



“Control Print Limited
Q3 FY2020 Earnings Conference Call”

January 27, 2020



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Moderator: Ladies and gentlemen, good day, and welcome to the Control Print Limited Q3 FY2020 Earnings 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 Limited. Thank you and over to you, Sir!

Karan Bhatelia: Very good afternoon. I welcome you all on behalf of Asian Market Securities to the conference call of Control Print Limited. On the call, we have with us, Mr. Shiva Kabra, Joint Managing Director; Mr. Rahul Khetry, CFO. Rahul I would now invite you to speak a brief on the company, the business and the performance for the quarter and nine-month FY2020 and post that we shall open the floor for question and answers. Over to you Rahul!

Rahul Khetry: Welcome everyone to the Q3 earnings conference call of Control Print. We appreciate you all taking out your time from the busy schedule to attend the call. Mr. Shiva Kabra, the Joint Managing Director also joins me on this call.

Let us start with a brief on Control Print followed by specific analysis of the financials of the current quarter and end with Q&A session. For those who are probably reviewing the company for the first time, the detailed presentation has already been put up on our website as well as the investor presentation for this call wherein we have given a hyperlink for the company overview.

Control Print is in the niche coding and marking segment, which is an oligopolistic market with four major players, three of whom are MNCs and Control Print is the only Make in India manufacturer. This gives us the advantage to sell our products locally and compete strongly with the other multinational players. We are the only integrated manufacturer of printers as well as consumables in India giving us the advantage to share the benefits with our customers. This also gives the confidence to the customers for the 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 the second plant in Guwahati in the State of Assam for the manufacturing of consumables. Both our manufacturing location are state-of-the-art facilities to produce good quality products. All our consumables are manufactured in Guwahati plant and in addition we are also started manufacturing some printers in that location. We have a strong sales and service team of 350 plus service engineers, which gives us the advantage to service our customers efficiently because predominantly after sales service is very critical to maintain the customer satisfaction. With 10 branch offices across North, South, East, West and Central India, it gives us the advantage to be in direct



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contact with all our customers through our own employees and build our relationship for repeat orders and continuous supply of materials.

Service support for the printer has to be delivered in terms of AMC and CAMP contracts as well as consumables, which our customers have to procure on a regular basis based on their production volumes. This gives us a continuous direct interaction with the customers and we get to know the pulse of the market as well as the improvements that we need to make in terms of enhancing our services.

We are having complete end-to-end accounting in our SAP, ERP starting from PO processing to collections followed by the integration of the CRM and other ancillary modules, which gives the confidence to the team as well as the customers. We have a wide spread of customer base catering to multiple industries like pipes and cables, metals, automotives, 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.

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 businesses with Control Print. With a strong foundation and the five pillars that are man, machine, material, technology and finance, well established to augment our business plan, we are ready for level next.

Now, let me give you a brief analysis on the financials of Q3 and the nine-months of this financial year. It has once again been a good quarter with a strong performance, which is in sync with our business plan and strategy and we hope to continue this trend. We are confident that the performance of nine months will be witnessed in the fourth quarter also and similar growth trajectory will finish the year on a high note.

We have delivered growth in multiple dimensions ie. in our revenue, in the operational profits, in the EBITDA, in PAT along with volume growth in printers and consumables. We witnessed a year-on-year growth in revenue of 7.9% for the quarter and 15.6 % for the nine months. The operational profit for the quarter was affected due to high employee benefit due to salary increment disbursement in Q3, but the operational profit delivered a strong growth of 20.5% for the nine months period.

The EBITDA grew at 7.3% for the quarter and 21.7% for the nine months. The PAT grew at 69.6% for the quarter and 17.35% for the nine months, so as you can see all the ratios had a very strong performance. The reason for growth in revenue was due to volume growth for printers as well as consumables, which is a positive sign for the increase in momentum of industrial production. The flagship division, Continuous Inject continues to grow as per



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expectation, mainly backed by normalized industrial production of some of the industries where we have a stronghold.

The margins are healthy with operational profits at 20.9% and EBITDA at 25.8% for the nine months. The main drivers for the margins are good revenue growth and stringent cost controls. The increased Installed Base will drive the business in the coming quarters.

Our new product launches for TIJ printers, the HiRes printers and the TTO printers continue to grow exponentially and we are confident of our potential in the coming quarters and years. With dedicated national level managers driving these verticals with focus on specific sectors we hope to cement our leadership position in these applications. We have realigned our sales team to specialize in these segments, which will give these new products the desired impetus. We have also assigned separate managers to focus on the OEM sales and the key account sales and the strategy is showing encouraging results and should yield good quantum of business.

