An ISO 9001 & ISO 13485 Certified Company

Date: 21st February, 2024

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**

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 15th February, 2024, please find enclosed herewith the transcripts of the Investor Conference Call held on Thursday, 15th February, 2024, 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, 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

SANTOSH KUMAR AGARWAL

Digitally signed by SANTOSH KUMAR AGARWAL
Date: 2024.02.21 12:07:44 +05'30'

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

Encl: As above

"Tarsons Products Limited
Q3FY24 Earnings Conference Call"
February 15, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 15th February 2024 will prevail.

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

MODERATOR: **MR. SAKSHAM MONGIA – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to 3QFY24 Earnings Conference Call of Tarsons Products Limited, hosted by Ambit Capital. 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 is being recorded.

I now hand the conference over to Mr. Saksham Mongia from Ambit Capital. Thank you, and over to you.

Saksham Mongia: Thank you, and good afternoon, everyone. On behalf of Ambit Capital, I welcome you all to the Q3FY24 Earnings Call for Tarsons Products. From the management today, we have Mr. Rohan Sehgal, Whole-Time Director; and Mr. Santosh Agarwal, Chief Financial Officer.

I will now hand over the call to the management team for the opening remarks, post which we can start the Q&A session. Thank you, and over to you, Rohan.

Rohan Sehgal: Good afternoon, everyone, and a very warm welcome to all of you on the Q3 and 9 Months FY'24 Earnings Conference Call for Tarsons Products Limited. Along with me today, I am joined by Mr. Santosh Agarwal, Chief Financial Officer and Compliance Officer for Tarsons Products Limited and SGA, our Investor Relation Advisors. We have uploaded our quarterly investor presentation on the stock exchanges and company's website. I hope all of you had an opportunity to go through the same.

Allow me to offer an overview of the current trends in the life science industry. While we has been experiencing a sluggish trajectory in the plastic labware markets, there are indications that the worst may be behind us. However, we are closely monitoring the industry and implementing the necessary strategic initiatives to counteract this slowdown effectively. Looking ahead, we anticipate a gradual improvement, particularly within the pharma research and diagnostic segments. Despite temporary slowdown across the industry, there remains a prevailing sense of optimism for advancements and growths within the industry.

Speaking about our acquisition, we successfully acquired Nerbe, a Hamburg-based distributor specializing in plastic labware products. We believe that this strategic move can increase our presence in the overseas market, especially in the European region. It aligns perfectly with our market share expansion strategy in the global market. Nerbe presents favorable opportunities for expanding our footprint in Europe, both geographically as well as in terms of product reach. We are optimistic about the long-term growth opportunities in these markets for our product line. The acquisition provides us a gateway in terms of reach to the micro markets in that geography and also with the product portfolio addition and leveraging the overlap in our existing products.

This is particularly reassuring as we possess a deep understanding and expertise in manufacturing these products effectively. We believe in the longer term that we will be able to leverage on Nerbe's distribution strength to penetrate across these markets with large product portfolio of high-quality Tarsons' products, thus enhancing our overall revenue growth.

Speaking on the quarterly performance. In this quarter, we reported a revenue of Rs.62 crores, marking a 1% year-on-year growth. Our domestic revenue showed a robust increase of 14% compared to the same quarter last year, driven by growing demand in the domestic market. However, our exports experienced a decline year-on-year, primarily due to subdued demand in key global plastic labware markets resulting from the slowdown in the life science industry as well as global recessionary trends.

Additionally, the ongoing prices of the Red Sea added to our export challenges, particularly impacting operations during the end of December. Nevertheless, we perceive these challenges as temporary hurdles and see exports as a big growth lever from our company. With the addition of Nerbe and our manufacturing expertise, we are strategically positioned to excel in this market.

Speaking on the EBITDA front, in Q3FY24, our EBITDA stood at Rs.23 crores, a decline of 14% year-over-year. This decline was primarily driven by reduced export revenues from our key overseas markets and changes in the product mix. Moreover, our margins were impacted by initial costs linked to our upcoming facilities in Panchla, which is expected to contribute to revenues in FY'25.

Looking forward, we foresee leveraging our operational capabilities to enhance margins as the industry landscape improves. We remain committed to optimizing efficiencies and adapting to market dynamics to achieve sustainable growth and profitability in the future.

Let me give you an update on our upcoming capex. First, on Panchla. In Panchla, we are introducing cell culture and also expanding capacities for our existing product lines. As mentioned earlier, the civil construction of the site is completed and the clean rooms are ready. While we are still awaiting the arrival of some machines, which are currently in transit, the initial production is projected to commence in Q4 FY'24. Additionally, the phased commercial production of cell culture and other products is anticipated to start in Q3 FY'25.

