An ISO 9001 & ISO 13485 Certified Company

Date – 20th February, 2025

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

**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 17th February, 2025, please find enclosed herewith the transcripts of the Investor Conference Call held on Monday, 17th February, 2025, to discuss the financial and operational performance/Unaudited Financial Results (Consolidated & Standalone) of the Company for the third quarter and nine months ended 31st December, 2024.

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**

SANTOSH KUMAR AGARWAL

Digitally signed by SANTOSH KUMAR AGARWAL
Date: 2025.02.20 15:45:54 +05'30'

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

*Encl: As above*

# "Tarsons Products Limited
# 3QFY25 Earnings Conference Call"
# February 17, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th February 2025 will prevail.

**MANAGEMENT:** **MR. ARYAN SEHGAL – PROMOTOR AND WHOLE TIME DIRECTOR – TARSONS PRODUCTS LIMITED**
**MR. SANTOSH AGARWAL – CHIEF FINANCIAL OFFICER – TARSONS PRODUCTS LIMITED**

**MODERATOR:** **MR. SAMARTH AGRAWAL – AMBIT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to Tarsons Products Limited Q3FY25 Earnings Call hosted by Ambit Capital Limited. 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 star then zero on your touchtone phone. Please note that this conference call is being recorded.

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 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.

I now hand the conference over to Mr. Samarth Agrawal from Ambit Capital.

**Samarth Agrawal:** Good afternoon, everyone. On behalf of Ambit Capital, I welcome you all to Tarsons Products 3QFY25 Earnings Conference Call. From the management today, we have Mr. Aryan Sehgal, Promotor and Whole-time Director; and Mr. Santosh Agarwal, the CFO. Now without further ado, I would now request Aryan to start with his opening remarks, post which we can open the floor for Q&A. Thanks, and over to you, Aryan.

**Aryan Sehgal:** Thanks. Good afternoon, everyone. I'm delighted to welcome you to Tarsons Products Limited Earnings Conference Call for the 3Q and 9 months ended December 31, 2024. Joining me on today's call are Mr. Santosh Agarwal, CFO for Tarsons, along with SGA, our Investor Relations advisors.

We have uploaded our quarterly investor presentation to the stock exchanges and the company's website, and I hope everyone had the chance to review it. We have achieved robust financial performance surpassing industry growth. This success is driven by our strong brand equity, extensive distribution network and unwavering commitment to quality.

For the third quarter, our stand-alone revenues reached INR 76.2 crores compared to INR 61.8 crores in the third quarter last year, resulting in a growth of 23.3% year-over-year, fueled by strong demand in both the domestic and international markets and across key product categories. Additionally, for the 9 months ended 31st December 2024, our total revenue amounted to INR 221 crores, reflecting a 16% year-over-year increase, showcasing our ongoing efforts to strengthen our market position and leadership.

Our performance over the quarters demonstrates a steady recovery in demand, enhancing our confidence in sustained growth for the years ahead. The labware industry continues to present significant opportunities with demand remaining robust due to increasing research activities in the life science, biotechnology and health care. Furthermore, the ongoing expansion in testing and research applications is driving the need for high-quality lab consumables. Additionally, the focused emphasis on molecular biology and genetic research is fueling long-term demand for labware products.

Tarsons is well positioned to capitalize on this opportunity with its diverse product range and trusted brand across markets. The global plastic labware industry is valued at approximately INR 50,000 crores, and we currently represent only a small portion of this market. This presents a significant opportunity for us to expand our reach and tap into unexplored markets, ultimately increasing our revenue and profitability.

We are actively seeking ways to enhance our international presence, aiming to boost our overall overseas revenue. To support this, we have been actively participating in various international trade fairs to better understand the need of potential customers and target new regions. These events provide us with a valuable platform to showcase the range, durability, variety and exceptional quality of our products to prospective clients.

Additionally, we are strengthening our distribution network in international markets to solidify our foothold in these regions. With the addition of the new cell culture and bioprocess product portfolio, we are well positioned to serve a broader audience, while maintaining our cost competitiveness. We remain optimistic about the positive engagement and new inquiries generated through these exhibitions.

Although the order conversion may take time, these interactions have produced valuable leads that we believe will contribute to our long-term business growth. During the third quarter, our exports have also shown impressive growth of 50.4% year-on-year at a stand-alone level. This reflects positive momentum indicative of industry revival and reinforces our confidence in our potential for future growth on account of Tarsons' extensive product profile and strong brand.

Our Panchla facility is progressing as planned, and we have commenced commercial production for certain products with full ramp-up of the facility anticipated in the first half of the next fiscal year. This expansion enables us to meet rising demand while enhancing cost efficiencies. We remain focused on automation and process optimization to improve product scalability and uphold our high-quality standards.

As we ramp up the Panchla plant, we also expect a quicker absorption of the fixed costs, resulting in improved operating margins moving forward. The new facility will strengthen our capacity to engage in large RFQs, broadening our customer base in both the domestic and overseas markets.

Looking ahead, we remain committed to our strategy of expanding our footprint in domestic market by acquiring new clients, launching new products and increasing revenue share among existing customers, exploring opportunities to strengthen our presence in the overseas market through branded and ODM sales, enhancing profitability by increasing automation and improving operational efficiencies.

With this, I now request Santosh for his comments on the financial highlights.