Our LCP business reported a decline, but we are changing our focus to non-cement business and the team is confident to open up new sectors and generate business in the coming months.

The company has strong free cash flows and the trend is expected to continue.

Fundamentally, the company remains strong and we are continuing to work on our planned strategy, as we are confident of the growth potential to deliver positive results.

We would like to end on a proud note that Control Print has entered the list of top 1000 companies on the stock exchange by market capitalization.

That was the brief of the financial results and now we are open for the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir, very good afternoon. Sir, can throw some light on the revenue mix across our categories for this quarter compared to Y-o-Y and for nine months?

Rahul Khetry: For the quarter, the printer is at 21%, the consumer is roughly at about 58% and spares and services at about 21% and for the last year 2018-2019, it was 20% on printers, 59% on consumables and 21% on spares and services.

Karan Bhatelia: Sir, this is for Q3 FY2019?

Rahul Khetry: Which one?

Karan Bhatelia: The number that you recently shared was the comparable number for last year?



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- Rahul Khetry:** Which is for the full year of 2018-2019, it will be quite similar in the quarter also.
- Karan Bhatelia:** In terms of volume growth for printers?
- Rahul Khetry:** We have had good volume growth of about 14% on the printers and close to 25% on the consumables for the quarter. The main consumables that we sell on the inject printer. It does not include the LCP consumables.
- Karan Bhatelia:** What is the sales volume for printers, absolute numbers?
- Rahul Khetry:** Sorry, could you repeat that?
- Karan Bhatelia:** Absolute printer volumes for this quarter and for nine months FY2020?
- Rahul Khetry:** We have done more than 600 printers in the current quarter and in nine months it is about 1700 to 1800 printers.
- Karan Bhatelia:** Right, so we have crossed the 11000 installed based?
- Rahul Khetry:** We are trying to crossing it.
- Karan Bhatelia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Divyesh Mehta from Dinero Wealth. Please go ahead.
- Divyesh Mehta:** How are you?
- Rahul Khetry:** Good, we can hear you Divyesh.
- Divyesh Mehta:** Rahul, I just wanted to understand one thing that the CIJ printers, which contributes the major part of our sales, what was the growth registered there for last quarter and overall for nine months basis?
- Rahul Khetry:** CIJ for nine months, we have grown at about 15%, which is what we anticipated and that is delivering results. First two quarters were definitely stronger, this quarter we have grown at about little close to 10%, but overall in nine months, it is about 15%.
- Divyesh Mehta:** Still the pipe line you pictures are the major customers in that segment, right?
- Rahul Khetry:** Yes, the pipe and the cable manufacturers. But the growth is overall across many sectors and is too widespread.

Shiva Kabra: We serve the entire sector of manufacturing industry like paints to the food companies, food is all the biggest sector, FMCG, personal care, piping definitely was our biggest sector, but we saw every segment, all manufacturing companies, steel is also big sector for us and many others also.

Divyesh Mehta: Shiva, what would be our market share as on date compared to Domino's and the rest of the competitor?

Shiva Kabra: I do not have the Domino's figures.

Divyesh Mehta: In last quarter I think it was around 35% for Domino's?

Shiva Kabra: Yes, Domino's, I do not think it would have changed that much, but our estimation of the market size is somewhere in the region of 1250, so Domino's did about 350 Crores, Imaje would be about 230 Crores, we are talking roughly, even the market between the formal would be about something like 1100 Crores and may be the unorganized market would be another 20% to 25% on top, the whole market is somewhere between 1250 Crores and 1400 Crores of which the four major players about between 1050 and 1100 Crores something like that. So market share between the four us, we are growing a bit faster than our competitor in the last year. Last year it was poor, but this year we are definitely doing better than that, so from whatever I know that they are growing in low single digits I mean in mid single digits in this current year.

Divyesh Mehta: Shiva, still we are enjoying the same GP margins for consumables, which was around 80%?

Shiva Kabra: Consumable markets are quite unchanged largely. I do not think it is much different. Overall, we have not really increased the prices too much, neither way we had cost increase too much, maybe slight cost increase, which the volume increases would have taken care of. Margins are very constant at least, you know it can go up or down in the couple of percent quarter to quarter, but over the years sales it is quite stable, again, you know we are a small company, so you cannot take quarter-to-quarter margin numbers, you may be take a look at over here an annual period rather.

