An ISO 9001 & ISO 13485 Certified Company

Date: 3rd June, 2022

To, **The Manager** **Listing Department** **BSE Limited,** Phiroze Jee Jee Bhoy Towers, Dalal Street, Mumbai – 400001 Maharashtra, India	**To,** **The Manager** **Listing Department** **National Stock Exchange of India Limited,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra Maharashtra, India Mumbai-400051,
BSE Scrip code: 543399	**NSE Symbol: TARSONS**
ISIN: INE144Z01023	**ISIN: INE144Z01023**

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

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Company's Earnings Call held on 30th May, 2022 regarding discussion on the Operational and Financial performance of the Company for the quarter and financial year ended 31st March, 2022, is enclosed herewith.

The transcript 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 Tarson Products Limited

Santosh Agarwal

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

“Tarsons Products Limited 4QFY22 Earnings Conference Call”

May 30, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2022 will prevail.

MANAGEMENT:	**MR. SANJIVE SEHGAL – CHAIRMAN AND MANAGING DIRECTOR, TARSONS PRODUCTS LIMITED** **MR. ROHAN SEHGAL – WHOLE TIME DIRECTOR - TARSONS PRODUCTS LIMITED** **MR. SANTOSH AGARWAL – CFO & COMPANY SECRETARY, TARSONS PRODUCTS LIMITED**
MODERATOR:	**MR. KARAN KHANNA – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the 4Q and FY22 Earnings Conference Call of Tarsons Products Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. The statements are not the guarantee the future performance of the company that may involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. And I will hand the conference over to Mr. Karan Khanna from Ambit Capital. Thank you and over to you, sir.

Karan Khanna: Thank you, operator. Good afternoon, everyone. On behalf of Ambit Capital, I welcome you all to Tarsons Products 4QFY22 Earnings Call. From the senior management team, we have Mr. Sanjive Sehgal - Chairman and Managing Director, Mr. Rohan Sehgal – Whole time Director and Mr. Santosh Agarwal - CFO.

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

Rohan Sehgal: Good morning, everyone. A very warm welcome to everybody present on the 4Q and FY22 Earnings Conference Call for Tarsons Products Limited. Along with me, I have Mr. Sanjive Sehgal – Chairman and Managing Director and Mr. Santosh Agarwal – Chief Financial Officer and Company Secretary for Tarsons Products Limited and SGA – our Investor Relations Advisors.

This is the first full year we have published post our IPO in November 2021. Firstly, we are delighted to share that your company has been able to achieve its highest-ever revenue and profits in the history of Tarsons in FY22. Our consolidated revenues have crossed Rs. 300 crores mark and profit after tax have crossed Rs. 100 crores mark in the financial year 2022.

Let me speak about the industry first:

We have been seeing increased demand for labware products in India on the back of greater frequency of chronic diseases, improved healthcare infrastructure, and higher insurance penetration. Furthermore, increased investments in R&D and the expansion of the diagnostic centers in India are all driving up the need for laboratory products. We have also witnessed higher demand for plastic labware products since it is easy to handle, it is flexible and the cost is lower as compared to other non-plastic labware products. We estimate the size of the Indian plastic labware market at Rs. 1,200 crores and is growing at a range of 10%.

At Tarsons, we have outpaced the industry growth and our revenues have increased by 31% for FY22. We are optimistic and hopeful of outperforming the industry growth in the years to come.

Tarsons is one of the leading suppliers of plastic labware products in India with a 25% of market share for products which we are present into.

Over the last four decades, Tarsons has been able to develop the brand and trust for its products and hence we are one of the preferred suppliers of labware products across the country in all end user markets. We work with almost all leading diagnostic and pharmaceutical companies, contract research organizations, research organizations and academic institutions across the country.

We have a strong distribution network of more than 140 distributors for our company across India. Along with the strong distribution network, we also have more than 50 salespeople who are in constant touch with the final end customers for product sales generation and cross-selling of our wide product portfolio.

Along with our domestic sales, we work with 45 distributors across the globe for our export business. Our export revenue is also picking up and has grown by 31% in FY22 standing at Rs. 100 crores which is about one-third of the sales of FY22. We have been able to increase our presence globally with more acceptability of our products across various continents. We have two-prong strategies for our export business. One, being the branded sales, which are which are sold under the brand Tarsons and one is the ODM sales which is the white label business of the company.

