Date- 16TH August, 2022

To, BSE Limited ("BSE"), Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001	To, National Stock Exchange of India Limited ("NSE"), "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
BSE Scrip Code: 543399	NSE Symbol: TARSONS
ISIN: INE144Z01023	ISIN: INE144Z01023

Sub: : Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 -Transcript of Earnings Call.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Company's Earnings call held on 8th August ,2022 regarding discussion on the Operational and financial performance of the Company for the quarter ended June 30, 2022, is enclosed herewith.

This intimation is also being made available on the Company's website viz www.tarsons.com

This is for your information and records.

Yours faithfully,
For Tarson Products Limited
(Formerly Tarsons Products Private Limited)

Santosh Kumar Agarwal
Company Secretary & Chief Financial Officer
Membership No. 44836

"Tarsons Products Limited Q1 FY23 Post-Earnings Conference Call"

August 08, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th August 2022 will prevail.

MANAGEMENT: **MR. ROHAN SEHGAL - WHOLE-TIME DIRECTOR, TARSONS PRODUCTS LIMITED**
MR. SANTOSH AGARWAL - CFO, TARSONS PRODUCTS LIMITED

MODERATOR: **MR. APURVA SHAH - ANALYST, PHILLIPCAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY23 Post Earnings Conference Call of Tarsons Products Limited, hosted by PhillipCapital (India) Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Apurva Shah from PhillipCapital. Thank you and over to you, sir.

Apurva Shah: Thank you Renju**.** Good afternoon everyone and welcome to the Q1FY23 Earnings Conference call of Tarsons Products Limited. Today we have Mr. Rohan Sehgal - Whole-Time Director and Mr. Santosh Agarwal - CFO of the company to take us through the results and answer all your questions. So, now I hand over the conference to Mr. Rohan Sehgal. Thank you and over to you, sir.

Rohan Sehgal: Good morning and a very warm welcome to everyone present on the Q1 FY23 Earnings Conference call for Tasrsons Products Limited. Along with me are Mr. Santosh Agarwal, Chief Financial Officer and Company Secretary of Tarsons Products Limited and SGA, our Investor Relations Advisors.

Let me begin with the financial performance for the quarter and few other highlights I would want to share:

Our revenues for Q1 FY23 were flat as compared to Q1 FY22. Generally, in our industry, Q1 tends to be the weaker quarter and we have observed similar trends for FY23, only exception to this was Q1 of FY22 where there was a sudden surge in the demand for products related to COVID testing on the back of the second wave of the pandemic. However, our sales for the conventional products used in research, pharma and academia were affected due to intermittent lockdowns across the countries and slowdown in the overall economy in Q1 FY22. Our full year FY22 had 15% revenues related to COVID of which two third was skewed towards the first half of FY22 and hence we had a high base for Q1 FY22. I would like to point out that COVID related revenue contributed significantly to the sales in Q1 FY22, but it is now negligible in this quarter. It is worth noting that despite losing COVID related revenue, we were able to maintain a flat performance because our conventional business which had been impacted by COVID returned. So, when you compare on a like-to-like basis, our conventional business has witnessed Y-o-Y growth during this quarter.

Let me touch on the demand scenario, we have been witnessing steady demand across the product categories and are seeing huge enquires for our products across industries. With new products in the pipeline, our pan India reach and Tarsons being a trusted brand across the Life Sciences Community, we are optimistic of the demand scenario going forward. Our gross margins have been lower as compared to Q1 FY22, majorly due to the inflationary commodity environment on account of supply chain disruptions and geopolitical tension was due to the Russia-Ukraine war. Our margins were impacted as raw materials, freight and other input costs have risen at an unprecedented rate. Gross margins were also impacted due to change in product mix since we have more than 300 product segments and 1700 plus SKUs. We have however taken price hikes for FY23 which comes into full effect with the quarter lag. Many a time, customers accept the price hikes after 45 days to 60 days period and hence the full effect will be visible for the balance 9 months of FY23.

On the EBITDA front, we have been constantly investing in strengthening our senior management team in various areas of sales, production and other important functions which has led to increased employee cost. We have also been investing in manpower for our upcoming facilities for which revenues will start coming from the next financial year. We have also been expanding our footprints in the global markets by participating in various fairs and exhibitions across the globe which has entailed higher sales promotion, marketing and travelling expenses for the current quarter. However, these investments will re-benefit as revenue starts kicking in. As mentioned in my earlier conversations that the industry style in the export market is around Rs. 50,000 crores and we are just like a drop in the ocean, hence with our dedicated efforts with the right products of global standards and trust and the brand created for our products, we are confident of gaining market share in the exports market. For this, we will have to expand our capabilities and presence in the export market by incurring some initial cost in terms of marketing and improving distribution channels.

Let me give an update on our ongoing CAPEX. Our upcoming manufacturing facility in Panchla, West Bengal is on track and we are expanding our manufacturing for both existing and new products. PCR and Cell Culture are the new products that we will include in our basket through these facilities which have seen increased demand in the domestic as well as export markets. In addition, we intend to build a new fulfillment center in Amta, West Bengal to consolidate our warehouse operations at one centralized occasion for synergies and cost. We also intend to do backward integration in the manufacturing process at the same location by constructing an in-house sterilization center for captive consumption.