Shiva Kabra: Shiva, I think we met last year around January-February last year, so during that time you were quite optimistic about the new employee force, which was coming into the marketing side also and into the sales team also that is after sales service, so how is that performance is going around, because we have spend it a lot on the employee side?

Shiva Kabra: To be honest like, if you look at what has happened on the last year and a bit and what happened last year especially was that when we were 143 Crores company or something like that about two years ago, about cement is about something 35 Crores of our revenue, it is like 20% gross of our business, now cement is somewhere in the 8% of our business so

that is the way we had a huge hit actually because of the cement business has gone on tremendously and recently it has gone down because we have reduced the number of characters they are printing, so there now free printing some text like the year and may be everything else with our printers, so I think if I look broadly that has gone down, but the CIJ and definitely the other products has to kept us going from 140 whatever we were, hopefully we will get 200 plus this year, so the products is growing strongly, definitely that cement thing has pulled down the numbers, now I think going forward as cement just a small part of our business and they are not that much to go down, I am expecting that it should be better going forward, but there is no doubt that the CIJ has grown reasonable, I think the CIJ if we are growing in 10% to 15% range that is a good number, but in the other products is where we expect to grow to be much faster when taking about high double digits and I think that is all what we are getting right now, I do not know offhand what the number are exactly, so I would say may be like 40% to 50% year-on-year compared to last year, so that is where the other products are growing, so if you take up aspect of the cement business, I think and then if you look at our business it has not been a bad growth over the last quarter.

Divyesh Mehta: The lost share from the cement industry, which is the industry, which has been performing well for us for the last one year then in the revenue mix?

Shiva Kabra: You can repeat that again, you were little bit soft?

Divyesh Mehta: Shiva, I am saying when we have lost some share on the cement industry side and I remember that six months back it was at around 11% to 12% of our sales, which has come down to 8% now, so which are the other industry, which has regained that share of sales?

Shiva Kabra: No it is broad-based, there is no specific industry. I would say like the big sector for us are pipes, cable and wires, steel, personal care, but what I am saying, we still do business in paints and that is growing, we still do business in beverages that is growing, we still do business in pharmaceuticals and pharmaceutical and dairy are two bright spots for us, dairy we put as a subset of food in our broad industry categorization, so I think automotive has slightly declined also and definitely cement has been affected, but all other verticals of ours are growing, so it is quite broad-based, there is no specific one sector, which I would say out contributor, cable and wires we are a little bit slow, not declining, but it was growing little bit slow, but then all the sectors are growing faster for us, so I would say like especially pharmaceutical, dairy, pipes would be like probably the three more faster growing areas for us and in general we have good base across industries.

Divyesh Mehta: One last question, Shiva, the RFID chips, which we installed two or three years back in all the printers of our clients, now they must be started yielding results for us, right?

Shiva Kabra: Yes, they are, that is why it is reoccurring, very easy growth, but we already suffered in some other products. It was there for last two years, I think we have started may be towards the end of 2016, so it is almost three years, so it is very stable product now and no hiccups in that and all the customers also accepted that the RFID chip is official of our printer, so in the beginning there is a little bit of hesitation with the sales people, with the customers because we had a model without the chip, we had a model with the chip, so obviously everyone wants the model without the chip, but now I think it is accepted I am not saying happily accepted, but it is accepted.

Divyesh Mehta: That is it from my side. Thank you.

Moderator: Thank you very much. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity. Shiva, there were few questions from the balance sheet, our working capital continues to deteriorate, it is over 180 days now, so any commentary on that side, what can we expect for the next two years, would this stay here or improve or deteriorate, why is that movement happening, every quarter we have lost like 10 days, so any commentary on that? Second on the capex, what is your outlook for the next two years, what are the capacity utilization, I believe Guwahati is still must be close to 50% or 60% capacity utilization, but any commentary on that side and finally, this IP issue the court case any updates there and what is our maximum liability if we lose the case, what is the maximum downside we see and again, your commentary on that? Thank you.

