

"Control Print Limited Q3 FY-21 Earnings Conference Call"

February 05, 2021







MANAGEMENT: Mr. SHIVA KABRA – JOINT MANAGING DIRECTOR –

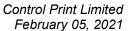
CONTROL PRINT LIMITED

MR. RAHUL KHETTRY - CHIEF FINANCIAL OFFICER -

CONTROL PRINT LIMITED

MODERATOR: MR. KARAN BHATELIA - ASIAN MARKET SECURITIES

LIMITED





Moderator:

Ladies and gentlemen, good day and welcome to Control Print Limited, Q3 FY21 Investor Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities. Thank you and over to you sir.

Karan Bhatelia:

Thank you so much Aisha. Ladies and gentlemen, good afternoon and welcome all to the Control Print Limited 3Q FY21 Earnings Conference Call hosted by Asian Market Securities Limited Private Limited. From the management side we have with us Mr. Shiva Kabra, Joint Managing Director and Mr. Rahul Khettry – CFO. I now hand the conference call to Mr. Rahul for his opening remarks. And then we shall open the floor for question-and-answers. Over to you Rahul, thank you.

Rahul Khettry:

Thank you Karan. Welcome everyone to the third quarter FY21 earnings conference call of Control Print. We appreciate you'll taking out the time from your busy schedule to attend the call. Hope you and your loved ones are safe and healthy. Mr. Shiva Kabra, Joint Managing Director joins me on this call.

Let us start with a brief of Control Print followed by specific analysis of the financials of the current quarter and end with the Q&A session. The detailed presentation has already been put up on our website, as well as in the investor presentation notified on the exchanges for this call. For those who are probably reviewing the company for the first time Control Print is in the niche coding and marking segment which is an oligopolistic market with four major players, three of whom are MCs and Control Print is the only Make in India manufacturer.

This gives us an advantage to sell our products locally and compete strongly with the other multinational players. We are the only integrated players with capability to manufacture printers as well as consumables in India, giving us an advantage to share the benefits with our customers. It also gives confidence to customers for long term partnership with Control Print. We have our manufacturing facilities in Nalagarh in the state of Himachal Pradesh for the manufacturing of printers and in Guwahati in the State of Assam for the manufacturing of consumables. Both the manufacturing locations are state-of-the-art facilities to produce good quality products. All our consumables are manufactured in Guwahati plant and in addition we have also started manufacturing some printers in that location. We have a strong Sales and Service team of 350 plus engineers across our 12 branches, which gives us the advantage to serve our customers efficiently because predominantly after sales service is very critical to maintain the customer satisfaction.

The 12 branch offices across North, South, East, West and Central India gives us the advantage to be in direct contact with all our customers in a timely manner. Post sales of printer, there is a continuous demand for consumables over the life of the printer which typically lasts for 5 to 7



years depending on operating conditions. We have our complete attention on our customers' requirements to ensure their production is never affected and service requirement is attended immediately, thereby gaining our customers confidence.

We have end-to-end SAP ERP systems setup which ensures maximum transparency in accounting, sales and after sales service as well as total control from raw material planning and ordering to receivable collections and is integrated with our CRM system, which gives confidence to the team, the customers as well as our auditors and investors. We have a wide spread customer base catering to multiple industries like pipes and cables, metals, automotive, food and beverages, FMCG, pharma, etc., and we continuously endeavor to customize our products to reach out to other industries to increase our installed base. We have the entire range of products in our portfolio to meet the coding and marking requirements of the industry, the details are elaborated in our company presentation.

As of today, the company has an approx.. installed base of 13000 printers across industries, which enable the sale of consumables across the lifecycle of the printer. We are very confident that we have the best in class products to meet the requirements of most of the substrates, which give additional advantage to the customers to do business with Control Print. With a strong foundation and the five pillars that is man, machine, material, technology and finance, well established to augment our business plan, we are continuously striving for greater heights.

Let me give a brief analysis of the financials of Q3 for financial year 2021. The aftermath of COVID-19 continues to affect the economy and the business environment, although most of the manufacturing sector is operational. After the unlock of the national lockdown, the customers continue to ramp up the production volumes, but with caution. The manufacturing volume in most of the industries is at the level which is required to complete their order book, but not buildi high inventory and the animal spirit is yet to kick in. These are extraordinary situations when the strength of the company is tested. And we can assure you Control Print is geared up for any challenge. We are financially stable and robust and have exceeded our pre COVID revenue volumes with a year-on-year growth of 15.2%. This stability of Control Print has also been reaffirmed by credit rating agency CRISIL with A rating after considering the short and medium term impact of the COVID pandemic. Our investors can maintain their belief on the company's management for an optimistic future.

We had a strong comeback with highest quarterly sales with year-on-year revenue growth of 15.2% in spite of challenging times. The reason for growth in revenue was due to good volume growth in printers and contribution of mask division. We also recorded the highest printer sales is any quarter, which will strengthen the installed base. The company continues to maintain healthy margin with profit before tax excluding exceptional items at approximately 17% and EBITDA at approximately 24%.,with scope of improvement due do better product mix and higher revenues triggering economies of scale.



We have continued to maintain an EBITDA north of 22% on a long term sustainable basis. Profit before tax was higher year-on-year led by stringent cost controls in spite of higher depreciation charged and higher CSR spend.

I will now brief you on the performance of various divisions, products and business segments. Printer had a volume growth of 18% and positive demand in spite of a challenging environment, which is a strong signal for increase in momentum of industrial production. The increased installed base will drive the business in the coming quarters. We bagged two large orders in the dairy segment through state tenders and continue our dominance in the dairy industry. We also made significant inroads in large food and FMCG companies, which were predominantly competitor accounts. The flagship division CIJ witness traction with growth of 8% which could have been higher if the customer's productions were normalized. The growth was mainly due to production of some of the industries where we have a strong hold like pipes, cables, steel, food, FMCG beverages, and was also encouraging to see growth in some of the upcoming sectors like dairy, pharma, paints.