For FY22, our sales split between branded sales and ODM stood at 43:57 as compared to 38:62 in the previous FY21. We have been able to penetrate deeper in other geographies with the Tarsons brand and are very optimistic of huge opportunities lying ahead of us from the segment.

As mentioned in our previous call, we are in the expansion phase. We are working on expanding our manufacturing capacities for both existing and new products in a phased manner through construction of a new manufacturing facility in Panchla, West Bengal. The project is on track and we target to commission new facility by H1 FY24. The new facility will also manufacture bioprocess and cell culture products which have its own market size in India and abroad. With the addition of cell culture products and enhancing our capabilities and capacities for PCR products, we are optimistic of gaining the same dominant market share in India for these product lines as well in years to come.

We are also planning to develop a new fulfillment center in Amta, west Bengal to consolidate and expand our warehouse operations, at the same location we also aim to do backward integration in the manufacturing process by building an in-house sterilization center for captive consumption. Our target to complete this project is also H1 of FY 2024. At all our facilities we continue to invest in automation and reduce human error and improve throughput and efficiencies for better productivity.

Our key strategies going forward will be to expand product portfolio, focus on branding and keep innovating new products, enhance our manufacturing capacities to leverage growth, increase our presence in overseas markets with the two-fold approach of ODM and branded business. We intend to export to more than 120 countries in the next 8 to 10 years, in-house operational efficiencies through the use of higher automation. Going forward I would also like to reiterate that with multiple leavers like growing labware domestic market and huge addressable market for exports giving us a huge runway for growth. We are optimistic of the future to come.

Let me now hand over call to our Santosh Agarwal – our CFO for operational and financial highlights for the quarter and full year ended FY22.

Santosh Agarwal: Good morning, everyone, and a very warm welcome to our Q4 and FY22 Earnings Call. We have uploaded our latest Investor Presentation in the stock exchange for our Q4 and FY22 Results. I hope everybody had an opportunity to go through the same.

We are delighted to share that we have been able to grow ahead of the industry growth due to trust and brand created for Tarsons Limited for so many decade.

On the revenue front, revenue from operations for Q4 FY22 stood at Rs. 85 crores as compared to Rs. 68 crores in Q4 FY21, a growth of 26% approximately on Y-o-Y basis. Our revenue growth was almost equal among the domestic and export market. For FY22, domestic and export market revenue grew by approximately 31% for Q4 FY22, domestic business has grown by 24% and exports business grew by approximately 31%.

Our sales split for domestic versus exports stood at two-third and one-third, respectively. Our sales split within the export market was approximately 43% from the branded sales and 57% approximately from the ODM sales as compared to approximately 38% for branded and approximately 62% for ODM in FY21. The sales growth was driven by higher demand across end user industry and exports.

On the gross profit level, our gross profit for Q4 FY22 is stood at Rs. 66 crore approximately as compared to approximately Rs. 52 crore in Q4 FY21, a growth of approximately 28%. Our GP for full year FY22 is stood at approximately Rs. 238 crore, a growth of approximately 42%. GP margin for FY22 is stood at approximately 79.1% as compared to approximately 73.1% in FY21, up by almost 600 basis points.

At the EBITDA level, EBITDA for Q4 FY22 is stood at approximately Rs. 44 crore as against Rs.35 crore in Q4 FY21, a Y-o-Y growth of approximately 27%. EBITDA was up by approximately 34% sequentially. EBITDA for FY22 stood at Rs. 153 crore as compared to Rs. 103 crore in FY21 with a stellar growth of 48%. EBITDA margin for Q4 FY22 was 52.2% and for FY22 EBITDA margin stood at 50.8% up by 560 basis points on Y-o-Y basis.

At a PAT level, PAT for Q4 FY22 stood at approximately Rs. 30 crore as compared to approximately Rs. 24 crore in Q4 FY21, a growth of 25%. PAT for FY22 stood at approximately Rs. 101 crore as compared Rs. 69 crore in FY21 a significant jump of 46%. PAT margin for FY22 stood at 33.5% a growth of approximately 300 basis points as compared to the same stood at last year.

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. The first question is from the line of Nitesh Shah from ICICI Securities. Please go ahead.

Nitesh Shah: Congratulations on stellar numbers. First of all, is there any one-off in this quarter number because the Q-o-Q the sales increased substantially around 21%.

