



Tarsons Products Ltd

Leading player in a high growth global market.



Kyon ki bhaiya, sabse bada rupaiya.

TABLE OF CONTENTS

Summary	3
Valuation and Peer Comparison	4
Financial Analysis & Projections	7
Key Growth Drivers	9
<i>Growing Industry</i>	9
<i>Leading Indian Supplier to the Life Sciences Industry</i>	9
<i>Well Equipped and Automated manufacturing facilities</i>	9
<i>Long-Standing Relationships with Customers and Distributors</i>	10
<i>Debt Reduction on the cards</i>	11
Key Management Persons	12
Issue Structure and Offer Details	13
Risk & Concerns	13
Financial Statement Analysis & Projections	14
Disclaimer	15

SUBSCRIBE @ Upper Price Band of INR 662

Leading player in a high growth global market.

Incorporated in 1983, Tarsons Products Ltd (TPL) is one of India's leading labware manufacturing companies with a robust market share of ~9-11%. TPL has a diversified product portfolio with over 1,700 SKUs across 300 products manufactured in 5 vertically integrated manufacturing facilities in West Bengal. TPL's products are used in laboratories across research organizations, academia institutes, pharmaceutical companies, CROs, diagnostic companies and hospitals.

The Indian labware market is expected to grow at a CAGR of 7.8% over FY20-25 with the plasticware sub-segment expected to grow at a faster 16% CAGR over FY20-25. TPL, having an experienced management team, a wide geographic reach through its sales and distribution network, and an average of 25-year long relationship with the top 10 distributors is well positioned to take advantage of this opportunity. TPL is also one of the few players in India to have a global reach in the labware market with over 45 authorized distributors & partners supplying products to over 40 countries.

TPL is looking to raise INR 150 crore through an IPO along with OFS of INR 874 cr. With part of the proceeds of the IPO, TPL plans on developing a 6th manufacturing unit in Panchla, West Bengal to meet the growing demand apart from retiring part of the debt.

We forecast revenue/EBITDA/PAT to grow at 19.6%/20.7%/18.7 to INR 392 cr/INR 182 cr/INR 115 cr by FY24. EBITDA margin is set to expand by 120bps to 46.4% while PAT margin is expected to take a marginal hit of 70 bps to 29.4% due to a higher impact of depreciation.

We initiate with a Subscribe for long term with a 24-month target of INR 866 per share (40X FY24 earnings) representing an upside potential of 30.8% from the upper band of the issue price at INR 662/share. Post the INR 1,024 cr public offering, the promoter's holding will stand reduced to 47.28%.

Key Financial Data (INR Cr, unless specified)

	Sales	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS ₹	BVPS ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
FY20	176	69	41	39.4	23.0	7.6	37.1	20.5	18.0	86.9	17.8	51.0
FY21	229	103	69	45.2	30.1	12.9	45.9	28.2	24.1	51.1	14.4	34.3
FY22E	277	124	79	44.8	28.6	14.9	89.0	22.0	19.9	44.5	7.4	27.4
FY23E	332	152	97	45.7	29.1	18.2	107.1	18.5	17.2	36.5	6.2	22.2
FY24E	392	182	115	46.4	29.4	21.7	128.8	18.4	17.4	30.6	5.1	18.3

Industry	Labware
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Issue Details

Listing	BSE & NSE
Open Date	15 th Nov 2021
Close Date	17 th Nov 2021
Price Band	INR 635-662
Face Value	INR 2
Market Lot	22 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	85%
Fresh Issue	15%
Issue Size (Amount)	INR 1,024 cr
Issue Size (Shares)	1,54,65,861
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	5,09,40,420
Post issue sh (nos)	5,32,06,281
Post issue M Cap	INR 3,522 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	50.8	47.3
Institution	49.2	38.2
Public	0.0	14.5
TOTAL	100.0	100.0

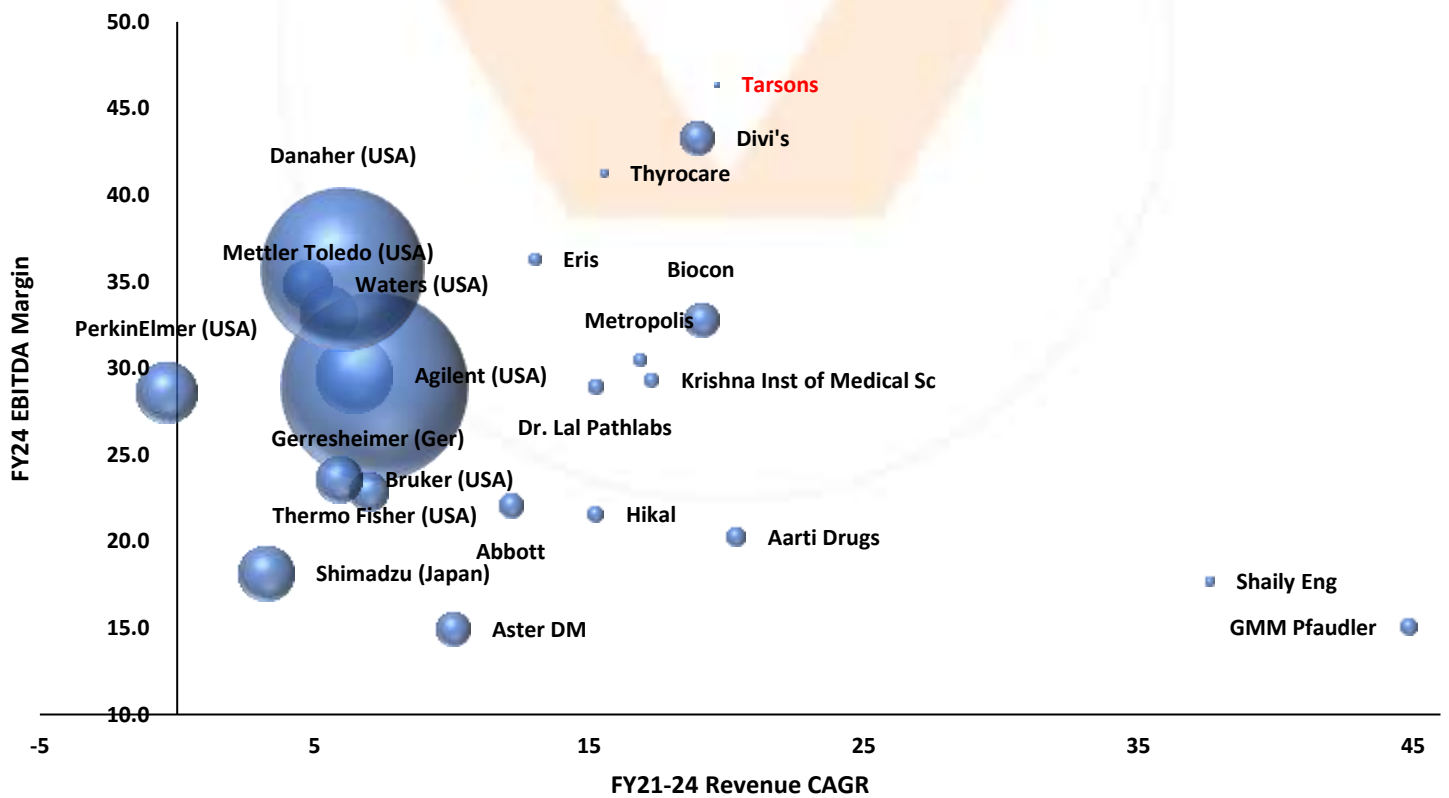
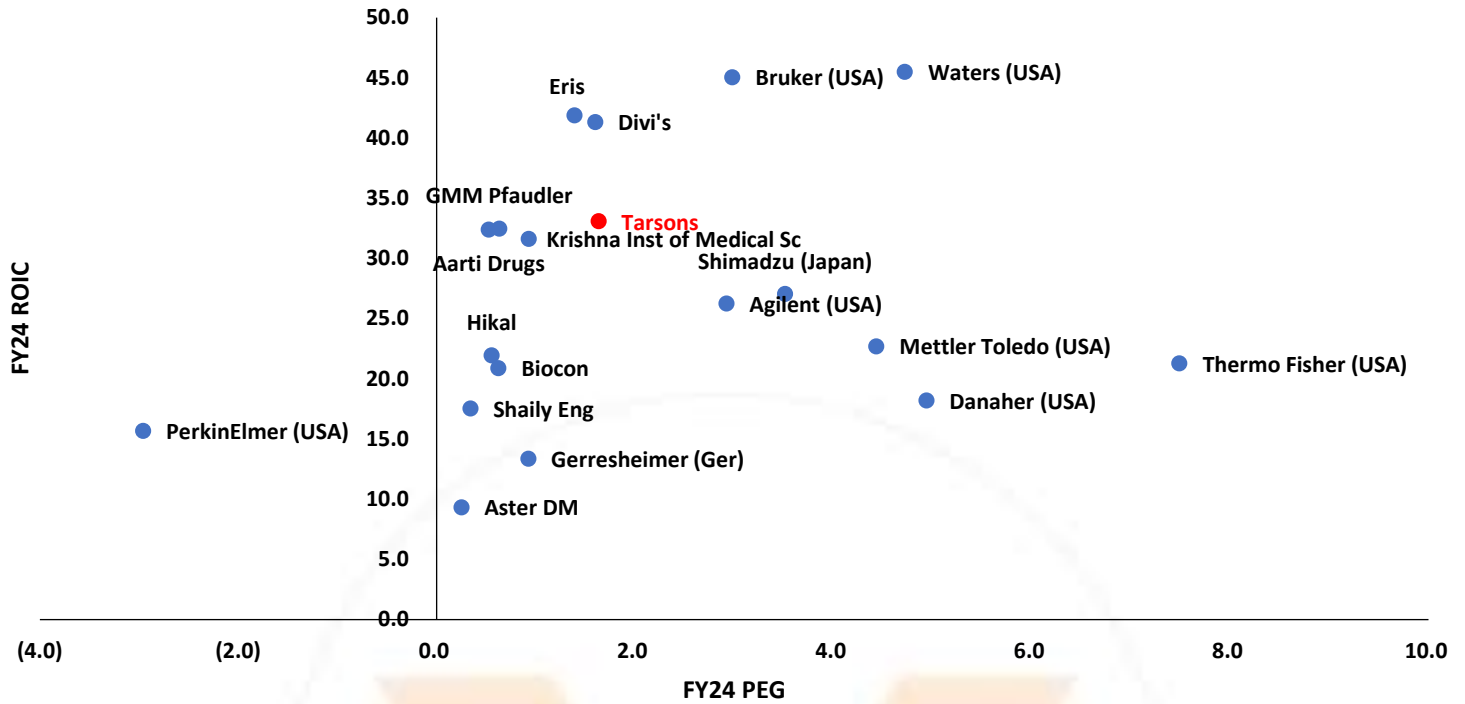
Valuation and Comparable Metric of Global Peers