To conclude, I would like to reiterate that with the large product basket of global standards, our deep domain knowledge in the labware industry, longstanding relations with our dealers and distributors in the domestic market and expanding presence in the global market, we are rightly placed to capitalize on the huge runway of growth in the labware industry for the next 5 to 10 years. With this, I would like to handover the call to Mr. Santosh Agarwal - CFO for Tarsons for his comments on the operational and financial highlights.

Santosh Agarwal: Good morning everyone and a very warm welcome to our Q1 FY23 Earnings Call. We have uploaded our latest investor presentation on the stock exchange for our Q1 FY23 results. I hope everybody had an opportunity to go through the same.

On the revenue front, revenue from operation for Q1 FY23 stood at Rs. 68.6 crores as compared to Rs. 69.2 crores in Q1 FY22, a de-growth of 1% on Y-o-Y basis. As mentioned by Mr. Rohan Sehgal, our revenues were impacted due to high base of COVID revenue in Q1 of FY22 which had impacted sales from our conventional business, but if one would analyze despite negligible sales with respect to COVID in Q1 FY23 we still maintained our revenue run rate and have grown in our conventional product range. Revenue from export stood at Rs. 20 crores, a growth of 14% and domestic sales de-grew by 6% on y-o-y basis. For Q1 FY23, export sales contributed around 29% and domestic sales contributed around 71%.

On the gross profit level, our gross profit for Q1 FY23 stood at Rs. 54.3 crores as compared to Rs. 56.7 crores in Q1 FY22, a de-growth of 4%. GP margin for Q1 FY23 stood at 79.1% as compared to 82% in Q1 FY22, however, in absolute term, our gross profit was down by Rs. 2.4 crores approx. Gross margins were impacted due to change in our product mix, higher raw material cost, freight and other ancillary cost with respect to procurement on the back of supply chain disruption.

At an EBITDA level, EBITDA for Q1 FY23 stood at Rs. 31 crores at against Rs. 37 crores in Q1 FY22, a Y-o-Y de-growth of 15%. EBITDA margin for Q1 FY23 stood at 45.4% as compared to 53.2% for Q1 FY22. EBITDA margins were lower on account of our investment in manpower cost for future growth prospects. Also, higher sale promotion marketing and travelling expenses to tap the export geographies had impacted the EBITDA margin. This will however be compensated once we see the higher growth from our export revenue. On PAT front, profit after tax for Q1 FY23 was lower by Rs. 4.5 crores and stood at Rs. 20.3 crores, which indicates a de-growth of 18%. PAT margin for Q1 FY23 stood at 29.6% and for Q1 FY22 it was 35.9%. With this, I would like to open the floor for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: So, Rohan, during the fourth quarter your guidance for the volume growth was around 20-25% for the whole year from existing capacities and has indicated that you would be able to sustain the growth momentum achieved during FY22, however, in light of the reported 1Q revenue, achieving that would imply over 30% organic revenue growth for the rest of the year, given negligible share of COVID revenues. Do you believe that in a demand momentum to support that especially given leading diagnostic change have indicated sluggishness in the non-COVID revenue?

Rohan Sehgal: So, the first quarter has been almost flat, but if we look at the first quarter it has been a very strong quarter for us because we have seen our COVID revenues almost falling off and going close to zero, but we have seen a very strong demand for our conventional businesses and at this point of time, I will not be able to speak about the whole year, but our entire product basket and the demand outlook outside COVID testing looks very strong and robust and we are optimistic about the performance for the remainder 9 months of FY23.

Karan Khanna: **Is** it also possible to understand what was the share of COVID revenue of the first and second quarter of the last year?

Rohan Sehgal: So, I believe that we did about out of Rs. 300 crores, about Rs. 45 to Rs. 50 crores was directly linked to COVID and about 65% of that was linked to the first half, primarily the first 5 months that is because we got the largest wave of COVID when the country was almost semi open. It was very different to the first quarter of FY21 where the country was in complete lockdown and hence the number of cases and the number of testing was not high as the first quarter of FY22, so we witnessed dramatic amount of testing and it was the highest probably quarter in the last 8 quarters which we have witnessed in COVID for COVID revenue, but on an overall basis we believe 65% of that Rs. 50 crores came in the first 5 to 6 months of FY22.

Karan Khanna: An**d** second, one of your competitors has recently raised around Rs. 500 odd crores to expand their ware presence both organically and inorganically given even other labware players are expanding aggressively, how do you look at this in terms of the capacity overhang this would create especially the domestic market?

Rohan Sehgal: I look it at very positively. A lot of people are looking into this industry and it is receiving a lot of recognition and I think with more investment this industry is cater to grow in the future and we believe that Tarsons is well positioned irrespective of the number of competitors to grow very strongly both in the domestic as well as International markets. I think we have laid down our plans and strategies for the future very meticulously and we are very optimistic about it.

Karan Khanna: And in terms of raw materials pricing, if you can give us some sense as the prices have started cooling off and what is your sense on the price hikes which has become effective last quarter? Do you expect the gross margins to sustain at these levels or possibly improve with raw material price start reversing?