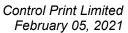
Our product launch of TIJ printers, High resolution printers and TTO printers continue to have a strong traction due to acceptance of the printers and the technology by the market. These verticals are surpassing the highest sales every quarter, and we are confident they will continue to add value to the company's business plan. The dedicated national level managers driving these verticals with focus on specific sectors like dairy, beverages, bakery, frozen food, ready to eat pharma packaging, plywood, lubricate, carton coating, etc. we hope to cement a leadership position in these applications. We have re-aligned our sales team to specialize in these segments which will give these new products the desired impetus. These new printers have done some good installations in the past few months and coming quarter should witness growth. We have also assigned separate managers to focus on the OEM sales and key account customers and the strategy shown encouraging results and should yield good quantum of business.

Laser business is expected to deliver growth as product technology is being improved and the team has been changed. They said we will get good dividends with positive response from the customers and new opportunities are in the pipeline. The current quarter has achieved highest Q3 sales in four years, for this segment.

The face mask production has started and the company has declared commercial production with effects on 24th July 2020. This will contribute to the company's business plan, but we are not making any predictions due to the volatile market conditions.

The company has strong cash flow and this has helped us reward the shareholders with an interim dividend of Rs.4 per share, which is higher than the Rs.3.5 per share declared as an interim dividend declared in the previous years.

While COVID-19 has impacted economy as a whole, we believe that the worst is behind us and with return to normalcy in Q4, we hope the similar trend of growth trajectory.





Traditionally, Q4 and Q1 are strong quarters for the company. So next six months should continue the momentum. Fundamentally, the company remains strong and we are focused on our plans and strategy as we are confident of the growth potential to deliver positive results.

The floor is now open for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Vaibhav Badjatia from HNI Invest. Please go ahead.

Vaibhav Badjatia:

So, I have two or three questions. So, in terms of our consumable sales, so if I try to understand that what is our consumable sales on an average basis per customer vis-à-vis competitor. I don't want the exact number, but would it be lower than our competitor, or would it be higher than our competitors?

Rahul Khettry:

Vaibhav, I won't be knowing the figures of our competitors, because it all depends on how the printers are installed and in which industry. So it's because there are various products in our coding and marking, from CIJ printers to laser printer where there is no consumables and we have TIJ, TTO printers all work with different technologies. And the customers themselves depending on the industry either run one shift or two shifts.

Shiva Kabra:

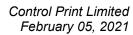
This is Shiva by the way, so approximately, I'll say with the three prime competitors Videojet Technologies, Markem Imaje, Domino Printing Sciences in India. So, we are quite at par with them, of course it depends like Rahul said, each segment has its own characteristics. But we are roughly at par with them, there are some smaller people who supply and they get in general much smaller customers, more C and D grade customers where the business per printer are significantly less. But of course this is only for one type of printer. So you can only compare one printer type to another. So you can only compare CIJs to CIJs, you can only compare TIJs to TIJs and so on.

Vaibhav Badjatia:

Yes. So sir basically, I wanted to understand that due to our distribution strengthen and our and reach. Is it the case that in our total sales mix sales from smaller type customers are relatively larger vis-à-vis the competitors and kind of are more focused towards large account, is it the case?

Shiva Kabra:

No, not at all. The difference between us and our competitors is we have more of an industrial base and they have more of a FMCG food beverage, and pharmaceutical base, we have more of a base in pipes, cable and wire, steel, cement more on that building construction materials like we've got a high percentage of revenue coming from there, they have a higher percentage of revenue coming from these sectors. So, but we are trying to, as Rahul has explained, we're trying to also build our strength in the food and personal care, in personal care we've actually got good pace, but especially in the food and beverage sector, and healthcare we can really focus on those three sectors to stand our sales.





Vaibhav Badjatia: Right. And secondly, do we have roller business also within the company or we don't have any

sales related to stamp roller ink or stamp roller itself?

Shiva Kabra: What?

Vaibhav Badjatia: Stamp roller?

Shiva Kabra: No, we only have the products which are listed on our website, so all the products are digital

technology based.

Vaibhav Badjatia: Okay, so there is nothing in stamp roller?

Shiva Kabra: No, we don't have the contact cores and embossing stamp. We don't keep any of those.

Vaibhav Badjatia: Okay, got it. And lastly, in terms of, again this is on like-to-like basis all product with your

similar product. So, in terms of printers, would we price our printers lower than the competitors,

to kind of as an initial inroads into enter the business?

Shiva Kabra: it's at par is what I would say. Again, there are different models of printers. So obviously like

often times is too high heads, there's two jets, there's a pigmented print so, the printers requires food grade, used for food packaging specifically, so you need food grade approval and so on. So they get charged differently, but I'll say it's roughly for the same type of printer, it's the same price across our competitors and us at least there are three key competitors what I'd say again, we don't really focus beyond that. So the pricing is approximately the same between all of us, for the similar type of model I'm talking mainly about the continuous inkjet, in the other types of models there could be more variations but again, it's broad based the same, so what happens is sometimes in this some strategic pricing by them or us depending on whether client is more valuable to us or them or something but largely I would say on an average sale it's pretty much

the same.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio

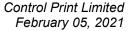
Managers. Please go ahead.

Prakash Kapadia: Couple of questions from my end. If I look at last five years, we've done a CAPEX of

approximately 90 crores gross profit has increased from 55 to 145 crores and additional sales is around 80 crores. So, on current capacity how much sales can we generate at optimum level?