Figures as mentioned

Company Name	Mkt Cap	Price	PEG 2021-24	P/E (X)				EV/EBITDA (X)				P/BV (X)				RoE (%)				RoC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Domestic Peers (Fig in INR Cr)																																			
Tarsons Products	3,522	662	1.6	51.1	44.5	36.5	30.6	34.3	27.4	22.2	18.3	14.4	7.4	6.2	5.1	28.2	22.0	18.5	18.4	32.7	33.4	32.9	33.1	22.9	27.7	33.2	39.2	45.2	44.8	45.7	46.4	30.1	28.6	29.1	29.4
Aarti Drugs Ltd.	5,874	627	0.5	20.9	20.8	13.8	11.5	14.1	13.0	9.5	7.8	6.4	4.8	3.5	2.7	30.7	22.8	25.2	23.4	31.7	30.0	33.5	32.4	2,155	2,502	3,102	3,754	20.3	18.8	20.5	20.3	13.0	11.2	13.6	13.6
Biocon Ltd.	38,569	321	0.6	52.1	49.6	28.7	21.4	24.3	20.3	14.4	10.4	5.1	4.6	4.0	3.6	9.7	9.2	14.0	16.6	10.5	11.4	16.3	20.9	7,133	8,101	10,106	12,040	23.0	24.6	27.7	32.8	10.4	9.6	13.3	14.9
Eris Lifesciences Ltd.	11,015	811	1.4	31.0	26.8	23.1	20.5	25.4	21.1	17.7	15.3	7.0	5.8	4.8	4.2	22.5	21.7	20.6	20.5	25.9	33.0	35.1	41.9	1,212	1,385	1,564	1,748	35.5	35.6	36.4	36.3	29.3	29.7	30.5	30.7
Divi's Laboratories Ltd.	1,32,649	4,992	1.6	66.8	52.9	43.4	36.2	45.8	36.7	30.5	25.2	14.3	12.0	10.1	8.3	21.3	22.7	23.2	22.9	36.5	39.3	41.1	41.3	6,969	8,425	9,984	11,715	40.9	42.1	42.4	43.3	28.5	29.7	30.6	31.2
Hikal Ltd.	5,739	470	0.6	43.1	28.8	24.0	18.3	19.6	15.6	13.2	10.8	6.1	5.2	4.3	3.5	14.3	18.2	18.1	19.2	15.8	18.4	19.7	21.9	1,720	1,972	2,248	2,631	18.8	20.4	20.9	21.6	7.7	10.2	10.8	11.9
Abbott India Ltd.	42,655	20,074	3.1	61.8	52.4	45.7	42.2	43.8	37.4	32.6	29.1	16.4	15.0	12.4	10.7	26.5	28.6	27.2	25.3	249.7	286.0	222.8	297.3	4,310	4,888	5,451	6,079	21.4	22.0	22.4	22.1	16.0	16.7	17.1	16.6
Metropolis Healthcare Ltd.	14,257	2,811	2.3	77.9	61.4	54.4	45.4	48.7	37.5	32.7	27.0	20.2	16.5	13.9	11.6	25.9	27.1	25.7	25.6	62.0	117.9	158.7	434.6	998	1,224	1,371	1,591	28.7	29.8	30.0	30.5	18.3	19.1	19.3	19.7
Aster DM Healthcare Ltd.	9,231	185	0.3	62.5	22.5	16.1	15.2	12.9	8.7	7.3	8.2	2.7	2.4	2.0	1.7	4.4	10.5	12.7	11.4	5.6	10.9	12.7	9.3	8,665	9,863	10,830	11,537	12.3	14.0	14.9	15.0	1.7	4.2	5.3	5.2
Thyrocare Technologies Ltd.	6,064	1,140	0.8	53.5	35.8	34.0	24.7	34.7	24.5	22.8	18.3	14.2	13.1	11.8	8.9	26.5	36.4	34.6	36.0	44.7	67.1	75.7	88.3	495	608	649	763	34.7	39.8	39.5	41.3	22.9	27.7	27.4	32.2
Dr. Lal Pathlabs Ltd.	29,123	3,461	2.9	99.9	70.3	66.7	58.1	66.4	47.3	45.3	39.1	23.4	19.3	16.3	13.9	23.4	27.2	24.3	24.0	32.9	165.0	168.7	154.4	1,581	2,022	2,147	2,418	27.6	29.2	28.5	29.0	18.4	20.3	20.2	20.7
Krishna Institute of Medical Scien	8,609	1,080	0.9	42.8	31.8	27.0	22.4	22.8	18.3	15.6	13.3	2.5	6.4	5.2	4.2	5.9	20.2	19.3	18.8	9.1	30.7	29.1	31.6	1,330	1,669	1,897	2,144	28.3	27.9	28.6	29.3	15.1	16.3	16.9	17.9
