

TARSONS PRODUCTS LTD

Tarsons Products Ltd is a leading Indian manufacturing company by revenue in India in laboratory consumable and life sciences industry with ~9-12% market share in the labware market in 2020 (Frost & Sullivan Report). Tarsons' product portfolio is classified into three key categories which include Consumables, Reusables, and Others. The company generated ~23% of its revenue from the sale of Reusables in FY21 while 5-7% of its revenue from others segment. Tarsons currently operates five manufacturing facilities in West Bengal as of June'21 and had a diversified product portfolio with over 1,700 SKUs products across 300 distinct products. Its distribution network across India comprises over 141 authorized distributors and has 45 distributors in the overseas market. Some of its end customers include Dr Reddy's Laboratories, Syngene International Dr. Lal Path Labs, Metropolis Healthcare, Mylab Life Solutions, among others.

Positives: (a) Leading Indian supplier to life sciences sector with strong brand recognition and quality products. (b) Provides a diverse range of labware products across varied customer segments. (c) large addressable market with long-standing relationships with key end customers. (d) pan India sales and distribution network.

Investment concerns: (a) Company imports over 75.00% of its raw materials. (b) 86.32% of total manufacturing revenue contributed by manufacturing units located at Dhulagarh and Jangalpur, WB. (c) Moderate scale of operations, working capital intensive in nature of business (high inventory and low payable days) (d) Continuing impact of the COVID-19.

Outlook & Valuation: Tarsons has been manufacturing plasticware for over 36 years and has built a recognized brand in the domestic market. Although the scale of operations is modest, the same as grown over the years aided by diversified portfolio and distribution network. Tarsons' is well placed to capture the growth arising from shift from glassware to plastic ware, growth for end users and, continued gains for domestic manufacturers among others. Tarsons has good ROE aided by hi margins which can sustain with growing scale of operations. The IPO proceeds will enable Tarsons to invest in capacities to capture growth going ahead. At ₹662, Tarsons is commanding 51.1x/40.6x FY21/TTM earnings. Given 33% earnings CAGR over FY19-21 and potential to maintain such earnings growth, we believe the valuations are fair. We have a "SUBSCRIBE" rating on the issue.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021*	Q1FY21	Q1FY22*
Net Sales	179	176	229	42	69
% chg	-	-1.6	30.1	-	64.6
Reported Net Profit	53	52	80	10	26
% chg	-	-1.4	53.5	-	172.7
EBITDA (%)	48.0	46.1	50.2	33.7	55.0
EPS (₹)	7.3	7.6	12.9	1.3	4.7
P/E (x)	90.4	86.9	51.1	-	-
P/BV (x)	26.0	17.8	14.4	-	-
ROE (%)	57.6	24.4	31.2	-	-
ROCE (%)	44.0	20.8	27.7	-	-
EV/EBITDA	50.0	51.0	34.3	-	-
EV/Sales	20.1	20.1	15.5	-	-

Source: Company, Angel Research;

Note: Valuation ratios at upper price band; *Consolidated

SUBSCRIBE

Issue Open: Nov 15, 2021

Issue Close: Nov 17, 2021

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹10.2 cr

Offer for Sale: ₹874 cr

Fresh issue: ₹150 cr

Post Eq. Paid up Capital: ₹10.2cr

Issue size (amount): ₹1,023 cr

Price Band: ₹635-662

Lot Size: 22 shares and in multiple thereafter

Post-issue mkt. cap: * ₹3,385 cr - ** ₹3,522 cr

Promoters holding Pre-Issue: 50.78%

Promoters holding Post-Issue: 47.3%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	47.3%
Others	52.7%

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Company background

Tarsons Products Ltd is an Indian labware company engaged in designing, development, manufacturing, and marketing of consumables, reusables and others including benchtop equipment, used in various laboratories across research organizations, academia institutes, pharmaceutical companies CROs, diagnostic companies and hospitals. Consumables' category includes products such as centrifuge ware, cryogenic ware, liquid handling, PCR consumables and petri dish, transfer pipettes and others. Reusables category includes products such as bottles, carboys, beakers, measuring cylinders and tube racks. Others category includes benchtop instrumentation such as vortex shakers, centrifuges pipettors and others. Tarsons is also engaged in the manufacturing of a range of quality labware products which helps scientific discovery and improve healthcare. Tarsons currently operates through our five manufacturing facilities located in West Bengal. Tarsons distributes its products to its end customers on a pan-India basis through authorised distributors. The company is among the top three plasticware laboratory equipment manufacturing companies by revenue in India to provide extensive range of life science products, scientific equipment, and scientific instruments and both general and specialized laboratory supplies

Issue details

The IPO is made up of fresh issue of ₹150 Cr and offer for sale of up to 1.32 Cr shares by promoter & selling shareholders.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	2,58,66,033	50.78	2,51,66,033	47.30
Public	2,50,74,387	49.22	2,80,40,248	52.70
Total	5,09,40,420	100.00	5,32,06,281	100.00

Source: Company, Angel Research & RHP.

Objectives of the Offer

- ₹78.5 Cr for repayment/prepayment of certain borrowings.
- ₹60 for funding capex to develop a new manufacturing facility in Panchla, West Bengal
- General corporate purposes

Key Management Personnel

Sanjive Sehgal is the Chairman and Managing Director and individual Promoter of the company. He holds a bachelor's degree in science from Xavier College, Calcutta. He has over 30 years of experience in the company.

