Date: 2nd June, 2023

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**

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcripts of Earnings Conference Call

Dear Sir/Madam,

With reference to the captioned subject and in continuation to our intimation dated 29th May, 2023, please find enclosed herewith the transcripts of the Investor Conference Call held on Monday, 29th May, 2023, to discuss the financial performance/Audited Financial Results of the Company for the quarter and financial year ended 31st March, 2023.

The transcripts of the said conference call will also be uploaded on the Company's website at www.tarsons.com.

This is for your information and record.

Thanking you,
Yours Faithfully,
For Tarsons Products Limited
(Formerly Tarsons Products Private Limited)

SANTOSH KUMAR AGARWAL
Digitally signed by SANTOSH KUMAR AGARWAL
Date: 2023.06.02 14:20:46 +05'30'

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

Encl: As above

"Tarsons Products Limited

Q4 FY '23 Earnings Conference Call"

May 29, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 29, 2023 will prevail.

MANAGEMENT: **MR. ROHAN SEHGAL – WHOLE TIME DIRECTOR – TARSONS PRODUCTS LIMITED**
MR. SANTOSH AGARWAL – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY – TARSONS PRODUCTS LIMITED

MODERATOR: **MR. GNANASUNDARAM SAMINATHAN – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to the Tarsons Products Limited Q4 FY '23 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on 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 Moderator: by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sundar from Avendus Spark. Please go ahead.

Gnanasundaram S.: Thank you, Rehan. Good afternoon, everyone. On behalf of Avendus Spark, I welcome you all to the 4Q FY '23 Earnings Conference Call of Tarsons Products Limited. We are pleased to have with us management team represented by Mr. Rohan Sehgal, Whole-Time Director; and Mr. Santosh Agarwal, CFO of Tarsons Products Limited.

Without much ado, I'll pass on the call to Mr. Rohan. We'll have brief opening remarks from the management followed by a Q&A session. Thank you, and over to you, Rohan.

Rohan Sehgal: Good afternoon, and a very warm welcome to everyone present on Q4 FY '23 Earnings Conference Call for Tarsons Products Limited. Along with me today, I am joined by Mr. Santosh Agarwal, Chief Financial Officer and Company Secretary for Tarsons Products Limited and SGA, our Investor Relations Advisors. We have uploaded our quarterly investor presentation on the stock exchanges and company's website. I hope you all had an opportunity to go through the same.

The global life science industry has undergone significant transformation over the past 2 years as it's adapted to the challenges posed by the pandemic. While we encountered some challenges in the industry during the last 12 months post the pandemic period, we are now witnessing indications of recovery, which has also been demonstrated by our performance in this quarter. Our revenues have increased by 34% sequentially. We had seen some temporary degrowth as the entire life science industry had degrown, but we have outgrown the industry growth, which in turn helped us gain market share across industries and product categories.

We have shown resilience by maintaining our lean, efficient and sustainable operations across the period of slowdown. Throughout this period, we have skillfully handled the ever-changing landscape, capitalizing on new opportunities that have emerged in front of us and stood tall across all headwinds faced by certain factors.

As the world gradually returns to normalcy, we have also witnessed a steady recovery in our performance, allowing the company to resume its growth trajectory to ensure we are actively pursuing strategies aimed at unlocking future growth potential. Recognizing the increased opportunities and demand of plastic labware products, we strategically positioned ourselves to capitalize on these trends. By leveraging our expertise and experience, we aim to meet the growing needs of all life science industry and expand our market presence.

Speaking on the quarterly and the yearly performance. Our revenues in Q4 FY '23 stood at INR82 crores. This is lower 3% Y-o-Y compared to Q3 FY '23. And compared to the Q3 FY '23, it has grown by 34%. Our revenues for FY '23 stood at INR283 crores as compared to INR300.8 crores in FY '22, this is lower by 6%.

But if we compare similar numbers with the industry, we have outgrown the industry by healthy numbers. The decrease in the revenue on a Y-o-Y basis is majorly attributable to 2 reasons. Firstly, the slowdown in the industry, which we have seen in the recent months have led to reduced demand for plastic labware products. Secondly, as stated in our previous communications, there was a significant increase in the demand for COVID-related products in FY '22. However, the demand for these products is negligible in this financial year.

Despite the sharp decline in revenue from COVID-related products, our conventional business performance compensated for the loss of this business. If we look at our conventional business only, we have shown resilient growth for FY '23 and are poised to achieve strong and sustainable growth in the foreseeable future.

Let me speak about the export opportunities of the company. We strongly believe that exports present a vast market opportunity for us. We are just scratching the surface and have a long way to go in the international market. This can be done by increasing the brand awareness of Tarsons in global markets with active participation in numerous international fairs and exhibitions where we showcase our growing portfolio with our continuous outreach by our direct and distribution channels in the international market.

We are confident of securing good business in the overseas market in the near future. We'll maintain our commitment to investing in sales, promotion, marketing and travel expenses for our active participation in fairs, seminars and exhibitions, which we believe will pave a strong path for a strong future growth in the international business.

During the quarter, compared to Q3 FY '23, our export revenue has showcased a growth of 19%. Our plan is to capture higher market share in the export markets, both in the OEM as well as the branded sales. Exports will be a very important market for our future growth path.