GMM Pfaudler Ltd.	6,942	4,879	0.6	94.6	46.8	37.0	29.8	52.5	20.2	16.5	15.3	17.1	13.2	9.4	7.0	18.0	29.1	26.1	23.4	11.8	30.1	31.6	32.5	1,001	2,476	2,810	3,041	13.8	14.4	15.4	15.1	7.3	6.2	6.9	7.7
Shaily Engineering Plastics Ltd.	1,650	1,799	0.3	74.9	36.7	22.6	19.5	30.6	18.7	13.3	10.1	9.1	4.5	3.9	3.2	12.1	12.2	17.0	16.5	11.3	15.1	17.2	17.5	361	528	706	939	16.5	17.4	18.1	17.7	6.1	8.5	10.3	9.0
Global Peers (Fig in USD mn)																																			
Agilent Technologies (USA)	48,702	160.9	2.9	36.8	33.7	30.5	28.0	28.5	25.6	23.4	21.5	9.6	8.3	7.7	6.0	26.0	24.5	25.2	21.6	26.5	29.9	31.4	26.3	6,318	6,750	7,202	7,615	27.6	28.3	28.8	29.6	20.9	21.4	22.1	22.8
Waters (USA)	21,780	356.8	4.7	32.0	30.7	28.7	27.1	23.6	22.3	21.0	20.1	76.0	36.7	22.5	13.6	237.7	119.7	78.3	50.2	72.6	65.7	53.8	45.5	2,769	2,918	3,063	3,182	34.7	34.5	35.1	34.8	24.6	24.3	24.8	25.3
Mettler Toledo (USA)	35,251	1,533.6	4.4	45.2	41.6	38.3	35.8	33.0	30.8	28.1	26.4	63.5	25.1	15.2	10.7	140.6	60.4	39.6	29.8	61.6	66.1	27.6	22.7	3,690	3,891	4,125	4,333	29.8	30.8	32.3	33.1	21.1	21.8	22.3	22.7
Thermo Fisher Scientific (USA)	2,50,319	635.3	7.5	26.9	30.0	27.3	24.5	22.7	24.7	22.4	19.8	8.8	7.2	6.9	5.4	32.6	24.1	25.4	22.1	21.0	18.1	20.1	21.3	37,107	39,152	41,827	45,708	32.7	28.1	28.7	28.9	25.0	21.3	21.9	22.4
Danaher (USA)	2,17,503	304.4	4.9	29.7	28.9	27.5	25.6	23.7	22.1	20.8	17.5	5.2	4.4	4.3	3.7	17.5	15.4	15.8	14.5	13.8	14.5	16.1	18.2	29,071	30,795	32,393	34,668	34.3	33.9	33.6	35.7	25.2	24.5	24.4	24.5
PerkinElmer (USA)	23,169	183.6	(3.0)	18.3	28.1	25.7	23.5	15.4	21.3	19.2	17.2	3.4	3.6	3.4	3.0	18.8	12.7	13.2	12.6	16.6	12.4	14.4	15.7	4,881	4,293	4,542	4,823	35.0	27.9	28.1	28.6	25.9	19.2	19.9	20.5
Bruker (USA)	12,516	82.5	3.0	39.2	36.2	32.2	29.5	23.8	22.0	19.3	17.4	11.1	8.8	7.1	5.7	28.3	24.3	22.0	19.3	39.9	41.8	45.6	45.0	2,394	2,533	2,701	2,842	22.0	22.1	22.9	23.6	13.3	13.7	14.4	14.9
Gerresheimer (Germany)	2,802	89.2	0.9	18.1	15.2	14.0	12.4	11.0	9.6	8.6	7.7	2.6	2.3	2.1	1.9	14.2	15.3	15.1	15.3	9.0	10.9	12.0	13.4	1,712	1,840	1,958	2,095	20.9	22.0	22.5	22.9	9.1	10.0	10.2	10.8
Shimadzu (Japan)	12,528	42.3	3.5	36.8	33.8	31.4	29.0	18.8	17.4	16.0	14.7	4.1	3.9	3.5	3.2	11.2	11.5	11.3	11.2	22.1	24.4	25.6	27.1	3,712	3,717	3,880	4,081	16.6	17.6	17.9	18.2	9.2	10.0	10.3	10.6

Source: Ventura Research & Bloomberg

TPL available at significant discount to peers

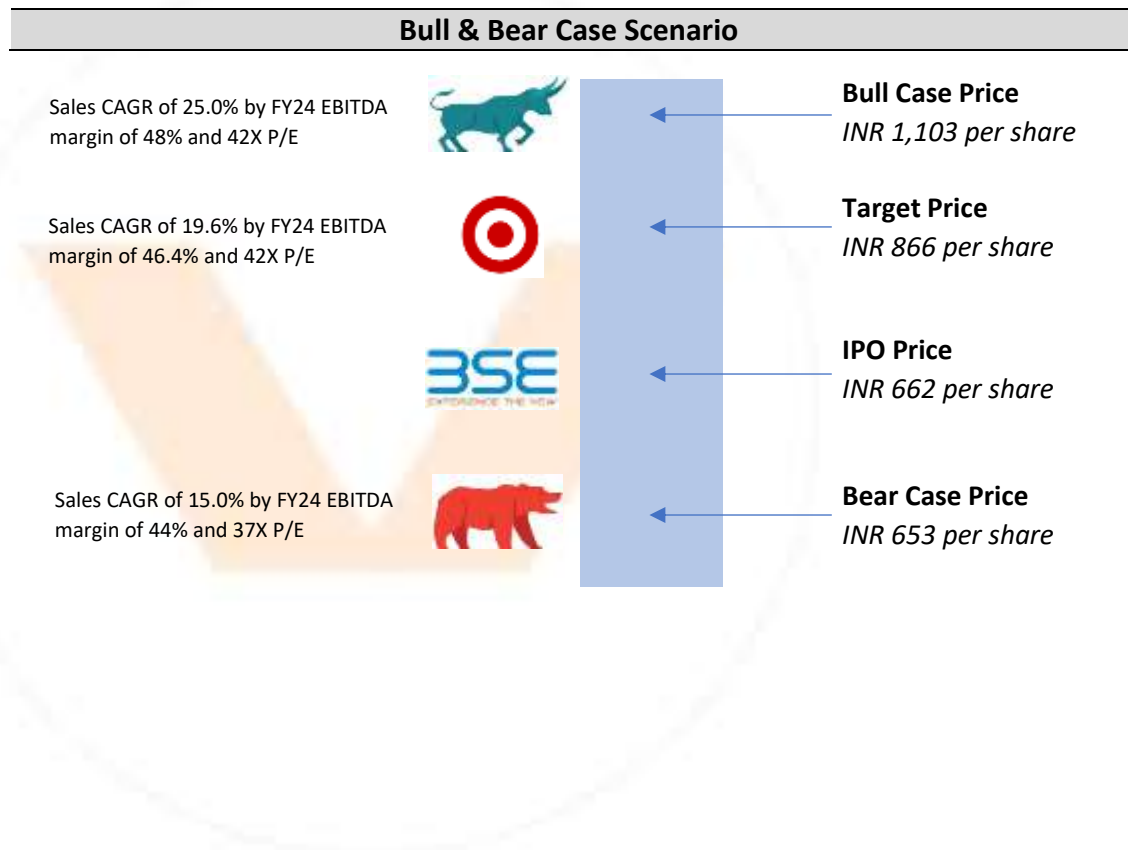


Source: Ventura Research, ACE Equity & Bloomberg

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on TPL's FY24 Sales CAGR, EBITDA margins and P/E valuation.