In our Amta Plant, as we have informed earlier, we've signed a MoU with the Board of Radiation & Isotope Technology, BRIT. This strategic step is intended to diminish our reliance on a single vendor in West Bengal, diversifying our supply chain. Furthermore, construction is progressing for our central warehouse operations aimed at streamlining of our inventory management and operational processes to enhance efficiency.

Before passing the call to Santosh, I want to acknowledge that the industry may seem subdued today due to various external factors beyond our control. However, we maintain our confidence in upholding excellence. We eagerly anticipate the opportunities and challenges ahead as Tarsons enters a new phase of growth and expansion. The acquisition of Nerbe marks a significant milestone in our journey, unlocking fresh avenues for growth and reopening our dedication to grow in the global plastic labware market.

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

Santosh Agarwal: Good afternoon, everyone. And a very warm welcome to our Q3 FY'24 Earnings Call. On the revenue front, revenue from operations for Q3 FY'24 stood at Rs.62 crores as compared to Rs.61 crores in Q3 FY'23, a growth of 1%. Revenue from operations for 9 months FY'24 stood at Rs.191 crores as compared to Rs.201 crores in 9 months FY'23, down by 5% Y-o-Y.

For Q3 FY'24, revenue from export stood at Rs.15 crores and domestic at Rs.46 crores. For 9-month FY'24, revenue from export stood at Rs.55 crores and domestic at Rs.135 crores. For 9 months FY'24, export sales contributed around 29% and domestic sales contributed around 71%.

At a gross profit level, our gross profit for Q3 FY'24 stood at Rs.45 crores as compared to Rs.48 crores in Q3 FY'23 due to change in product mix. Our gross profit for 9 months FY'24 stood at Rs.142 crores as compared to Rs.147 crores in 9 month FY'23. At the EBITDA level, our EBITDA for Q3 FY'24 stood at Rs.23 crores as against Rs.27 crores in Q3 FY'23, majorly on account of lower revenue from export and increase in initial cost related to our upcoming facilities.

Our adjusted EBITDA for 9 months FY'24 stood at Rs.72 crores as against Rs.91 crores in 9 months FY'23. EBITDA adjusted for Rs.2.8 crores in 9-month FY'24 for one-off expenses on account of due diligence for a potential acquisition. Our EBITDA margin for Q3 FY'24 stood at 37% and adjusted EBITDA margin for 9 months FY'24 stood at 38%.

Regarding PAT. PAT for Q3 FY'24 was Rs.10 crores with PAT margin of 16%. Profit after tax for 9 months FY'24 was Rs.33 crores, with PAT margin of 17%. I would like to highlight that despite the challenging environment, we have been able to maintain a healthy cash flow for our company with cash flow from operations standing at Rs.83 crores for 9 months FY'24, representing our ability to strengthening our working capital cycle.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Tanmay Gandhi from Investec. Please go ahead.

Tanmay Gandhi: So firstly, on the recovery, you said that you are seeing some initial green shoots in terms of recovery, right? So can you give some color that whether you are seeing some uptick in your order book or are your customers guiding for a better, let's say, FY'25?

Rohan Sehgal: So I think the order book is stronger specifically in the domestic market, the order book is stronger than in the previous years. It's still not as strong as FY'22, but it's definitely stronger than FY'23.

The market still is subdued, but with the expanded product line with newer products, which we have been able to launch from our existing facilities and our leading brand position in India, we've been able to extract the best out of the business here domestically, and been able to counteract all the numerous challenges and been able to grow from last year to this year. And we assume better growth in the coming quarters as well.

Internationally, the environment is quite challenging. Each geography is posing different set of challenges. North America having its own challenges, Europe having its own challenges, and Tarsons also being primarily a smaller brand in these markets and a large OEM supplier mainly. So it's difficult for us to counteract global challenges, and we are at par internationally with how the industry is moving. I believe that domestically, we've been able to outperform the industry.

Tanmay Gandhi: Okay. And specifically for exports, other global companies are pointing out they are anticipating recovery in first half itself, right? So are you seeing some increment over there as well?

Rohan Sehgal: So there is a gradual recovery. But with every gradual recovery, there is always a setback, which we've been seeing over the last 10 to 12 months, sometimes the Russian gas crisis comes and Europe is in problem, then now the Red Sea crisis has come, U.S. inflation is out of control. So the situation globally is -- specifically for our industry has not been the most stable situation over the last 18 to 24 months.