On the EBITDA front. In our current quarter, our EBITDA stood at INR39.3 crores with an EBITDA margin of close to 48% as compared to EBITDA margins of 43.5% in Q3 FY '23. This shows a high level of operating leverage play in our company. We have witnessed margin improvement in comparison to the previous quarter, primarily due to operating leverage play resulting from increased revenues in this quarter.

On the capex front, our commercial production at our manufacturing facility at Panchla should commence from Q2 FY '24 onwards in a staggered manner. A few of the product lines will be operational by Q2 FY '24 and full commencement is expected by Q4 FY '24. The ramp-up of these facilities will take place in FY '25, our enthusiasm for the future growth opportunities brought forth by this expansion remains unwavering. This expansion will grant us access to previously unexplored markets and product categories, and we are fully prepared to establish a dominant presence in these markets as well.

Before handing over the call to Santosh, I would like to conclude that going ahead, our focus is on maximizing sustainable growth potential by making strategic investments in new product development, expanding our production capacity and diversifying across geographies. These initiatives are aimed at meeting the evolving demands of life science industry and ensuring our continued leadership position in our core markets.

With this, I would like to hand over the call to Mr. Santosh Agarwal, CFO for Tarsons, for his comments on the financial highlights.

Santosh Agarwal: Good afternoon, everyone, and a very warm welcome to our Q4 FY '23 earnings call. On the revenue front, if we talk about revenue from operations for Q4 FY '23 stood at INR82.1 crores as compared to INR84.9 crores in Q4 FY '22, lower by 3% on a Y-o-Y basis. When compared to Q3 FY '23, our revenue grew by 34%.

For FY '23, revenue from operations for FY '23 stood at INR283.2 crores as compared to INR300.8 crores in FY '22 a degrowth of 6%. For Q4 FY '23, revenue from export stood at INR25 crores and domestic at INR57.5 crores. For Q4 FY '23, exports stood at INR92.4 crores and domestic was INR191 crores. For Q4 FY '23, export sales contributed around 30% and domestic sales contributed around 70%. And for FY '23, export sales contributed around 33% and domestic sales contributed around 67%.

At the gross profit level, our gross profit for Q4 FY '23 stood at INR62 crores as compared to INR66 in Q4 FY '22. For FY '23 GP stood at INR218 crores as compared to INR238 crores in FY '22. Our GP margin for Q4 FY '23 stood at 75.2%, and for FY '23, GP margin stood at 77%.

At EBITDA level, EBITDA for Q4 FY '23 stood at INR39.3 crores as against INR44.3 crores in Q4 stood FY '22. EBITDA for FY '23 at INR130 crores as compared to INR153.7 crores in FY '22. EBITDA margin for Q4 FY '23 stood at 47.8%, and for FY '23, EBITDA margin stood at 45.8%. EBITDA margin went up by 400 basis points on a sequential basis.

Regarding PAT, PAT for Q4 FY '23 was INR23 crores with PAT margin of 27.8% and PAT for FY '23 was at INR81 crores with PAT margin of 28.5%.

We would like to highlight that cash flow from operating activities stood at INR100 crores, which is healthy conversion of profit to cash. Our PAT may be impacted in the next 1 or 2 years due to high depreciation charge on P&L on account of our expenses. What we are confident of is steady cash flow from operating activity going forward as well.

With this, I would like to open the floor for Q&A.

Moderator: Thank you. Our first question comes from Jaiveer Shekhawat with Ambit Capital.

Jaiveer Shekhawat: Rohan, firstly, my question is on the mandatory testing of cough syrup exports that we are seeing, which will kick in from 1st of June. So, have you seen any spurt in labware demand from government labs because of this? And are you also seeing your end customers top up inventory in anticipation of another possible COVID wave given the recent news in China?

Rohan Sehgal: Could you repeat the question? You were not very audible, Jaiveer?

Jaiveer Shekhawat: Yes. So one is, given that there has been mandatory testing of cough syrup exports, which will start from 1st of June, are you seeing any spurt in labware demand from government labs specifically and also across your end customers, is there stocking up of inventory happening given in anticipation of another possible COVID wave?

Rohan Sehgal: For this -- at this point of time, we don't hear or see anything. There's been no discussion about this in the labware market. So, things are as stable as what it was 2 or 3 months ago. So, nothing for now.

Jaiveer Shekhawat: Sure. And secondly, on your inventory days, if you could just reiterate what has led to the significant increase in inventory days? And what will be the breakup across raw material, work in progress and finished goods inventory?

Santosh Agarwal: Sure. Jaiveer, regarding the inventory, I would like to give a detailed clarification on that. For example, if we are talking about inventory, then raw material, the raw material has been increased from INR30 crores to INR42 crores on a year-to-year basis. The major reason for increasing raw material stock is first the imported medical grade resin has a long lead time. Second, duty wise and cost wise it is more viable to place full containers order.

Thirdly, recently raw material stock has been increased because of new product launches like PETG products. And the next one is to understand that we need to keep at least 4 months of stock as per our current scale. The raw material stock will be further optimized as we will reach to a higher level. So, this is related to raw material.

And then when we talk about finished goods and work in progress, our finished goods used to be about INR41 crores last year. And this year, we have touched about INR55 crores. The major reason for increasing finished goods is the fact that company needs to keep at least 3 months of finished goods considering 1700 SKU and current scale of operation. The company is continuously launching new products and sample stock need to be produced to get the sample and thus delivery. This is a sluggish process, which also needs to generate inventory.