Rahul Khettry: Basically sum part of the CAPEX increase that you're seeing is an accounting entry because of

the implementation of IndAS in 2017-18 where the assets were revalued as per the guidelines of IndAS. So, definitely our CAPEX is not at 90 crores. If I have to put a rough figure over five years, we would have probably after implementation of our Guwahati facility, that was in 2016 till date, we would have probably done maybe 20, 22 crores in that range, I guess. So, some part of it is. If you included Guwahati that's about 25 to 30 will get knocked off, plus revaluation of





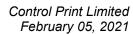
assets because of IndAS and again for IndAS there was some change where some inventory had to be moved to fixed assets. So, all this combined is what you're seeing at 90 crores, ballpark like I told you it would be maybe 20, 25 in that range and the second part of your question, we believe that up to 300 crores, or maybe even up to 350, if I can stretch it, we should be okay at the current capacity level. So we don't see any large capacity expansion, apart from debottleneck of certain, constraints within certain sector, we might have to invest some amount for the next year. But no major CAPEX.

Prakash Kapadia:

Sure. And, in the presentation and on the call you mentioned we having a diversified customer base. Now, if I look at last three years of sales, they are up 10%, and five years is around 10%. So, despite we being a relatively smaller company, what are the challenges to grow this business, because I would imagine if we have a far more diversified customer base and no industry is large in terms of contribution to sales, we should have grown faster, and what will it take to grow at a much higher base 18%, 20%, 25% over the next few years?

Shiva Kabra:

So, there were some challenges there were there a few years ago, as you put it. So, the first thing was that our product range was not comprehensive across the entire sector. And, we did a lot of investment in that. So, in fact there were a lot of questions on inventory and in those sorts of things, because we had to broaden our product range, and not only make it but then you will have something they are quite competitive. So that was the first part of it, which we did not have about five years ago, maybe from the last two years, we've really have a very I'll say like the leading product portfolio. This year was going to be a big growth for us. And, unfortunately the Coronavirus happened a little bit at the wrong time for us. Otherwise, we could have really been significantly higher in revenue and definitely in profitability also this year. And it also happened at the worst time, it was through the March into the summer season, which also is one of our maximum times of fluids, consumable sales, in general more than the other months. So, there was a bit of a loss out there. So, this year is more of a and of course, as you know we are quite broad based in the manufacturing sector. So, when the entire manufacturing gets affected, at the end of the day, we get affected because we're not a direct to customer manufacturer, we are supporting manufacturers and in turn they are selling to the customers, and if their production reduces, there's nothing much we can do. So industrial base got probably more affected than the FMCG. And definitely we see that in the numbers, industry wise. So that also affected us more through the first nine months. So, we've been doing some good things, it hasn't completely thrown up in the numbers, but we were really expecting that last year, and this year would show up more on the numbers again, last year it would have crossed 200 crores if that 10 days of 15, 12 days we couldn't really sell anything out. So, we are getting back on the right path, at least these few months now the momentum is returning. And with the changes that we've made across the board, with the entire SAP, with the CRM, within our product range, or service strength or training or hiring, in every single aspect our marketing, we've significantly improved. So, I'm quite sure we'll see the results going-forward for at least the next two, three years we've got a competitive edge in our product portfolio. And our coverage we're are going to see some benefits of that, this year was muted, because of unavoidable circumstances, which everyone is aware of.





There's not that much we can do, we've still had a pretty good year considering the circumstances.

Rahul Khettry:

Yes, just to add to that, growth at a high teen or close to 20% is definitely achievable. And that's what we trying, to make these additional product portfolios, add customers and in the long run, it is definitely achievable as Mr. Shiva said over the next two, three years, hopefully we will see the results.

Prakash Kapadia:

And Shiva you mentioned, our contribution to industrial is larger as compared to the MNCs who are more, on the consumer side, so does that affect the margin profile also and what's the roadmap and if you could also give some color on top, three industries, what is that contribution to our to our sales?

Shiva Kabra:

Yes, so being industrial versus FMCG, or food beverages is not really, I don't think there is any much difference in any of the industries. What, in my personal, like whatever we've checked it does not really much of a difference between the two. I do think like, in this particular time affected us quite negatively, because industry was definitely affected much worse than, the food and beverage and so we saw some stuff like dairy was still growing, even through the lockdown period and everything, food is not much affected, but certain other things, especially in the industry it was affected and again we saw some customers like the bigger customers have recovered a bit faster, but the small to midsize customers have taken a little bit more longer to get their volumes back to the old piece is what we're seeing. So maybe in this particular situation, it affected us a bit negatively. But again if there's a lot of infrastructure growth, a lot of that type of thing and hopefully it will benefit us more going forward. But again, like I said part of the reason we are expecting to grow faster is we are expecting to at the end of the day make some inroads into the food, the beverage and the pharmaceutical sector. We all quite good in personal care, but we need to add food beverage and pharmaceutical like we need to up our market share in those three spaces.

Prakash Kapadia:

Sure. And lastly, if you could give us some color on top three or five industry contribution to sales and service income for us?

Shiva Kabra:

Yes, so Rahul got the data but it's the same one it would be, food for sure.

Rahul Khettry:

Yes, pipes, cables, food and steel, and FMCG.

Shiva Kabra:

Maybe steel, yes, FMCG, personal care things like that.

Prakash Kapadia:

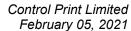
That would be approximate what turnover to sales and service?

Rahul Khettry:

This would be close to about 40%.

Prakash Kapadia:

Fine. And Rahul mentioned about the 13,000 crore base, that was for the industry right?