There has always been 1 crisis overlapping and then another crisis coming up. So industry demand is one thing, and then the crisis surrounding it is another thing in particular countries. But yes, overall, the global plastic labware market is in a better position than where it was 12 months ago. But still, to reach its peak, I still feel that we are a few quarters away from reaching its peak and getting back to where it should be.

Tanmay Gandhi: Okay. So while I understand that the peak could be slightly away, but do you expect sequential recovery from here on?

Rohan Sehgal: Yes. We definitely expect -- we've already started seeing sequential recovery in the domestic market. You will -- moving forward...

Tanmay Gandhi: No, no, I'm talking about exports. Sorry, I'm talking about exports.

Rohan Sehgal: In export markets, for me to give you a clear answer because our business is spread across 40-odd countries. So for everything, it's -- I cannot give you a very clear answer of how the situation would look like in the next 5 to 6 months. There are a lot of external factors. Being a local company in India, manufacturing in India, able to tide over most of the problems which the Indian market faces.

But sitting in India and exporting to 40, 45-odd countries, it's very difficult to be able to give you a clear answer whether we'll be able to overcome all the problems, what the international market would pose as a challenge to international companies over the next 5 to 6 months.

Moderator: The next question is from the line of Prathamesh Dahake from Motilal Oswal.

Prathamesh Dahake: Sir, my first question is regarding revenue. For the current quarter, could you please give us revenue by product type for both export as well as domestic? And my second question is regarding gross margin. You've said that the GM has fallen on account of product mix. So could you please give us more color as to which product contributed to the lesser gross margins? And what gross margins did we really make across our 3 broad categories: consumables, reusables and others?

Rohan Sehgal: So we due to competitive reasons, we don't disclose gross margins by product categories or by product types, neither do we disclose revenues. We give a broad understanding that about 2/3rd of our revenue is coming from single-use products or consumables. And 95% of the remaining 1/3rd comes from reusable products and the very little small revenue comes from benchtop equipment.

That's a broad guideline what we give on how our revenue is split up. But we don't really go deeper into the revenue mixes based on product categories due to competitive reasons. And yes, gross margins have actually dropped primarily because the last few months have seen -- the last few years and then have seen a sale of a lot of high value-added products, sterilized products, single-use products in PCR and filtered tips and pipette tips and tubes and so on.

But as the demand for these products are lower and there is a huge overstock, there's been a change in inventory mix and then there's been a lot of new products which we have added from our existing portfolios.

And when you add a new product and you try and push it into the market, you're always giving certain kind of promotional pricing for the customers to try those kind of products. So hence, a change in the product revenue or the product mix, which led to a slightly lower gross margin.

Prathamesh Dahake: Okay. So my next follow-up question will be regarding the capex. You mentioned, Amta is more like a fulfilment facility. So will it help us improve our margins from there?

Rohan Sehgal: It could probably help us streamline our inventories better. At this point of time, we are just about okay as Rs.285 crores, Rs.300 crores company, but today, from our current infrastructure, we cannot anticipate that -- it would be virtually impossible for us to operate at a Rs.400 crores, Rs.450 crores revenue.

We do not have the infrastructure space to be able to dispatch, produce, store and dispatch such volume of goods because we are from a voluminous industry and value of product is low and volume is high because products are cheap. Lower in price as compared to other products from other industries.

So our current company infrastructure probably allows us to reach about Rs.320 crores Rs.315 crores, Rs.320 crores, Rs.350 crores of business. If we have to generate annual businesses of in excess of Rs.320 crores, Rs.325 crores, we do not have the infrastructure ready to conduct business.

So I do not know how much of a benefit it would give us in terms of margin, but it will definitely give us the infrastructure to conduct higher business. The radiation plant would give us certain benefits because we would move a significant portion of our radiation from outsourcing to in-house.

Prathamesh Dahake: Okay. Understood. Sir, just one last thing. We see in this quarter, our depreciation has increased. Is that due to the fact that we have capitalized some cost? And what is the incremental annual depreciation we are expecting when all these facilities are operational?

Santosh Agarwal: As I said, regarding depreciation, still Panchla factory is not fully come under -- put to use. So there is no depreciation has been charged on Panchla facility without the construction getting fully completed. But those capex which we completed in the existing plant, it was put to use. That's why we charged a depreciation on those plants.

Regarding the upcoming depreciation, we will do the depreciation as per the put to use or ready to use status of all the plant and machinery and construction.

Prathamesh Dahake: If you were to, let's say, a plant is running at -- fully built, how much depreciation annual are we expecting incremental, Panchla, Amta if you combine?

Santosh Agarwal: So for example, whatever depreciation currently, we expect about additional 20% to 25% extra depreciation on every quarter.

Prathamesh Dahake: Okay. And sir, are you consolidating Nerbe's financials in this quarter?