Shiva Kabra: I will go with the second first regarding the capex in the capacity. So in Guwahati, I do not foresee any capex for the next two to three years. We have got a little bit of just 0.5 Crores, I am saying nothing in Nalagarh and Guwahati, Nalagarh we are spending about 2 Crores-3 Crores, or maybe we have spent like 4 Crores in the last year and this year, but there is no major capital expenditure. It is just more to streamline everything and do it and our capacity utilization in Guwahati is a bit under 50%, so I think it should not be a big issue going forward, may be make a new range of other 2 Crores-3 Crores might have to invest because that is the more specialized equipment, but other than that I would not see any big capital expenditure. Our main capex that we would consider going forward is in terms of technology acquisition in physical facilities. I answered the capex question. The second question that I am going to answer is the question on the court case. So we have the court case, I think the calculation judge itself was incorrect, but more than that we are dissatisfied with the results, so what happened was we had a counterclaim just on interest, our calculation even if we take the judgement, our own thing would be 4 Crores and another some 20 lakhs or 25 lakhs of interest for every year that pans on in case we lose and my feel is not take forward, but we are still very confident that we have a case and the other way round, so I do not want to comment too much on that because it is going to be subjudice , but think the liability that is there is not significant in terms of earning is what I would say,



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it is not a significant amount even if the worse case scenario, but we are still very confident of all legal position that we will be very specific about that, then the working capital question, it that cover that both these questions, for the third question, the working capital, I will leave it to Rahul he will answer that.

Agastya Dave: It would be a good to use 4 Crores to 5 Crores as capex next year?

Rahul Khettry: I will answer on the working capital. Basically on the receivable front, I think we are quite okay because with the increased sales the number of days are well within our control. On the inventory side, some new products have been introduced and since we were entering the Q4 and considering that there are some holidays in Europe and some parts are required, so there was a slight buildup on the inventory side, but I am told by the plants in the Q4 by March they should be able to bring it down again, so not much to worry, we are working on it and with the increased sales I think the working capital days will further come down.

Agastya Dave: Great, just to repeat, the capex part I missed, it is 4 Crores-5 Crores is the decent assumption for next year?

Rahul Khettry: Yes, it is reasonable, there will be some de-bottleneck on capacities or something we might need and maintenance capex, so 4 Crores-5 Crores is quite reasonable.

Agastya Dave: Thank you very much. Good luck for the next quarter.

Moderator: Thank you. The next question is from the line of Dhawan Shah from ICICI Securities Limited. Please go ahead.

Dhawan Shah: Thanks for the opportunity. Basically I just wanted to understand about the volume growth, you have mentioned somewhere around 25% odd for the consumables and the printer volume growth is around 14% odd for this quarter, so roughly the blended volume growth comes around 17% odd, and the topline grew by around 8% odd, so is there any slight decline?

Rahul Khettry: The main volume growth that we track is on our main inject products, there are other printers also involved and as Mr. Shiva had also mentioned that cement business has been affected, so that is much more broad-based and might not be as realistic if you take everything into the kitty, so we try to be little more specific on our main flagship product is what I have mentioned.

Dhawan Shah: Out of this 600 plus printers would it be possible to break it up among different printers and the different industries?



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Rahul Khettry: We generally do not give that breakup because competitive information is also not available, so it is not fair that we should publish our detailed record, so we give you more board-based, so that you can see the broad base is increasing.

Dhawan Shah: But roughly if I ask about the installed base of 1200 printers, so can you segregate among the different industries, which are the top industry is contributing to this installation?

Rahul Khettry: Unfortunately, we do not share the industry wise breakup of the printers or details of that, but we just mention that what industries we are focusing on.

Dhawan Shah: So, you are saying that these pharma, pipes and I think this two industries are contributing highest, right?

Rahul Khettry: As Shiva said couple of times that we are across all the major industries. These are some of the one where we do have a better presence, but the installed base is across all the different industries and sectors and cannot pinpoint on a particular industry. We have also continuously maintained that we do not have a dependency on any single industry for more than 10% apart from one or two, so that way we are quite well leveraged. We are not dependent for more than 5% for a single customer, so that way we are quite widespread on the customer base which is quite large, not more than 2% to 3% to a single customer.

Dhawan Shah: So, going forward, how do you see, which industry do you see can contribute highest to our topline and in terms of the margins if you can share is there any room for further improvement because I think consumers are growing, but still our margins are somewhere at the same level?

Shiva Kabra: I think for us, like I said the cement was a bit of a negative factor for our growth in the last couple of years, now that has reduced as a percentage, it does not affect us too much, but we are still confident of an overall growth and I am very confident we should be able to maintain the pace for the next quarter, other thing is our product lineup of all the other products. We have a very strong growth across other products and we also have wide coverage industry, so very confident that we are going to have a strong growth going forward, not of strong, but consistent growth. It is more important.

