The debt metrics will remain comfortable given healthy cash accrual and internal accrual being used to fund capex from fiscal 2024 onwards. The financial risk profile will remain sensitive to any large debt-funded acquisition in domestic and international markets.

Weaknesses:

- **Modest scale of operations and susceptibility to cyclicality in end-user segments:** Although TEL is an established player in niche product segments, revenue remains modest compared with larger players in the engineering segment. Furthermore, end-user industries are cyclical, exposing TEL's operations to the risk of sluggish demand during an economic slowdown, particularly if clients defer capex or scale down production. Additionally, as the clients are large players, bargaining power and ability to collect receivables on time may be constrained during an uncertain economic environment.

- **Large working capital requirement:** Operations are working capital intensive, as reflected in gross current assets of 192 days as on March 31, 2024, which is a general norm considering the company's presence in the core engineering industry and exposure to large clients, including government-owned entities. Prudent working capital management will remain monitorable.

Liquidity: Adequate

TEL will continue to have strong liquidity driven by expected cash accrual of Rs 60-80 crore over the medium term and cash and equivalent of Rs 61 crore as on December 31, 2024. The company has additional cushion in the form of fund-based limit of Rs 46.75 crore, which was unutilised over the 12 months through January 2025. Internal accrual will comfortably cover annual debt obligation of Rs 3-4 crore, capex, and working capital requirement. Considering low gearing, TEL will have sufficient headroom to raise additional debt if required.

Outlook: Stable

The Thejo group will continue to benefit from healthy orders and demand prospects for material handling products, steady operating profitability and comfortable cashflow. The group is expected to sustain its healthy financial risk profile over the medium term.

Rating sensitivity factors

Upward Factors:

- Sustained revenue growth while maintaining profitability at 17-18%, leading to sustained cash generation.

- Sustenance of financial risk profile

Downward Factors:
- Decline in revenues and profitability below 12% resulting in decline in accruals.
- Major debt funded capex leading to deterioration of debt protection metrics

About the Company
Incorporated in 1986 and based in Chennai, TEL provides installation, regular maintenance and operation and maintenance (O&M) services for conveyor belt systems. It also designs, manufactures and supplies a wide variety of rubber and polyurethane products for belt cleaning, spillage control, enhanced flow of material, impact and abrasion protection, screening, and rubber and polyurethane linings. In India, TEL has three manufacturing units (all near Chennai), 12 branch offices and 40 site offices in 11 states. TEL has a DSIR registered in-house R&D centre at Chennai.

Outside India, TEL operates in Saudi Arabia (Thejo Hatcon Industrial Services Company), Australia (Thejo Australia Pty Ltd), Brazil (Thejo Brasil Comercio E Servicos Ltda), Chile (Thejo Engineering Latinoamerica SpA) and Ras-Al-Khaimah (TE Global FZ-LLC) through its subsidiaries. TEL holds 51% equity stake in Thejo Hatcon, with 49% being held by Bahrain-based Hatcon Industrial Services Company. TEL holds 90% equity stake in Thejo Australia, while Japan-based Bridgestone Corporation (a global tyre and rubber company), through its subsidiary (Bridgestone Mining Solution Australia Pty Ltd, Australia), holds the remaining 10%, Bridgestone has decided to exit the business and has already sold 16% of the 26% stake that it held in Thejo Australia, the remaining 10% will be acquired by end of March 2025. In Thejo Brazil, Thejo Chile and Thejo RAK, TEL holds 100% and 99.86% and 100% stake, respectively. Thejo Brazil and Thejo Chile primarily sell bulk material handling products.

TEL is promoted by Mr K J Joseph and Mr Thomas John, who started the company to provide servicing operations to conveyor belt systems. The promoters' sons hold board and key management positions in the company. TEL is the first company to be listed on EMERGE - SME Exchange of the NSE and has recently moved to NSE mainboard in October 2023. It has a diversified Board with a majority of Independent Directors. Since 2008, overall management is being led Mr V A George, executive chairman, who has experience of more than three decades in corporate and banking sectors.