Santosh Agarwal: Not this quarter, next quarter.

Moderator: The next question is from the line of Jasdeep Walia from Clockvine Capital.

Jasdeep Walia: So first of all, the call that you did on the acquisition, you didn't give CY'23 numbers for the acquired company. So are those numbers ready now?

Santosh Agarwal: Sir, those numbers are available with us, but we will disclose those numbers only if it gets audited. So we got the number even at the time of acquisition also. But we refrain to give those numbers until unless that is actually reviewed by the auditors.

Jasdeep Walia: Got it. So any subjective color you can give on those numbers, whether let's say CY'23s are further lower down from CY'22 or they are higher?

Santosh Agarwal: What we can say, sir, they are doing better in compared to the pre-COVID era. But if we compare with the COVID revenues, they are down, which we already disclosed in our last earnings call also.

Jasdeep Walia: Got it. In the -- on the exports front, do you see any renewed pricing competition from Chinese companies?

Rohan Sehgal: So, see, China has always been a competitor, pre-COVID, during-COVID, post-COVID. But I think that it all depends on what sort of incentives and benefits the Chinese government offers local producers, but in terms of exporting products and competing with them like-for-like, we are very confident that we have the economies of scale and the production efficiencies to be cheaper and at par with quality Chinese companies manufacturing here in India as compared to them.

And in terms of incentives to export, the duty and the tax structures in the United States and Europe for Chinese companies are higher as compared to us. So we don't see much of a challenge in terms of competitive advantage when we compare like-for-like Chinese companies. In India, there are very few companies. But in China, you have more than 100 companies manufacturing products similar to us in different levels of quality.

Jasdeep Walia: Got it. And has your export revenues in this quarter been impacted by the Red Sea issue? If yes, what do you think is the impact?

Rohan Sehgal: So yes, I think towards the third month which was the last month of this quarter, we saw an impact because -- especially a lot of medium-sized and small-sized buyers from Europe have stopped their shipments or deferred their shipments. They have not canceled their orders, but they have stopped or deferred their orders because the freight costs have again risen to COVID levels or higher. There's about a 300% to 350% increase in freight costs.

So the larger companies, which cannot do without inventory and who have larger businesses, still continue to buy because, remember, -- freight is not in our control. We -- freight is always paid by the buyer. So we could not bill a lot of shipments to Europe because of the Red Sea issue, not so much because of the Red Sea issue, the Red Sea issue has just increased the lead times or the shipment times but more so because of the freight costs going up 3x.

Jasdeep Walia: Got it. Can you quantify the impact?

Rohan Sehgal: At this point, I don't have a -- at this point, I do not have a number in front of me, but the impact is not so large, even if those shipments had moved, we would have still seen a significant decline, as you see in our exports from last quarter in FY'23 to this quarter.

Jasdeep Walia: Got it. And a final question. On the export side, how do you view the inventory situation in the export markets as of now, whether at your channel partners and/or the client's end, has the inventory normalized? Or there's still some time before it happens?

Rohan Sehgal: So the reorders have started, but they have started at a very small level. Since there's no organized platform to actually calculate the inventory situation, all we know is by speaking to people, meeting them at trade shows, we having one-on-one meetings and being in touch regularly through the quarter. That's the only way to assess the situation for us.

But the reordering has started at a very small level. By reordering, I mean reordering for products which were heavily overstocked. So in some SKUs in those product categories when the inventories have run out, the reordering has started. But as I said, the peak of reaching optimum level is still a few quarters away, but the signs are good at this point of time.

And if everything holds up well in the international markets, I think it looks like with -- it looks like a very strong path of growth for companies like us in India with China Plus One also coming into effect and getting stronger with every quarter.

Jasdeep Walia: Got it. Final question is, on the diagnostics side in India, how do you see the business trends now versus last year. And on the competition front, have you been able to maintain your market share or increase your market share on the diagnostic side? Or do you see much higher competition, hence, lower margins in that domain?

Rohan Sehgal: So I think our market share in the diagnostics segment is pretty similar to what it used to be pre-COVID era. I think we are reaching that to those levels. And I think those are reasonable levels for us to assess as a company.

The market share in the diagnostics segment went very, very high for us in the 2 years of COVID. And that is because -- understandably so because of the COVID testing, which most of the larger and prominent diagnostic companies undertook all over the country.

But it would not be reasonable for us to estimate those market shares as sustainable market shares. I think looking at the pre-COVID market share in the diagnostics segment, we're very close to achieving those market shares now moving forward, and we are okay with that.

Jasdeep Walia: Got it. And how do you see competition in diagnostics versus what it was pre-COVID?