**Santosh Agarwal:** Good afternoon, everyone, and a very warm welcome to our Q3 and 9-month FY '25 earnings call. On a quarterly basis, the stand-alone revenue from operations for Q3 FY '25 reached INR 76.2 crores, reflecting a 23.3% increase year-on-year compared to INR 61.8 crores in Q3 FY '24. We are pleased to announce that this marks the highest ever revenue recorded in quarter 3 in the history of Tarsons. Our consolidated revenue from operations for Q3 FY '25 was INR 95.7 crores with revenue from Nerbe for Q3 FY '25 amounting to INR 19.5 crores.

On a consolidated basis, revenue from operation was INR 42.6 crores, while domestic revenue was INR 53 crores. Our stand-alone EBITDA for Q3 FY '25 was INR 27.9 crores compared to INR 22.9 crores in Q3 FY'24. This is reflecting a growth of 21.9% year-on-year. Stand-alone EBITDA margin for Q3 FY '25 is 36.7%, down from 37% in Q3 FY '24, a decrease of 30 basis points.

Our consolidated EBITDA for Q3 FY '25 was INR 29.6 crores with EBITDA margin of 31%. The margin at a consol level are lower due to Nerbe being a trading entity with a lower margin profile. Stand-alone profit after tax for Q3 FY '25 was INR 7.6 crores with a PAT margin of 10%, while consolidated profit after tax for Q3 FY '25 was INR 5.3 crores with a PAT margin of 5.5%.

The decline in PAT margin for Q3 FY '25 was primarily due to a higher depreciation charge resulting from capitalization of asset at Panchla plant. In Q3 FY '25 total depreciation for Panchla was INR 5.5 crores, against which revenue will begin to materialize in the following quarter.

The stand-alone cash PAT for Q3 FY '25 was INR 23.2 crores compared to INR 20.1 crores in Q3 FY '24. This is marking a growth of 15.4% year-on-year. When we talk about the 9-month basis result, stand-alone revenue from operations for 9 months FY '25 reached to INR 221.1 crores, reflecting 16% year-on-year compared to INR 190.7 crores in 9 months FY '24.

This marks the highest 9-month revenue ever achieved by Tarsons. Our consolidated revenue from operations for 9 months FY '25 amounted to INR 279.7 crores. Revenue from Nerbe for 9 months FY '25 was INR 58.5 crores consolidated from 1st January 2024. For 9 months FY '25 on a consol basis, revenue from overseas was INR 131.5 crores, while domestic revenue stood at INR 148.2 crores.

Our standalone adjusted EBITDA for 9 months FY '25 INR 77.7 crores compared to INR 72.4 crores in 9 months FY '24. The stand-alone adjusted EBITDA margin for 9 months FY '25 was 35.2%. Stand-alone PAT for 9 months FY '25 was INR 27 crores, with a PAT margin of 12.2%, while consol PAT for 9 months FY '25 was INR 19.6 crores with a PAT margin of 7%.

The stand-alone PAT margin for Q3 FY '25 declined primarily due to higher depreciation charge, resulting from capitalization of asset at Panchla plant. Total stand-alone depreciation for 9 month FY '25 was INR 36.5 crores, out of which depreciation for Panchla accounted for INR 8.32 crores, against which revenue are expected to materialize in subsequent quarter.

As Aryan already mentioned, the Panchla plant begin to ramp up, we anticipate a quicker absorption of this cost leading to improved operating margin moving forward. Stand-alone cash PAT for 9 months FY '25 was INR 63.5 crores compared to INR 60.5 crores as we reported in 9 months FY '24, marking a growth of 4.9% year-on-year. The consol net debt as on 31st December stands at INR 277.9 crores. With this, I would like to open the floor for Q&A.

**Moderator:** We'll take our first question from the line of Jatin Chawla from RTL Investments.

**Jatin Chawla:** My first question is, you said Panchla depreciation for this quarter was about INR5.5 crores. Now as you scale up production, where do you see this depreciation number stabilizing on a quarterly basis, once your entire capex at that plant is done?

**Santosh Agarwal:** I think our depreciation number will stabilize by FY '26 because there's -- some more machinery are going to be capitalized and some more machinery are already in a CWIP so we think that our depreciation will be at its peak by FY '26.

**Jatin Chawla:** And what would be the peak number roughly be?

**Santosh Agarwal:** We don't have the exact number on the back of our mind, but we don't think that our depreciation number will go beyond INR 60 crores range.

**Jatin Chawla:** So total, you're saying across all plants, the max depreciation, you expect is about INR 60 crores? But you are already at a quarterly run rate of INR 15 crores, and you are saying it will go up, then how come INR 60 crores will be the max?

**Santosh Agarwal:** Because we are following the written down value method. And as we move forward, the existing machineries will generate lower depreciation. So we think that on a yearly basis, our depreciation will be in the range of INR 60 crores to INR 65 crores, not more than that.

**Jatin Chawla:** Understood. Understood. When I look at your PAT margin, ignoring the COVID phase, if you look at the pre-COVID phase, you were at about 20%. Right now, you're at about 10%. So in the next 2, 3 years, as the Panchla facility ramps up, do you see a path back to that 20% PAT margin in the standalone entity?

**Santosh Agarwal:** Yes, we think so. The reason is that currently, our PAT margin is affected by 2 components. One is the interest component and second one is the depreciation component. So we think that from FY '27, the interest component and the depreciation component will go down further. And we can see our PAT margin in the range of 18% to 20% again from FY '27 to FY '28.

**Aryan Sehgal:** So if you look at our numbers -- if you look at our historical numbers pre-COVID, the 2017, '18, '19 numbers was when the depreciation levels were lower, so was the interest levels. But '13, '14, '15 was the reverse. There was the PAT margins were lower because the interest and the depreciation levels were also high. So I think fundamentally, we should expect EBITDA to be at around 40% levels.