Dhawan Shah: Like the GDP growth should we assume the same growth like what GDP will be?

Shiva Kabra: I think that whatever we are doing this year, I think we should do sustain for the next two years, I think we have better product lined up than our competitors right now, we have refreshed our lineup. I think the advantage should be there for at least for a couple of years and the growth that you see is going to come more in the non-inject printer business, like inject this is going a good 10% to 15% a year, but I think other product lineup we should

see a bigger growth and get to the numbers posted by say like someone like Domino which is number one in our business, they almost doubled our size.

Dhawan Shah: And you also launched some two, three printers if I am not wrong in the last quarter, so how do you see the traction in terms of more printer?

Rahul Khetry: We have got new versions of our existing printers in the year, financial year, not specifically in the last quarter, but in this calendar year, we have done it and they are doing well, so I think may be the technology, you know sometimes what happen when you come out with the product will come out with something, some features that are missing you do not tell your market analysis and then if use a bottleneck in your sale then you add those features sometimes what happens is have some bugs in practical installation and reliability base it is very critical in our business, so it just take some time to streamline everything and now that is all very streamlined portfolio very smoothly and that is a big positive for us.

Dhawan Shah: That is all from my side. Thank you.

Rahul Khetry: There was another question in terms of margins also, I would not possibly track it so much from quarter-to-quarter or anything of that sort. As I had mentioned in my opening remarks that the margins are healthy for nine months or quite sustainable level, so we are operating profit is at 20.9% and EBITDA is 25.8% for nine months.

Dhawan Shah: Thanks.

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

Saket Kapoor: Good afternoon, Sir. The first point was, as Mr. Shiva was explaining about the court matter, if things crystallize against us, the total liability was worked to be how much, I missed that figure?

Rahul Khetry: So, he did mention around 4 Crores, but again, since it is subjudice let us wait for things to play out, as of now we are very confident that the order can be reversed.

Saket Kapoor: And when is the matter listed, when is the next date expected?

Rahul Khetry: It is still under appeal, the lawyers will let us know.

Saket Kapoor: Sir, point number 8 also if you could delve more on it, the note number 8 about the warranty part where we have revert the provision and credited an amount of Rs.1 Crore?

- Rahul Khettry:** It is note number 7, not 8, that is note number 7, during the quarter we reassess our liability for warranty and we found that the warranty cost was lower, and provision that we have been making with the auditors over the period of time has just kept increasing, so we thought that it is not as per the liability and found that over 1.17 Crores could be reversed from this, so in this quarter we have done that correction.
- S Kapoor:** No more further?
- Rahul Khettry:** It is a warranty cost. It is good that the company is bearing lower cost and going forward we keep a little bit buffer, so going forward we find that it settles and again, we can have a look at it, but as of now we feel this is more realistic, but it is good that the company is able to save some amount on the warranty cost, it adds to our profit obviously.
- Saket Kapoor:** Sir, if come to Mr. Shiva's comment about the Guwahati plant operating at 50% utilization level, so any comment on it, why at these levels and what will change going forward, are we going to be there in 50% only?
- Rahul Khettry:** Because it was the plant that was set up about 3 years back, we had made a provision for a higher capacity because consumables is something that our business is going to continuously need and with increased installed base we are well covered for the next 2-3 years. It was a strategic investment because you invest once in the plant, so it is not that the capacity is low, it is just that we are able to cover the full market requirement and for the next three years at least 2-3 years we should be okay with this capacity.
- Saket Kapoor:** So, by 2-3 years, the utilisation levels are going to go up as our base is going to increase?
- Rahul Khettry:** Correct.
- Saket Kapoor:** Right, coming to the update on the subsidiary part also, Mr. Shiva could explain delve some more on the Liberty Chemical part and now I think more than a decade that we had made investment in that real estate property and Liberty Chemical, so what is the end game currently for it and how long is the management going to wait and what is the core product behind it?
- Shiva Kabra:** I am not possibly looking into that too much, unfortunately Mr. Kabra is not on the call, there is not any much to be honest one way or the other, there is no negative news, there is no positive news, it is status quo, we just maintain it as it is.
- Saket Kapoor:** Rahul, Sir, you were talking about an increment for the employees in this quarter, so as a percentage of sales, what should we look at the employee cost going forward on a ballpark basis as a percentage of turnover, which should we pencil in for this year and the next year?