Rohan Sehgal: I think most of our raw material purchases are from Europe and US. Europe is going through a tough period at this point of time, but the good part about the raw material price hikes is that they are not really side cooling off specialized grade that is what we are importing, but we don't see further hikes coming in, so things have been fairly stable over the last 3 to 4 months after it has reached its peak. However, we see certain other cost such as packaging and paper gradually getting a little better and cooling off, so that is the positive for the company moving forward in terms of input cost and in term of gross margins, I believe that our gross margin in Q1 are exactly in line with what we are looking at and even moving forward in our previous calls, we have always maintained a mid to high 70s and I think we are on track to do that for the full year.

Karan Khanna: And lastly on your CAPEX programs, how much CAPEX have you incurred at Panchla and Amta in existing facilities by the end of first quarter and how much is remaining for the rest of the year?

Santosh Agarwal: Karan, in Panchla, we have already planned everything, we have already given the estimation of about to be Rs. 500 crores approx. running CAPEX. Out of that, we have already incurred Rs. 250 crores and on the Panchla front, we have already seen a significant progress and CAPEX plan and all the construction is going as per our plan.

Karan Khanna: But can you quantify in terms of the amount which you would have incurred in first quarter and for the rest of FY23?

Santosh Agarwal: We can only say that in the first quarter overall, the major CAPEX has been done in Panchla and overall in first quarter we have paid about Rs. 28 crore.

Moderator: Thank you. Next question comes from the line of Praveen Sahay from Edelweiss Finance. Please go ahead.

Praveen Sahay: Sir, this COVID revenue is a part of our domestic only or there is some export as well?

Rohan Sehgal: COVID revenue is a part of the entire company's total revenue which includes domestic as well as international business, but the focus on domestic would be higher than international because domestic business, the supply chain and deliveries are instant, in international business it is about 55 to 60 days because 99% of our international business are sea freighted and not air freighted.

Praveen Sahay: And the seasonality you talk about for the first quarter, it is for across your business international as well as domestic, the first Q is used to be a lower?

Rohan Sehgal: The first Q, the seasonality of the business is more towards the domestic business because for Indian market it is quarter 1, but for the international markets it is quarter 2, but historically and even now, the international business is just about close to one third of our entire business.

Praveen Sahay: So, basically I had seen that in the last 4 quarters prior to the first Q, you had done a far superior numbers in the export, so what exactly happened if I look at on the sequential basis for export revenue Rs. 20 odd crores versus Rs. 25 odd crores, is that a seasonality or there is a slowdown or something there also you are seeing?

Rohan Sehgal: We do not see any slowdown in the overall business of Tarsons both in domestic as well as international markets. Of course, there is a slowdown in the testing part of the business which is the COVID related part of the business, but at this point of time, looking at international business on a quarter-on-quarter basis would not probably be the most accurate measure because of supply chain disruptions. So, we could have a lot of orders ready in our warehouse is ready to be shipped but cannot be billed because of container availability issues. So, container availability issues have got slightly better from when we last spoke in our last earnings call, but still continue to be a major problem globally.

Praveen Sahay: The next question is related to the gross margin and here as well on the sequential basis, I had seen some improvement and you are saying to maintain your gross margin over here?

Rohan Sehgal: As I have always stated, somewhere in the mid to late 70s is where we expect our gross margins moving forward and I think we are well positioned to achieve that.

Santosh Agarwal: And it is very difficult to compare the gross margin on a sequential basis on a quarter-to-quarter basis because we are having about be 1700 SKU split over 300 product segment, so gross margin can differ quarter-to-quarter, but our vision is to maintain the gross margin at mid 70s.

Praveen Sahay: And lastly on the domestic business, the volume growth numbers can you able to give?

Santosh Agarwal: See on the domestic busienss side, on a volume wise we don't track on a volume basis because we have different SKUs, right and with a different volume, right, for example we sale from 10 paisa to Rs. 5 lakhs kind of finished goods. So, it is very difficult to give any kind of data on a volume front, but of course on a value front we track it.

Praveen Sahay: Just trying to understand whether this 6% of de-growth is because of a volume or is because of a realization?

Rohan Sehgal: No, if you look at its volume, because we have not reduced our prices anywhere. Prices continue to remain stable or have started increasing and we have not received the most of the price increases. As I have said in my opening speech, I think we would start looking at price realizations over the next quarters.

Moderator: Thank you. Next question comes from the line of Anshul Mittal from Care Portfolio Manager. Please go ahead.

Anshul Mittal: Actually, I wanted to know the cost breakup of the CAPEX of Rs. 500 crores which we have announced recently, so can you give the breakup between the building machinery and the plant?

Santosh Agarwal: On a Rs. 500 crores of CAPEX, you will have to give a small approx. breakup. Approx. Rs. 250 crores is the Panchla, approx. Rs. 100 crores is the Amta and the remaining is for the existing plant.

Anshul Mittal: So, Panchla, Rs. 250 plus Rs. 100 crores is for land and building?

Rohan Sehgal: No, in Panchla put together machines, building, land everything approx. Rs. 250 crores; in Amta including land Rs. 100 crores and the remaining part is the existing plant and out of this Rs. 500 crores, we already incurred approx. Rs. 250 crores.

Moderator: Thank you. The next question comes from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Just a couple of questions, one was on revenue, so if you assume that Rs. 50 crores was COVID revenue for the full year of which 65% was in H1 and you assume further that just hypothetically 60% was in Q1 and 40% was in Q2, so that actually implies 30% base business growth, is that accurate broadly?