Rohan Sehgal: So competition overall is very, very strong in this segment. In the plastic labware segment, it was very strong pre-COVID era, it got stronger in the COVID era because there was more demand than the number of players which were there, which could supply.

And at this point of time, it continues to remain strong, but considering the way the market is, considering the tight market conditions, the overstocking, the less businesses, I don't see that the same number of players would be able to sustain in the medium and long term.

So we could see a few smaller and instable players dropping off. That is what we predict over the next 12 to 24 months. And we expect over the next 1, 2 years that the competition intensity should fall back to the pre-COVID levels.

Jasdeep Walia: Got it. But as of now, your gross margins in the diagnostic space are under pressure, if you compare it versus pre-COVID levels?

Rohan Sehgal: No. As I said, we don't really give our margin based on segment basis. We've never given it. We've always given it on a company basis. Overall, as a company, we are very, very comfortable with the way we are conducting business in the domestic sector. And our aim is to grow our market just the way we grew our market over the last 15, 20 years in the domestic sector. So see no challenges in the domestic sector. Just looking upwards and onwards for now in the domestic sector.

The main challenge lies in the overseas market to be able to overcome the external challenges. Internally, as a company, we have geared up to grow exponentially in the international business, but we need the external environments to be in line with that.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand regarding our margins, with new facility coming in, do we see a pressure on margins for the next 1 or 2 years? Or how would we see the margins going forward?

Rohan Sehgal: So it depends actually. I don't see much of a challenge in the gross margins, but we'll be coming up with a lot of new products, and most of these products what we are coming up will have similar margin structure to our current portfolio.

So overall, I expect the margins to be in this region where we are today and don't see much of a challenge, much of a pressure. But there could be some challenges in the EBITDA level as we're looking to scale up with the fixed costs getting absorbed slowly as we scale up. But on the gross margins, I don't see much of a change.

Madhur Rathi: So I just wanted to understand is the EBITDA margins, they will be in this 37% range or do you have some pressure going forward with the new facilities coming?

Rohan Sehgal: So we'll have to wait and watch as to what sort of additional costs come in as the facilities begin to scale up, but I don't see much pressure beyond this level because I think costs are quite high at this point in the company while revenues have remained stable now almost for a good part of 2 years.

So we've been able to sustain these EBITDA levels without growing revenues for almost 2 years and growing costs sequentially the way we've grown historically, I think we shouldn't see EBITDA level lower than this.

Madhur Rathi: Okay. And what kind of capacity utilization do we see, for the Panchla as well as the Amta facility, what would that really be?

Rohan Sehgal: We expect to scale up gradually and reach optimum capacity utilization of about 80%, 85% in 4 to 5 years of starting up operations.

Madhur Rathi: Okay. And sir, just final question. Could you provide some guidance on the top line and bottom line for FY'25?

Rohan Sehgal: We are not providing any guidance at this point of time. Any number guidance we are not providing, but the industry is looking up. So we should keep improving year-over-year.

Moderator: We have our next question from the line of Harsh from Marcellus.

Harsh Shah: Just one question. Can you provide some commentary on some of the newer products that we had launched earlier, for example, serological pipettes, PCR as well as the PETG bottles?

Rohan Sehgal: So we have good movement in most of the product lines. I think with the exception of PCR because PCR was, as I had informed earlier as well, is a direct COVID-related product and is globally overstocked all over the world, including India, and has very little and limited demand at this point of time.

But apart from that, the other product lines are product lines which are import substitutes and we've been seeing good traction for the same, both in India as well as overseas.

Harsh Shah: So can you give us some color on what sort of a number are we looking at maybe in the next few quarters?

Rohan Sehgal: No, we're not giving any guidance on the revenue numbers for these product groups. But in India, we continue to -- the growth in India is faster for these product lines. And internationally, as we tap into more and more OEMS, I think there could be a lumpy growth where -- because

OEMs are larger businesses. So the more OEMs we crack, there could be certain stable quarters and suddenly there could be sharp inclines in the revenue as we crack more and more OEMs.

So the whole focus is on the PETG bottle and the serological pipette because that was, as I said, an immediate opportunity as the market is open to these product lines. But PCR doesn't look too good for now. The opportunity should open up in the next few quarters, but for now no.

Moderator: We have our next question from the line of Omkar Kamtekar from Bonanza Portfolio.

Omkar Kamtekar: Firstly, with respect to the incremental capex that would be incurred for both the Panchla and Amta facility. What would be that, if required?

Santosh Agarwal: So the incremental capex, as we already disclosed, we are running with a capex of Rs.550 crores to Rs.575 crores. Out of that, we already incurred about Rs.450 crores and remaining will be incurred in next 12 months.