Thirdly, company needs to utilize its constrained capacity for higher demand products on anticipation of bigger regular supply, which once received can create supply on times at that point of time. Some international customers leave the goods as per their requirement even though the good are ready. Then this extra inventory also produced in anticipation of periodic repair of moulds, machine and additional plants.

Apart from that, sometimes conversion time of semi-finished goods into finished goods also increase because of various reasons. Last but not the least, extra inventory also generates because of difference between minimum order quantity batch and the sales order price. This stock can be well optimized as we progress to towards the high inventory.

Rohan Sehgal: So basically, what's happening, Jaiveer, is that unlike most companies in Asia and in India, we are -- around 77% to 78% of our revenue comes from branded business and not from OEM or ODM business. So, we are not producing against orders, but we are producing for stock and then building our business through marketing channels. And as we build major projects, like, how we are building the PET and PETG bottle project now, which will be followed by cell culture and various other projects in our new facility, there would be a lot of inventory both in terms of raw material as well as finished products as we scale up those projects and start to see even more and more demand from the markets.

Jaiveer Shekhawat: Yes. That's very helpful. Now lastly, on your Panchla facility. One, what kind of revenue addition do you expect post phase 1 and full commissioning for the facility? And could you also update on the overall capex you have incurred across Panchla and Amta till date and how much is the remaining out of the INR500 crores capex guidance that you've given?

Santosh Agarwal: See, currently, we are doing about INR500 crores to INR550 crores of capex. And if you talk about Panchla, with the Panchla will be completed fully and we utilize the Panchla capacity facility fully. That will not happen immediately. That will happen over a course of time. We believe that the revenue from Panchla will be at least INR500 crores from Panchla itself. But that will take some time.

Jaiveer Shekhawat: Yes. And do you expect any revenue additions during this year itself from this new facility? What would be the quantum of that?

Rohan Sehgal: So, we expect that by August -- in the month of August, our first installations come in and we gradually ramp up until the end of the year. So, at this point of time, it's very difficult to give a number as to what would come. But we would have commercial production and products moving out right from the beginning of the end of Q2 or all the way up to Q3 and Q4, but I think over the next 8 to 9 months, we should have everything installed, what was planned in this phase of expansion. As you know that we would not be utilizing the complete space -- floor space in this facility in Panchla. And about 40% to 45% of infrastructure would be ready for further developments or further capex.

Moderator: Thank you. Our next question comes from Harsh with Kriis Portfolio. Please go ahead.

Harsh: Rohan, just a couple of questions. One is, we're seeing the industry is going under slowdown, last time also we had discussed. So are we seeing some improvement going forward like because the numbers this time look much better than what they were previously. So, do we see some positive traction happening on ground?

Rohan Sehgal: So, as I informed in some of our previous earnings calls as well, I think when -- during COVID when there was more demand and less supply, it was very easy for most of the brands in the market to make revenue or make business. But at this point of time, when the supply is more and the demand is less, we've been able to demonstrate a very strong performance because of our very strong positioning in key markets as well as our very strong brand recognition and brand recall.

So, I believe that even today, the market is recovering, I would not say that the position is as bad as what it was 6 months back. But it's not in the best place as well. The market is recovering, but we are -- but we would be leveraging our strength in certain core key markets, including India, India being the number 1 market and be able to generate better revenues than expected considering the market situation.

Harsh: Got it. And we had the earlier guidance of INR500 crores top line. So still considering that we are nearing our target date, do you think it's still achievable? Or considering the current slowdown, etcetera, we would need more time to hit that?

Rohan Sehgal: So, we have 2 full financial years now with FY '24 and FY '25, I think towards the end of this financial year, how -- where we'll land up, how the market moves, how the industry moves, we'd have a more clearer picture. But at this point of time, I wouldn't like to speak about those guidance. I'd like to see how the industry moves over the next 9 to 12 months and then we could probably take a call.

Moderator: Thank you. Our next question comes from Ankur Kumar with Alpha Capital. Please go ahead.

Ankur Kumar: Congrats for the improvement in numbers. Sir, my first question would be, then we have done capex and we also talked about higher depreciation charge. So, can you quantify, please, what -- how much will it be higher?

Santosh Agarwal: See, the depreciation will come as per the put to use of the asset, right. So, we are running -- as you already see, we are running with INR550 crores of capex. And as soon as the machinery, molds, everything comes to our factory, then we will do the installation and then it will be coming to the process. So as soon as the production will start, we will start deprecating those machinery and molds. In case of machinery and mold, the depreciation maybe 18%, and in case of building the depreciation rate is 10%. So, it is very difficult to give any numbers right now. It will happen once the productivity will happen.

Ankur Kumar: Got it, got it sir. And sir on margin side, we have seen improvement in this quarter. But overall, for FY '23, your margins are lower than the last year. So, any guidance as will see -- continue to see improvement? Can we go back to above 50-plus percent again or it will take time?

Rohan Sehgal: So, it's -- basically, as a company, just like most growing companies in India, our costs increased year-over-year because we have set of 700 people, and there are increments in compensation year-over-year. So, if you see that last year, we had done INR300 crores. This financial year, we did INR283 crores, but costs have sequentially increased in the company, right? So, the reason you see improvement in margins is because revenue showed up in Q4 FY '23. And with higher revenues, we were able to -- with the higher scale, we were able to compensate for those costs. So, moving forward, as we expect the scale of the company to grow more and more, costs would be consumed by this growing scale and margins should start looking better.