Rohan Sehgal: Absolutely, it is accurate. It is also on the basis of a very low base over the last 2 years because this portion of the industry was not fully functional due to COVID lockdowns and on and off waves of COVID. So, it is on the basis of that as well..

Rishabh Parekh: So, 30% growth in base business assuming that the COVID revenue in the base year runs down by Q2, so H2 can we see 30% like-to-like growth?

Rohan Sehgal: It would be very difficult for me to make a statement for Q2, but looking at the market scenario, moving forward to the 9 months, the demand outlook as well as the market looks quite strong and robust minus the testing.

Rishabh Parekh: And in Q2, would still see some impact on the base quarter because of the COVID, correct?

Rohan Sehgal: Absolutely, because there was a large portion, if you look at last year FY22, we went through very tough months which started cooling off by around September of 2021, so if you look at post November right up to March, there was a very little COVID impact as we have seen what it is today, so most of the impact of COVID was faced in the first 6 months of last year.

Rishabh Parekh: It is pretty healthy if you adjust for that assuming a 30% base business growth. My second question is on margins, so just a little surprising because last, in Q4 the call we did, you took a price hike of 5 to 7% of the domestic market from the 1st of April, which you said would get passed on a phase manner and 100% passthrough would happen on 1st of July and this you had mentioned would take care of raw material increase and packaging cost increases, so is there a change to this thesis because I didn't expect such a contraction in margins?

Rohan Sehgal: No, I think the thesis remains the same and there has been a major increase in input cost basically because the environment has been so volatile so uncertain and it is very difficult for us as a company or anybody in the industry to continuously keep taking price increases. So, things are so volatile, every month there has been global uncertainty. So, we have given the price increases, but in the first quarter, we have not been able to extract the complete price increase because it takes time for the prices to come in, so a lot of the revenue in quarter 1 has been on older prices with increase price inputs. Also, there has been a lot of development in the company to build for the future, so we are building up 2 new facilities and we spend a lot on employee cost, we have brought in new people, we have brought in people in R&D, we brought people in development, we brought in senior level production people in our current facilities and we are training them up to handle our facilities whichever will be coming up in the next 8 to 12 months. So, there has been a lot of input cost in that way the world is opened up over the last 6-7 months, we have increased our promotional exhibition activities in a big way. We increased our distributor promotional activities in a very big way because we are preparing to grow up in a big way with these 2 new facilities. So, a lot of input costs have significantly gone up without revenue moving too much and that is what impacted the margins.

Rishabh Parekh: So, just for the next 9 months, there will be 2 triggers playing out, one is revenue growth will become normalized because the COVID effect will vain off and second impact on revenue will be the price increases will through. So, revenue de-growth will not be a stuck and margins also should be maintained between 46, 48, 50%.

Rohan Sehgal: Absolutely.

Moderator: Thank you. Next question comes from the line of Nikhil Chaudhary from Kris PMS. Please go ahead.

Nikhil Chaudhary: More or less most of all my questions have been answered, sir, just probably on the target that we have set for the financial year 2024, we hope to achieve that if you don't go by quarter-by-quarter like ignoring the base effect of COVID and all, so just wanted to understand on that front, that is it?

Rohan Sehgal: Absolutely, I think we are very well positioned to achieve what we have indicated earlier and the company is moving towards its goals very strongly and the forecast from the markets, the demand looks very strong, the industry looks very strong. Apart from the COVID testing, everything is in line.

Nikhil Chaudhary: And sir, lastly on the PCR and Cell Culture, I guess if we had started to probably test the products in the market, how has been the response so far on that front?

Rohan Sehgal: We received a very strong response for our PCR consumables, it is very well appreciated. Quality has been up to global standards. For cell culture we have to produce the products because that CAPEX would only enter into Panchla, we cannot conduct any of the CAPEX in existing facilities.

Moderator: Thank you. The next question comes from the line of Aditi Bhatted from Niveshaay Investments Advisory. Please go ahead.

Aditi Bhatted: Sir, majority of my questions have been answered, but I wanted to understand the industry point of view, like COVID, various government measures like single-use plastic ban and I am sure it doesn't really affect your product, but do you see any hindrances all these policies measures to your line of industry or to your product directly or indirectly?

Rohan Sehgal: I think overall we don't have anything, any other policy measures really affecting us. One thing it really goes in our favor in India and we are very bullish about this moving forward, but the government is very focused on Make in India initiative and lot of these government bodies like CSIR and ICMR are very focused on buying more Make in India products which are indigenously manufactured and developed within the country rather than more imported products and that gives companies like us which have been on the forefront of development since the last 3 decades are very strong opportunity to grow forward.

Aditi Bhatted: So, the plastic ban thing has no effect on your products or any of your raw materials?

Rohan Sehgal: No, absolutely not. We are in the business of medical labware and we continue to use medical grade resin to use in our products for testing and research.

Moderator: Thank you. The next question comes from the line of Anika Mittal from Nvest Research. Please go ahead.

Anika Mittal: Sir, can you please again explain the reason behind the seasonality in quarter 1?