- **Bull Case:** We have assumed a 25% revenue CAGR to INR 447 cr by FY24 and EBITDA margin of 48%, along with the valuation re-rating to 42X P/E, which will result in a Bull Case price target of INR 1,102.8 per share (an upside of 66.6% from the upper band IPO price of INR 662 per share).
- **Bear Case:** We have assumed a 15.0% revenue CAGR to INR 348 cr by FY24 and EBITDA margin of 44%, along with the valuation de-rating to 37X P/E, which will result in a Bear Case price target of INR 652.5 per share (a downside of 1.4% from the upper band IPO price of INR 662 per share).



Financial Analysis and Projections

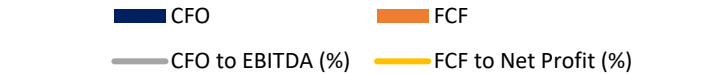
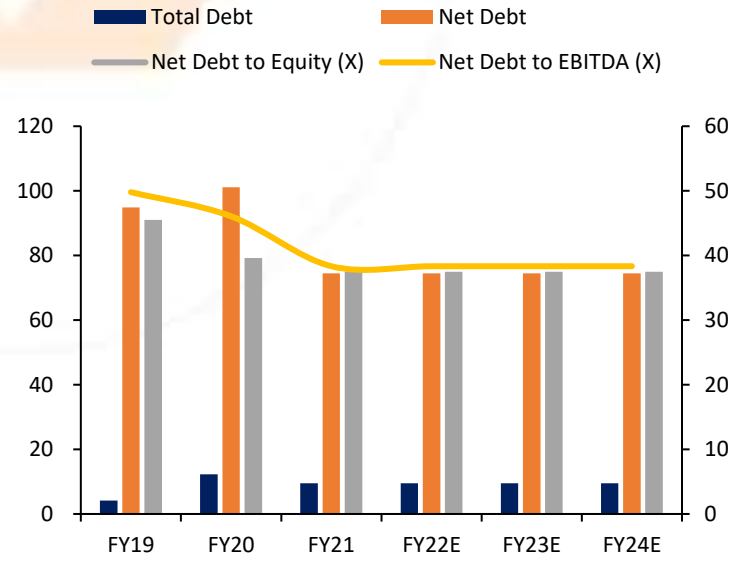
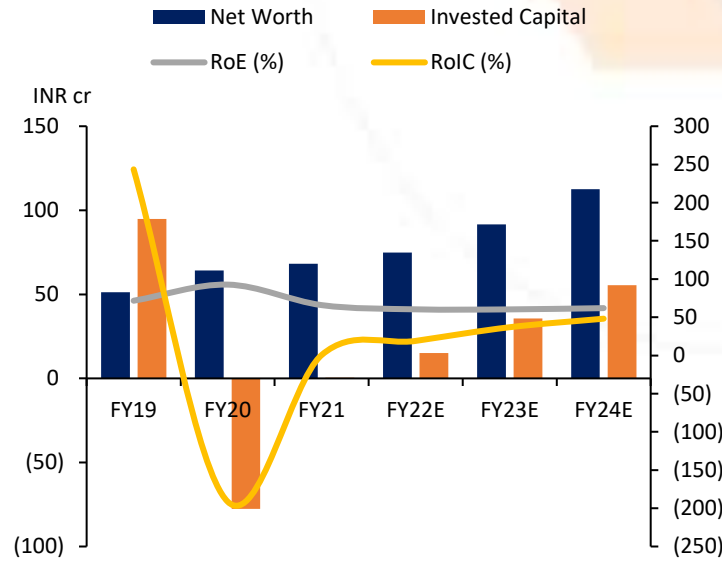
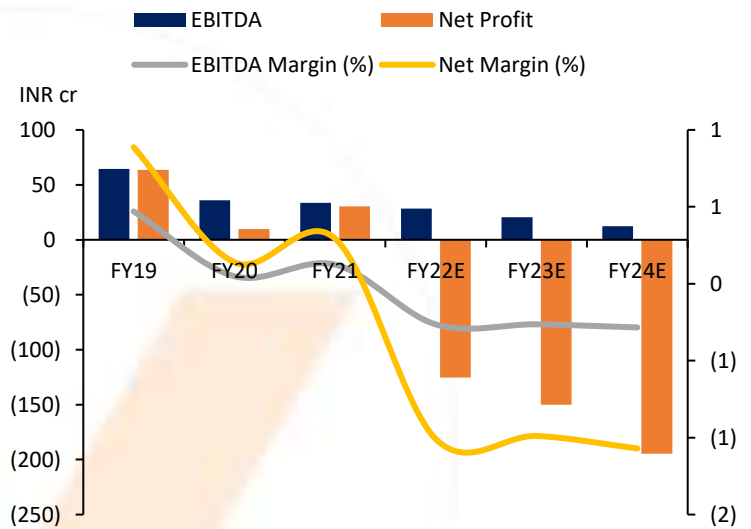
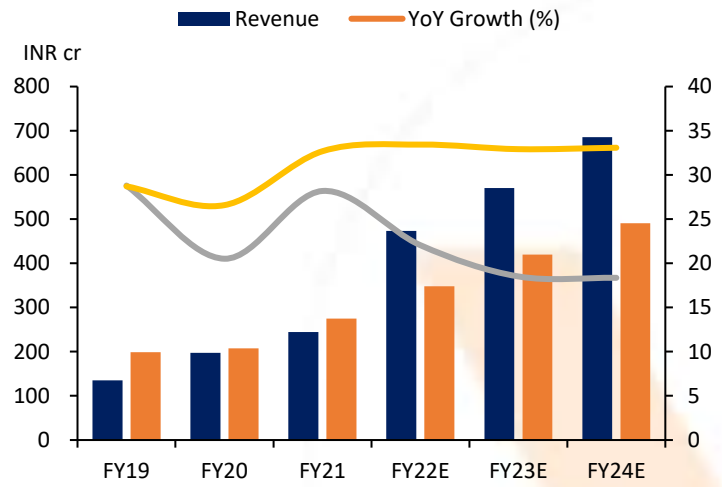
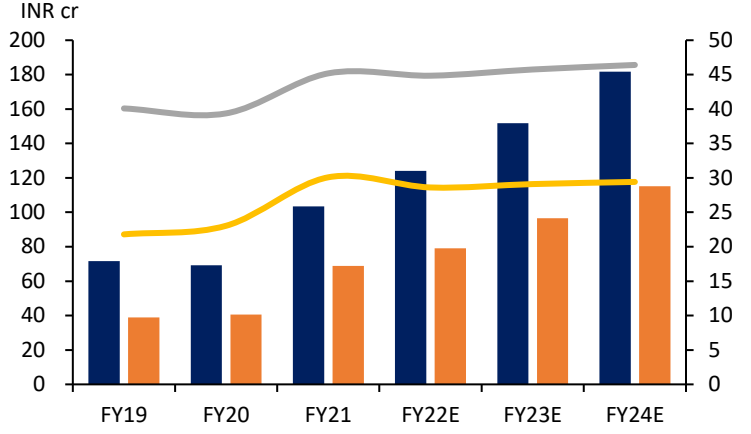
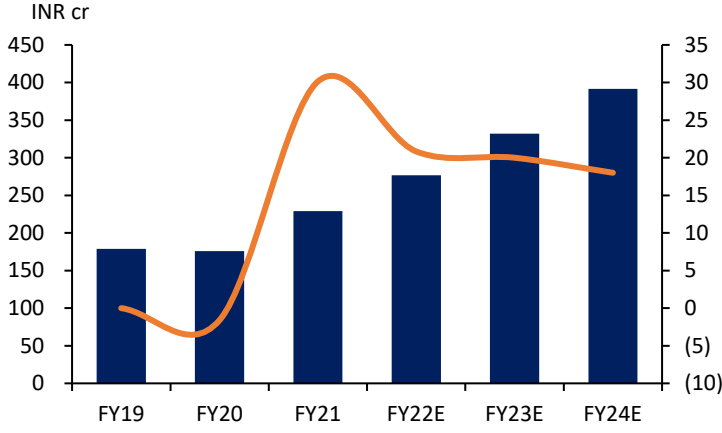
Over the period FY19-21, TPL reported a revenue CAGR of 13.2% to come at a revenue of INR 229 cr in FY21. EBITDA/PAT grew at 20.1%/33.0% to INR 103 cr/INR 69 cr respectively. EBITDA margin expanded by 510bps to 45.2% whereas PAT margin expanded 830bps to 30.1%. Return ratio ROE has taken a marginal hit of 60bps to 28.2%, ROCE and ROIC have improved by 410 bps and 400 bps to 24.1% and 32.7% respectively.