Rahul Khettry: Yes, all printers included.

Prakash Kapadia: Yes. And what would be our installments, you have a ready number?

Rahul Khettry: No, I said 13,000 is our installed base not. 13,000 is Control Print installed base.

Prakash Kapadia: And industry would you have any ballpark number?

Rahul Khettry: Shiva you would answer that.

Shiva Kabra: You are talking across all companies?

Prakash Kapadia: Yes.

Shiva Kabra: So, the four us would be about 70,000 installed totally, 70, 75,000. 25 to 30,000 will be the small

so maybe 90 to 100,000 will be the overall market, out of which 70 to 75,000 of the four of us. And 25 to 1000 or so small pirate people, or 30,000 people who are using our printers but using

someone else's ink. So that would be the fragmented part of the market.

Prakash Kapadia: Sure, that is helpful. And lastly, what kind of tax rate and benefits do we have and this tax rate

should continue till when, when do we get to 25%?

Rahul Khettry: So basically, we have our incentives on GST for our Guwahati facility that is up to 2025. And

post that we can utilize our MAT credit for the next 15 years, which has been a recent

amendment. So technically it can go up to 2040 that MAT levels in terms of cash flow.

Moderator: Thank you. The next question is from the line of the Devanshu Sampat from Yes Securities.

Please go ahead. The next question is from the line of Deepan Sankara Narayanan from Trustline

PMS. Please go ahead.

Deepan Narayanan: Just want to understand what is the contribution of printer, consumables and other segments in

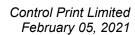
the current quarter as compared to last year also?

Rahul Khettry: So, definitely like I said that printer volumes have increased. So, printers are about 22% to 23%,

consumables are in the range of 50% to 52% and repair and services is about 23%, mask division is a little less than 5%. So, the ratio of consumables has to increase which I keep mentioning in the change of product mix, and then you will see a definite upside on the profitability, which we discussed. It's a good sign that printers are increasing and once that consumables starts like we

mentioned that Q4 and Q1 has a strong quarters, we hope that profitability will follow.

Deepan Narayanan: numbers for the last year?





Rahul Khettry: Last year in Q3 the numbers were, printers at about 21%, consumables at 58%. spares and service

at about 21%. So we are about 6%, 7% down in consumables which we have to recover. That's because of the current situation, like I mentioned in my opening remarks that companies are still producing just to meet their orders, but that animal spirit is still missing where people are not producing to build inventory, that's what our channel partners and sales team tell us. So once

that kicks in, we will definitely see a much higher share of consumable.

Deepan Narayanan: Okay. So even at these current level so the consumable printer can be that has been reaching

close to our FY18 levels or still it is very far away to that?

Rahul Khettry: Sorry, I didn't follow your question, could you repeat?

Deepan Narayanan: Consumable per printer per day kind of number, so we were somewhat peaking somewhere

around FY18?

Rahul Khettry: So, see right now obviously with the install of higher printers the change in the industries that

we are supplying to as well as the current mix of printers. The per printer revenue is slightly reduced and this is what we are working on to try and increase, but yes it would be about maybe 10% lower than what it was earlier, which we hope that with higher production of our customers

this should again go back to the original volumes.

Deepan Narayanan: Okay. And also what is the contribution of new age printer sales to our overall printer sales?

Rahul Khettry: You mean the new launched printers is that?

Deepan Narayanan: Like DDO kind of printers?

Rahul Khettry: So yes, these as I said these are continuously gaining market and now they are close to about

18% to 19% of our revenues, which we think will further increase. So what we have lost in the cement segment, we've definitely been able to gain here and we feel that these products will continue to add into the business plan. These products are well accepted in the market, we can assure you, it's best in class, even technology wise ahead of our competitors and we are breaking through into multiple accounts replacing our competitor. So even the new, I mentioned that the printers are the highest we have sold in any quarter, I am told that many of these replacements

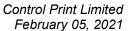
of our competitor printer. So that definitely gives us more confidence on our technology.

Deepan Narayanan: And we are also happy to note that we have made significant inroads into large food and FMCG

companies so will it be any different in terms of in the consumption of consumables or higher

margins, something like that, in this new segment?

Shiva Kabra: Not really. It's has base because we want in that area,.





Rahul Khettry:

But the good part Deepan, I would like to say is that, these are accounts with which we've been working for the last three to four years. And now is the time where we've been able to break through because we have always mentioned that in our industry, there is a lot of customer loyalty, it is for us as well as for our competitors. So, a large FMCG company who has been using our competitor accounts for more than a decade or maybe even two decades. It takes a lot of effort to get into those accounts. But, like Mr. Shiva said that once you are in, to get the whole gamut of printers and believe me, some of these large companies have printers, which can be over a 100 plus printers. So we are in the game now, and we hope that our sales team will continue their good work and gain business.

Moderator:

Thank you. The next question is from the line of Devanshu Sampat from Yes Securities. Please go ahead.

Devanshu Sampat:

So just continuing with the person who just asked a question. So, I had a similar question so say, if I look at your consumables per printer right, assuming the life of a printer to be seven, and whatever you sold seven years, so whatever you sold in the last seven years being your installed base. So your consumables per printer has fallen to about 1.08 lakhs from a peak of 1.3, which was in FY18. And if I take the average of about last five, six years it has been about 1.2 lakhs consumables per printer per year. So, how much is all of this attributable to the decline that we've seen in FY 20, is all of it attributable to say the situation that we are in right now or is it something to do with the mix change also, which is why the numbers cannot go back to, in more than excess of 1.25 or something on that sort?