Rohan Sehgal: No, we don't see any one-off in our revenues in this quarter. We believe that this is the base for the next year and we expect to continue to grow in the same momentum in this financial year and beyond.

Nitesh Shah: In the past two years, the company has grown around (+) 30% almost 30%. Can we expect this kind of run rate would be continued?

Rohan Sehgal: I think in the medium-to-long-term definitely with the exception, there could be a few quarters here and there but we have a large expansion planned as we said in our opening comments. Two large facilities coming up, lots of new products coming up, lots of capacity expansions with the domestic market increasing rapidly as well as the international market opening up very well for us. We see the growth to be maintained in the years to come at least in the next three to five years.

Nitesh Shah: But, if the domestic market you said on a growing at 10% and company is growing 30%. Would there be a substantial growth for the Company. On the market side, you have you said around 35%?

Rohan Sehgal: 25% in the products we operate.

Nitesh Shah: 35% of the products…

Rohan Sehgal: 25% in the products we operate.

Nitesh Shah: So, that you already had a year back also it is 25% this year you grow 30% and the market grows at 10%. Have you not gained the market share?

Rohan Sehgal: No. We are present in about 50% of the market and we have 25% of that market. So, there is another large market opening up for cell culture, PCR, bioprocess products. Where we were not present. Having a base of zero, we expect a very higher growth than industry standards in the first three to five years till we stabilize the growth.

Nitesh Shah: Your domestic market is around the Rs. 1,200 crore and your market; the covered market is at Rs. 600 crore. It shows around 33% market share …

Rohan Sehgal: That is why we expect that we have 25% of the market in which we are present in. We are not present in the entire market.

Santosh Agarwal: And just to add that, whatever data we are talking about Rs. 1,200 crore that is related to the prior year and we are comparing with the number of this year. So, that will not hold good.

Rohan Sehgal: Yes. And the market has expanded as well; this is based on Frost and Sullivan's report which is dated about 12 month earlier.

Nitesh Shah: And PCR is contributing to our revenue?

Rohan Sehgal: That is right. Yes.

Nitesh Shah: So, it is a meaningful or just a miniscule?

Rohan Sehgal: No. it is a new product line and it is not being present for a long time. So, we will continue to see higher growth as the years move on. It is just was an effective about few months of revenue and this gone by financial year. So, this is going to be the first full year for PCR products in FY23 and I think we will keep looking ahead at higher growth such as we move ahead in PCR.

Nitesh Shah: And the another question on the; your cost. Almost all the costs are elevated, the company is facing any issues or the company has passed on that cost to the end user?

Rohan Sehgal: I think we are looking to pass on most of our costs to end users but that cannot be aligned perfectly, sometimes costs come earlier in the passing on comes a little later. So, as you know it is an inflationary environment with all input costs increasing. We are in a good space. So, we might face a quarter or two where we might see certain cost pressures but overall, in the long-term we are in good space because we will look to pass on most or all of our costs or all of the higher input costs which we are facing all across the board.

Nitesh Shah: Margin has increased around 500 bps continuously from past two years almost. Would you expect that this would be a sustainable kind of margin or still we will expect it to be a growth increasing the margins of year on as well?

Rohan Sehgal: I don't think it is very possible to grow from these margins. I think we are at the peak of the margins. We believe that the margins will only grow based on the volume growth and the revenue growth what we have in the same ratios, we would; we expect to keep similar margins to what we have achieved in FY22 moving forward.

Moderator: The next question is from the line of Jaiveer from Ambit Capital. Please go ahead.

Jaiveer: Could you highlight the extent of price hike that you might have taken for this year in both your domestic as well as the export markets and in the export across both your branded and ODM sale?

Rohan Sehgal: So, the domestic market price hikes were taken on 1st April on an average median of about 5% to 7%. The thing is it is not a straight up price increase because there are a lot of ongoing contracts. So, on 1st of April the entire domestic market does not face the 5% to 7% price increase. It happens in a phased manner and we see 100% in about 2 to 3 months maybe around 1st of July. In the international market, we have taken a price hike around 1st of March as well and I think the time period across the globe would also be about 4 to 5 months because people and distributors have existing commitments and existing contracts and it is not possible to pass it over on the sale very same day of announcing the price hikes.

Jaiveer: Will the price hike be similar for both your branded as well as ODM sale because we understand probably we will not have a lot of pricing power when it comes to the ODM part because of the relations that we would like to maintain?