Rohan Sehgal is the Whole-Time Director and individual Promoter of the Company. He holds a bachelor's degree in science (management) from the University of Manchester. He has over 7 years of experience in the company.

Santosh Agarwal is the Chief Financial Officer of the company. He holds a B.Com degree from the University of Calcutta. He is a Chartered Accountants and has over 20 years of experience having previously worked with Polar Fans, Genpact, ICA group and Gruas Jaso Group.

Exhibit 1: Profit & Loss Statement

Y/E March (₹ Cr)	FY2019	FY2020	FY2021*	Q1FY21	Q1FY22*
Total operating income	179	176	229	42	69
% chg	-	-1.6	30.1	-	64.6
Total Expenditure	93	95	114	28	31
Cost of materials consumed	56	50	56	12	18
Changes In Inventories	(5)	(1)	5	5	(5)
Employee benefits expense	16	20	24	6	8
Other expenses	40	38	40	8	12
EBITDA	72	69	103	12	37
% chg	-	-3.4	49.4	-	218.5
(% of Net Sales)	40.1	39.4	45.2	27.5	53.2
Depreciation & Amortization	15	14	14	3	5
EBIT	57	55	90	8	32
% chg	-	-3.5	63.0	-	284.6
(% of Net Sales)	31.9	31.3	39.2	19.9	46.6
Finance costs	7	6	3	1	1
Other income	6	4	5	2	2
(% of Sales)	3.3	2.4	2.4	3.7	2.9
Recurring PBT	50	49	87	8	31
% chg	-	-1.8	77.7	-	302.5
Exceptional item	-	-	-	-	-
Tax	17	13	24	2	9
PAT (reported)	39	41	69	7	25
% chg	-	4.0	69.9	-	256.5
(% of Net Sales)	21.8	23.0	30.1	16.6	35.9
Basic & Fully Diluted EPS (Rs)	7.3	7.6	12.9	1.3	4.7

Source: Company, Angel Research; Note - *Consolidated

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2019	FY2020	FY2021*	Q1FY21	Q1FY22*
SOURCES OF FUNDS					
Equity Share Capital	0	0	0	0	10
Other equity	135	197	244	182	259
Shareholders' Funds	135	198	244	182	269
Total Loans	65	36	34	35	65
Other liabilities	4	5	6	5	8
Total Liabilities	204	238	284	222	341
APPLICATION OF FUNDS					
Property, Plant and Equipment	85	88	114	85	127
Right-of-use assets	4	4	7	4	7
Capital work-in-progress	7	19	22	24	33
Intangible assets	-	-	-	-	1
Non-Current Investments	-	-	-	-	-
Other Non-Current Asset	19	18	41	24	56
Current Assets	97	120	113	98	141
Inventories	46	49	47	46	59
Investments	-	-	-	-	-
Trade receivables	45	38	47	36	49
Cash and Cash equivalents	1	26	3	2	14
Loans & Other Financial Assets	0	0	0	0	1
Other current assets	5	7	16	14	18
Current Liability	8	10	12	13	23
Net Current Assets	89	110	101	85	118
Total Assets	204	238	284	222	341

Source: Company, Angel Research; Note - *Consolidated

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2019	FY2020	FY2021*	Q1FY21	Q1FY22*
Operating profit	56	53	92	9	33
Net changes in working capital	(9)	6	(16)	1	(10)
Cash generated from operations	21	20	16	3	4
Direct taxes paid (net of refunds)	(17)	(15)	(24)	(3)	(4)
Net cash flow from operating activities	51	64	68	11	23
Purchase of Assets	(34)	(26)	(64)	(11)	(42)
Interest received	0	1	0	0	0
Others	0	0	0	(0)	(0)
Cash Flow from Investing	(34)	(25)	(64)	(11)	(42)
Repayment (long term borrowings)	(30)	(11)	(7)	(2)	10
Repayment (short term borrowings)	(5)	2	7	1	21
Proceeds from issue/repayment CCDs	22	-	(22)	(22)	-
Interest paid	(6)	(5)	(5)	(1)	(1)
Interest on Lease liabilities	(0)	(0)	(0)	-	(0)
Dividend Paid	(0)	0	(0)	(0)	(0)
Cash Flow from Financing	(18)	(14)	(27)	(23)	30
Inc./Dec. in Cash	(0)	25	(23)	(23)	11
Acquisition	-	-	-	-	-
Opening Cash balances	1	1	25	25	2
Closing Cash balances	1	25	2	2	13

Source: Company, Angel Research; Note - *Consolidated

Key Ratios

Y/E March	FY2019	FY2020	FY2021*
Valuation Ratio (x)			
P/E (on FDEPS)	90.4	86.9	51.1
P/CEPS	65.8	64.4	42.7
P/BV	26.0	17.8	14.4
EV/Sales	20.1	20.1	15.5
EV/EBITDA	50.0	51.0	34.3
Per Share Data (Rs)			
EPS (Basic)	7.3	7.6	12.9
EPS (fully diluted)	7.3	7.6	12.9
Cash EPS	10.1	10.3	15.5
Book Value	25	37	46
Returns (%)			
ROE	57.6	24.4	31.2
ROCE	44.0	20.8	27.7
Turnover ratios (x)			
Receivables (days)	91	79	75
Inventory (days)	333	365	277
Payables (days)	14	44	35
Working capital cycle (days)	409	400	317

Source: Company, Angel Research

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2.Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3.Served as an officer, director or employee of the company covered under Research	No
4.Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15%)
		Hold (Fresh purchase not recommended)	