Rohan Sehgal: So, historically, quarter 1 has always been the slowest out of all the four quarters. Generally, quarter 4 has been the strongest, primarily because most of the business in India towards the year end, distributors are always buying larger quantities to complete their targets, end users are buying larger quantities to complete their budgets and hence Q1 is the silent quarter or the slower quarter post very strong quarter. So Q1 always comes after Q4 and Q2 and Q3 have always been somewhat similar quarters, it is very difficult to differentiate between the two Some years Q2 has been stronger, some years Q3 has been stronger because the years when our exports are going very well, Q3 tends out to be stronger because that becomes the Q4 for international markets of the closing quarter for international markets. But historically Q1 has always been slower, rate contracts take time to be signed off, price visions take time to be implemented, people are revising contracts, people are realigning their stocks, so most of the time just goes in realignment after very strong previous quarter which is Q4.

Anika Mittal: And our pricing policy is to revise the prices for customer once in a year as you mentioned in the earlier meet like for domestic market, we revised them in April and for international market it is March. So my question is with the current pricing policy, how are we going to pass on the input cost on the regular basis as happened in this quarter where our margins go dipped by 6%, so what can be methods to pass on these kind of cost increases on regular basis because we are currently revising the pricing on a yearly basis?

Rohan Sehgal: It is our policy to revise prices annually, but it is not necessary that we revise our prices annually. Prices are revised only based on certain increases in input cost, otherwise price increases are very negligible lesser than 1%. We did not have policy to increase prices on a quarterly or a monthly basis because the industry would not accept such a price increase, so most of the times you would have to increase prices annually only and unless something drastic goes wrong throughout the year and then you would have to call for a midyear price increase, but that is very rare and I have seen that once or twice in the last 3 decades of the history of the company. So there is no other option, but to observe price increases in short and medium term and change prices only once a year and unless on an emergency a midyear price increase, but nothing more than that.

Anika Mittal: That is okay, but in this quarter, whatever is the inflation, whatever is the cost price, how we are going to pass on to the customer?

Rohan Sehgal: No, we have already included a lot of these input cost increases on our price increase on 1st of April and that would take time to implement and we believe that in the coming quarter and moving forward in the 9 months, the changes in price would be implemented.

Anika Mittal: Means whatever the cost increases in this quarter, we are going to get them from the customer in the coming quarter?

Rohan Sehgal: No, whatever the cost increases were calculated at the beginning of the year, that we would start getting from this quarter onwards because you need a price change in 1st of April, not on 1st of July, not in starting of this quarter, but starting of the financial year.

Anika Mittal: That is what I am saying, the cost increases in, for example, happens in the current quarter, like after April, whatever is the cost increase, how we can get that from the customer in our price?

Rohan Sehgal: We would have to observe those costs and generally cost would remain flat from 1st of April, we have not seen a tremendous increase so far, but only if it is an abnormal increase, you would have to consider a medium price increase, but things are looking very stable and normal at this point of time and there is no reason that we would be changing prices.

Anika Mittal: It means from your current increased prices; you are saying we can get those inflated cost from our customers on?

Rohan Sehgal: We believe so.

Anika Mittal: And what is the expecting growth in topline for upcoming three quarters and how shall the operating margins are going to shape up going forward?

Rohan Sehgal: I cannot give at this point of time a statement on number towards the end of the year, but things look very good and strong and in terms of operating margins, we look to be in the mid to late 40s as I have stated earlier. Our EBITDA should remain in range and so should our gross margins. On the PAT level, it would depend based on the CAPEX and the depreciation. PAT could move somewhere here and there, but the operating and the gross margins should remain online.

Anika Mittal: And what is the expected timeline for those additional capacities to come on production and by when the ramp up for these is likely to take in?

Rohan Sehgal: I think the additional capacity should be in place between June and August 2023 which is next year. Again, the markets are very volatile. In terms of construction of our facilities, we are right on track, but there have been global chip shortages, global semiconductor shortages and various other ancillary part shortages which also play a role in building of our automations. And other products which are moulds, stainless steel has been at an all-time high, so depends on the global environment, how the deliveries of our machineries and equipment would take place, but in terms of building our infrastructure we are absolutely on time for both of our facilities that is Panchla and Amta.

Anika Mittal: Say it is completed by 2023, then how much time it is going to take for ramp up?

Rohan Sehgal: We are coming up with large capacities, but I think about 3 to 4 years for complete 100% ramp up, depending on the quality of products what we build depending on the market acceptance, depending on the markets, how they shape up over the next 3 to 4 years, there were lot of ancillary factors, but generally on the past history what we see 3 to 4 years to ramp up new products, the capacity expansion should be slightly faster for ramping up capacities.

Anika Mittal: And what are our current inventory days like there was a substantial increase in previous year, so what is the current level of inventory days?

Santosh Agarwal: On the inventory front, currently we have about to be more than Rs. 90 to Rs. 95 crores of inventory, right, raw material is about to be Rs. 30 crores odd and finished good is about to be Rs. 42 crores and remaining for packing materials, work in progress and others.

Anika Mittal: I am asking inventory days, how many inventory days, like financial year?

Santosh Agarwal: Inventory days, on the turnover front, you can say that we are keeping inventory of about 3 months. That is very much required because we are manufacturing 1700 SKUs which is split in about 300 segments, so we need to keep this kind of inventory.

Anika Mittal: Going forward also, you are saying it will be 3 months only?