Over the period FY21-24E, we expect TPL to grow its revenues at a CAGR of 19.6% to INR 392 driven by the increased momentum in plasticware and the rapid shift from glassware to plasticware in the market. EBITDA/PAT is expected to grow at a CAGR of 20.7%/18.7% to INR 182 cr/ INR 115 cr respectively. Return ratio ROE is expected to contract by 980 bps due to increase in net worth because of the IPO, however ROIC is expected to expand by 40 bps to 33.1% aided by the repayment of debt.

TPL's Financial Summary

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue from operations	178.7	175.9	228.9	276.6	331.9	391.7	458.2	522.4	595.5	673.0	753.7	844.2
<i>YoY Growth (%)</i>	0.0	(1.6)	30.1	20.8	20.0	18.0	17.0	14.0	14.0	13.0	12.0	12.0
Raw Material Cost	51.0	48.7	61.5	74.3	90.2	107.6	127.3	146.6	169.0	192.9	218.4	247.1
<i>RM Cost to Sales (%)</i>	28.5	27.7	26.9	26.9	27.2	27.5	27.8	28.1	28.4	28.7	29.0	29.3
Employee Cost	16.1	20.1	24.4	30.5	33.2	36.2	39.5	43.0	46.9	51.1	55.6	60.5
<i>Employee Cost to Sales (%)</i>	9.0	11.4	10.7	11.0	10.0	9.3	8.6	8.2	7.9	7.6	7.4	7.2
Other Expenses	40.0	37.9	39.5	47.8	56.7	66.1	76.8	87.1	98.7	110.8	123.4	137.3
<i>Other Expenses to Sales (%)</i>	22.4	21.5	17.3	17.3	17.1	16.9	16.8	16.7	16.6	16.5	16.4	16.3
EBITDA	71.7	69.3	103.4	124.0	151.8	181.8	214.6	245.6	281.0	318.1	356.4	399.2
<i>EBITDA Margin (%)</i>	40.1	39.4	45.2	44.8	45.7	46.4	46.8	47.0	47.2	47.3	47.3	47.3
Net Profit	39.0	40.5	68.9	79.1	96.6	115.2	136.0	155.5	177.6	201.1	225.4	253.2
<i>Net Margin (%)</i>	21.8	23.0	30.1	28.6	29.1	29.4	29.7	29.8	29.8	29.9	29.9	30.0
Adjusted EPS	7.3	7.6	12.9	14.9	18.2	21.7	25.6	29.2	33.4	37.8	42.4	47.6
<i>P/E (X)</i>	90.4	86.9	51.1	44.5	36.5	30.6	25.9	22.7	19.8	17.5	15.6	13.9
Adjusted BVPS	25.4	37.1	45.9	89.0	107.1	128.8	154.4	183.6	217.0	254.8	297.1	344.7
<i>P/BV (X)</i>	26.0	17.8	14.4	7.4	6.2	5.1	4.3	3.6	3.1	2.6	2.2	1.9
Enterprise Value	3,585.9	3,531.9	3,552.6	3,397.0	3,372.0	3,327.7	3,239.5	3,146.1	3,030.3	2,887.8	2,717.2	2,519.1
<i>EV/EBITDA (X)</i>	50.0	51.0	34.3	27.4	22.2	18.3	15.1	12.8	10.8	9.1	7.6	6.3
Net Worth	135.3	197.6	244.3	473.5	570.1	685.3	821.3	976.8	1,154.4	1,355.5	1,581.0	1,834.2
<i>Average Return on Equity (%)</i>	28.8	20.5	28.2	22.0	18.5	18.4	18.1	17.3	16.7	16.0	15.4	14.8
Capital Employed	199.8	233.5	277.8	501.9	590.5	697.7	825.3	981.8	1,160.5	1,362.6	1,589.0	1,843.2
<i>Average ROCE (%)</i>	19.9	18.0	24.1	19.9	17.2	17.4	17.4	16.7	16.2	15.6	15.0	14.5
Invested Capital	198.9	207.2	274.7	348.2	419.9	490.8	538.6	600.6	662.4	721.1	776.0	831.0
<i>Average ROIC (%)</i>	28.7	26.6	32.7	33.4	32.9	33.1	34.5	35.6	36.8	38.2	39.6	41.5
Cash Flow from Operations	51.3	64.2	68.2	74.9	91.6	112.6	134.4	160.3	182.9	209.6	237.7	265.4
Cash Flow from Investing	(33.6)	(25.4)	(63.9)	(66.2)	(64.7)	(67.1)	(45.7)	(67.1)	(67.3)	(67.4)	(67.4)	(67.6)
Cash Flow from Financing	(18.2)	(13.8)	(27.2)	141.7	(10.1)	(9.4)	(9.1)	1.0	1.0	1.0	1.0	1.0
Net Cash Flow	(0.5)	25.0	(23.0)	150.4	16.7	36.1	79.6	94.2	116.6	143.2	171.3	198.8
Free Cash Flow	94.9	(77.5)	0.4	15.1	35.7	55.5	78.8	104.3	128.6	156.1	184.8	214.5
<i>FCF to Revenue (%)</i>	53.1	(44.1)	0.2	5.4	10.8	14.2	17.2	20.0	21.6	23.2	24.5	25.4
<i>FCF to EBITDA (%)</i>	132.4	(112.0)	0.4	12.2	23.5	30.5	36.7	42.5	45.8	49.1	51.9	53.7
<i>FCF to Net Profit (%)</i>	243.6	(191.3)	0.6	19.0	37.0	48.1	57.9	67.1	72.4	77.6	82.0	84.7
<i>FCF to Net Worth (%)</i>	70.1	(39.2)	0.2	3.2	6.3	8.1	9.6	10.7	11.1	11.5	11.7	11.7
Total Debt	64.5	35.9	33.5	28.5	20.5	12.5	4.0	5.0	6.0	7.0	8.0	9.0
Net Debt	63.6	9.7	30.4	(125.3)	(150.2)	(194.5)	(282.7)	(376.1)	(492.0)	(634.5)	(805.0)	(1,003.2)
<i>Net Debt to Equity (X)</i>	0.5	0.0	0.1	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
<i>Net Debt to EBITDA (X)</i>	0.9	0.1	0.3	(1.0)	(1.0)	(1.1)	(1.3)	(1.5)	(1.8)	(2.0)	(2.3)	(2.5)
<i>Interest Coverage Ratio (X)</i>	7.9	9.0	33.0	32.1	58.8	104.3	240.9	-	-	-	-	-

