An ISO 9001 & ISO 13485 Certified Company

Date – 4th February, 2025

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 of Credit Rating

Dear Sir/ Madam,

Pursuant to the provisions of Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that CARE Ratings Limited has downgraded the rating for the bank loan facilities availed by the Company as detailed below vide their press release dated 3rd February, 2025.

Facilities	Amount (₹ crores)	Rating	Rating Action
Long term bank facilities	100.00	CARE A; Stable	Assigned
Long-term bank facilities	396.02 (Reduced from 398.68)	CARE A; Stable	Downgraded from CARE A+ and removed from Rating Watch with Developing Implications; Stable outlook assigned
Long-term/ Short-term bank facilities	25.00 (Reduced from 65.00)	CARE A; Stable/ CARE A1	Downgraded from CARE A+ / CARE A1+ and removed from Rating Watch with Developing Implications; Stable outlook assigned
Short-term bank facilities	39.00	CARE A1	Downgraded from CARE A1+ and removed from Rating Watch with Developing Implications

Please find enclosed the rating rationale published by CARE Ratings Limited.

This intimation will also be hosted on the website of the Company at www.tarsons.com

We request you to take the above information on record.

Thanking You,

Yours Faithfully,
For Tarsons Products Limited

SANTOSH KUMAR AGARWAL Digitally signed by SANTOSH KUMAR AGARWAL Date: 2025.02.04 13:42:39 +05'30'

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

Encl: a/a

Tarsons Products Limited

February 03, 2025

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	100.00	CARE A; Stable	Assigned
Long-term bank facilities	396.02 (Reduced from 398.68)	CARE A; Stable	Downgraded from CARE A+ and removed from Rating Watch with Developing Implications; Stable outlook assigned
Long-term / Short-term bank facilities	25.00 (Reduced from 65.00)	CARE A; Stable / CARE A1	Downgraded from CARE A+ / CARE A1+ and removed from Rating Watch with Developing Implications; Stable outlook assigned
Short-term bank facilities	39.00	CARE A1	Downgraded from CARE A1+ and removed from Rating Watch with Developing Implications

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Tarsons Products Limited (TPL) take into account the deterioration in operating margins in FY24 (refers to the period April 1 to March 31) and H1FY25 along with decline in return on capital employed.

CARE Ratings Limited had placed the ratings of TPL on 'Rating watch with Developing implications' in January 2024 following the announcement on acquisition of two foreign entities as step down subsidiaries and pending completion of the overall transaction and its impact on the capital structure of TPL. While the initial cost of acquisition was estimated at 10-15 million euros, the same was subject to closing adjustments.

CARE Ratings has now removed the rating watch with developing implications upon gaining fair amount of clarity from TPL, w.r.t. contours of this acquisition including the impact of the same on the capital structure of the company.

The total consideration paid for the acquisition was Rs.98 crore against which the company has raised term loan of Rs.97 crore in its wholly owned subsidiary in the current fiscal. From the date of acquisition, i.e. January 01, 2024, Nerbe Plus GmbH & Co KG and Nerbe R&D GmbH has contributed Rs 19.09 crore to revenue from operations and Rs 1 crore to profit before tax (for the period January 01, 2024, to March 31, 2024), whilst in H1FY25, the revenues from the acquired entities stood at Rs 39 crores. Due to the acquisition, the capital structure and debt coverage indicators are expected to moderate in the medium term owing to the term loan raised in the subsidiary.

The ratings continue to derive strength from the long track record and established brand presence of TPL in the domestic plastic laboratory ware industry aided by its diversified product portfolio, strong distribution network, satisfactory capital structure and debt coverage indicators albeit moderation on account of capex and low exposure to foreign exchange fluctuation risk.

The ratings continue to remain constrained by the modest scale of operations albeit expected improvement on back of acquisition and undergoing capex, which is expected to complete in FY26, susceptibility of its profitability to volatility in raw material prices, elongated working capital cycle and project implementation and stabilisation risk in relation to the undergoing capex.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in total operating income above Rs.500 crore while maintaining healthy PBILDT margin above 35% on a sustained basis.
- Improvement in return on capital employed to more than 20% on a sustained basis.
- Improvement in capital structure with overall gearing ratio going below 0.30x on a sustained basis.

Negative factors

- Decline in total operating income below Rs.300 crore with PBILDT margin below 26% on a sustained basis.
- Deterioration in total debt/PBILDT beyond 3 times from fiscal year 2026 onwards.
- Any significant delay in commencement of the project, leading to substantial time and cost overruns and delay in stabilisation in operation as envisaged.