Santosh Agarwal: We will plan to reduce the inventory, that is our endeavor, but depends on what kind of sales we have to do because in consumables, reusable, many SKUs are there, we require different grade of raw material and we also have some kind of MOQ concept, so sometimes we received order for a very lesser quantity, but we manufacture in batches, but we will try to reduce it.

Rohan Sehgal: It depends on the global forecast. There could be possibilities of slight reduction in inventory, but at this point of time, we need to keep a lot of safety, stock of raw materials. Global environment is not very favorable at this point of time and we are heavily reliant on the raw materials coming in from Europe to US.

Anika Mittal: And the Tarsons is targeting the Cell Culture, PCR, bioprocess product side which is approximately 600 Cr market in India and where players like Eppendorf, Thermo Fisher, ICCA are already present, so as per our own statement, customers are quality conscious there, so do you think we as a new player will get the demand as existing customers will not shift from their existing suppliers?

Rohan Sehgal: No, I think we relished the opportunity of serving customers who are quality conscious because that is for Tarsons stands for, so working in quality conscious high and markets has always been far simpler for Tarsons rather than working in price sensitivity areas, so we look forward to that opportunity for building good products.

Anika Mittal: That is okay, but are you sure the customers will shift from their existing suppliers to Tarsons?

Rohan Sehgal: That is what we have seen in the past and I can only talk based on past data, how people have shifted from competitive companies to Tarsons in the past. We expect the same in the future.

Santosh Agarwal: And we also have zero base level, so our growth momentum can be better.

Anika Mittal: And our CAPEX plan will be initially at 400 Cr and this will increase by 20 to 25%, so approximately it should be 500 Cr and in earlier con-calls we said 190 Cr was already incurred, so approximately Rs. 180 to Rs. 200 Cr cash flow will be required over the period of next 15 months and on 31st March 2022, your cash balance flow raises somewhere around Rs. 80 Cr, so balance from where we are looking to get?

Rohan Sehgal: From our value credit line as well as internal accruals.

Moderator: Thank you. The next question comes from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: So, wanted to understand which are the products in which you are replacing glassware and what are the specific applications for the products?

Rohan Sehgal: We are not replacing glassware in any product, products such as volumetric ware such as volumetric flasks, beakers, cylinders, as well as **(Inaudible) 40.26** bottle where we have an alternative line that to glass and plastic. I have said that before as well that plastic has its own industry and own set of customers and so thus glass, so we are not going around we are placing customers from glassware to plasticware. Glass would continue to serve its customers and we would continue as a plasticware company to serve our customers.

Moderator: Thank you. The next question comes from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Just a couple of questions, one is, post our CAPEX what is the depreciation likely to be?

Santosh Agarwal: Post our CAPEX, it depends on whether it move from, it will be there in the CWIP or it will move to the plant and machinery and it is put to use or not, for example, Panchla, we are planning to ramp up everything by mid of FY23, right, so at that moment whatever things will come into put to use, we will start charging depreciation on that.

Rishabh Parekh: What was the quantum likely to be, it is a Rs. 500 crores CAPEX, useful life assume 15 years is that the right way to think about it?

Santosh Agarwal: Yes, because we are using the reducing balance method, so you can calculate and assume approx. 18%.

Rohan Sehgal: So, basically, Rishabh it would be Rs. 200 crores for land and building and other infrastructure and Rs. 300 crores for equipment, so I think land and building would incur different appreciation as compared to plant and machinery, so this would be the breakup.

Rishabh Parekh: And secondly, our Rs. 500 crores revenue guidance for FY25 still stands?

Rohan Sehgal: Absolutely.

Moderator: Thank you. The next question comes from the line of Yash Jain from Niveshaay. Please go ahead.

Yash Jain: Sir, my question is related with PCR or cell culture products, can you throw some light on the demand scenario for future on these products that you are catering?

Rohan Sehgal: So, PCR products, the demand of PCR products pre 2022 was very strong and has grown exponential in the last 2 to 3 years because of the pandemic because a lot of testing has been conducted through the RTPCR technique and that has incurred a lot of sale of PCR plastics, but prepandemic as well, the demand was quite strong both in India as well as globally and it is a product which you developed towards the end of the pandemic and with a zero base we have a long runway for growth in PCR products. And cell culture products, though are very limited usage in the pandemic was slightly muted because the customers who are in academia and pharma and it was not functioning to its full potential during the pandemic, but pre-pandemic and now the growth for cell culture consumables looks very robust and starting from a base of zero, we are very confident of very strong growth in the cell culture consumable side as well.

Yash Jain: Sir, next my question is, can you throw some light that still we are importing plasticware labware products or we can enough for domestic requirement?

Rohan Sehgal: So, there are enough domestic manufacturers, but quality parameters are very stringent in the labware industry in India and there are very strong multinational brands which have established a very strong customer. So, eliminating imports completely would be close to impossible, I think the multinational brands have various high-quality products, many unique products which serve the Life Sciences industry and they would continue to play a integral role in the Indian Life Sciences industry moving forward.

Yash Jain: Sir, can you tell us about the new products that you are launching or you are planning to launch in various segments?

Rohan Sehgal: As I have said, we are launching more on the PCR and cell culture side and that is all which I could speak at this point for competitive reasons. We can't go into more details of the products, but the markets would have these products as we move ahead in the next 8 to 12 months.

Moderator: Thank you. The next question comes from the line of Anika Mittal from Nvest Research. Please go ahead.