Rahul Khettry:

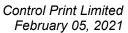
Devanshu, I would believe that it is a mix of both, definitely our industry and the variant of printers that we are now supplying has changed the mix for the per printer revenue, but as I mentioned, it may be down 10%. But some of it is because of the customers are yet to achieve their full production which I was discussing with one of my sales person in our recently concluded managers meet. And I said, what level are we now with customers production. So he said, we're close to 80%, 90%. I said that's not bad so why are you complaining and why are we not seeing the volumes. He said you won't believe it that earlier they were at 110%. So that why the difference is, people have still got that 20%, 30% gap which is yet to come in, companies producing at 110% of the capacity, now we don't see that anymore. So if we can reach those levels, or some 100% to 110% is not for everybody, but still I believe companies do have a 20%, 30% upside in terms of productions on the same capacity, which means a consumable per printer can go up and let's hope that happens in Q4 and the quarters after that.

Devanshu Sampat:

Okay and can you be help me with the printer volumes in the nine months, and the year till date 21 and also a year ago?

Rahul Khettry:

For this current quarter it is about close to 790 printers, Devanshu you will have to add up for the previous ones you have the numbers. For nine months, in the current year we would have been touching about 1800 plus printers, which in the previous year was again similar figures which means that in spite of losing the first two months of April and May we are matching the





last year numbers and definitely Q4 we should surpass last year numbers. So, it's 1800 printers in nine months.

Devanshu Sampat:

Okay. And so, will your depreciation come back to the 2.3 crore run rate June quarter onwards. I'm assuming that in a year you would entirely depreciating?

Rahul Khettry:

So, we've taken a very aggressive depreciation on our mask project, because we know that it is the peak requirement in this pandemic. So as a management policy, we wanted to not try to show maybe higher results with normal depreciation, we wanted to depreciate the mask project so that going forward, we don't have the stress on our balance sheet as well as the P&L. We hope that we would take another four to five quarters before we will be able to come back to original depreciation. So, maybe at the end of March 22, financial year we should be back to normal depreciation, but over the next four, five quarters it will at an aggressive rate. May be this will come down because myself and Mr. Shiva keep discussing that we are expecting some capital subsidies from the government in Himachal Pradesh, our file is moving forward once that comes in probably we will be able to, charge lesser depreciation apparently.

Shiva Kabra:

Getting the current traction to continue like about two, three quarters we will have substantially depreciated everything, at least most of the machinery, there'll be still some stuff, which is like testing equipment and other things that has a longer depreciation period, but you can say substantially we would have made a huge change.

Moderator:

Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited.

Sunil Jain:

My question relates to first is the gross margin. Can you explain why we are seeing some decline in the gross margin in this quarter?

Rahul Khettry:

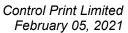
As I explained that the product mix is changing of the company, as well as this COVID situation some prices did increase in terms of imported items that we were getting in some phase higher, so gross margin dropped by about 3%. But we hope that we will be able to pass this on to our customers to some extent and recover it back. So, this is not the level that you will probably see going forward, we hope to pull this back by about 3% to 4%.

Sunil Jain:

So, whether we had taken price increase or in the consumer?

Rahul Khettry:

Not really, the cost of procurement increase in some of the items, which we feel that will go back to normal in the next financial year, it was during this time that we sometimes had to buy from alternate sources because some countries where our supplier are, they were not able to supply and that was the reason some increases commodity prices, but as I mentioned that when things are normalized, we will be able to negotiate our old rates with our suppliers and pass on some to our customers, we will have to see that. This will definitely come down in the next financial year.





Sunil Jain:

Yes. Generally what all raw material which get influences is that crude base or something like that?

Rahul Khettry:

No, we are not much on dependent on the crude pricing. Ours is mostly spare parts for printers which are customized. So we have specialized suppliers for these, they are all proprietary parts with drawings are controlled by Control Print. So, it's not off the shelf items which are there, and our suppliers are long term suppliers. So we are able to hold them for prices unless there is a force majeure situation. The other side is the consumables, which is more dye and chemical base. It's not so much on crude fluctuations.

Sunil Jain:

And sir second thing about the growth, though you said that your customers capacity utilizations are not reaching to previous level. But what we see from the corporate retails is that everywhere there is trajectory specific sectors like pipe, steel, FMCG, cable all are seeing very good growth, so where is the thing missing?

Shiva Kabra:

Yes, you're correct, we have also seen is that now in this recent quarter, we've seen that a lot of the large customers have revived significantly, like I said, still there might be like a 10%, 15% growth variation. So you have to go back and I think how much is the volume growth, and how much is the price growth, the volume growth is where we get the extra printing. And the second thing is that, I'm not 100% sure, but looking at our own data, we feel that, what's happening is all the bigger customers have taken away market share, or rebounded faster than small to midsize customers. So this is like demonetization type effect, where we've seen that the organized sector has grown. And again, what we're seeing out here is that pipes like Supreme, Finolex they're doing supremely well, Ashirwad a lot of our big customers, so maybe some of the small to midsize customers are not doing that well, now I don't know if it's because the big guys are penetrating deeper, I really don't know what the dynamics of each industry is. We have seen that in a few industries. So, the big customers have improved either the execution or something, the distribution or what it is, so in this pandemic time, the lockdown time they sort of increase their share is what I feel,. It's more on the next level of customers that we have we see in the top four, in terms of consumers per printer. So, that's the variation

Moderator:

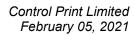
Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia:

Sir, is it correct to assume that we might have gained some market share, because the other three MNCs are operating on semi lockdown unit or basically on imports. So is the understanding correct?