Analytical approach: Consolidated

The analytical approach has been revised from Standalone to Consolidated on completion of the acquisition of the Nerbe Group. For assessing the credit risk profile of TPL, consolidated view of TPL and its subsidiaries has been factored on account of strong operational, financial and managerial linkages amongst them. List of entities consolidated is given under **Annexure 6**.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable
CARE ratings believes that the company is expected to sustain its revenue profile and generate positive cash flows on back of healthy operating margins.

Detailed description of key rating drivers

Key strengths

Long track record and established brand in the domestic market: TPL has been in the business of manufacturing and trading of plastic laboratory-ware products for over four decades. It has established itself in the domestic market and has presence in the export market (mainly in Europe and USA). The company is promoted by Sehgal family of Kolkata. The current promoters, Sanjive Sehgal and Rohan Sehgal, have significant experience in the business. In July 2018, Sachin Sehgal (one of the co-promoters) exited the company and sold his stake to a private equity investor Clear Vision Investment Holding Pte Ltd (CVIHPL), Singapore. Currently, CVIHPL holds 23.42% stake in the company (post IPO) and the management control remains with Sanjive Sehgal and his son Rohan Sehgal. The company came out with an IPO in November 2021 whereby it raised Rs.150 crore of fresh equity. The company sells its products under the brand 'Tarsons' which is well accepted in the market.

Diversified product portfolio with strong distribution network: TPL manufactures a wide range of products (comprising 1700 SKUs among 300 product lines) comprising consumables contributing about 55% of overall revenue, re-usable contributing about 40% of overall revenue and other scientific instruments which accounts for balance 5% share of revenue. The major customers for these products include scientific research organisations, contract research organisations, hospitals, diagnostic centres, education institutions, R & D centres of various industries, etc.

Majority of the sales are through an established distribution network of distributors. Currently, TPL has around 144 active domestic distributors and 45 active foreign distributors through which it catered to more than 40 countries. TPL also sells directly through online channels, however the share from the same remains relatively low. Furthermore, with the acquisition of the Nerbe group (a trading entity) based out of Germany, the company expects to further bolster its revenue profile from the export market with major penetration in the European countries considering significant demand.

Satisfactory capital structure and debt coverage indicators albeit moderation on account of capex: With the company undertaking acquisition of Nerbe units and debt-funded capex, the capital structure has witnessed moderation, however, remains satisfactory. The overall gearing ratio witnessed moderation from 0.20x as on March 31, 2023 (Standalone) to 0.53x as on March 31, 2024 (Consolidated). Going forward, the same is expected to moderate further on account of on-going debt funded capex, however, the peak overall gearing is not expected to go beyond 0.70x in the medium term.

With decline in profitability in FY24, debt coverage indicators also witnessed moderation. Interest coverage ratio witnessed decline from 30.71x in FY23 (Standalone) to 10.40x in FY24 (Consolidated), however, continued to remain satisfactory. TDGCA witnessed moderation from 1.05x as on March 31, 2023 (Standalone) to 3.50x as on March 31, 2024 (Consolidated) backed by both increase in total debt and reduction in GCA.

Low exposure to foreign exchange fluctuation risk: TPL's exposure to foreign exchange fluctuation risk is largely mitigated, as the company enjoys natural hedge with exports and imports of finished goods and raw materials. On a standalone basis, the company imported goods of Rs.118.70 crore and exported goods of Rs.82.94 crore in FY24 (imported goods of Rs.113.91 crore and exported goods of Rs.92.38 crore in FY23). The company had outstanding un-hedged foreign currency payables of Rs.21.15 crore as on March 31, 2024, viz a viz un-hedged foreign currency receivable of Rs.24.50 crore as on March 31, 2024, on a consolidated basis. However, the expected global slowdown in US and European markets may have an impact on the company's export potential.

Key weaknesses

Modest scale of operations, albeit acquisition of the Nerbe group and undergoing capex expected to boost the revenue profile: The company's scale of operations continues to remain modest. In FY24, on a consolidated basis, the company reported a turnover of Rs 302.04 crore, however, as guided by the management, it is one of the largest players in its addressable market in India. Furthermore, the company is continuously growing through the addition of new products and is currently in the process of capacity expansion of its existing products along with new products to be launched, which is expected to further provide a growth to its revenues.

On January 01, 2024, the company completed the acquisition of the Nerbe group (based out of Germany), wherein TPL acquired two entities through its wholly owned subsidiary, Tarsons Life Science Pte Ltd at a total consideration of about Rs 98 crore. The acquisition is expected to improve the overall revenues of Tarsons, on back of stronger penetration in the European markets.