Santosh Agarwal: And in this kind of recessionary environment, when we are getting any kind of scale-up opportunity, even at a special price, we don't hesitate for that.

Ankur Kumar: Got it. And sir, also on the growth side, what kind of growth can we expect for this year?

Rohan Sehgal: So, I wouldn't again put a number on the growth. But we are preparing ourselves both in terms of market demand by boosting our marketing and sales teams. In terms of capacity, we are boosting up our capacity in big levels in our new facilities so that we are ready for large OEM customers internationally. And in terms of building our revenue, we are always in the hunt of strong inorganic acquisition opportunities to build our international sales in Europe, in the U.S. and other key geographies. So as a company we are preparing ourselves from all angles to be ready for the next phase of growth, and we will see how things move along.

Moderator: Thank you. Our next question comes from Jasdeep Valia with Stockline.

Jasdeep Valia: Sir, from our industry interactions, we hear that the significant amount of capacity has come up globally. Mostly all the players in this market globally have increased their capacity by 2x. So, do you see pressure on export margins going forward?

Rohan Sehgal: So just like how we have increased our capacities. many of the large key global players have also increased capacities. But I cannot confirm the number of 2x because I do not have data or information on that. But key players have increased capacities throughout the COVID pandemic and computing the capacities as we are competing today.

But I feel that it should not affect our margins drastically because we always played in a very value-concentrated markets internationally where we provided great value to customers, very, very high quality at significantly lower prices compared to large global MNCs.

So, we are currently not seeing any changes over the last 10 to 12 months in our export margins. And going forward, I think with improving product mix, having a larger basket to offer to our customers and having better capacities to be able to take on large-scale global OEM projects, I think we're in a very good position.

Jasdeep Valia: Got it. Sir, I'm getting on these capacities which came up globally, more significant capacity creation would have been related to COVID-related products, right?

Rohan Sehgal: Absolutely.

Jasdeep Valia: So, I just want to ask you whether these capacities are fungible. So, let's say, somebody builds capacity for COVID-related products, but can it be repurposed to produce something else now that the COVID demand is not there.

Rohan Sehgal: So, a facility generally consists of the building and then the clean room infrastructure and then the molds, machines and automation. So, the molds in the automation cannot be fungible. It's very, very -- it's used exactly for its purpose or its need. But the building, the clean room infrastructure and the machines probably can be fungible.

Santosh Agarwal: And we just wanted to add one more thing, that none of our capex are related to COVID kind of thing, right? We have done all this capex considering our conventional business. So maybe it can be the case that world market or other peers have invested a lot of money on COVID-related products, that is pure COVID. But in case of Tarsons, all our capex has been injected for COVID and non-COVID both products. But if COVID demand is not there, this product can be scattered to non-COVID areas.

Jasdeep Valia: Got it, sir. Got it. Sir, on cell culture products, do you already have a few contracts maybe on the export side, which would help you scale utilization to some minimum level when you start?

Rohan Sehgal: So basically, in our industry, it's very complicated and difficult, I would say, literally impossible to receive contracts unless the customer has the product in the hand. Because once the customer has the product in the hand -- by customer, I mean the importer or the large-scale OEM distributor, then he would distribute those product samples, which is large-scale sampling, to various key customers. And on their approval, will he sign a contract or will he decide to import basis that the pricing and the quality are matching as per expectations. So -- at this point, it's a very premature stage for any large-scale importer or OEM distributor to award us any contract without having any products in their hands.

Jasdeep Valia: Got it, sir. Got it. Sir, but scale-up of these cell culture facilities would be -- in the initial days will be more driven by exports or through scale up in domestic markets.

Rohan Sehgal: So, we build capacities and we build projects keeping our current state of affairs in India as well as internationally. So, we do not plan that we will sell this much in India and this much in overseas markets. But it's more of the branded distributors internationally, the branded customers in India, which is 100% of our business, and then trying to approach each large OEM opportunity as it comes.

Moderator: Thank you. Our next question comes from Karan Gupta with Varanium Capital. Please go ahead.

Karan Gupta: Sir, a couple of questions, starting with the year-on-year number -- whole year-on-year number and the margins. So, if you see the whole year-on-year numbers, just a slowdown and the profit margin -- the margin is also coming down. I'm a bit late to join the call. So, if can you just repeat the reasons for that?

Rohan Sehgal: So basically, we have a lot of fixed costs in the company, the major fixed cost being the compensation for all our employees, which grows sequentially on a year-on-year basis. So, if you see that costs have increased in terms of our fixed cost, but numbers have gone down, and that is one of the major reasons why our margins are down.

Santosh Agarwal: Just I wanted to give some data points. For example, in FY '20, our EBITDA margin was 39.4%. And FY '21, our EBITDA margin was 45.2%. In FY '22, because of higher product -- COVID-related product mix, we got 50.8% of EBITDA margin, but in FY '23, we reported 45.8% EBITDA margin, which is much higher than FY '20 and FY '21 numbers. So, we don't find any reason that our numbers are on a muted side. We are still -- looks good, and we are hopeful that we are able to maintain this kind of margin in the future.