And as we can tone down the interest levels and ensure depreciation levels, we don't have a lot of new expansion. We can look at about 40% EBITDA levels and above on an annual basis, once Panchla has stabilized.

**Jatin Chawla:** Got it. And you spoke about the fact that with the Panchla plant, there will be some enhanced cost efficiencies. So what sort of incremental cost efficiency do you expect from this plant versus your existing plants?

**Aryan Sehgal:** What we expect is basically the plants here are more automated. So I think by the end of it, when we run these plants to full efficiency, I think the number of people to revenue should be lower, as compared to our current plants. And we're also building our own radiation plant. So this facility would completely have 100% radiated products, as compared to other facilities, which have some radiated and some non-radiated products. So with radiation coming in-house, I think at that scale, we should be able to have some cost benefits.

**Moderator:** We'll take our next question from the line of Jasdeep Walia from Clockvine Capital.

**Jasdeep Walia:** Sir, now it's been around 1 year since you acquired Nerbe, but in the last 4 quarters, we have seen flattish kind of revenue. It's at around INR19 crores per quarter. So what is the reason why Nerbe is not growing? That's my first question.

**Aryan Sehgal:** So the reason is Nerbe has remained relatively flat, which is a pretty strong performance as compared to the labware market at this point in Europe because Nerbe's revenues are not really anywhere outside Europe. It's mainly in Germany and some key countries of the European Union. So 5 or 6 major countries of EU. And if you look at comparative sales data of smaller, middle-sized, larger companies in Europe, things have still been on a declining -- an improving declining trend, but a declining trend.

So FY '22 was a big decline, '23 was a decline, but better than '22 and '24 was a decline as well, considering the 2 financial years, January to December and Nerbe has done pretty well on a relative basis at this point of time. And I believe that with our new facility, when we inject newer products into Nerbe, Nerbe's revenue should start showing good growth in the second half of this year and moving forward beyond that.

**Jasdeep Walia:** Got it, sir. Sir, has your stand-alone exposed business got some benefits out of this acquisition? Or as of now, there are no benefits that you can attribute to Nerbe?

**Aryan Sehgal:** At this point, no, because we're looking to first stabilize what we are trying to build internally in the company. Both these facilities, the other one is primarily just a radiation plant and storage. But both these facilities are quite large facilities in terms of capex, infrastructure spend and size for a company of our size. So at this point, we'd like to spend the next few months completely trying to stabilize and streamline what we've built here and then use this infrastructure to be able to build Nerbe.

**Jasdeep Walia:** Got it, sir. Got it. And sir, can you give us some color on what has driven exports numbers for you in the last 2 quarters? Are these export sales on account of the business you're getting from large brands like Avantor and some other brands you mentioned in your presentation? Or these are more directed towards, let's say, small distributors who are, let's say, white labeling your product and selling it in the U.S. and Europe?

**Aryan Sehgal:** It's a mix of everything actually. It's a mix of larger distributors, smaller distributors. It's better realizations because of the falling rupee. It's also better shipping conditions. I've mentioned this in our calls earlier that looking at overseas revenue annually is a better indicator than quarterly because a lot of things are out of our control.

We could have a bad quarter, we could have a good quarter, and that could not correlate to the kind of business what we are doing with our partners or customers at that point of time.

**Jasdeep Walia:** Got it, sir. Got it. And sir, you mentioned that your operating margins are set to increase going forward. But I would imagine since such a large facility has been commissioned, won't your operating expense grow for 2, 3 more quarters and then maybe margin expansion can start reflecting in your numbers...

**Aryan Sehgal:** Yes, absolutely. I think we've spent 9 months spending a lot of money in our current facility -- in our current new facilities, which have generated no revenue. But in the last 2, 3 months, we've started generating some small very, very small minimal revenues, which are more trial runs and some commercial production and orders. But I think we would need to -- because Panchla facility and the other facility already have certain fixed costs without being able to give back too much in return in terms of revenue.

So it's got fixed costs, it's got depreciation. So it's got costs. The depreciation in Panchla has come before the revenue. And that's pretty much how it always has been with most of our newer projects. So it could be -- I cannot pinpoint on a particular time line, but definitely, I think 2 or 3 quarters still there's a complete ramp-up and then slowly, the margins should just keep looking upwards quarter-by-quarter.

**Jasdeep Walia:** So I was talking more about EBITDA margins, not the PAT margin. So at EBITDA, you won't have any ...

**Aryan Sehgal:** At operating margins as well because today, we are paying a lot of cost on a monthly basis and our new facilities without generating revenue. So that's impacting the EBITDA or the operating margin.

**Jasdeep Walia:** Got it, sir. So you've commissioned some of the cell culture lines, I believe...

**Aryan Sehgal:** No, we have not commissioned any of the cell culture lines, but we've commissioned some of the bottles and some of the bioprocess bottle lines. Cell culture is getting commissioned as we speak, but not commercially available for now.

**Jasdeep Walia:** Got it. So broadly, no trials have been done for these cell culture products as of now. So first, the facility will commission, you will give the product for trials and then maybe commercial -- so it will take a while for this facility to start ramping up?

**Aryan Sehgal:** See, there are different kinds of customers. Some customers are the ones who would start buying immediately and some customers would need some level of persuasion, some level of documentation and some level of product validation and they need to prove that the product is good to use. So it will be a mix of short-term, medium-term and long-term customers.