Omkar Kamtekar: So approximately Rs.100 crores to Rs.150 crores would be balance over the next 2, 3 quarters, that would be the correct understanding?

Santosh Agarwal: By next 4 quarters.

Rohan Sehgal: So basically, with most of the equipment suppliers, there's an amount depending -- 15%, 20%, at best 25%. So that amount is paid on delivery. So that last portion on delivery because most of the capex is nearing its end term. So on delivery, whatever amount is to be paid, that is left.

Omkar Kamtekar: Understood, understood. And so the question was also with related to debt. So what was the debt on the books as of December? And since most of the growth capex, as we have said, is done and we will be good for at least the next 3, 4 years, then how are we looking to reduce the debt over the next -- over the near term?

Santosh Agarwal: So currently, the approx net debt on the company is about to be Rs.230 crores. And we don't see that the debt will go beyond Rs.270 crores or Rs.280 crores in future. And our plan is to repay these all debt by our cash accruals, and we also acquired another entity. And the cash accrual will also related from that entity also. So we are hopeful that we are able to repay all these loans on time. And we have scheduled all the loans to 3-year to 5-year kind of EMI and things are going really well out of our cash from operations.

Omkar Kamtekar: Okay, okay. So -- but are we looking to make any prepayments like, for example, any bullet payments in the near term so that we reduce the debt and maybe scale up accordingly?

Santosh Agarwal: Not in the near term, not in the near term. Near term means not in the next 12 months, but after 12 months, if sales increase further and our cash profit will increase further, then we will definitely go for bullet payment.

Omkar Kamtekar: Understood. And just to understand -- clarify, the cash flow from operations that you had said was Rs.83 crores. Did I get that right for the quarter? Or this is for 9 months?

Santosh Agarwal: Nine months.

Omkar Kamtekar: That is for 9 months. So approximately, we can say, Rs.27 crores, Rs.28-odd crores would be the quarterly run rate. Would that be sustainable?

Santosh Agarwal: We cannot comment about the sustainability. But last year, if you see our numbers, we have generated approx Rs.100 crores of cash form operation. And after tax, it was about Rs.75 crores.

And every year, we generate Rs.70 crores to Rs.80 crores comfortably. And this year also, sales is not down too much, and we are hopeful that sales will increase further in the next year. So we are confident that we are able to maintain this kind of cash from operations.

Omkar Kamtekar: Understood. And finally, a broader question with respect to the product profile that we have. So 2/3 of the revenue comes from single use and the balance comes from reusable. Both from a domestic and export perspective, what do you see are the challenges in either of these categories?

And where the larger opportunity lies? Does it lie in the single use or does it lie in reusable? And is there any 1 particular category outperforming the other, both in the domestic and the international market?

Rohan Sehgal: So the single use, as the name says, is the larger opportunity because products are used and disposed off and then used again rather than used again and again, which means more ordering and which means more recurring orders for us. And globally, including India, I think the single-use possesses the biggest opportunity for us as a company.

Omkar Kamtekar: Understood. So would that also have a materially higher margin? Or is it kind of similar?

Rohan Sehgal: No, it would be similar or lower because it's single use, right? Anything which is disposable will always be cheaper than anything which is reusable because there's bigger volume.

Moderator: We have our next question from the line of Anubhav Sahu from Mcpro Research.

Anubhav Sahu: A couple of questions. One, coming back to channel inventory situation, normally, you see that during geopolitical conflicts, companies try to conserve or retain inventory. So given longer lead time now due to the Red Sea crisis, is there any talks around -- with your clients with respect to restocking instead of destocking so far? Yes.

Rohan Sehgal: No, there's no talks as such. Of course, there's concerns with the Red Sea. And as I've mentioned in my answers before that the larger players, which can absorb the cost, continue business as normal.

But the medium and the smaller players, which are critical to every bit of cost and rightfully so because they're smaller businesses, are wary about these increased costs because that adds to the landed cost of their product in their final selling price. So they are playing the wait and watch and see if freight rates stabilize in the near term because 3x, 4x increase in freight rates overnight is too much for them to absorb.

Anubhav Sahu: Right. I mean just to gauge the estimate of the landed cost, in terms of percentage, what could be the difference for a typical customer? Because the kind of freight rates which have increased, you mentioned around 300%. But compared to the cost as with the product case, what percentage would that freight cost be?

Rohan Sehgal: That's too intricate details, right, of our business and how it functions. I can't really discuss that over an earnings call of how and what margin and what rate differential, that can't be actually discussed. These things are critical to how we perform in the international market and how we deal with our international clients. The information is quite sensitive.