Anika Mittal: Sir, my question is, what is the status of Jangalpur unit where 1.98 Cr land is to be approved by competent authority, any development from Mr. Krishnan Gopal Kedia who is your consultant?

Santosh Agarwal: Sir, we have almost completed all the CAPEX in the Jangalpur facility. The Jangalpur facility is already operational. There is no space available. You are talking about conversion?

Anika Mittal: Yes, right, I am talking about basically the approval from the competent authority like conversion?

Santosh Agarwal: Sir, already we got the 40% approval and the remaining approval is in process.

Anika Mittal: And by when it is likely to be given, is there any development from their front?

Rohan Sehgal: It depends on the government, so we cannot comment on that, depends on when the government would give approvals. I have said in my earlier calls, this approval process is not related to our facility, but it is related to the entire park which includes more than 1000 factories, so our approval has gone along with various other hundreds of factories and it remains to see when the government would finally give the approval, but we cannot comment on the timeline because it would not be an accurate one.

Anika Mittal: And one more clarification, as you mentioned earlier, our FY25 topline target is 500 Cr and you are saying Panchla facility will come into production by August FY23 and simultaneously you are saying it will take 3 to 4 years to ramp up, then how it is possible that by FY25, we shall double our revenue?

Rohan Sehgal: We are already at Rs. 300 crores, we are not actually doubling our revenue to Rs. 500 crores and we are back in FY22 and we have enough capacities at this point of time to grow probably Rs. 300 crores base in our existing facilities as we do a lot of CAPEX in our existing facilities as well and by ramping up I mean reaching full potential or reaching closer to full potential, but that does not mean that we will have zero revenues in the first 1-1/2 years of Panchla being operational. Revenues will start coming in day 1 but ramping up to full capacities would take our revenue beyond that number, but we will definitely have quite a lot of revenue coming in from both Panchla as well as Amta in the first 1-1/2 years of operation before FY25.

Moderator: Thank you. The next question comes from the line of Praveen Sahay from Edelweiss Finance. Please go ahead.

Praveen Sahay: So, it is related to the manpower investment which you had said for the quarter has increased because for a future sales growth, so from where like in the enhancement of the existing facility, you had taken an increase in the manpower or it is more to do with export?

Rohan Sehgal: No, it is a mix of everything, it is international markets, it is development and design, it is R&D, it is also grooming people for our new facility because when we start our new facility in next year we cannot go from 0 to 500 people in one month or 2 months, it would be a gradual process and people will need to be trained beforehand who would be running our facilities in these two new facilities which are coming up, so it is quite a significant expansion and it means a lot of preplanning which we have been undertaking.

Praveen Sahay: The next question is related to the export, so are you increasing the number of geographies in the export to drive the growth or from the existing geography only, you are getting good traction?

Rohan Sehgal: We are increasing the number of geographies as well, but immediate or the short to medium term growth would come from the existing geographies because there would be the ones which have been present with us for various years reaching inflection points where our brands or our OEMs are gaining traction after a few years of trust and the newer geographies which we start introducing in the last year and this year would start showing traction more towards the 3 or 4 year period after we have significant history with that partner or that market.

Praveen Sahay: So, what is our guidance on the ODM and the branded number in the next 2 to 3 years contribution?

Rohan Sehgal: I think it is very difficult to predict because we can predict our branded business because as we go more countries, as we increase our penetration in existing countries, the branded business will steadily keep growing, but on the ODM number it is based on contracts, right, so it could be a very sporadic growth, it could be flat or it could be small growth for few years and then suddenly you have a few contracts signed and there could be a big spike in growth. So, predicting ODM growth would be quite difficult for us over the next 2-to-3-year period.

Praveen Sahay: So, basically, just to add to this question, you are also trying for ODM sales to grow as similar quantum what you are doing for branded sales?

Rohan Sehgal: Absolutely, ODM business is a very rewarding business for us, we have been very successful in this and we are very comfortable doing ODM business in international markets. It is a very important part of our international strategy and we continue to focus very strongly on ODM business.

Moderator: Thank you. The next question comes from the line of Bobby Jay from Falcon Investments. Please go ahead.

Bobby Jay: Coming back to the COVID products, can you explain had you differentiated that from the regular products because if the customer buys Petri dish or a Pipette, how do you know whether that is for COVID or just for regular business?

Rohan Sehgal: So, there are certain product lines where you see very high exaggerated growths where the market did not have that sort of a demand, so they seem more like one time demand for testing, for example, Pipette Tips or Centrifuge Tubes or Microcentrifuge Tubes or bottles coming in from particular distributors where the demand has suddenly, when things go suddenly down or suddenly up, you try and inquire through your people, through your distribution channels and that is how you know that this is being used for particular projects or particular testing which was not existent in the past and which will not be existent once COVID moves away and that is what we are seeing today.

Bobby Jay: Yes, but if I actually go through your transcript for the past few calls, you don't mention at all there, you in fact downplay the effect of COVID, you say that you haven't seen any supernatural growth because of COVID, how was your position there, but now you are suddenly saying that apparently COVID played a huge role, I didn't get it?