**Moderator:** We'll take our next question from the line of Koteeswaran R from Trustline Holdings.

**Koteeswaran R:** My first question is, when will we start shipment to Nerbe from Indian manufacturing plant?

**Aryan Sehgal:** Once we can stabilize this facility because this facility would have a lot to offer to our overseas entity.

**Koteeswaran R:** Okay. So when we start exporting how much proportion of Nerbe's revenue will be sourced from Indian plants?

**Aryan Sehgal:** We'll get into a detailed analysis at that point of time. Broadly, when we bought the company, we thought that about 2/3 of the revenue could be sourced from us. But based on shipping conditions, market conditions, economy conditions, tariffs and a lot of other things, we will take a call closer to time. But at this point of time, I don't see anything changing from the time when we had purchased it.

**Koteeswaran R:** Okay. Okay. My last question, by when can we expect full revenue potential from the expanded capacity?

**Aryan Sehgal:** About 3 to 4 years from complete commissioning, which I've mentioned earlier as well, 100% revenue potential of our capex.

**Moderator:** We'll take our next question from the line of Raman KV from Sequent Investments.

**Raman KV:** Sir, I just wanted to know how much revenue are we expecting from Panchla plant in FY '26?

**Aryan Sehgal:** I cannot, at this point of time, put a number because it's premature. We haven't commercialized the entire plant and just a few product lines in there. But as I said, 3 to 4 years, so we expect a slow start at about 15% of the potential, then maybe 15% and then year 3 could be a large jump. And by 4 years, I think we should be exactly where we should achieve complete revenue potential for the capex that we put in.

**Raman KV:** Okay, sir. And my next question is, I wanted to understand why was the EBITDA margin lower in this quarter?

**Aryan Sehgal:** So the EBITDA margin was lower in this quarter primarily because of increased cost, which the revenue could not justify whatever growth what we have achieved in stand-alone revenue, has primarily 99% come from our existing plants. But whatever cost the company is bearing today is also bearing for this large plant, which has not really come into commercial production and commercial sale, which is a plant, which is almost as big as our entire company put together. So it incurs a large amount of fixed monthly cost, and that has led to a slight decline in the stand-alone EBITDA margin level.

**Raman KV:** Okay, sir. Sir, I also wanted to know at what capacity utilization does the breakeven of a new plant happen, like with this Panchla plant?

**Aryan Sehgal:** So since we don't make a single product in the plant, Panchla would probably be making a few hundred SKUs, maybe 300 to 400 SKUs. I think we would be in a better position to answer when we are completely commercialized with all the planned capex. Since it's not one particular product line with one particular output every month, the math is a little complicated with so many different 100 SKUs, what would be selling more than the others. So that would give us a better idea.

**Raman KV:** Can you give a rough range bound estimate?

**Aryan Sehgal:** I think when we start full commercialization, the fixed costs would be very, very limited. It would be more variable costs. So I don't see beyond 1.5x, 6 quarters to 7 quarters, we should achieve the cost should be completely aligned to the revenue because most of the people working in the plant would be directly aligned to the revenue achieved. There will be very little fixed cost.

At this point of time, all the costs are fixed cost because there's no revenue. But once it starts even at nascent stages, I don't see -- the cost structure should be completely aligned to the revenue in about a year, year and a half.

**Moderator:** We'll take our next question from the line of Shubham Thorat from Perpetual Capital Advisors.

**Shubham Thorat:** I just wanted to pick your thoughts on what products that Tarsons is adding under cell culture and PCR portfolio and specify their mind what kind of TAM...

**Moderator:** Can you use the handset mode, please?

**Shubham Thorat:** Yes. So I was asking what products Tarsons is looking to add under cell culture and PCR portfolio? And what is the TAM that you are looking at in this product? And what -- how much revenue share can take from the total addressable market?

**Aryan Sehgal:** So we believe that we are looking to start with the basic requirements of cell culture, which are the lower-hanging fruit. I think it's about cell culture vessels, which are used for different kinds of applications. We believe that the Indian TAM is approximately INR 400-odd crores. Global TAM should be closer to INR 6,000 crores to INR 7,000 crores.

And our idea would be to take about 25%, 30% of this TAM over the next 3 to 4 years in India and probably do the same internationally in terms of value, similar to India, not 25% to 30% of INR 7,000 crores.

**Shubham Thorat:** We have targeted 25% to 30% of Indian TAM, right?

**Aryan Sehgal:** Indian TAM and try to replicate the same volume or the same business size overseas in respect to the Indian TAM, not -- I'm just re-clarifying not 25% to 30% of INR 7,000 crores, yeah.

**Shubham Thorat:** Got it. And sir, what kind of capex that we have done in Panchla. I mean the total capex that you have planned for Panchla, Amta brownfield capex, if you can give those figures separately?

**Santosh Agarwal:** We already said that our total capex -- running capex was about INR 650 crores. Out of that, the Panchla capex was about to be including land, building and everything. Panchla, Amta capex was about to be INR 500 crores.

**Shubham Thorat:** And what kind of revenue potential is there from this capex?

**Santosh Agarwal:** I think Aryan already replied to that question. It depends on we are currently focusing on the commercial production of the plant. And then we will see what combination will arise. And then only we can say that this is the maximum revenue we can generate.

**Aryan Sehgal:** So, please consider a thumb rule of about 0.75 to 0.8x on fixed asset.

**Shubham Thorat:** And sir, I just wanted to know -- just a basic question, what is different in company's stand-alone and consolidated business from business point of view?