Rohan Sehgal: Absolutely. I agree completely and it would be a mix and we would like to balance that out so that overall, when we look at the high input cost of the company we try to cover as much as possible and our endeavor is to cover 100% and I think we would be somewhere in and around that mark.

Jaiveer: Also, Rohan, you will note that Borosil has taken price hike to the tune of 15% to 20%. Same for Fisher Scientific as well. Could you just highlight the reason why the price is taken by Tarsons have been low over the competition?

Rohan Sehgal: I think the thing about Borosil is that in most of the product lines they manufacture in the glass line. So, I am not really aware of the input costs which a glass is facing since we are not present in that business. Similarly for Fisher Scientific, they manufacture very wide range of product lines and there could be equipments, reagents, and other product lines which offering, which are leading a higher price hike as compared to plastics. So, Fisher plastics are probably 10% of the low of the entire business volume in India.

Jaiveer: So, probably I will flip the question around; now given that we did not see much of the RM inflation impact during the 4th quarter, given you already hold after three months of inventory but given that peak overall price rise is already 25% to 30% is up over the last quarter. What kind of RM price increase are you witnessing since the last quarter since the end of 4Q FY22 or probably the new purchases you might have made?

Rohan Sehgal: We would have witnessed a lot of cost pressures in Q4 FY22 itself but because of supply chain disruptions we would maintain inventory levels and hence we had a lot of spillway inventory from earlier periods because of the huge inventory levels. I think raw material prices escalated right from September and October till about March, April and right now we see of a little bit of cooling off, prices have begun to taper off started falling a little bit, have maintained constant levels so at this moment input costs for us have remained stagnant or have started cooling off a little bit. It is not in the same speed as what it was three months ago.

Jaiveer: So, would it be quantum of price hike that you have taken. Would that be able to offset all of the RM increases are you facing?

Rohan Sehgal: Yes, mostly it would be able to take care of raw material as well as packaging which are the two main input cost increases for us as a company.

Jaiveer: Lastly, in terms of your peak revenue potential could you just highlight where the current capacity stands after all the CAPEX that you have already incurred and how is it relative to where the capacity is, where let's say you are back in FY21?

Rohan Sehgal: I think our current capacities and our current facilities would keep us in a good position to maintain a good growth for this year as well as half of next year before our facilities come into place to aid growth moving forward. As I said in my earlier call as well, it is very difficult to define capacity because we have 1700 SKUs spread over maybe less than 5% of that in machines, 50-60 odd machines. I could tell you that about top selling of our products which are top 25% of our products, I think the available machine hours would be less than 5% and on the remainder products, it could vary between 15% to 30% of machine hours available, so we still have enough bandwidth in our current setup as well as new capacities coming in our current setup over the next 12 to 18 months to manage growth for us until the new facilities come on and take over for the next phase of growth.

Moderator: The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: Just to clarify that so you also said that you will able to maintain your margin as well as you are saying that the RM pressure is there and now the way which the low inventory, RM you have already utilized. So, how to maintain this margin?

Rohan Sehgal: RM pressure has been there now for the last 6 to 7 months but over the last 2-3 months, we have seen the pressure tapering off and we don't see further increases. In some places we are seeing decrease in pricing of RM as well. I think we will be able to maintain our margins moving forward by having due price increases which we have already started implementing from 1st of April and we can expect to be 100% implemented in the next month or two. I think with improved efficiencies in manufacturing, larger volumes larger output we will be able to maintain our margins in and around the level of where we are currently there.

Praveen Sahay: The second thing you pointed out around contract, ongoing contract business. So, how much is the contribution from the ongoing contract and how much of the price hikes you are able to pass on there?

Rohan Sehgal: Most of our businesses are contractual and we have very few non-contractual businesses. You have, you have customer contracts and you have customer commitments. And sometimes when the contracts are, have a very long extension period maybe 12 months, 16 months, 18 months from now we have no other option but to implement price increases in the middle of the contract because you cannot wait 18 months but when you have a price implementation increase on 1st of April and when a contract is expiring on 1st of June or 1st of May, or 1st of July, you give better 3 months linear period limit as a strong relationship just shared because you have been working with these companies; we have been working with these companies for the last 1, 2, 3 decades. So, it all depends from case-to-case basis. There is no one fixed thumb rule.

Praveen Sahay: It is like a 3-month lag is there to pass on the prices, at least.