Rohan Sehgal: So also, just to add to Santosh, we don't -- we have never ever done that in the past. We see no reason to do that considering our future business prospects as well. We will always increase cost year-over-year in terms of our people adding more people, increase of salaries. We don't do any layoffs. So, if revenue remains stable, costs will increase, so margins will decrease. We have to grow revenue year-over-year to be able to sustain margins.

Santosh Agarwal: So, there are -- some expenses there, which you see in the P&L account. It looks like it is a cost. But for us, it is more like investment.

Karan Gupta: Okay. Fair enough. Fair enough. Just confirming business, you have consumables, reusables and 5% other revenue segment. So, did you think given the more margin approaching segment in consumable or reusables?

Santosh Agarwal: Reusable and consumables have equal amount -- more or less equal kind of margin.

Karan Gupta: Okay. We are focusing on EBIT segment more or having more capex increase...

Rohan Sehgal: The line is not clear. I think you'll have to mute yourself before speaking.

Karan Gupta: Yes, yes. It's now clear?

Rohan Sehgal: So, there's background noise. So, we can't hear you very well.

Karan Gupta: Okay. Just a minute. Yes, sir I was asking the consumables and reusables segment, we have 56% and around 39%. So which segment we are focusing on further, consumables or reusables?

Rohan Sehgal: We are focusing on new segments. We build products and projects based on market demand. And we are not very concerned with those ratios of what the renewable or consumables segment offers to our total revenue.

Moderator: Our next question comes from Omkar Kamtekar with Bonanza Portfolio. Please go ahead.

Omkar Kamtekar: So, first question, what I would want to ask is – just a clarification actually. The Panchla plant that is going to be coming online, so you had said earlier in the call that this plant will contribute additionally INR500 crores at full capacity or which will help us reach the INR500 crores top line target? Just a clarification on that first.

Rohan Sehgal: So basically, the Panchla facility has the capability to produce INR500 crores on its own. But as I have said in calls, that we are just utilizing about half or a little more than half the facility.

There is more half more infrastructure available for further machines and molds for which the capex – current capex of INR500 crores to INR550 crores is not accounted for. So, in earlier calls also, we have mentioned that we are building a larger infrastructure but utilizing only a portion of that infrastructure currently. So, if Panchla is built completely, it has the capability of utilizing – generating that kind of revenue.

Omkar Kamtekar: Okay. Okay. And does this facility also provide us any backward integration benefits or anything of that sort?

Rohan Sehgal: No, no benefits of – in terms of back of integration.

Omkar Kamtekar: Okay, okay. So next, what I would want to ask is with respect to the export opportunity size, can you give us some colour on that? What would be the approximate size of this export opportunity and the areas where this would be focused?

Rohan Sehgal: So as for the data available, the global research data, what we have is about an $8 billion market. Which translates to somewhere around INR60,000-odd crores. Major markets are the Western countries of Europe, 6 to 7 countries in the United States of America, Canada and China and Japan. However, there are multiple number of players available in these markets, multiple strong legacy brands available in these markets.

So, our focus and our strategy would be to develop strong OEM relationships in developed countries where brand plays a very strong role and to build a good, branded position in developing countries where there is availability of -- there is a possibility of new brands entering because today in branded markets of U.S.A. and Germany, France, U.K. it's very difficult for unknown Asian brands to go and make a branded presence.

Omkar Kamtekar: Okay. So, any specific area that we're targeting in the export market or we are giving blanket approach all areas?

Rohan Sehgal: We've always traditionally been stronger in Europe and the U.S. and some key geographies in Asia. We'll continue to leverage our strength in these economies as we get a higher bigger product portfolio. And as I said earlier, we'll always look for inorganic acquisition opportunities to further strengthen our position in these markets. And we will start trying to increase our presence in Middle East, Africa, Latin America, where we are not as strong as compared to these other geographies.

Omkar Kamtekar: Okay, okay. And finally, with respect to the network expansion within the country. What has been the number of -- what is the total increase in the network dealers and etcetera? Could you give us a number on that?

Rohan Sehgal: Our focus is always to increase the number of people so that all the areas are well catered to rather than increase the number of channel partners or distributors because we don't try to create confusion in the market by having more people and people not knowing who to buy from. So, we have a very well-established channel network. And unless something untoward or unforeseen happens, we generally do not like to tamper with our channel network. We try and build a team so that most areas, most new product lines, most customer bases are covered. That's what we'll endeavour.

Moderator: Our next question comes from Amit Kumar with Determined Investments. Please go ahead.

Amit Kumar: Just one question actually. You have a good presence in the Middle East region as well. As an export market, how is that going for you? And what are the opportunities there? Just sort of provide an update last year.

Rohan Sehgal: We have a growing presence in the Middle East. I wouldn't say that we have a very strong or dominant position in the Middle East. The Middle East market is very different compared to the other markets globally. It is more tender-driven, more inquiry-focused rather than stocking-focused where distributors buy stocks and promote products. So, we take each geography and each market along with its -- how that market functions.

So, I feel that the Middle Eastern market was always very brand conscious 10, 15 years ago and always relied on high-quality European and American brands and not trust a lot of the Asian brands. But that trend is fast changing, and we are looking to grow in these markets, specifically UAE, Saudi Arabia, Jordan, Turkey and so on. And it's been a fairly a good growth market for us, but we are still to reach our full potential.