**Santosh Agarwal:** Can you repeat again, sir, please?

**Shubham Thorat:** What is different in company's stand-alone and consol business?

**Santosh Agarwal:** Difference between the stand-alone and consol business, right? So in between stand-alone and consol entity, we have one Singapore entity. That Singapore entity owns the German entity, and that's how we consol.

**Shubham Thorat:** This is about Nerbe?

**Santosh Agarwal:** Your voice is not audible.

**Shubham Thorat:** So sir, is this about Nerbe that you're talking about, Singapore entity?

**Santosh Agarwal:** Yes, Singapore entity, yeah.

**Shubham Thorat:** And sir, I mean I just wanted to know what kind of demand drivers were there that drive the stand-alone numbers during this quarter because you mentioned that the European demand was not there with respect to Nerbe.

**Santosh Agarwal:** So in terms of domestic demand, we got good demand across all the end customers. We've got good demand from pharma, diagnostics, research and then other IVFs and other category also. So we identified that there's a good demand across the industry.

**Shubham Thorat:** And do you expect this demand to sustain?

**Aryan Sehgal:** We hope so.

**Moderator:** We'll take a next question from the line of Ridhima Goel from Acquaint Bee Ventures.

**Ridhima Goel:** As you guys have well explained about the reason for the fall in your EBITDA margin, I just wanted to know your fall in the gross margins on the stand-alone level. So is it because of some price decline you have taken or the change in the product mix? And if there is a change in product mix, what kind of products have been sold more in this quarter, which led to the decline in the margin?

**Aryan Sehgal:** So there is a change in product mix, but I think it's a combination of factors, change in product mix, launching of new products. When you launch new products, you try and make it more lucrative for the customer to make the change to try our new products. And I think it's a recovery market. So it's a recovery market where there is competitive cost pressures all across the industry, as the supply was very, very high over the last 2, 3 years, and the demand wasn't there. The supply was way more than the demand.

So it's a mix of all 3 factors. I don't think it's a very big change in the product mix. But for us to know, I don't have it at the back of my head, we sell 2,500 SKUs, but the margin mix between the consumables and reusables were also vary quite a significant bit. So if we have 75% gross margin on reusables, that doesn't mean that all the 1,000 SKUs are at 75%. There could be a big, big variance in that 75% range as an example.

**Santosh Agarwal:** And just to add one more comment. Historically, also, our gross margin was in the range of 68% to 70%, pre-COVID, I'm talking about. During the COVID time, we sold a lot of value-added products. Because of that, the gross margin increased significantly. But if you see our gross margin of September 2024, it was 71.8%. Now also it is at 73.04%. So we believe that the gross margin will be in the range of 70% to 72%, something like that.

**Ridhima Goel:** Going forward? Okay. Secondly, have we taken any price fall just to push our products in the market? Or it was the pull -- like the demand pull was happening. Like the sale was majorly because of the more demand?

**Aryan Sehgal:** See the thing is we've not taken as such any price falls. The market is definitely competitive. And for newer products, newer geographies, we are always aggressive to get a foot in the door. So we will keep getting more and more aggressive with newer products, as we need to fill up larger capacities in a new facility as well.

**Ridhima Goel:** Understood. And what geographies have contributed to your increase in your overseas revenue? So as you mentioned that Germany, there was no growth or maybe you are not seeing much of the demand in the European region, right? So what all other geographies have contributed to the growth?

**Aryan Sehgal:** See, what I meant by that was that Nerbe, which sells into a very, very small -- for us, the overseas market is about 50, 60-odd countries. For Nerbe, the business is spread across 3 to 4 countries. And Nerbe did not have any new product launches. We have a lot of new product launches from our older facilities as well for where the capex went. So the business from Europe for us was much better on a stand-alone level as compared to Nerbe, but most of our growth came from North America, Latin America, Middle East, Southeast Asia.

Europe was also a contribution, but it was not the sole contribution. It was more or less an evened out growth from all over the world with more focus on the Americas and Southeast Asia.

**Santosh Agarwal:** And the one major difference between Tarsons and Nerbe business is that Nerbe is selling all the goods in its own brand name. But we are also selling in the brand name of other suppliers, other customers, right? So we are getting a very good momentum in Europe and U.S. kind of countries from a white label product, which is not the case with Nerbe. So this is not apple to apple comparison.

**Ridhima Goel:** Will it be possible for you guys to share the mix between your ODM and the branded sales?

**Santosh Agarwal:** Currently, it is 60% of white label and 40% ODM -- branded.

**Ridhima Goel:** Okay. And just one last question...

**Aryan Sehgal:** That's overseas revenue only. That's not domestic revenue.

**Ridhima Goel:** Yes, yes overseas. Just one last question. What would be the EBITDA margin for Nerbe itself this quarter?

**Santosh Agarwal:** The EBITDA margin for Nerbe is about to be 9% to 10%.

**Ridhima Goel:** Will it be possible for us to increase it from here on?

**Santosh Agarwal:** Absolutely. If the sales will increase further, they have a gross margin in the range of 45% to 55%. So there is always a possibility to increase the EBITDA margin.

**Ridhima Goel:** Okay, till what level? Like 14% to 15% or more than that?

**Santosh Agarwal:** Yes, something like that.

**Moderator:** We'll take our next question from the line of Aditya from AK Investment.

**Aditya:** Yes. I want to understand how much capex we have spent for Panchla, Amta. And Ama plant is only for backward integration or will it contribute to revenue also?

**Santosh Agarwal:** For Panchla plant and Amta plant, we already said that we already incurred about to be in between INR500 crores to INR550 crores of capex. So if you want to know the breakup in between Panchla and Amta, so I will say that INR400 crores for Panchla and INR150 crores for Amta.