Anubhav Sahu: Okay. And secondly, for the cell culture focused labware, you mentioned that Q3 for fiscal year '25 is when probably we likely will be having commercial production, right? Or will that be a time for validation batches?

Rohan Sehgal: See, validation is already happening as we speak. So the products are in our hands, but this is not commercial production. So 70% of the cell culture products which we are supposed to launch is already produced and where validation is going on.

At this point, it's not quality validation, but it's production validation, which is going on. So our validation has been going on for the last 3, 4 months, and continues to happen as we speak. So we expect commercial production by then. Production if we are selling to customers and billing them for that.

Anubhav Sahu: Okay, okay. So let's hope that by Q3 we will have all the approvals by then?

Rohan Sehgal: That's what we expect because, you see, all the equipment which comes from cell culture or from any of our capex is so expensive and so heavy that they all have to come by sea. So even our capacity expansion equipment is now delayed by 45 days because of the Red Sea crisis because generally, the importation period is about 28 days from Europe to India, which is now almost to 70, 75 days from 28 days because of the Red Sea.

So just because of the Red Sea crisis, we can't import everything by air because if we start importing anything by air, that's an additional impact of more than EUR 0.5 million just in air freight costs, which we can't do at this point of time.

So if everything remains stable, I cannot predict how the sea movement would be 9 months down the line. If everything remains stable, yes, Q3 is absolutely on target for commercial production.

Anubhav Sahu: Okay. Understood. I guess these equipments would be more material from the commercial production point of view and for the...

Rohan Sehgal: Absolutely. And just to add, all our capex, 75% comes from Europe and the remainder 25% comes from rest of the world, which is North America and Asia. So we are very reliant on the movement from Europe to India for capex.

Moderator: We have our next question from the line of Prathamesh Dahake from Motilal Oswal.

Prathamesh Dahake: Sir, my question is regarding the international business. Could you please provide us some color as to what type of products are we expecting to experience an increased growth rate in the coming days and across which geographies and what kind of business that would be, branded or ODM? So a couple of lines on that would be really helpful.

Rohan Sehgal: Sure. So our focus area is North America, which is our number one focus area, along with Europe and certain key geographies in Asia. So this is where we continue focusing on. And our additional markets or the markets where we don't particularly focus, but we also generate some revenue in Middle East, Africa and Latin America. So this would be our primary markets, and that would be our secondary markets.

And the focus would be on our existing portfolio and the new products as we add. New products take more time because people don't have -- there's no history of you selling those products. So people will need to test, try and we would have to wait for opportunities wherever there's availability in any of the portfolio.

So of course, for the volumes, our focus would be ODM and for the regular business, our focus would be our brand. So we continue to focus on our brand in all geographies outside Europe and North America, that is Asia, Middle East, Africa, Latin America, these are the areas where we continue to focus on our brand. And in Europe and North America, we focus on ODM.

Prathamesh Dahake: And which type of customers are we targeting? I mean, across, let's say, the developed markets versus the rest of the world, which customers are expected to drive our revenues?

Rohan Sehgal: It's basically wholesalers and importers and distributors because we don't work at the customer level internationally, like how we work in India. So I can't tell you, pharma, biotech, CROs, diagnostics, I can't really give you a breakdown like that.

Prathamesh Dahake: But, sir, within branded also, would you -- wouldn't you be able to tell if it is...

Rohan Sehgal: Because we don't have sales teams, right, in those countries, like how we have in India. In India, we sell directly -- we sell to the distributor, but we are in direct contact with the customer, and we know exactly where our revenue is coming from.

Prathamesh Dahake: Okay. And then, let's say, if you were to dig down a level deeper, will it be consumable, reusable? I mean something, more color as to which business is going to be in traction in international. If you could please tell us.

Rohan Sehgal: See, our focus always is on the consumable business because that leads to greater volumes. But historically, we've been very, very strong in the reusable business overseas, and we are looking to dig deeper in the consumables business, and we should see a lot of traction in the consumables business over the next few years in the international market.

Prathamesh Dahake: Okay. And consumables would be mostly single use -- single usage products, right?

Rohan Sehgal: Yes, as the name suggests, yes, you consume, yes.

Moderator: We have our next question from the line of Omkar Kamtekar from Bonanza Portfolio Limited.

Omkar Kamtekar: So with respect to the Amta facility, the Amta facility is more for with respect to business facilitation. So what I observed was that our inventory days have been rising. So with this facility coming up, do you see a material reduction in this number and thereby a ramp-up in the revenues? I think you alluded to the fact that I would want a slight brief about how would that work?