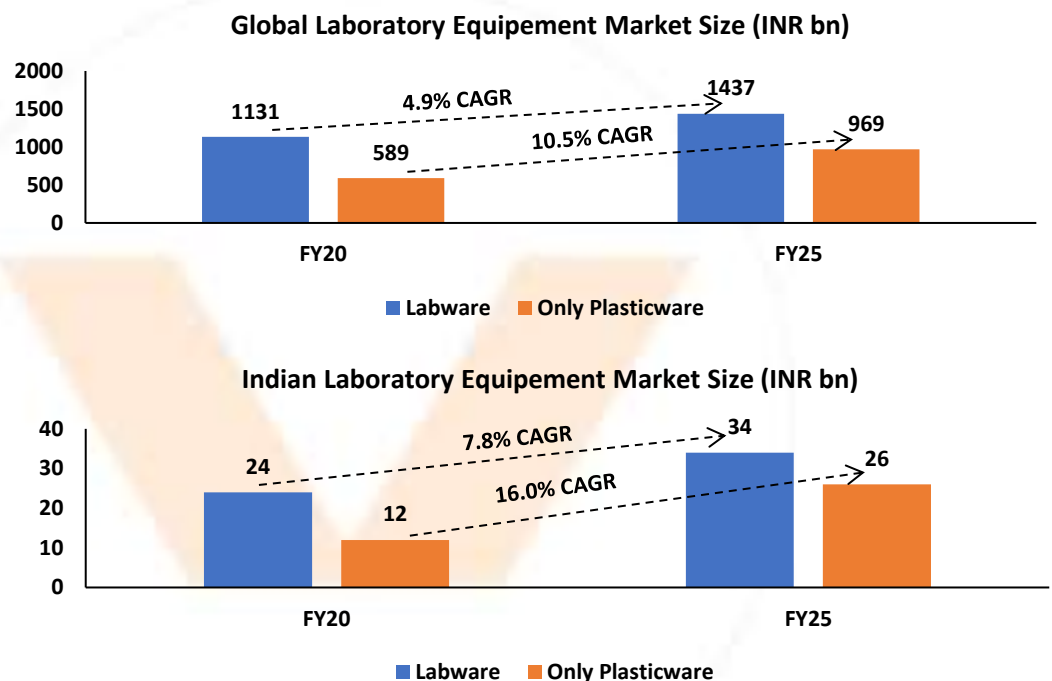
Source: Company Report



Source: Company Reports and Ventura Research

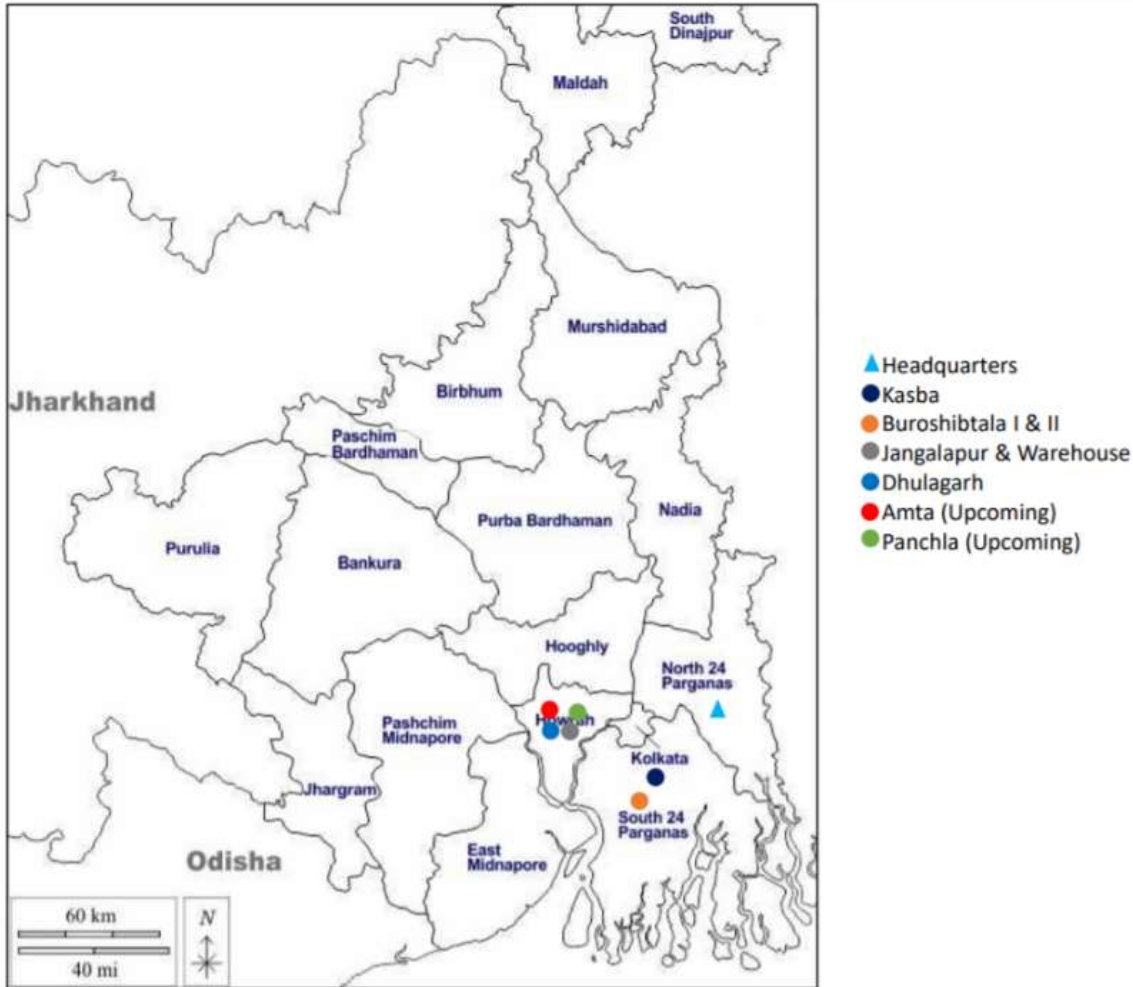
Key Growth Drivers

Growth in a growing industry – The global labware market was valued at INR 1131 bn in FY20 and is expected to grow at 4.9% to reach INR 1437 bn by FY25. One of the major drivers of this growth is due to the expected increase in investments by pharmaceutical companies to advance research into the treatment of various chronic diseases. The global plasticware lab equipment market is expected to grow at 10.5% to reach INR 969 bn by FY25. The Indian labware market is expected to grow at 7.8% and only plasticware is expected to grow at a robust 16.0%. This is driven by the underpenetrated healthcare sector which provided significant room for growth as well as the growth in pharmaceutical R&D being outsourced to India which will serve as a huge catalyst for the labware space.