**Aditya:** And will Amta plant will contribute to revenue?

**Aryan Sehgal:** It has infrastructure to contribute to revenue, but in our current capex plan, it will not be contributing to revenue because we'd only be running our radiation plant and our warehouse.

**Aditya:** So it will help in only gross margin improvement, right, then?

**Aryan Sehgal:** Yes. Yes.

**Aditya:** And how much more capex is pending for this Panchla or Amta? Amta is totally done? This INR150 crores?

**Santosh Agarwal:** So in terms of payment, about INR150 crores payment is pending.

**Aditya:** Payment is pending, but all the infrastructure, all the capex have been totally done now, Panchla and Amta?

**Santosh Agarwal:** The capex -- in terms of issuing the PO, almost everything is done, but in terms of delivery, some delivery is still pending.

**Aditya:** So how much that is pending?

**Santosh Agarwal:** You mean to say delivery? Delivery is about to be approx INR100 crores.

**Aditya:** Okay. Okay. And we are expecting total commercialization in H1 of next year, right, totally, Panchla and Amta?

**Santosh Agarwal:** Absolutely. We think that by FY '26, we should be up and running.

**Aryan Sehgal:** And in Amta, the warehouse would be operational to use in 1 quarter in about 3 months from now, maybe around April and the preceding months in May and June, the radiation plant would be ready.

**Aditya:** Okay. And you're saying that -- so because what I'm trying to understand is for last 3 to -- 3 years, we have been spending on this capacity. And from FY '27 to '30, we are expecting that this capacity should be utilized fully, right? So by FY '30, the company's revenues potential or the balance sheet potential should be somewhere we can expect INR800 crores to INR1,000 crores of revenue. So that is what we are aiming for this company?

**Aryan Sehgal:** Correct.

**Aditya:** So INR1,000 crores by FY '30, that is the internal target...

**Aryan Sehgal:** No, not that. The current revenue levels, 10% more than that is the capability of the current setup and whatever capex we've put about INR400-odd crores -- INR400 crores to INR450 crores plus the current revenue plus 10% more potential from the current revenue from the existing facilities.

**Santosh Agarwal:** And kindly note that this is the maximum potential. This is not a guidance.

**Aditya:** Yes, yes. Okay. And how confident are you that Panchla capacity utilization, you'll be able to do it because this we are entering...

**Aryan Sehgal:** I think we've put in this kind of money into the company, and we've built 2 of the largest facilities for our company size with a lot of conviction. So I think time will say how good we can execute this and take this through. But as a company, we have a lot of conviction to make this bold capex move.

**Aditya:** And next year margin -- consolidated margin I'm talking about. So there will be improvement from here year-on-year? Or there will be some kind of stabilization, then we'll see an incremental margin?

**Aryan Sehgal:** Definitely, the operating margin should remain in similar levels, but the PAT margins definitely cannot improve because the depreciation levels will go up, the interest levels will be there. So for PAT margin, I think there would be some time before we can stabilize it. But the operating margins, I think on a stand-alone level, we are currently in the region of around 36-odd percent. We have the capability of increasing 4% to 5% over the next 2/2.5 years. That's the idea.

**Santosh Agarwal:** I think EBITDA margin is the right barometer going forward for next 2 years to understand how business is going.

**Aditya:** So in next 2 to 3 years, can we expect the PAT margin should be around 15% or 12%?

**Santosh Agarwal:** See, the point is that currently, the PAT margin is down because of depreciation, right? So going forward, as the revenue increase and the interest cost and depreciation will go down, we are hopeful that the PAT margin should come to the same range in between 15% to 18%.

**Moderator:** We'll take our next question from the line of Jatin Chawla from RTL Investments.

**Jatin Chawla:** So as I understood from the Panchla plant, you're broadly targeting INR400 crores of revenues, out of which you said cell culture INR400 crores TAM and 25% India market share, so INR100 crores domestic and INR100 crores exports. So out of that INR400 crores, broadly on cell culture, you're talking about INR200 crores will be cell culture.

But you said this is only basic cell culture vessels. So on cell culture, just the basic products can give you this kind of revenue or you will need to launch more advanced products going forward?

**Aryan Sehgal:** No, we'll have to launch more advanced products for further revenues beyond this because it's a part of the company cycle beyond -- we'll have to have projects in hand beyond maybe '28 or '29 calendar year, we'll have to start planning for 2030 and beyond if we want the company to continuously grow because beyond the point, if we don't launch new products, it becomes very difficult to maintain 16%, 17%, 18% year-on-year growth without having new launches.

**Jatin Chawla:** Got it. No, no, my question was this INR200 crores is possible only with the basic products as well, right? That was whatever cycle...

**Aryan Sehgal:** Whatever. It's possible -- I think let's not use term basic or advance. It's possible whatever capex we are undertaking.

**Jatin Chawla:** Understood. And you said you launched some new products from your existing facilities. So what sort of new products have been launched?

**Aryan Sehgal:** We've done a lot of PCR products during COVID, which is a part of the INR 650 crores product line of deeper plates. We did screw cap tubes. We spent a lot of money expanding product lines, which we already had, for which we were falling short in capacities where the demand was there.

So overall, the scenario didn't -- that's the complication of having so many few thousand SKUs. You sometimes have to spend money when the other SKUs are not running, but certain SKUs are running very well and need more machines or more moulds or more output.

**Jatin Chawla:** Got it. Just one last question. On Panchla, what sort of fixed monthly costs are we incurring today? Broadly, my calculation suggests that as of now, the P&L is bearing a cost of about INR5 crores on a quarterly basis. Is that rough calculation right? Or are the numbers very different?