Shiva Kabra:

So, I don't know, we don't know about this financial year from our competitors. It's difficult to say, last year we gained a bit of market share. And this year, we'll only know because right now, like I said we've gained in terms of printer share. But, they have been slightly less affected than us, because based more on the food, beverage and pharmaceutical space, which was relatively less affected than our industrial base. So, we probably lost overall in the at least 10% sales is





what I'd say at least 10%. So, that's where the thing is, maybe they've also lost. So, although we are sort of heading back towards the same numbers as last year. But we would have been significantly higher if the Coronavirus didn't happen. So, I'm not sure in terms of the market share, I think we've gained in terms of printers, I am quite sure of it. But in this time it's a bit difficult to get like in a more market knowledge is because of the situation and also.

Rahul Khettry:

Our team at ground level is telling us that we are probably moving at a faster rate seeing the reaction time of the competitors seems to be slow and one competitor account bullish. So we do feel that we've gained some share but we'll have to wait till the numbers are released.

Karan Bhatelia:

Right. Also sir mentioned that we've got good orders from the dairy segment. So just wanted to understand the scope of opportunity for example, can we do a 200, printer order for six months or can we like throw some numbers to it?

Shiva Kabra:

We have already done a fair amount in dairy; we must have done already a couple of 100 printers this year from April 1st.

Rahul Khettry:

100 plus.

Shiva Kabra:

Definitely, that I know of 100 plus, there might be smaller or bigger ones. So, definitely there is a big scope. So what's happened is that, where in food, beverage, pharmaceutical, certain places where we felt by focusing aggressively with our package where we have got a competitive edge. So we've worked on developing some teams, we're very focused on that application and industry because, in the overall food space, maybe we don't have an edge in all applications, in dairy we have some extra things to offer customers. It's a hug segment, we can grow a lot in that. So, those are the types of things we also had some execution plans so we can try to grow faster than the market, so that instead of putting at 70%, we grow at 15% to 20% revenue growth. And so we were closer towards executing at those levels I'd say maybe in this year but then things going a bit, because of the pandemic.

Karan Bhatelia:

And what is our CAPEX estimates for this year and maybe for the next year?

Shiva Kabra:

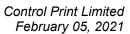
This year we spent about maybe four crores on some expansions in Nalagarh debottle necking 4, 5 crores and next year maybe even less because now we've done quite a bit. So, I don't know and like we had spent a certain amount in our mask project Rahul has got the numbers, we would appreciate a good chunk already. And like someone had asked earlier we're hoping that in the next two to three quarters, three to maximum five quarters depending on the market, we'll knock that off also. So, CAPEX like I said, depending on whatever is needed for our coding business a 3 to 4 crores a year is a fair estimate. Rahul do you want to add something?

Rahul Khettry:

Just the same thing that for next year maybe 5 crores can be a good estimate.

Shiva Kabra:

5 crore is a fair amount per year that we do every year.





Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please

go ahead.

Saket Kapoor: Sir, firstly sir as you told that this quarter was the highest in terms of the top line, but is it be mix

part that did not translated into higher bottom line sir, if we take in that context?

Rahul Khettry: Like we mentioned Saket to the previous participants, one is that because of the product mix,

our gross margins have come down and there is a higher depreciation as well as CSR expense that has been added to the current quarter. So, these three together have been, the margins are better than last year, but it could have been another few crores higher if we adjusted the

depreciation and CSR.

Saket Kapoor: No, sir I was comparing it from September, the sequential quarter, September 20 to December

20, we see the top line going from 53 to 54.5. And the depreciation is constant, 3.84 was for September and 3.7 is for December, but still, the bottom line remains somewhat less flat only

that was the point sir.

Rahul Khettry: We mentioned that there is an increase of about 1%, 1.5% on the cost of material consumed,

which is because of the product mix as well as some pricing because of the current COVID situation. But, I did say the previous participant that we are confident that this will come down and the gross margins will be revised. So, we'll see a 3%, 4% probably in the next year this we hope should come down. Once the consumables increases we are very confident of the margins which we have always reiterated and even if you see Q1 of the current year, we although it was most of it went in lockdown, but our margins were definitely higher because most of it was consumables compared to printers. It's a wait and watch game but things will kick in. We are confident because if the printers sell, the consumables have to come in, so we have to just be a

little patient.

Saket Kapoor: Right sir. So, this 20% growth which you were articulating sir, and the way economy is turned

and fourth quarter being the highest the seasonal factor, the summer outlook everything if they fall in place, the trajectory should be, we should be ending on a higher note for this year for sure.

And then a continuity can be observed, this is what the strategy looks like, is there a fair

assumption sir?

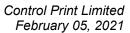
Rahul Khettry: Very fair assumption this is what we also believe.

Saket Kapoor: Okay sir. Sir going forward sir a lot of efforts that has been put forward by you and Shiv sir

the team for the preparation of presentation and sir there if we could also provide the break up for the consumable and the number of printers with the value a lot of questions which pop up during the call that could also be answered if we could give the quarterly nine months year to date numbers on top of the breakup of the same, that would also be very helpful sir. Now, sir,

wherein you are educating us with a very improved presentation, I would like to congratulate

on the mask front, we invested around 7 to 8 crore correct me if I'm wrong. What is the outlook





looking like, with vaccination and all March is going to be the order of the day even going forward with vaccination also in full swing it will be mandatory, people will be taking that safety measure. So, as Shiv sir has earlier told that it was for some institutional clients and high value segment, even for the mask, what is our growth plan for the mask as a category sir?