Leading Indian Supplier to the Life Sciences Industry – As per Frost & Sullivan industry report 2021, TPL is amongst the top 3 market players with a robust market share of approximately 9-12%. The company is known for pioneering the first fully automated plant for manufacturing molecular biology consumables and the ability to offer differentiated user-friendly products. They have over 36 years of experience in the industry which we believe gives them an edge over other players.

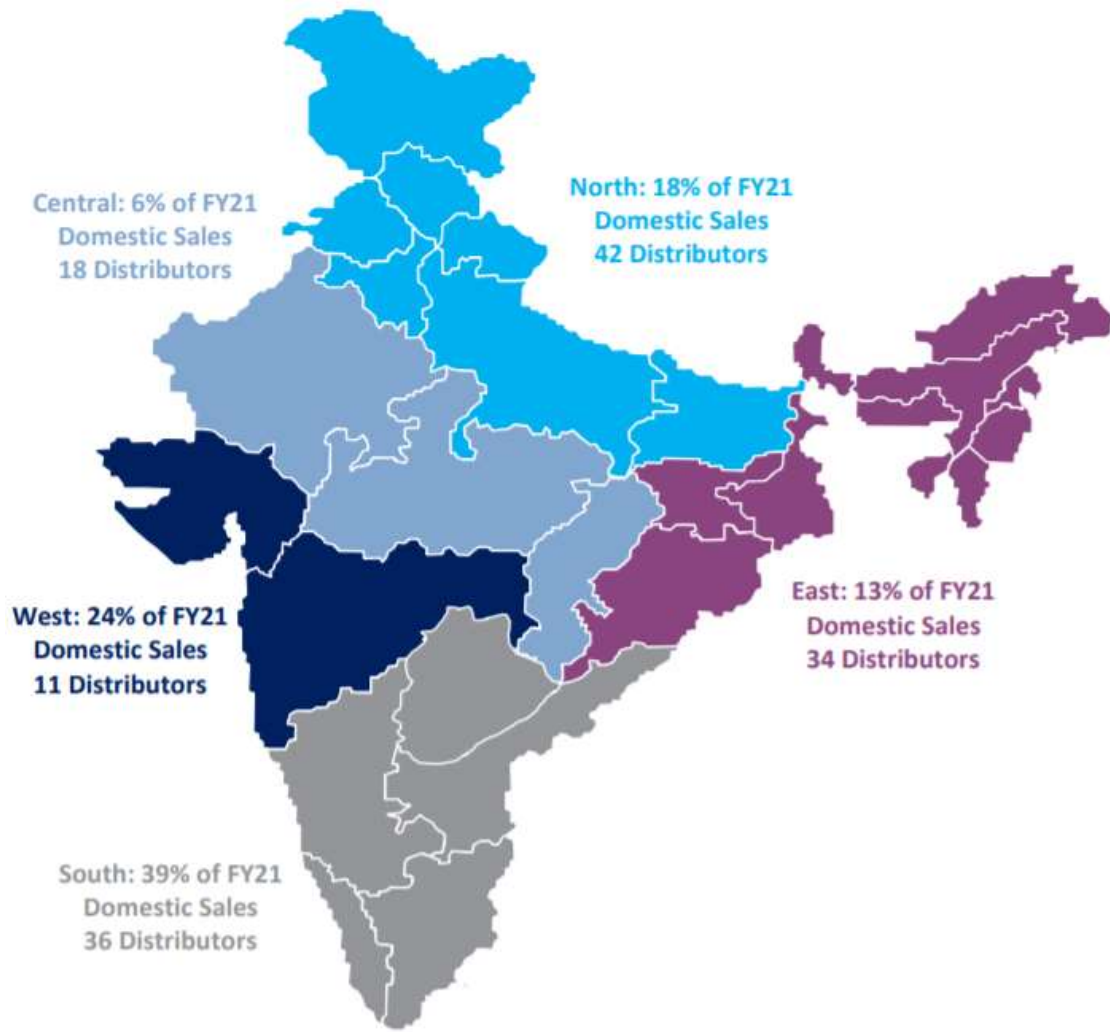
Well Equipped and automated manufacturing facilities – TPL has 5 vertically integrated manufacturing capabilities with design & development being carried out in-house. Its production process is free from human touch and thus helps to achieve the desired levels of purity required for use in life sciences products. The company plans to develop a 6th capacity in Panchla, WB from part of the proceeds of the IPO and another in Amta, WB which will be a fulfilment center with in-house sterilization capability.



Long-Standing Relationships with Customers and Distributors – TPL has long standing customer relationships with a diverse set of key end customers across various segments. The company is focused on strengthening its customer relationships through various measures like regular feedback on quality and cost, maintaining industry leading standards, customization of products and so on.

Segments	Key Customers
Academic Institutes & Research Organization	National Centre for Biological Sciences Indian Institute of Chemical Technology Rain Forest Research Institute KIT University
Pharmaceutical	Dr.Reddy's ENZENE
Contract Research Organization	Syngene veeda TCG Lifesciences
Diagnostics	Dr Lat PathLabs METROPOLIS molbio AGAPPE MyLab Lifesolutions
Exports	avantor FC-BIOS icell Toei Kaisha

The company also has a comprehensive pan India distribution network with over 25-year long relationships with the top 10 distributors and has sold its products to over 40 countries via 45+ distributors.



Debt Reduction on the cards – TPL plans on repaying debt to the tune of INR 78.54 cr from the fresh issue proceeds. This will reduce total debt to equity from 0.24x as on 30th June 2021 to 0.02x by FY24.

TPL's Management Team

KMP	Designation	Description
Sanjive Sehgal	Chairman & MD	He has over 30 years experience in the company and holds a bachelor's degree in science from Xavier College, Calcutta
Rohan Sehgal	Whole Time Director	Has over 7 years of experience working in the company and holds a bachelor's degree in science (management) from the University of Manchester
Santosh Agarwal	CFO	He is qualified as a Chartered Accountant & Company Secretary and has over 20 years of experience, he holds a bachelor's degree in commerce from the University of Calcutta.
Gaurav Podar	Non-Executive Nominee Director	He is an Investment professional with 10+ years of experience and holds a bachelor's degree in management studies and a master's degree in management studies from the Mumbai University
Girish Vanvari	Independent Director	He is a qualified CA and the Founder of Transaction Square – a Tax, Regulatory & Business Advisory Firm
Sucharita Basu	Independent Director	She has 20+ years of experience in commercial & corporate agreements, capital markets & real estate and is a Co-founder of AQUILAW
Viresh Oberai	Independent NonExecutive Director	He has 22+ years experience with Tata Steel and been conferred with "Udyog Rattan" award from the Indian Economics Society

Source: Company Reports

Issue Structure and Offer Details

The proposed issue size of TPL's IPO is INR 1,024 cr, out of which INR 150 cr is a fresh issue and the rest INR 874 cr is an offer for sale. The selling shareholders are Sanjive Sehgal (upto 3,90,000 shares), Rohan Sehgal (upto 3,10,000 shares) and Clear Vision Investment Holdings Pte. Ltd (upto 1,25,00,000 shares). The price band for the issue is in the range of INR 635-662 and the bid lot is 22 shares and multiples thereof.