**Santosh Agarwal:** Our fixed cost in Panchla is not like that. It's much lower than that. But fixed cost is not more than INR50 to INR60 lakhs per month.

**Jatin Chawla:** Right now? Okay. So -- okay so that's the fixed cost and then INR5 crores extra depreciation. So broadly on a quarterly basis, about INR6.5-odd crores of cost is what right now the P&L is bearing because of Panchla without much revenues?

**Aryan Sehgal:** INR6 crores to INR7 crores a year, this is divided into people and overheads, energy, whatever facility requires.

**Jatin Chawla:** Sorry, INR6 crores to INR7 crores a year or per quarter?

**Aryan Sehgal:** Yes, per year. INR50 lakhs to INR60 lakhs a month.

**Jatin Chawla:** Got it. No, no, I was saying including depreciation. So...

**Aryan Sehgal:** Including depreciation, yes.

**Moderator:** We'll take our next question from the line of Jasdeep Walia from Clockvine Capital.

**Jasdeep Walia:** So we have had 2, 3 bad years for the industry, globally. So how have you seen competition changing in these 2 years? Has the domestic competition reduced in the last 2 years?

**Aryan Sehgal:** So see, the known players which were present pre-COVID are still there, and I don't think they will ever go anywhere because they are all strong companies with solid foundations and good product portfolio, good quality and so on. But I think the companies, which mushroomed, trying to join the thing and provide opportunistic products because people needed those products and were buying anything and everything at any price.

I think that we see fizzling out. But the major and minor companies which existed pre-COVID will continue to exist, which were part of the industry for years and had not come in because to cash in on some kind of an opportunity.

**Jasdeep Walia:** Got it, sir. So out of your domestic competition, which all companies have significantly increased investments in the last 2, 3 years Like what you have done. Like you have more than doubled your gross block, which other companies have been as aggressive as you?

**Aryan Sehgal:** I wouldn't know because we are the only listed company and all of you will get information because of these earnings calls. The rest of the companies don't have to say all this. They keep doing things behind.

**Jasdeep Walia:** Got it sir. But you would know through your industry contacts which all companies are...

**Aryan Sehgal:** It's very difficult. We focus on our business, and we focus on trying to build our product line. Our capex or our strategy is not influenced by what most of our competition is doing. But we try and react to competition in terms of price pressures, other things which come in the market, but it's very difficult to be able to start finding out what's happening in other people's offices or factories.

**Jasdeep Walia:** Got it, sir. And sir, what are the U.S. tariffs for your product lines?

**Aryan Sehgal:** The U.S. tariffs currently for exporting our product is 5.3%.

**Jasdeep Walia:** Okay. And what are the...

**Aryan Sehgal:** This is historical. So nothing has changed for now.

**Jasdeep Walia:** Got it. And what are the custom duties on these products if somebody wants to import in India?

**Aryan Sehgal:** Approximately 12% to 14%.

**Jasdeep Walia:** 12% to 14%? Got it, sir. So Chinese imports as a percentage of India market are at what percentage?

**Aryan Sehgal:** It's insignificant. I don't even think out of INR1,200 crores, it would not be more than INR20 crores, INR30 crores.

**Jasdeep Walia:** So you're including -- there will be some companies who would be importing from India, but selling it -- selling in India under their own brand. So you're including those revenues as well?

**Aryan Sehgal:** It's mainly that. Very few companies in the plastic labware space because it's so commoditized. Apart from the big 2, 3 players, most of the companies try and import and sell on OEM or their own brand name because it's -- Chinese do not have that kind of reputation where a distributor can promote the brand.

**Moderator:** We'll take our next question from the line of Koteeswaran R from Trustline Holdings.

**Koteeswaran R:** How much margin are we expecting from the backward integration we are doing in Amta facility?

**Aryan Sehgal:** At this point of time, the reason we did the backward integration was because a significant portion of our revenue through our new capex was going to be sterilized. And in this part of the world where we are in Calcutta and the Eastern side, there's only one sterilization plant, and it's quite an outdated sterilization plant.

So we did the capex out of risk mitigation more than cost savings. However, doing the capex, we understand that there would be certain cost savings associated with it, but we would be in a better position once we start running the plant.

**Moderator:** We'll take our next question from the line of Raman KV from Sequent Investments.

**Raman KV:** So I just had a doubt. In the PPT, you mentioned that the Panchla plant is expected to fully ramp up by first half of next financial year. So can we expect that in the second half of FY '25 to do half of the peak revenue expected, which is like around INR200 crores from Panchla plant?

**Aryan Sehgal:** It is not possible. It's not possible. We said that on commercialization, it would take 3 to 4 years to achieve peak revenue, not 6 months.

**Raman KV:** Okay. It will take -- so basically, we can do INR100 crores to INR150 crores in '26 from Panchla plant? Because the full ramp-up would be done...

**Aryan Sehgal:** I won't comment on that. Not comment on that, but I can tell you that the start will always be slow because these are new products. So you're introducing something to a customer and the start would especially be slow in overseas markets as compared to India. But as year 2 gets better than year 1, year 3 will get even very, very strong because that would be the inflection point is what I believe. And then beyond that would all be consolidation.

**Raman KV:** Okay. Okay. And sir, in the previous quarter's call, you mentioned that you will be setting up 7 to 8 cell culture production line by FY '25 end. Are we -- can I know the progress of it? Like are we -- will we set up 7 to 8 lines and will it contribute in revenue in coming FY '26?