Amit Kumar: And just one sort of small follow-up. What would have been the Middle East contribution to your revenue for FY '23.

Rohan Sehgal: I won't have the numbers at the back of my head, but very negligible. I don't think less than 2%, 3% maybe, but I don't have numbers at the back of my head. I cannot give you an identical number.

Amit Kumar: Okay. 3%, you said.

Rohan Sehgal: Would be 3% or lower as per my belief, I don't have numbers, though.

Moderator: Our next question comes from Ankur Kumar with Alpha Capital. Please go ahead.

Ankur Kumar: Sir, a couple of questions. On pricing side, how often do we take a price increase? And what is the procedure on that front, sir?

Rohan Sehgal: Generally, we take price increases annually in the domestic market. And the procedure for that is that we sit down with our cost department and see where we stand in terms of cost versus the previous year. And when we sit with our marketing and sales team to understand what sort of a price can the market absorb based on market conditions. That's the procedure we follow in the domestic market.

We follow similar procedures in the international market. But very difficult to get any price increases internationally because the markets are more competitive, and everybody is aware that the currency keeps depreciating, the Indian rupee against the U.S. dollar. So, it's very difficult to be able to get a price increase Y-o-Y internationally.

Ankur Kumar: So, on the domestic side, have we taken any price increase in this calendar year?

Rohan Sehgal: We have taken a very moderate and very small price increase, different price increases across the board because we have 1,700 SKUs. But as explained, price increases don't get 100% implemented on day 1 of announcing the price increase because there are lots of contracts which may not be expiring exactly on the date of price increase. So, we would have to honour those contracts. And especially government and semi-government contracts, very difficult to induce those price increases unless it reaches the expiry.

Ankur Kumar: Got it, sir. And sir, on our total revenue side, how much will be like replacement demand? And how much is like new demand?

Rohan Sehgal: Basically, in India, new demand would always generally be for newer products, and most of the standard products will be replacement demand. There are far and few, there could be new avenues, new areas, new laboratories opening up, pharma companies or biotech companies having new projects, new contracts, CROs having new contracts. That could be a very small portion of the revenue. But generally, for existing products, it's mostly replacement demand, and newer demand as we try and gain market share from our competitors as we get into newer product mix.

Ankur Kumar: So, like, let's say, INR283 crores of revenue of this quarter would be like 70%, 80% would be like replacement demand?

Rohan Sehgal: I believe so, maybe even more.

Moderator: Our next question comes from Harsh with Marcellus Investment Managers. Please go ahead.

Harsh: Rohan, first question would be if you could help us with the outlook for each of the segments that we cater to, that is diagnostic, research and pharma, academia, biotech?

Rohan Sehgal: So, I think in terms of outlook, diagnostics still looks like an area where there's a significant amount of pressure in terms of sourcing because there is pressure internally in the diagnostics industry, and they look for cost cutting or lower-priced products or there's significant demand erosion in the diagnostic space. In terms of academia and research, I think funds are not exactly where it was supposed to be. There is a reduction in government available funds for research and development.

And I think the pharma segment looks more or less stable, and the biotech CRO space looks poised for very, very -- it's growing at good numbers and should continue to grow at good numbers. In the diagnostic space, demand from diagnostic equipment manufacturing -- the diagnostic equipment manufacturers continues to be good. When I say that there is issues in the diagnostic sector, it's more on the diagnostic testing companies.

Harsh: Okay. So, the sequential growth that we saw on a Q-o-Q basis, where did that come from? Because diagnostic, academia, both of them are not firing off and pharma is sort of stable?

Rohan Sehgal: Mainly from pharma, from biotech, from CROs, pharma is stable. It's not shown the kind of growth that the other industries which are growing well have shown, but there was a lot of lack of revenues from pharma as there were a lot of shutdowns and so on during the COVID pandemic period. So that's recovering. But still better numbers to be expected from pharma, and we are happy to see the kind of outlook that we see from biotech and from CROs and from biopharma companies, but not from the traditional pharma.

Santosh Agarwal: And just to add, our dependence on diagnostic is not more than 15%. So, although diagnostic sector is getting some kind of crushing business, but it is not giving us much pain. But of course, we are losing some revenue, but we are also getting good revenue in research segment and in the pharma segment.

Rohan Sehgal: But we are optimistic of gaining our diagnostic business or reaching better numbers than what we see today in medium term. So, from our side, we don't see any alarm. We see that the way the industry is moving, we are moving in a very, very strong position domestically, and we continue to build on this trend as the industry progresses in India.

Harsh: Okay, okay. And second question was on new products. So, if you could just quantify the revenue from new products, especially from PCR, PETG, and serological pipettes? And how much of this last quarter?

Rohan Sehgal: So, I don't have data available on hand for new products at this point of time. Serological pipettes has shown a significant increase because of very low base of traded numbers, I think we've grown by more than 200% this year, but the numbers are very low. But we expect to continue growing at very, very strong digits, maybe 40%, 50%, 60% over the next 2, 3 years until we reach a sizable base and then the growth numbers slow down. PCR products, of course, has been a big slowdown because of a lot of COVID-related testing completely vanishing over this last 10 to 12 months. And PET, PETG bottles, we've seen some revenues trickling in, very, very low revenues in Q4 FY '23.