Issue Structure		
Category	No. of shares offered	% of Issue
QIB	77,32,931	Not more than 50% of the issue
Non Institutional Bidders	23,19,879	Not less than 15% of the issue
Retail	54,13,051	Not less than 35% of the issue
Total	1,54,65,861	100%

** Number of shares based on higher price band of INR 662*

Source: Company Reports

Objects of the Offer	
Particulars	Amounts (INR cr)
Repayment/Prepayment of certain borrowings of our Company	78.54
Funding capital expenditure for the proposed expansion	62.00
General Corporate Purposes	9.46

Source: Company Reports

Shareholding Pattern		
Category	Pre Issue	Post Issue
Promoters	50.77%	47.30%
Institutions	49.23%	38.17%
Public	0.00%	14.53%
Total	100.00%	100.00%

Source: Company Reports

Risks and Concerns

1. The company imports over 75% of their raw materials and any delay, interruption, or reduction in the supply of raw materials to manufacture our products may have an adverse effect on our estimates.
2. The geographical concentration of all manufacturing facilities which are in West Bengal, with 86.3% of total manufacturing revenue arising from Dhulagarh and Jangalpur could be a downside risk factor to our estimates.
3. Resurgence of Covid-19 pandemic could also adversely impact the business and our estimates.

Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E	Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per share data & Yields					
Revenue	175.9	228.9	276.6	331.9	391.7	Adjusted EPS (INR)	7.6	12.9	14.9	18.2	21.7
YoY Growth (%)	(1.6)	30.1	20.8	20.0	18.0	Adjusted Cash EPS (INR)	10.3	15.5	18.6	22.9	27.5
Raw Material Cost	48.7	61.5	74.3	90.2	107.6	Adjusted BVPS (INR)	37.1	45.9	89.0	107.1	128.8
RM Cost to Sales (%)	27.7	26.9	26.9	27.2	27.5	Adjusted CFO per share (INR)	12.1	12.8	14.1	17.2	21.2
Employee Cost	20.1	24.4	30.5	33.2	36.2	CFO Yield (%)	1.8	1.9	2.1	2.6	3.2
Employee Cost to Sales (%)	11.4	10.7	11.0	10.0	9.3	Adjusted FCF per share (INR)	(14.6)	0.1	2.8	6.7	10.4
Other Expenses	37.9	39.5	47.8	56.7	66.1	FCF Yield (%)	(2.2)	0.0	0.4	1.0	1.6
Other Exp to Sales (%)	21.5	17.3	17.3	17.1	16.9	Solvency Ratio (X)					
EBITDA	69.3	103.4	124.0	151.8	181.8	Total Debt to Equity	0.2	0.1	0.1	0.0	0.0
Margin (%)	39.4	45.2	44.8	45.7	46.4	Net Debt to Equity	0.0	0.1	(0.3)	(0.3)	(0.3)
YoY Growth (%)	(3.4)	49.3	19.9	22.4	19.7	Net Debt to EBITDA	0.1	0.3	(1.0)	(1.0)	(1.1)
Depreciation & Amortization	14.2	13.7	19.9	25.4	31.2	Return Ratios (%)					
EBIT	55.1	89.8	104.1	126.4	150.6	Return on Equity	20.5	28.2	22.0	18.5	18.4
Margin (%)	31.3	39.2	37.6	38.1	38.5	Return on Capital Employed	18.0	24.1	19.9	17.2	17.4
YoY Growth (%)	(3.5)	63.0	16.0	21.4	19.1	Return on Invested Capital	26.6	32.7	33.4	32.9	33.1
Other Income	4.2	5.4	5.3	5.4	5.5	Working Capital Ratios					
Finance Cost	6.1	2.7	3.2	2.1	1.4	Payable Days (Nos)	12	10	10	10	10
Interest Coverage (X)	9.0	33.0	32.1	58.8	104.3	Inventory Days (Nos)	101	74	74	74	74
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	79	75	75	75	75
PBT	53.1	92.4	106.2	129.6	154.6	Net Working Capital Days (Nos)	168	140	140	140	140
Margin (%)	30.2	40.4	38.4	39.1	39.5	Net Working Capital to Sales (%)	46.1	38.3	38.3	38.3	38.3
YoY Growth (%)	(4.8)	73.9	14.9	22.1	19.3	Valuation (X)					
Tax Expense	12.6	23.6	27.1	33.1	39.4	P/E	86.9	51.1	44.5	36.5	30.6
Tax Rate (%)	23.7	25.5	25.5	25.5	25.5	P/BV	17.8	14.4	7.4	6.2	5.1
PAT	40.5	68.9	79.1	96.6	115.2	EV/EBITDA	51.0	34.3	27.4	22.2	18.3
Margin (%)	23.0	30.1	28.6	29.1	29.4	EV/Sales	20.1	15.5	12.3	10.2	8.5
YoY Growth (%)	4.1	69.9	14.9	22.1	19.3	Cash Flow Statement					
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	0.0	PBT	53.1	92.4	106.2	129.6	154.6
Net Profit	40.5	68.9	79.1	96.6	115.2	Adjustments	15.7	6.0	14.0	16.2	20.3
Margin (%)	23.0	30.1	28.6	29.1	29.4	Change in Working Capital	8.0	(6.7)	(18.3)	(21.2)	(22.9)
YoY Growth (%)	4.1	69.9	14.9	22.1	19.3	Less: Tax Paid	(12.6)	(23.6)	(27.1)	(33.1)	(39.4)
Balance Sheet						Cash Flow from Operations	64.2	68.2	74.9	91.6	112.6
Share Capital	0.2	0.2	10.6	10.6	10.6	Net Capital Expenditure	(141.7)	(73.4)	(64.1)	(62.7)	(65.0)
Total Reserves	197.4	244.1	462.8	559.4	674.6	Change in Investments	116.3	9.5	(2.0)	(2.0)	(2.1)
Shareholders Fund	197.6	244.3	473.5	570.1	685.3	Cash Flow from Investing	(25.4)	(63.9)	(66.2)	(64.7)	(67.1)
Other Financial Liabilities	0.1	0.1	0.1	0.1	0.1	Change in Borrowings	(10.8)	(6.8)	24.1	(9.0)	(9.0)
Long Term Borrowings	5.9	3.3	27.4	18.4	9.4	Less: Finance Cost	(5.4)	(5.0)	(3.2)	(2.1)	(1.4)
Deferred Tax Assets / Liabilities	3.2	3.3	3.3	3.3	3.3	Proceeds from Equity	0.0	0.0	150.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.5	1.0	1.5	Change in Lease Liabilities	(0.0)	(0.0)	1.0	1.0	1.0
Other Non Current Liabilities	1.5	3.2	3.9	4.3	4.7	Change in Short term borrowings	2.4	6.5	(30.2)	0.0	0.0
Total Liabilities	208.3	254.2	508.7	597.2	704.3	Payment Towards Buyback of Eq sh	0.0	(22.0)	0.0	0.0	0.0
Net Block	87.6	113.7	158.6	196.7	231.3	Cash flow from Financing	(13.8)	(27.2)	141.7	(10.1)	(9.4)
Capital Work in Progress	19.3	21.5	21.5	21.5	21.5	Net Cash Flow	25.0	(23.0)	150.4	16.7	36.1
Right of Use Assets	4.4	6.8	7.7	8.6	9.5	Forex Effect	0.0	0.0	0.0	0.0	0.0
Current Tax Assets	1.8	2.4	2.9	3.5	4.2	Opening Balance of Cash	22.4	47.4	2.3	152.7	169.5
Other Intangible Assets	0.0	0.0	0.2	(0.5)	(1.2)	Closing Balance of Cash	47.4	24.4	152.7	169.5	205.6
Other Financial Assets	2.2	3.1	3.7	4.4	5.2						
Other Non Current Assets	13.5	35.1	42.5	50.9	60.1						
Net Current Assets	79.4	71.6	271.6	312.0	373.6						
Total Assets	208.3	254.2	508.7	597.2	704.3						

Source: Company RHP and Ventura Research

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