Rohan Sehgal: No. It is not a 3-month lag. It is not a 3-month lag. It is basically depends from case to case. If it is expiring soon and there is viability for us to hold on then it is fine. Suppose I have a contract today which is expiring in June of 2024 or June of 2023, it is too longer period for me to continue with the old pricing. So, I have to look at it from case-to-case basis.

Praveen Sahay: Next question is related to the; the margin difference between the branded and the ODM business?

Rohan Sehgal: The margin difference between the branded international business and the ODM international businesses is almost similar. The difference between the gross margin of the international business and the domestic business, the domestic business is slightly higher and the international business is slightly lower but overall, on the EBITDA levels, the business is almost equal because overhead costs in the domestic business are drastically higher than that of the international business.

Praveen Sahay: Can you give that for this year? How much revenue generated from your top 10 clients?

Rohan Sehgal: No. We don't have that information on hand but what we have is that since most of our business in India and international is contributed through distribution, we believe that the top 10 distributors account for about 50% of our business.

Praveen Sahay: Lastly on the plant expansion that Panchla is August 2023, that will come in.

Rohan Sehgal: Yes. Approximately that is the end mark. It could happen slightly before that. The problem is that our, we have been completely successful and we are on track to complete the entire civil infrastructure and build the entire Panchala building by January end or February of 2023. But most of our equipment and most of our machineries are being imported from various parts of the world and as we know components, ELCs and various other electronic components there is a global shortage. It is only the machine deliveries which would delay the project and take it up to July or August 2023, if everything was line in terms of imports then we could have started much earlier because our infrastructure and our construction bit would be ready by February 2023.

Moderator: The next question is from the line Mitul Mehta of from Lucky Investment Managers. Please go ahead.

Mitul Mehta: My question is on your gross block turn over; historically, we have been operating at less than one closer to 0.7-0.8x. Is this the intrinsic, inherent nature of the business or do you believe that there is a scope of improvement as we move along and get our new capacities is effective? Because the reason why I asked you is that in the event of slowdown or any adverse impact on the business since it is a very high fixed cost business or it could affect us significantly as far as our margins. Can you please elude on this particular point?

Rohan Sehgal: Yes. This has the nature of our business because we built our facilities and our infrastructure based on global leaders from Europe and the US. We have a very high level of top end automation and robotics which drives up the fixed assets. If you did not do; if you did not do the business this level and did it highly manually with low end tooling and low-end machines then the fixed asset level would be very-very low and the variable costs such as cost of laborers working in the factory and other costs would be significantly higher.

Mitul Mehta: So, but do you, is this globally the parameters are similar or we are slightly better than most of?

Rohan Sehgal: The top five companies in the world, the top five companies in the world in terms of technology, turnover, and size their total fixed asset would be in the range of 0.55 to 0.65. So, we are marginally better because we take advantage of a certain economies of scale of cheaper manpower and resource at our facilities or certain applications but that is because of the geography and the place where we are present in.

Mitul Mehta: Do you foresee any kind of slowdown in your business as we go along; I know that you are expanding your capacity. You are putting up a new factory that of course comes with a lot of visibility but given the fact that the world has become very uncertain, if there are any issues as far as our slowdown is concerned that can it hit us very badly because of the sheer lower assets turnover?

Rohan Sehgal: See, we are in the business of actually healthcare or research, diagnostics, these areas which continuously expand because of; this is one of the biggest concerns of the world at this moment and from the last 24 months. So, at this moment I did not see any external risk factors which would slow down our business. Of course, there had been a huge spike in the business during the period of COVID which has now completely tapered off. But, luckily for us we did not have supernormal growth during COVID period, and we grew at only about 28% to 30% year-over-year because of limited capacity. So, our basis what we have achieved in the two COVID years continue remain as the base for further growth in the years to come.

Mitul Mehta: And how much money are we investing in the new plant?

Rohan Sehgal: It's, we had discussed about the CAPEX which was about Rs. 410 crores which included all infrastructure as well as machines and equipment but I expect that to go significantly higher by about may be 20%-25% odd because of increased costs of equipment because all of that is made out of metal, stainless steel, prices are at an all-time high and similarly infrastructure and the construction costs at both our facilities have gone exorbitantly high over these last 12 months because of higher input costs in construction materials.

Moderator: The next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.