And moving forward, I think over the 2 quarters also, we would see a lot of trials and large run batches being sent to key customers, but we see a huge revenue pickup for PET and PETG bottles in this financial year.

Santosh Agarwal: So, Harsh, whenever we launch any new products. The process is always lengthy, always it goes through different kind of validation, approval, and the initial orders will be very low and then they are satisfied -- then they start giving the bulk orders.

Rohan Sehgal: Specifically for the product now because serological pipettes, as you see was a very quick revenue product because it's used in the lab, very similar to our current products like pipettes, tubes. But the moment you look at PET and PETG bottle cell culture are used in production in biopharma production or for growing of cells or for vaccine production. This requires some amount of testing and some amount of validation.

Harsh Shah: Okay. Got it. And last question, we have around INR60 crores of cash on the books. However, we have also taken a debt of around INR110 crores. So, what is the reason for this because we could have taken a lower amount of debt and maybe you will utilize cash for that?

Santosh Agarwal: Harsh, whatever cash amount you are seeing in our balance sheet, that is more related to Panchla IPO proceeds which we can only use for the civil construction whenever the payment will be due. Apart from that, all machine and molds, we have taken the term loans. So that loan is reflected on current liability.

Harsh Shah: Okay. So, if you have cash of Panchla, I can also see like INR80 crores of long-term debt and that might also be for Panchla. so.

Santosh Agarwal: That is related to Panchla, but that is not related to building and civil. That is related to machine and mold.

Harsh Shah: Okay. So, the use is different, basically.

Rohan Sehgal: So basically, when we had reduced the primary capital during the IPO, we had certified. We have basically given the reason for what we needed, and we've earmarked those funds for those reasons as well. But otherwise, it's very complicated to mix around the funding.

Santosh Agarwal: So, we received INR62 crores from the IPO proceeds that is only reserved for civil construction fund. So whatever machine and molds and other things we are investing, that we are taking term loans from the bank.

Moderator: Our next question comes from Anik Mitra with Finartha. Please go ahead.

Anik Mitra: My first question is, what is the average life cycle of your products? I understand that you have 1,600 SKUs. Considering that, like, what would be the average life cycle of your products? And what is the contribution of repeat orders in your revenue?

Rohan Sehgal: So, by life cycle, you mean the consumption, like how quick is the consumption and reordering? Or how -- what is the duration of the product before it discontinued?

Anik Mitra: Yes, sir. What is the life cycle of a product means how long our product is durable, when the repeat order comes, after how many periods of time?

Rohan Sehgal: It depends on the product. We have reusables, which the name suggests can be reused. So, depending on the laboratory and depending on the user, you can choose to reuse it again and again until the product cannot be used further and then will place an order again with us. That could range from a few days to a few weeks to a few months. Consumables, as the name suggests, are consumed and therefore single use plastics.

And generally, for high-pressure laboratories, where there's a lot of research, a lot of testing, a lot of work going on. Large volumes of consumables are bought at a periodic basis, and that would be weekly, that could be once in a few weeks. So, it also depends on the stocking capabilities. Some people buy just in time where they buy only the amount they need, and some people buy for a few weeks of inventory.

Customers also pick up inventory because they may have a good foresight as to how much of a product or how much of consumables, they may need over the next 2, 3 weeks. So, it's more on the ordering pattern, but as the name suggests, consumables are single-use and reusable can be used again.

Anik Mitra: Got it. Sir, my next question is, what is the -- like if you can give some guideline in terms of your FY '24 revenue and FY '25 revenue?

Rohan Sehgal: No. We aren't in a position to offer any guidelines in terms of percentage or numbers. But as I said earlier in my -- in one of the earlier questions that we positioning ourselves from all fronts in terms of marketing & sales activities, in terms of capex for capacity expansion as well as the evaluation of inorganic opportunities to boost our sales further in the international market. So, from all angles, we are trying to prepare ourselves to position our company for the best growth possible. But it won't be possible to give a number or a percentage.

Moderator: Our next question comes from Omkar Kamtekar with Bonanza Portfolio.

Omkar Kamtekar: So, 2 things. Firstly, what I would want to like to know is as a company, what kind of a competitive advantage do we have? So, do we have a pricing power competitive advantage or a product side competitive advantage?

Rohan Sehgal: So, I think we have both in its own way. We are not the cheapest brand in the market or the lowest-priced brand, but we are very well priced based on our cost-to-quality ratio. So, we offer very fair pricing for the quality we deliver. And we have a very, very strong product advantage. I believe that we build one of the most consistent quality products available, manufactured in India for India.

Omkar Kamtekar: Okay. And with respect to the debt. So – as I can see, there is INR80 crores debt that has been taken. So, with respect to further expansion line, will this number increase? Or is this going to be INR80 crores because...

Rohan Sehgal: See, there could be a possibility of the numbers increasing slightly, but at very, very comfortable levels compared to our earnings.

Omkar Kamtekar: Okay. And are we looking at any inorganic expansion opportunities?

Rohan Sehgal: We've been constatntly exploring internationally at opportunities which can help boost our revenue, our capacities and build a more stronger and closer relationships in the international markets. And we continue to do so. And whenever the right opportunity comes, we would definitely go for it. But we are in active lookouts for the same.