Key Financial Indicators (consolidated)

As on / for the period ended	Unit	2024	2023
Revenue	Rs crore	560	475
Profit after tax (PAT)	Rs crore	59	35
PAT margin	%	10.6	7.3
Adjusted debt / adjusted networth	Times	0.05	0.07
Interest coverage	Times	16.13	13.52

For the first nine months of fiscal 2025, TEL reported PAT of ~Rs. 36 crores on operating income of ~Rs. 400 crores compared with PAT of Rs 46 crore on operating income of ~Rs. 419 crores during the corresponding period of the previous fiscal.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Bank guarantee*	NA	NA	NA	7	NA	Crisil A1
NA	Bank guarantee*	NA	NA	NA	4	NA	Crisil A1
NA	Bank guarantee*^	NA	NA	NA	2	NA	Crisil A1
NA	Bank guarantee*	NA	NA	NA	5	NA	Crisil A1
NA	Bank guarantee*	NA	NA	NA	8.5	NA	Crisil A1
NA	Cash credit^	NA	NA	NA	6.9	NA	Crisil A/Stable
NA	Cash credit[&]	NA	NA	NA	14.35	NA	Crisil A/Stable

NA	Cash credit	NA	NA	NA	25.5	NA	Crisil A/Stable
NA	Letter of credit*	NA	NA	NA	5	NA	Crisil A1
NA	Letter of credit*	NA	NA	NA	2	NA	Crisil A1
NA	Letter of credit*^	NA	NA	NA	2	NA	Crisil A1
NA	Letter of credit*	NA	NA	NA	7.5	NA	Crisil A1
NA	Standby letter of credit	NA	NA	NA	19	NA	Crisil A1
NA	Proposed term loan	NA	NA	NA	23.33	NA	Crisil A/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	5.42	NA	Crisil A1

**Two-way interchangeability/sub-limit between letter of credit and bank guarantee*
^Two-way interchangeability/sub-limit between fund-based and non-fund based limits
&One-way interchangeability from fund based limit to non-fund based limit

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Thejo Hatcon Industrial Services Company, Saudi Arabia	Full	Subsidiary and business linkages
Thejo Australia Pty Ltd, Australia	Full	Subsidiary and business linkages
Thejo Brasil Comercio E Servicos Ltda, Brazil	Full	Subsidiary and business linkages
Thejo Engineering Latinoamerica SpA, Chile	Full	Subsidiary and business linkages
TE Global FZ-LLC	Full	Subsidiary and business linkages

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	70.08	Crisil A/Stable		--	02-01-24	Crisil A/Stable	19-12-23	Crisil A/Stable	02-11-22	Crisil A/Stable	Crisil A-/Stable / Crisil A2+
Non-Fund Based Facilities	ST	67.42	Crisil A1		--	02-01-24	Crisil A1	19-12-23	Crisil A1	02-11-22	Crisil A1	Crisil A2+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee&	**4**	**Axis Bank Limited**	**Crisil A1**
Bank Guarantee&	**5**	**Citibank N. A.**	**Crisil A1**
Bank Guarantee&	**8.5**	**HDFC Bank Limited**	**Crisil A1**
Bank Guarantee&	**7**	**State Bank of India**	**Crisil A1**
Bank Guarantee&@	**2**	**Citibank N. A.**	**Crisil A1**
Cash Credit	**5.5**	**Axis Bank Limited**	**Crisil A/Stable**
Cash Credit@	**6.9**	**Citibank N. A.**	**Crisil A/Stable**
Cash Credit!	**14.35**	**State Bank of India**	**Crisil A/Stable**
Cash Credit	**1.3**	**State Bank of India**	**Crisil A/Stable**
Cash Credit	**18.7**	**HDFC Bank Limited**	**Crisil A/Stable**
Letter of Credit&	**2**	**Axis Bank Limited**	**Crisil A1**
Letter of Credit&	**3.5**	**HDFC Bank Limited**	**Crisil A1**

Letter of Credit[&@]	**2**	**Citibank N. A.**	**Crisil A1**
Letter of Credit[&]	**4**	**HDFC Bank Limited**	**Crisil A1**
Letter of Credit[&]	**5**	**State Bank of India**	**Crisil A1**
Proposed Non Fund based limits	**5.42**	**Not Applicable**	**Crisil A1**
Proposed Term Loan	**23.33**	**Not Applicable**	**Crisil A/Stable**
Standby Letter of Credit	**6.5**	**Citibank N. A.**	**Crisil A1**
Standby Letter of Credit	**12.5**	**Citibank N. A.**	**Crisil A1**

&Two-way interchangeability/sub-limit between letter of credit and bank guarantee
@Two-way interchangeability/sub-limit between fund-based and non-fund based limits
!One-way interchangeability from fund based limit to non-fund based limit

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)
Criteria for consolidation

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About Crisil Ratings Limited (A subsidiary of Crisil Limited, an S&P Global Company)

Crisil Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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For more information, visit www.crisilratings.com

About Crisil Limited

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It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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