Harshil Shethia: Continuing on the previous participants questions, you said that our CAPEX cost is going to increase by around 20%-25%. Does this mean that our asset turn over will reduce from 0.7 - 0.8x to 0.6x due to the increase in cost?

Rohan Sehgal: It may not decrease that much because we are seeing with higher input costs pricing of a lot of these products increasing as well. Since this is a global phenomenon for all manufacturers who are doing capacity expansion which most of the manufacturers globally as our industry is experiencing unprecedented much higher growth levels. So, I see that realization costs might increase slightly. So, there would be a decline in the asset turn over levels but I don't feel that significant decline.

Harshil Shethia: Our major raw material as of today is the crude oil prices which would impact us, right?

Rohan Sehgal: No, not really because we manufacturer from 75% of our raw materials which are specialized grades of plastic and these are dependent more on the demand and supply rather on the crude oil prices.

Harshil Shethia: Secondly, going forward you said that the whole global market is on up for the Rs. 50,000 crore markets for us, how do we see ourself making a mark in the global market?

Rohan Sehgal: At this moment, our entire focus over the next 18 to 24 months is to successfully implement, integrate and make both these new facilities self-reliant and ensure that the output levels are at its peak and once these two both these new facilities are stabilized over the next 18 to 24 months, we will look at different strategies to grow our international markets.

Moderator: The next question is from the line of Rishab Parekh from Sunidhi Securities. Please go ahead.

Rishab Parekh: Just a couple of questions. The first one being our capacity is getting on stream in H1 FY24. As you said, the 25% of our top selling products have machine availability of less than 5%. What kind of revenue going to be assumed in the interim? I appreciate the fact that you will have a 5% to 7% price hike across your business so that will aid in the revenue growth but from a volume perspective, what is the volume growth that can, we can see from current capacity?

Rohan Sehgal: So, in terms of volume growth we have enough bandwidth at this moment in our existing facilities to aid us in similar growth levels, what we have achieved in the last two to three years, that means around 20-25 odd percent but the more important factor would be to see how we would be able to execute the same and how the market would look like in the next eight to nine months. The world, it is a little bit unstable at this moment with a lot of supply chain disruptions, importing and exporting has become more difficult with a lesser container availability. So, there would be these sorts of things you should be more challenging rather than achieving growth. I think internally we have all the resources but we have to depend on a lot of external factors like container availability import of raw material and such factors play a greater role than our internal capacities.

Rishab Parekh: My second question is of new segments that you are entering the CAPEX being commissioned which is cell culture, can you just speak a little more about the segment? What are the products? What is the competition? What is the strategy to gain market share? And even just some more color one that?

Rohan Sehgal: I would not want to speak much on the cell culture and bioprocess because that is a little, it is competitive in, a competitive industry, and that could be a little sensitive information at this point of time but the major players would be Thermo Fisher Scientific, Corning, Greiner Bio-One, Sarstedt. These would be the four big players globally. The cell culture market is divided into two markets. One is the academic market which is used in research and academic institutions, product lines and the other one is the bioprocess market which is used industries. It is larger volume product which is actually used for bio production or which is used industries. I think in a phased manner, we look to enter into the complete line of cell culture products, and it is a fairly sizable market. Today in India I believe about 30% to 35% of the total market size in India belongs to this entire cell culture line and globally as well it is a very significant market with about, probably one fourth or about 25% to 30% of the total market belonging to this product line.

Rishab Parekh: And margins for this would be a superior to our current consolidated margins?

Rohan Sehgal: I think, again it is too early to comment whether it will be superior or not but I believe it should definitely be in line with what we are achieving today. Overall, with the volumes, the bioprocess could be slightly lower because it is production related and the academic would be slightly higher since it is research related but overall, it keeps us in good stead as a company and should be in our own way we are today.

Rishab Parekh: My last question is around your working capital intensity; we have done a great job in managing it through a difficult period. Do you think that, can we eke out anymore improvement in working capacity or do you think that this is a good result else to forecast? What is that?

Rohan Sehgal: I think this is a good level and the only improvement what we can expect is because customer credit periods cannot be contracted anymore. I think we are doing a good job in our customer collections, most of our vendors because of the SME tule we have to pay within a certain time period and raw material, about 75% to 80% of our raw material is imported from the Western part of the world. I think the only way we can slightly improve our working capital cycles is if the supply chain gets back to pre-COVID levels. At this moment, the supply chain is slightly disrupted. So, we see longer delivery periods for products what we paid in advance in cash. And that could be one factor. The other factors, if there could be local availability of specialized grades of plastic being produced in India which I don't see it as a possibility in the near or medium term. But when that happens, that would drastically bring down our working capital cycle as well at this moment we are heavily reliant on import.