Deterioration in operating margins in FY24 and H1FY25: The total revenue from operations (on a consolidated level), stood at Rs 302.04 crore, while on a standalone level, the revenue stood at Rs.282.96 crore in FY24 viz a viz Rs.288.71 crore in FY23. With acquisition of the Nerbe group, trading sales for the company witnessed increase leading to increase in revenue on a consolidated level. However, on a standalone level, the company witnessed marginal de-growth in revenues of 2% in FY24 compared to FY23. The PBILDT margin witnessed moderation from 47.20% in FY23 to 34.95% in FY24 on account of increase in lower margin traded sales along with change in product mix, booking of certain one-off expenses amounting to Rs.6.50 crore.

With decline in PBILDT margin, PAT margin also witnessed moderation. Furthermore, with increased capex and reduction in profits, ROCE of the company witnessed moderation from 18.64% in FY23 to 9.11% in FY24.

In H1FY25, revenue from operations witnessed growth and stood at Rs.191.82 crore (on a consolidated level) as compared to Rs.128.88 crore in H1FY24, on a standalone level. The growth is both on account of increased revenue from existing products along with addition of trading sales from newly acquired Nerbe units. The PBILDT margin, however, witnessed moderation from 36.21% in H1FY24 to 27.02% in H1FY25 on account of one-time provisioning of Rs.9.3 crore against a machine module which was damaged in transit for the capex. However, on adjusting the same, the margin stands at 31.86%, which is also lower than H1FY24 on account of change in product mix, higher sales of lower margin trading goods.

Elongated working capital cycle: The operations of TPL are working capital intensive in nature on account of high inventory and collection period. The company has nearly 3000 products (1700 SKU) and must maintain stocks of major moving products throughout the year. Additionally, it is also required to maintain raw material inventory given the lead time in procurement. This results in high inventory period. Average inventory period continued to remain on the higher side at 235 days in FY24. However, non-moving stock is reviewed regularly, and write-offs are made as and when required as indicated by the management. In FY24, the company, made around Rs 3.70 crore worth of provisions for inventory.

Average collection period is on the higher side, being a usual phenomenon as the sales are relatively skewed towards the year end when the research institutes and laboratories, the major end users of the products of TPL, places bulk orders and the distributors also purchase in large quantities to meet their targets. The average collection period remained at 87 days in FY24.

The operating cycle is expected to remain high on account of high average inventory period, and currently the company is also facing uncertainties related to imports due to implementation of BIS norms, along with low credit period from suppliers over the medium term. However, the working capital bank limit utilization remains moderate as a large part of the working capital requirement is met through internal generations.

Susceptibility to fluctuation in raw material prices: Raw material consumption is the single largest cost component for TPL constituting about 48.17% of total cost of sales in FY24 on a Consolidated basis viz a viz 50% in FY23 on a Standalone level. Plastic granule is the primary raw material required for manufacturing plastic laboratory products, which is a derivative of crude and any adverse movement in the price of the underlying can have a significant impact on the overall profitability of the company. Majority of raw materials are imported from Singapore, Europe and USA.

Project implementation and stabilisation risk: The company is undertaking a capex of around Rs.800 crore which is expected to complete by FY26 (in phases). The same is funded out of proceeds from IPO, internal accruals and term loan. As of December 31, 2024, the company has incurred around Rs 652 crore, of which Rs 323 crore was funded through internal accruals, Rs 62 crore from IPO proceeds and Rs 267 crore from term debt. The balance amount is expected to be expended by FY26 with a mix of debt and internal accruals. The company through this capex is building two plants in the state of West Bengal, under which the company is coming with increase in capacity of existing products (like filter tips, Serrological pipette, Cryo vial), entering new products (like cell culture, roller bottle & others) and is also shifting its manufacturing of PET bottles from one of its existing plants. Apart from the same, the company is also setting up a radiation plant in Amta, which shall be used for sterilization purposes and has also manufactured a large size warehouse.

Nonetheless, timely completion of the projects and deriving the envisaged benefits out of the same remains crucial.

Liquidity: Strong

Liquidity is strong, marked by sufficient accruals to cover the debt repayment obligations. The company had repayment amounting to Rs 41.74 crores, against which the company generated accruals of Rs 82.62 crore in FY24. The cash and bank balance stood at Rs.22.68 crore as on March 31, 2024. The debt repayments are expected to increase going ahead on back of increase in term loans used for funding large sized capex and drawn for acquisition, however, the company is expected to generate sufficient cash accruals against the same. The average fund-based working capital limit utilisation stood at 63% during the last 12 months ended November 2024.

Environment, social, and governance (ESG) risks

Tarsons being a leading player in labware market has been cautious of its environment impact. Some of the policies favouring environment are use of medical grade plastic, use of packing material made from recycling of waste papers and no hazardous materials consumed. Furthermore, the company has no litigations faced for pollution or degradation of environment over the past five years.