Rohan Sehgal: COVID, there was a spike in revenue during COVID, during particular industry which is a testing industry of the diagnostics, but what we said was that there is a spike in the COVID revenue, but the other revenue there is a certain downplay in that revenue because these industries are not functioning to its full potential due to on and off lockdown, so that is what we have seen in this quarter. We have seen that COVID has trickled down to almost nothing and most of our other industries which were not performing very well have started growing at a very strong level and we expect the other part of the business which was our complete business pre-COVID to start growing to better numbers and COVID to almost become zero which it is today.

Bobby Jay: True, in this quarter, but what I am saying is, in the earlier call, you said your major COVID growth was in FY21 and from FY22 that trickle had become negligible, but now apparently?

Rohan Sehgal: In our calls, we have always said that 30% of revenue in FY21 came from COVID and 15% revenue in FY22 came from COVID and we will stick to that.

Bobby Jay: While the other thing is, from what I know unless this is directly PCR products which were very much driven by COVID, right, the other products is virtually impossible to say that they were COVID driven?

Rohan Sehgal: No, I don't agree. I think there are a lot of products, Pipette Tips would be the biggest COVID product which is not a part of PCR.

Bobby Jay: Right, but Pipette Tips are what present of your sale, you have like 1700 SKUs, right?

Rohan Sehgal: Right, I do not have the exact percentage of what Filter Pipette Tips was a part of our sales, but yes, Filter Pipette Tips and PCR products have been a larger portion of our sales in quarter 1 FY22 as compared to quarter 1 FY23. We have seen loading of volumes in both Filter Pipette Tips in a big way as well as PCR products and increase in volume of our conventional products which are not related to COVID.

Bobby Jay: Right, I think now that since PCR product you agree you are heavily driven by COVID and now that driver is completely disappeared, right, do you agree with that?

Rohan Sehgal: Absolutely.

Bobby Jay: Yes, but then why are you starting on PCR products? What is the rationale behind that that you want to enter into it just on the excess demand is back?

Rohan Sehgal: Because it is more than $0.5 billion global market and we have built a channel all across the globe as well as in India to tap very large opportunities. We started base zero because it is less than a 12-month-old product line for us and we see significant growth potential over the next 4 to 5 years, so COVID is just a phase. Beyond COVID, there is a large market because PCR product line was not created for COVID, PCR product line was created to serve the Life Sciences Industry where it is a very critical product line. Today, there are companies which are built on PCR, built in the 80s and 90s all over the world and we continue to do very well. It might see a slight slump because they had large revenue in COVID, but that doesn’t stop the PCR business from going anywhere. PCR business is a very strong business moving forward, not only in India, but all over the world.

Santosh Agarwal: And just to add, we started the PCR CAPEX in 2019 and COVID came in 2020.

Rohan Sehgal: So, the idea of PCR was to build for COVID demand, it was to build our product line and product base and move forward.

Bobby Jay: FY22 quarter 2 did that see excess COVID demand or is it negligible?

Rohan Sehgal: Yes, I said that earlier as well. Out of the 45 to 50 crores of COVID, I think 65% came in the first half of FY22 and I believe about it was either 50-50, 60-40 from Q1 and Q2, so the major 65% was in the first 6 months of FY22.

Bobby Jay: So, next quarter will again see a high comparison?

Rohan Sehgal: There would be a portion of COVID which would not be existent unless we have another wave unless testing dramatically increases in the next 2 months.

Bobby Jay: So, the comparison will be in the higher COVID period even for the next quarter, right?

Rohan Sehgal: Absolutely.

Bobby Jay: On the other part, you say your import prices have increased for your input, could you specific to say, what input….

Rohan Sehgal: No, it is comparative in nature and we can only talk about plastic resins we can't go into details on what resins we imports from where and what input prices have been increased.

Bobby Jay: You did mention in one of your calls that these resins were not purely driven by crude oil prices, right, they have their own supply demand there, is that correct?

Rohan Sehgal: Absolutely, that is right.

Bobby Jay: So, the supply demand is right, so you don't know when they have tapered down because crude has already cut down a lot?

Rohan Sehgal: So, it is not dependent on crude, number one, number two they are all coming in from Europe and some are coming in from the US. I don't think it is most ideal environment at this moment to produce in Europe. Europe is going through its own set of challenges and cost increases and price hikes just troubling to maintain cost and that is what is falling on us because we are buyers from them.

Bobby Jay: All our peers in India, they also import this resin from Europe?

Rohan Sehgal: I am not sure because I don't have access to where they import, why my competition is importing from.

Bobby Jay: No, what I mean is this is only there, right in Europe and US. You don't have domestic sources for that?

Rohan Sehgal: Not for like for like resin and not for resins what are approved by our quality management. So we have certain benchmarks with which we manufacture products, such resins are not present to maintain those benchmarks.

Bobby Jay: So, you are all on the same page all the pears, because there are no substitutes, you can use normal resins for this, they have to be in medical grid?

Rohan Sehgal: There are normal resins available and you can manufacture and more plasticware, labware, but the industry which we cater to the customer base, what we cater to we will not be able to cater to that customer base using local resins.

Moderator: Thank you. Due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Rohan Sehgal for closing comments.

Rohan Sehgal: I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on regular basis for incremental updates on your company. I hope we have been able to address all your queries. For any further information, kindly get in touch with us or Strategic Growth Advisors, our Investor Relations Advisors. Request all of you to be safe under the given circumstances. Thank you once again. Stay safe.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.