Moderator: The next question is from the line of Hardik Vora from Union Mutual Fund. Please go ahead.

Hardik Vora: Rohan, on last call you had indicated that at its peak COVID was contributing about 30% of revenues. What part of financial year 2021 was that will it be the first?

Rohan Sehgal: I am sure 30% of revenues was the entire FY21 which the 12 months. In that we saw the first 4-5 months was the lock down period followed by a little bit of lean period towards Q3 of FY21 followed by a peak COVID again in the Q4 around January, February, March of FY21. So, overall, I think about 25%-30% odd revenues in the entire FY21 came from probably COVID. It is very difficult to give you an exact number because we don't sell to end customers we sell through distributions. So, the data cannot be as clear as selling to the final customer.

Hardik Vora: But I am going to assume that 4th quarter FY22 had varied after COVID as such and in that backdrop this growth appears very strong on core basis, the business has grown even faster. Can you comment what has driven this growth is it largely PCR or successfully very stronger you just put some more backed off on this.

Rohan Sehgal: I think it is not any particular product line which is triggered this growth as I have mentioned in the previous earnings call as well as a lot of investor calls that the market has been left in a better position post-COVID. COVID has expanded the market for good and maybe 60%-70% of the demand was one-off but it has left back about 30% or 25% of industry expansion. So, there is greater focus on research, greater spending that is greater focus on health. So, overall the market is in a better position than what it was pre-COVID and it is the expanded market, our expanded product line, our greater penetration in the Indian market, our growing strength of our brand as we come into more and more complex products similar to what was only available for multinational companies. I think it is a factor of a lot of combinations which just playing to our favor and this has given us this expanded growth.

Hardik Vora: You will maintain this guidance of Rs. 500 crores of revenue by FY25. So, I think changes on that?

Rohan Sehgal: I believe so. Yes, nothing changes on that.

Hardik Vora: Just one more question was on the PCR market. Would our aspiration be to have similar market share like what we have had in the other labware market in long-term perspective. Would we expect that to be also a target?

Rohan Sehgal: Yes. I think we had a very successful launch of our PCR products. It has been well received and we have almost 85% to 90% of the PCR product line in the plastic consumable segment available with us as we speak today and I believe that as per past history it takes us about 4 to 5 financial years in most product lines to have a dominant or a market leadership position in the country and we expect no different from the PCR product line as well as expanded in international markets as well.

Hardik Vora: Perfect. I just have one big bookkeeping question. This Rs. 70 crores non-current assets, can just highlight what is that it seems like a large increases? What is it pertaining to the financial year 2023?

Santosh Agarwal: Yes. This is the CAPEX advance we have given and Shown it as Non current asset .

Moderator: The next question is from the line of Shriram Kapoor from Prabhudas Lilladher. Please go ahead.

Moderator: Sorry to interrupt the line of the participant got disconnected. We will move to the next question which is from the line of Hardik Doshi from White whale Partners LLP. Please go ahead.

Hardik Doshi: I had a question about the addressable market. I think you mentioned that of the products that you manufacture you have about a 25% market share in the domestic side. Are we planning to introduce newer ones to expand to the rest of the addressable market in India? That is number one. Number two is, where do you think this market share camps out? You are already at 25%, how much higher can we go?

Rohan Sehgal: I think for both the new facilities are targeting to expand our product line and get us closer to about 100% of the addressable market in India. A 100% would never be possible. I believe that we would always be 5% to 10% lower than the complete addressable market in the country. So, the realistic target would be about 90%. I believe that with the new products, there would be an expansion in the newer product revenues as well as it could boost up older product revenues as well because our basket grows. At this moment, it will be very difficult to place a number but I believe that we will continuously expand this number from the 25%.

Hardik Doshi: I guess where I was trying to get, are any structural of gaps in terms of, just you think can we get 50% for example, that would be too much of a stretch in terms of market share for India?