Shiva Kabra:

So if I may say, it's not really a growth plan, it was a very specific plan that we had, because we wanted to have a CSR outlook, we had the technical how to produce the best mask, which we are doing and doing quite successfully. And the idea, of course like there was like some crimp, because you are not allowed to export the mask. So, some of our large FMCG customers wanted that we become their global supplier, but because we couldn't export it, that sort of. So we are still working and we are we're doing quite well on this whole thing. But it's not like our key business, so it's about going through the next six months to nine months continuing the revenue that we have, and just getting the machines and the depreciation and just running it smoothly, and it's more for technical focus. So, I would not say it's like a business focuses, I'd say like 95% plus at least on the coding business.

Saket Kapoor:

Okay. And what are the turnover for mask on nine month?

Shiva Kabra:

In this quarter it's about a couple of crores. But I don't know how much crores, Rahul.

Rahul Khettry:

Yes, so around 5 crores we are doing on the mask after we went to commercial production and we believe that even after this COVID like you mentioned in the vaccination and other things happen. Maybe some of the smaller players who started it as an opportunity, because of the pandemic might shake up. But we have, got our mask registered with some certified by these organizations with an FDA approval in the US and CE approval from Europe. So we believe that with our equipment, and manufacturing strength, we will be able to continue this and probably create a good brand out of it. We've got it trademarked, so after we've gone through this pandemic phase, we will view this project to a whether it is viable on a long term basis. And that's when it can be a game changer because like Mr. Shiva said, machines would have been depreciated and we would have a good quality of mask, which is trade mark and got the certification

Shiva Kabra:

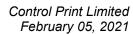
And we have got an established brand or whatever, at least the presence, is what I say, but we don't know, nobody knows where this market will be in the long term. So right now it's about, we're not thinking too far ahead right now is about execution. That's what I'll say it's not very strategic right now.

Rahul Khettry:

Yes, but our focus remains on the coding and marking business.

Moderator:

Thank you. The next question is from the line of Vaibhav Badjatia from HNI Invest. Please go ahead.





Vaibhav Badjatia: So in terms of service level to the customer, so do we have, do we have a policy to maintain

extra printers at the customer site in with some of the customers or we just don't do that at all?

Rahul Khettry: Yes, so a lot of the customers purchase extra printers, so obviously all large customers we

definitely tell them to buy additional printers to keep a standby.

Vaibhav Badjatia: So, they purchase it or we keep that as an inventory in our books at the customer type?

Shiva Kabra: No, we don't do it. They purchase it, there are some places where we don't actually sell the

printers we do like these sort of rental contracts or per print contracts, where they say that I'll make 30 million soaps and I'll pay you so much per soap and you have to put so many machines and so at that time, obviously the online printer, the standby printers, it's like a printing account holding contract. So that time we maintain it, but there are very few, like if we have a service problem, if you are not able to resolve, like there might be 10, 15 printers where the frequent breakdowns and the engineer needs to do more analysis and at time, maybe out of the way we will put a printer at the customer site, but I would say like you buy the printer if you want to extra printer, as simple as that. And if you want, so we don't really deal on that front, if you want

a print or you have to buy it.

Vaibhav Badjatia: Okay. Sir lastly on that, in last one or two years, you have highlighted that have kind of tried to

restructure the same steel to get more focus on laser printer and TTO and other kind of printers. And now the sales people are more of printer wise, rather than kind of, in our earlier arrangement whether it's a customer wise or industry wise. So, just wanted to understand your reason behind this restructuring because most of the competitors seem to have a sales structure, which was your

earlier structure not the current one, the sales guy is focused on selling single kind of printer?

Rahul Khettry: I am not very clear on the question. Shiva, if you can answer that?

Shiva Kabra: I didn't understand the question.

Rahul Khettry: I have also not clearly understood the question. If you could rephrase it would be better please.

Vaibhav Badjatia: Yes, sure. So, I understand from your earlier concall that you have restructured your sales team

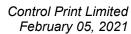
earlier, your sales team used to sell a lot of CJI printer, because the same person used to have the all port, used to sell all portfolio of printers. But now you have different sales people to sell different kind of printer. So, I just wanted to understand the reason for this transition, because

the?

Rahul Khettry: The reason is that the sales team remains more focused and when we do their review, it is easier

for us to talk to them on the orders on that particular segment or that particular industry. Earlier, it was more of a gamut and people were more focused on CIJ than the TIJ, TTO because even there, the knowledge level probably on the printers was not the best. So we have invested a lot

of time and money over the last two years training these people to become specialists in certain





printers, in certain industry. And when you talk only dairy, you focus only on dairy, you don't go to a steel company and you don't go to a FMCG company, you only go to a dairy company. So we found that this definitely gave us better results. And, it's slightly diluted now because of the pandemic we've opened it up again.

Vaibhav Badjatia: So you are saying this is what we will follow?

Rahul Khettry: Yes.

Vaibhav Badjatia: So, you are saying it's better and success I like dairy, pharma it's not that printer like that for a

single.

Rahul Khettry: So, it's both way, some have printer specific target, some have industry specific targets. So

within a particular printer, we have a national sales manager who is again bifurcated in industry. So he might have certain sales people who are focusing on only certain industry but we could

have other sales people who are focusing on multiple industries. So it's a mix.

Vaibhav Badjatia: Right. And sir lastly on the laser printer and CIJ printer, you have also alluded that there is more

growth in laser printers. And you're also more focusing on that front. So, in terms of, because laser printer doesn't have any consumables so I am sure laser printer, must be selling at a very high price related to CIJ. So in spite of that our growth is not that encouraging as compared to

earlier. So, just wanted to understand that, why this is the case and how we are going to monetize

the laser printer phenomena because there is no consumable sales in lasers?

Rahul Khettry: Like you mentioned, the laser definitely has a higher price and, mostly well established larger

companies are using the laser printer because, it's good for their traceability as well as

differentiating their products from the other smaller suppliers.