Rohan Sehgal: So with Amta facility, the infrastructure is slated to become more robust and more strong, and it's giving us an opportunity to scale up as a company. The revenues definitely would go up.

In terms of inventory days, inventory days is not so much dependent on Amta. It is more dependent on the success of our projects because with new projects, we need to invest in a certain amount of inventory because we don't have any historical sales data for those projects.

And once those projects start streamlining domestically and internationally, and we are in a better position to know what to stock and how to stock when, the inventory level should see certain rationalization.

Omkar Kamtekar: Understood. So how much of -- could you tell what are the number of new products that we have launched during the year and the quarter? And what are we planning for the next year or so, if that could be said?

Rohan Sehgal: So we've launched a certain cell culture bottles called PETG and PET bottles. We've launched serological pipettes. PCR was not launched this year, it was launched last year. And now we are coming up with certain cell culture flasks, which we are launching in this quarter. So these are all cell culture products, but not the cell culture treatment products, which we are launching in Panchla.

These are all the prequel products to the cell culture treated products, which we will be launching in Panchla. All these products will eventually be also produced in Panchla, but these are not the main cell culture treated products which we are looking at in Panchla.

Omkar Kamtekar: Understood. So maybe -- so these are the 3 or 4 categories that we launched during the year, 3 or 4 categories in the cell culture would be added over the next 1, 1.5 years? That would be a correct understanding?

Rohan Sehgal: I would say about 12 categories. So if we launch 3, 4 this year, over the next year, we should be about 7 to 8 categories. This also includes certain capacity expansions of existing product lines, but if the capacity expansions are also considered as a product category, then about 7 to 8 new variants coming in next year.

Omkar Kamtekar: Understood. So this 7 to 8 would not be restricted to cell culture. It will be across the board?

Rohan Sehgal: Across the board -- across the company, yes, absolutely.

Omkar Kamtekar: Understood. And finally, with respect to the acquisition. So the Nerbe acquisition that we have done, would there be any gestation period with respect to it coming to full speed and -- or we can plug and play and utilize it immediately? Would it hit the ground running for us or it would take some period to gestate?

Rohan Sehgal: See, the thing is, it depends on our speed, we prefer a gestation period because we would want it to run the way it's running. We have our own operational tasks to be performed here in the company. We are at the midst of launching the largest facility which we ever launched in the history of the company and this facility should be bigger than all the facilities put together.

So we would take Nerbe slow and let the operation -- because their operations are smooth. It's not a company if you're looking to turn around in a very big way. It's not a company which was not performing well or which was performing below par, which needs a certain degree of turnaround or something like that.

So it performs status quo and let it move the way it is, and we keep picking on opportunities where Tarsons can add value. And we will keep doing that over the next multiple quarters, maybe 8 to 10 quarters.

Omkar Kamtekar: So 8 to 10 quarters would be the time frame that we'll be looking to ramp this up over?

Rohan Sehgal: We try to push things to our favor. The reasons for which we have acquired Nerbe, we'll try to fulfill those reasons periodically, step-by-step over these quarters, I would say.

Omkar Kamtekar: Okay. Understood. That kind of answers the question. Then effectively that would mean we would not look at any other new acquisitions per se? That is what I would understand then because even if you're thinking it was going to take 8 to 10 quarters to stabilize and ramp up this one, adding on something new would -- might be counterproductive.

Rohan Sehgal: See, at this point of time, what we have to see is the bandwidth as well as a company, right? We are just Rs.300 crores company in size. This is our first acquisition in the history of Tarsons. We've never acquired a company before.

So I don't think it would make a lot of sense for us to acquire a second company unless we've been able to prove it to ourselves as a management and Board that we'll be successful in handling an acquisition to a certain degree of success.

So that degree of success doesn't have to be 100%. But if we're able to demonstrate that we can manage an overseas acquisition well, only then we would look at other geographies for acquisition.

Omkar Kamtekar: Understood, understood. And just finally, the current margins are approximately near the 34%, 35% region. What do you see with respect to them moving upwards as the -- as all of the facilities and the new products come up. Could we see close to 40% margin or higher over the next 2 or 3 years?

Rohan Sehgal: See, the thing is, today, where we stand as a company, we stand as a company which is very high on costs and very high on development. And when we did the IPO, when we came into the public markets and when the public investors had a look at our accounts, we were at the peak of our utilization with very little investments and peak utilization rates.

So you got a range of where the lowest can be and where the highest can be, and from here onwards, if new projects click exactly the way our old projects have clicked in the history of the company, it should just keep getting better and better.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

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 further information, kindly get in touch with us or SGA, our investor relation advisers. Thank you once again.

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