Rohan Sehgal: I don't see any, I don't see any problem in getting to 30% but as I said, it is very difficult to place a number with what the future holds in the next 5 years. Looking at the current scenario, the current competitors, I feel that it is very much achievable as our product line grows and being the only premier player in the country to manufacture such a wide range of product line which is acceptable to the top buying pharma, research, diagnostics segments. I think we are in a very good place to continuously grow our market share.

Hardik Doshi: Just related this from the export perspective now it is become about one third of our overall revenues. Obviously, this is a much bigger addressable market. If you had to look 3 to 5 years out, do you think exports will be majority of our revenues going forward?

Rohan Sehgal: I don't think in the next 5 years it could be majority of our revenues because there is a huge runway of growth available in the Indian market and it is a market where, which is which we are closest to because we are present in India and it is a market where we have a dominant leadership position. So, I think Indian business would continue to grow very-very strongly over the next 4 to 5 years. And it will be very difficult for international business topple this and become the majority of our business. At this moment, we continue to work with agents, importers and distributors in international markets and we do not have any inorganic presence or subsidiary presence in any of the international countries, unless we move into that phase of growth, I don't see the international market changing or when becoming the dominant portion of our revenue.

Moderator: The next question is from the line of Shriram Kapoor from Prabhudas Lilladher. Please go ahead.

Shriram Kapoor: I see one of the strategies is, increase your brand awareness as mentioned in the investor presentation. Do we see any increased marketing spend or some sort of that which could more than normal or which would have an impact in the margins?

Rohan Sehgal: Not at this moment, because as I mentioned in my previous answer, we still continue to work with agents and importers who do the bulk of our marketing in representation of our brand in their respective territories. But, in the future if we decided to move in inorganically, organically to own subsidiaries, there will be increased expenditure not only in marketing as well but as well as in people and remunerations. But at the same time most of that will be offset by higher product realizations because we get closer to the customer and don't rely on importers and distributors in those particular geographies. Overall in the short-term or interim, when we do that there could be a lowering margins but in the medium term, the margin will fall back into place and at the same time give us a larger access to those markets.

Shriram Kapoor: Another question on your focus on exports and also you have mentioned trying to capture on the make in India theme, so where is the most of the international competition from, is it one particular country or region like for example, China and are you benefiting from any trends in the China plus one theme?

Rohan Sehgal: Surprisingly, in India the competition is not from China, it is more from Europe, the US as well as Indian players inside India. Or internationally, there is a very strong competition from China especially from the top tier Chinese manufacturers. There are very, 2 or 3 very strong companies which manufacture a very high-quality level of products and we see increased acceptance and increased entry into larger accounts which were dominated by the Chinese because the Chinese +1 strategy coming into.

Moderator: The next question is from the line of Nitesh Shah from ICICI Securities. Please go ahead.

Nitesh Shah: Did you say the COVID is approximately 25%-30% of the entire industry revenue?

Rohan Sehgal: No, it was about 25% to 30%. It was 25% to 30% in FY21 of our company revenue. I did not say of the industry revenue.

Nitesh Shah: And what about FY22?

Rohan Sehgal: That is what I have probably contracted to about 50% because apart from Q1 and FY22, we spent very little or negligible COVID revenues.

Nitesh Shah: So, we have a 50% of the revenue contribution approximately from the COVID in FY22, is it right?

Rohan Sehgal: That is right approximately and that is what we believe.

Nitesh Shah: As the COVID waning now in FY23 because we have a higher base in FY22. So, we still believe that we have such kind of growth in FY23 as well?

Rohan Sehgal: No, the thing is just like we grew 30% in FY22 when COVID revenues half in FY22 cum FY21. Similarly, we expect the same thing to happen in FY23.

Nitesh Shah: About your gross margin, gross margin in FY22 increase around 600 bps despite the export and the domestic contribution is remains same. So, what would be the reason for such high gross margin improvement costing is really elevated in FY22?

Rohan Sehgal: Certain product mix changes, I think a larger, higher margin products would have contributed at a higher level as compared to the previous year as well as a certain value-added services like a more radiated product as compared to non-sterile product. I think looking at the business from an EBITDA level would be a much stronger viewpoint. We aspire to maintain same EBITDA levels of around late 40s touching 50% that is what the aspiration is. The gross margin could always change based on geography mix as well as product mix.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Rohan Sehgal for closing comments.

Rohan Sehgal: I would like to 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 we get in touch with us our Sagar Shroff from Strategic Growth Advisors, our Investor Relations Advisors. Thank you once again and stay safe.

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