Shiva Kabra: So, laser provide permanent print but what I will say, there are one or two industries which are

very specific like automotive components or maybe some electronics where they need that permanence of print. As far as the packaging industry goes there are some applications where lasers are used again, but it's not a large percentage, because again there are some applications

where it works well, in many applications where it doesn't work well. So definitely the range of applications expanding but I'll say like in today's date 80% of the applications could not be done

by laser, or not unless you want to change your material of the and art works and certain other

things, it's not so simple to just convert. So, that the laser definitely is a growth sector. Because

in certain cases, it's useful and in general non-CIJ is growing faster than CIJ, but we have to

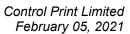
understand that CIJ still must be +70% of the market by value. So it's going to be a mix of that,

so we have to grow the other products, but we have to maintain that CIJ because it's still going

to be even now globally, 55%, 60% of the market by value is CIJ, so the same thing will happen

in India, if the share will reduce from 75%, 80%, to that 50% to 60%. But, it's still going to be

a huge chunk, it's still growing.





Rahul Khettry: Also, just to add to that laser mostly works on a rental model basis, so we have a good ROI on

the rental income.

Vaibhav Badjatia: So, life time, it also lifetime return, was there been a difference between the two, for the company

as such or would not be materially?

Shiva Kabra: Not make out because it's very application specific, there are certain applications obviously CIJ

is more profitable for us, there are certain applications where lasers more profitable for us. So, it's difficult to compare, in the laser we make a bigger margin upfront and then we make repeat money on the filters, and the service and then sometimes the spares also, and normally it has a life of between 5 to 7 and maybe even 10 years, depending on the industry. So, it could be in a very say a good environment it can last 7, 10 years and then a lot of places where it's running right now, it's maybe four, five years is want to use and then you replace it. So, they both have different business models, not like a very thorough analysis on this basis, but I don't think upfront from what we are our base, that the lasers less profitable, in fact might be more profitable than the CIJ. But it's very difficult to differentiate the sales costs. So there's always, it's like many things of pooled expenses, if you understand what I'm saying. So, maybe something like the laser or the non-CIJ businesses will not be successful as standalone businesses. Because, if the expenses are not pulled across the CIJ. Then it won't work out so, it's very difficult for us to

analyze, but if you want pure margin basis it's good, it's not bad.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please

go ahead.

Saket Kapoor: Sir, I was speaking about this technological disruption and our steps taken in the R&D business,

internet of things, where are we placed there sir and because the world is moving very fast in terms of technologies, so what is our understanding and how is the management key to align

itself with the technological changes?

Shiva Kabra: Yes, so if you look at our there is a technology shift like we went from CIJ to non-CIJ. There

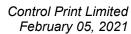
are certain improvements you make, so before we had keypads and stuff now, we have touchscreens, now we have stuff connected to the LAN or the Wi-Fi and so on. And you can enable some internet of things, features and sort of our latest printers. But fundamentally if you look at the packaging sector, not gone through revolutionary change, if I have to sell food, I have to sell a packet of biscuits, there's nothing it's not really changed that much in the last 20 years. There's some improvements in the packaging lines and improvement in the packaging materials. And that's the industry we are serving so it's, we're not in that, we're not in the technology

sector. We are in the technology for production sector, so it's a different type.

Rahul Khettry: Also, as mentioned in the previous call that we have new printer which is in line with our partner

KBA which is probably post COVID we could do the training in this year, but maybe soon that

will also be in the pipeline, as long as it's..





Shiva Kabra:

It's updated printers it's constant, but what I'm saying is that fundamentally the printers are, they are the upgrades, they have more features, definitely they have all the new things or like you said the internet of things, it's, some stuff where you can remotely control, it's enabled in the latest printers. One by one, normally the peak printers are five, seven your generation before we totally overhaul it. So, sometimes we are ahead, sometimes we'll be behind. But, we can't change the model every two years, because it's not practically possible from a production and manufacturing point.

Rahul Khettry:

Just to tell you Saket that capability is there in our partners, they also exhibited to us in our last visit to Germany. But, sometimes the situations in India in the smaller industrial areas, internet of things and all does not always work, we had advanced features in our existing Neo printer also. But many of these features don't, are not implemented even at the customer end. So although, we have the capability, on the practical side not everything gets utilized. So as Mr. Shiva explained that the bulk of it continues to be the same technology, it's only the frills, which are added and very few customers end up actually utilizing it, but we have it in our printer.

Shiva Kabra:

that we would evolving that much, so that's what I'll say, the underlying printing technology is not evolving that much, but there is a lot of stuff that makes things a bit faster, a bit smoother.

Rahul Khettry:

The line speeds have increased, and those things are there.

Shiva Kabra:

Making the design is faster, making the plates is faster, everything is faster, smoother, but it's still the same type of printing press.

Saket Kapoor:

Sir, I got your point on sir. Any update on the real estate part and what is the size of our investment book as on 31st December?

Shiva Kabra:

Real estate, definitely but this year nobody has even looked it into at all because of the lockdown and so on. So that's very much status quo, as far as everything else Rahul will answer that.

Rahul Khettry:

So, investment this quarter we haven't had much on our exceptional items or OCI so similar levels to what you saw in September.

Moderator:

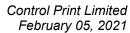
Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Rahul Khettry:

Shiva Kabra:

Thank you, everybody for attending this call. It's tough times, but like we mentioned that we hope the worst is behind us and we will only see improvement from here. So please stay safe, take care of your families don't lower the guard right now. We still have a few months to keep our focus on the pandemic and come out of the situation as a country as a whole. Thank you once again.

Thank you, everyone. Thank you so much.





Moderator:

Thank you. On behalf of Asian Markets Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.