**Aryan Sehgal:** See, the capex what we have mentioned at this point of time in Panchla in the next -- by the first half of the coming fiscal year, we should completely be over with the capex, which is the planned capex, which we've been talking about at the range of INR600 crores to INR650 crores, which includes both the facilities. Then moving forward, whenever we see traction in whichever product lines, we would might need capacity expansion, and we will do it as necessary.

**Moderator:** We'll take our next question from the line of Madhur Rathi from Counter Cyclical Investments.

**Madhur Rathi:** Sir, I wanted to understand regarding this Nerbe margins. So we mentioned that it's around 10% currently, and it can go to 14%, 15%. So I'm trying to understand when we start manufacturing this entire Panchla facility? Sir, will this 38%, 40% wasn't normalized margin add up to this 10%, 15% or it would be lower on a consolidated basis when you do in-house manufacturing for these products?

**Aryan Sehgal:** See as a consolidated entity, if we are the suppliers and Nerbe is making the margins, we -- it would not be correct to expect us to make 40%, 41% here in Nerbe to make 14%, 15% there. The industry cannot bear 55% margins, but it would be lower, if we are manufacturing for Nerbe the product lines. So consolidatedly, it should be in the region of mid- to late 40s.

But they would buy a lot of products from other suppliers as well, and that would be stand-alone 13%, 14% margins. If we can double the revenue of Nerbe, I think they'll be able to achieve 40%, 50% increase in the EBITDA levels from current levels.

**Madhur Rathi:** And this is when we are considering 2/3rd revenues to come from our facility and the remaining...

**Aryan Sehgal:** The 65% to 70% and there are certain products do not manufacture, certain products which they cannot buy from India, they have to buy locally. So we will be out of those products.

**Madhur Rathi:** Okay. Got it. Sir, so if I can know what is the margin difference between the export products that we sell? And what would be the margin in the India branded business?

**Aryan Sehgal:** We don't disclose that or we don't put that out, but it's very similar to each other.

**Madhur Rathi:** Got it. Sir, just a few questions from my side. Sir, on the working capital, sir, I think with a higher number of SKUs coming with the Panchla facility, sir, will our working capital cycle even deteriorate further? Or can we expect to improve it or at least maintain it going forward?

**Santosh Agarwal:** It will be at a similar level. Currently, our working capital cycle is in the range of 195 days. It includes debtors days of about 80 days, that will remain the same. Inventory days is about to be 135 days on sales. I think going forward, we are launching new products. So our working capital cycle in terms of inventory will remain the same.

We have vendor days of about to be 20 to 25 days because you need to pay upfront cash to import the raw material. So that will also remain the same. So we expect a similar kind of working capital cycles going forward.

**Madhur Rathi:** Okay. Got it. And sir, just a bookkeeping kind of question. Sir, in H1, our margin on the stand-alone business were very muted in like less than 30%. So why was that?

**Santosh Agarwal:** Which margin?

**Madhur Rathi:** H1 -- the EBITDA margin, if I consider the operating margins in H1 of FY '25, they were less than 30% for both the quarters. So why was that?

**Santosh Agarwal:** Because of one-off items which we have already disclosed in our investor presentation.

**Madhur Rathi:** Okay, sir. Can I know what was that one-off item?

**Santosh Agarwal:** See one machine got damaged and we have submitted an insurance claim for that, and we have created a provision for that.

**Madhur Rathi:** Okay. Got it. Sir, just a final question from my side. Sir, when we consider that existing players continue to exist in the market as well as the smaller players which increase the competitive intensity have reduced. Sir, so how difficult is it for us to get into a new product line, let's say, cell culture or how easier it is for the competition to enter into the line where we are excelling. So I just wanted to understand the cycle of getting into a new product and protecting our turf on that production, so on that front?

**Aryan Sehgal:** It's like most of the other industries with a little bit of know-how involved as well because building up a high-quality product, which is consistent and building trust among customers is time consuming. So I think it's a function of perseverance and time. And that's why there are a few good companies in India and not so good companies globally.

So I think most of these companies have quality consistency and they've been around for a long period of time trying to deliver the same thing very, very consistently, and that's how you can build some sort of customer loyalty and trust.

**Madhur Rathi:** So like is it easier for us to get into the -- like although the time line would be higher, but due to -- like either due to inconsistent quality by the foreign players, are you mentioned that there are not few good companies out there? So will it be here for over a 5-year period for us to gain a lot of market share or a decent market share in the global exports market?

**Aryan Sehgal:** Yes, I think it's favorable. Being in India, manufacturing in India, I think it's a good time to be at this point of time, producing such products in India. And the natural advantage of our country, along with having a strong foundation as a company for 40 years, building high-quality products and having a good set of loyal customers puts us in a good position to gain market share from the large international market over the next few years.

**Madhur Rathi:** Okay. Got it. And sir, for FY '26, what kind of revenue growth as well as EBITDA margin on a consolidated basis can we expect?

**Aryan Sehgal:** We don't give any kind of...

**Santosh Agarwal:** We don't give any kind of guidance to the market. And we don't -- we have our own targets, but we don't disclose that.

**Moderator:** Ladies and gentlemen, we'll take that as the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

**Aryan Sehgal:** Thank you all for being with us today. I trust we have answered all your questions. We are dedicated to keeping the investment community updated with regular information on our developments. For any additional information or inquiries regarding Tarsons, please do not hesitate to contact us or our Investor Relations advisers, SGA. Once again, thank you for your time and support.

**Moderator:** Thank you. On behalf of AMBIT Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.