Moderator: Our next question comes from Sandeep Abhange with LKP Securities Limited. Please go ahead.

Sandeep Abhange: This is Sandeep Abhange from LKP Securities. So, I had a few questions on the overall industry growth in terms of your categories, like consumables. In consumables, also, you're present in centrifuge, cryogenic etcetera. So, the kind of growth rates we're expecting in your product categories back in 2020, which was somewhere around like 12% to 15% until FY '25. What kind of growth guidance in terms of industry you would give in terms of your product category in which you are present like consumables, reusables as well as PCR and cell culture?

Rohan Sehgal: So, the growth guidance that we gave for the industry was based on published data. So, I'm not an expert in actually building industry data globally. But all I can say is that the growth which you see -- which you saw 12% to 15%, was basically growth which continued for various reasons. It was not primarily related to the pandemic. In the pandemic, the growth for this industry was definitely not 12%, was much higher than 12%.

But what I can tell you is that all our products are used for building of new molecules, newer technologies, newer health-related opportunities. And this segment is always going to be a very strong segment internationally as well as in India, and it's going to be a segment of great importance, there could be a minor blip where there was a huge growth in COVID and now the industry is trying to recover from those 2 very, very strong years of COVID. But in the medium term, I would see this as a very, very favourable industry poised for very, very strong growth because this industry is one of the most important, talked about aspects internationally. In terms of vaccines, in terms of health, in terms of eradication of diseases and so on.

Santosh Agarwal: And just to add for examples, in case of consumables our revenue percentage is about 56%. But over the year, if you see the last 4 years, the Tarsons' revenue has been increasing with a CAGR of 17.2%, right, which is much higher than the industry growth rate.

Sandeep Abhange: Right. And in terms of market share, like have you experienced any increase in market share over the course of last 2 quarters in terms of your product categories like consumables, reusables, cetera?

Rohan Sehgal: So again, we don't have published data year-over-year, but what we understand from the industry, especially here in India, what we are seeing from distributor stock houses, what we see from key end users, we believe that we are growing at a slightly better pace than the industry, which was always the case with Tarsons over the last 1.5 decades. So, we're maintaining that momentum and being able to outperform the industry once again.

Moderator: Sandeep sorry, but your voice is not audible. Sandeep, are you there? No Sandeep, we are still not able to hear you. We can only hear your voices. We move on to our next question, which is from the line of Sundar with Avendus Spark. Please go ahead.

Sundar: A couple of questions. The first one is on the delay in commencement. You've given in the press release that there is a delay in the utilization of effective proceeds towards construction of the Panchla facility. Why has this been a delay? And are we in line to commence it within the next 6 months?

Rohan Sehgal: Yes, I think the facility would be commenced in the next 6 months. So, a lot of construction-based activities of the entire building, as I've been saying in my earlier calls, has been completed since the last 4 or 5 months. So, the civil portion has been all completed on or before time at Panchla. But there have been delays in a lot of molds, machines and automation coming in because of the situation in the United States and Europe. It's not being the best of situations out there. They have been delays.

And so, there's a lot of ancillary construction activities related to these molds, machines and equipment coming in, and hence, the slight delay. So, in terms of placing the orders in terms of -- whatever was in our control in our hands was completed on time or before time. But we -- as I said earlier, we hope to see production being commenced in the end of Q2, and we expect a complete installation of all capacities and all new product lines over the next 8 to 9 months or whatever was planned in this INR500 crores to INR550 crores for Panchla.

Sundar: Right. Because the revised date as per the press release dates, it's on 31st of January 2024, but you confidently comments much better for that, right?

Rohan Sehgal: So, it should commence at the end of Q2. We should have -- we expect machinery and equipment coming in over the next 8-odd weeks and then there would be trial runs and so on, and we expect production will start by end of Q2, but there are various machines. It's not just one set of machines, there are various machines. So, by the time everything comes and everything gets commenced, we expect that everything should be up and ready. I'm not talking about ramp-up. But I'm asking that -- I'm just telling you that whatever -- this plant should be installed and ready in our facility over the next 8 to 9 months.

Sundar: 8 to 9 weeks or 9 months?

Rohan Sehgal: Months, not weeks.

Sundar: Okay. Sure. Perfect. And one last one is in terms of the cell culture products. How many products do we have on sales today? And what is the progress of the new product lines coming in from the cell culture?

Rohan Sehgal: So, for cell culture, we have a traded product line at this point of time where we're buying in our brand and selling. But we don't have any manufactured product line on sale. And it's multiple SKUs. I won't know exactly the number of SKUs, but it could run into a few hundred numbers of SKUs, which we would be developing. And it will be available for sale.

Sundar: I presume it should be available for sale as and when the new facilities are up and running in the next 8 months.

Rohan Sehgal: As and when new facilities and as and when the SKUs are going to be ready. So, all 100 will not be ready together. They cannot have the same delivery date or the same commencement date. So as and when, which -- the SKUs will be ready, they will be available for sale.

Sundar: Perfect. And that's it from my side. I think that was the last question. And I hand it over to Rohan for closing comments. Thank you.

Rohan Sehgal: I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on a regular basis for incremental updates on your company. I hope we have been able to address all your queries. For any information kindly get in touch with us or strategic growth advisers, our investor relation advisers. Thank you once again.

Moderator: Thank you. On behalf of Tarsons Products Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.