In terms of social risk, the company has undertaken CSR by donation to Tata Medical Centre and consequently during FY24, the company has spent Rs.21.11 crore and utilized Rs.0.13 crore from advance CSR under CSR obligation. The company also promotes supporting and promoting internal networks and employee resource groups, aimed at uplifting and creating a sense of belonging for diverse and underrepresented groups. Providing learning and development opportunities to raise awareness and offer practical guidance related to diversity and inclusion.

The Governance has remained healthy with the Board having combination of Executive and Non-Executive Directors. Clean track record of liability payments to various stakeholders and regular review and update of policies to incorporate changes. Also there has been no whistle-blower complaints received during FY24 by the company.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

TPL, promoted in July 1983 by Sehgal family of Kolkata, is engaged in manufacturing and trading of plastic laboratory products and certain scientific instruments, with five manufacturing facilities in West Bengal. The company is coming up with units in Panchala and Amta in West Bengal for capacity addition and new product launch along with warehousing facility, fulfilment centre and radiation plant. The products find usage in laboratories engaged in research on molecular biology, cell culture, genomics, proteonomics, immunology, etc.

TPL came up with an IPO in November 2021 post which it got listed on BSE and NSE. The company raised funds of Rs.150 crore from IPO in its books and CVIHPL and promoters (Sanjive Sehgal and Rohan Sehgal) offered a part of its shareholding for sale against which they received Rs.827 crore and Rs.47 crore respectively.

Brief Financials (₹ crore) *	March 31, 2023 (Standalone; A)^	March 31, 2024 (Consolidated; A)	H1FY25 (Consolidated; UA)
Total operating income	290.68	302.04	191.82
PBILDT	137.20	105.56	51.83
PAT	80.71	42.64	14.31
Overall gearing (times)	0.20	0.53	-
Interest coverage (times)	30.71	10.40	5.66

A: Audited UA: Unaudited; Note: these are latest available financial results
*The subsidiary and step-down subsidiaries were formed in fiscal year 2024, hence prior to that the approach was standalone only.
^The financials for FY23 are re-instated.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	121.00	CARE A; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	29.00	CARE A1

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	10.00	CARE A; Stable / CARE A1
Non-fund-based - LT-Letter of credit		-	-	-	60.00	CARE A; Stable
Non-fund-based - LT-Standby Letter of Credit		29-07-2024	-	-	100.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	15.00	CARE A; Stable / CARE A1
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A1
Term Loan-Long Term		-	-	December 2030	215.02	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	121.00	CARE A; Stable	-	1)CARE A+ (RWD) (02-Jan-24)	1)CARE A+; Stable (07-Nov-22)	1)CARE A+; Stable (29-Mar-22)
2	Term Loan-Long Term	LT	215.02	CARE A; Stable	-	1)CARE A+ (RWD) (02-Jan-24)	1)CARE A+; Stable (07-Nov-22)	1)CARE A+; Stable (29-Mar-22)
3	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)Withdrawn (02-Jan-24)	1)CARE A+; Stable (07-Nov-22)	1)CARE A+; Stable (29-Mar-22)
4	Fund-based/Non-fund-based-Short Term	ST	-	-	-	1)Withdrawn (02-Jan-24)	1)CARE A1+ (07-Nov-22)	1)CARE A1 (29-Mar-22)
5	Non-fund-based - LT-Letter of credit	LT	60.00	CARE A; Stable	-	1)CARE A+ (RWD) (02-Jan-24)	1)CARE A+; Stable (07-Nov-22)	-
6	Non-fund-based - LT/ ST-BG/LC	LT/ST	15.00	CARE A; Stable / CARE A1	-	1)CARE A+ / CARE A1+ (RWD) (02-Jan-24)	1)CARE A+; Stable / CARE A1+ (07-Nov-22)	-
7	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A1	-	1)CARE A1+ (RWD) (02-Jan-24)	1)CARE A1+ (07-Nov-22)	-
8	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	10.00	CARE A; Stable / CARE A1	-	1)CARE A+ / CARE A1+ (RWD) (02-Jan-24)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
9	Fund-based - ST-Working Capital Demand loan	ST	29.00	CARE A1	-	1)CARE A1+ (RWD) (02-Jan-24)	-	-
10	Non-fund-based - LT-Standby Letter of Credit	LT	100.00	CARE A; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - LT-Letter of credit	Simple
5	Non-fund-based - LT-Standby Letter of Credit	Simple
6	Non-fund-based - LT/ ST-BG/LC	Simple
7	Non-fund-based - ST-Letter of credit	Simple
8	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated as on March 31, 2024:

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Tarsons Life Science Pte. Ltd.	Full	Wholly owned subsidiary
2.	Nerbe plus GmbH & Co. KG	Full	Step down subsidiaries and Trading arms
3.	Nerbe R&D GmbH	Full	

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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