- Rahul Khetry:** That is already there in our results, it is around close to 20% is what it is as of this quarter.
- Saket Kapoor:** This is what we should be annualised, Sir?
- Rahul Khetry:** Yes, it is, this is how has been for the last few years, so I think that is more of a realistic figures. What I have just mentioned that because the increment was paid out in Q3 that is why this quarter results could be little lopsided compared to the other quarters but traditionally we have been at about 20% of our turnover on the employee benefit.
- Saket Kapoor:** Right, Sir. I just come in the queue.
- Moderator:** Thank you. The next question is from the line of Divyesh Mehta from Dinero Wealth Private Limited. Please go ahead.
- Divyesh Mehta:** Rahul, I had more question related to working capital, so as on date what is the CC limit and how much we have utilized it?
- Rahul Khetry:** We have not utilized anything of CC limit, as you know we already have funds available in liquid fund, so no need to use our CC limit.
- Divyesh Mehta:** The funds, which are there in the liquid funds they were the QIP, right, which we hit in 2018?
- Rahul Khetry:** Directly or indirectly, yes. It has been there since we have done the QIP and it has been increasing, it is not that it is only QIP money, even the profits that the company is making post QIP is being parked in liquid fund.
- Divyesh Mehta:** Just one more thing, I needed sales composition in terms of both industrial side also and FMCG and packaging side, if you can help me out with that figure?
- Rahul Khetry:** Every time we have maintained that we are strong on industrial, so still think that industrial is 60% and packaging and FMCG is about 40%, could be 1% or 2% up and down, but roughly.
- Divyesh Mehta:** But that is the main concentration, right?
- Rahul Khetry:** Yes, industrial area.
- Divyesh Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of S Kapoor from Kapoor & Co. Please go ahead.



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Saket Kapoor: Thank you for the opportunity. Sir, I was just delving on the point on technological disruptions also in our industry, how are Internet of Things and all can affect the way things work today? What are the near term problem that we can face in the technological driven segment on together?

Shiva Kabra: Definitely, it affect us in one way, but definitely as a Internet of Things progresses it is a feature that we have to incorporate in our future printers we can control them better remotely and you know obviously idea for the customer in future environment would be there is a printer has no error, or a fault or the ink is low, we get the alert out here then we call up the customer and we say, you need to do this maintenance procedure, or you need to change the filter, we are doing that manually, we track it, we have a own preventive schedule for our printer now, but then we have a live report of all the printer parameters and theoretically you will have one control unit where you can see everything, so there is that thing, but honestly right now we have not worked on it, it is something that I think we will have a benefit. It will be a feature relating to all printers starting from about 3-4 years from now, but right now it is there and the other thing is also the connectivity from customers and most customers in their own factories they not give a connectivity for security reasons for the data to go outside of their factories, so that is also something we will have to work through because even right now we have that lot of those facilities, which are available through the Internet, we have available through our LAN connection, which is available in all our printers but no customer actually connects the LAN or the wireless LAN to our printer and then gives us the feedback of the data, but we can theoretically with remote diagnostics we can control things, it could be beneficial at one point of time.

Saket Kapoor: Sir, what is your update on the treasury book and how much money is still invested in the stock market operation?

Rahul Khetry: So, it is roughly similar to what was released in the last quarter, not much of change there.

Saket Kapoor: What is the value, Sir? I do not have it right now. Do you have the same figure, right?

Rahul Khetry: We will have to check the last quarter. Definitely it would have increased because mark to market this time seems to be better and we have had some gains there, so that would have increased by about roughly 2 Crores to 3 Crores because of the mark to market.

Saket Kapoor: Correct, on this point of court matter, I am just reading this line, if we could have a better understanding, I quote from your note, which says that the arbitration proceeding between the company and Videojet, Videojet the arbitral terminal has given an award in favor of Videojet to pay some of Rs.6,33,00,000 with interest at 12% from the date of filing of statement of claim. Further the company has been awarded to receive 1 Crores from the date of filing of the set of date of January 9, 2013 with the interest of 12% till the payment

from Videojet, what is the order trying to say, if you could just delve on what the statement is all about?

Shiva Kabra: I think if you read order, it is very clear, what our statement is saying and what the judge has passes an order, what is your point?

Saket Kapoor: Sir, I am trying to understand, that if 6 Crores and 1 Crore that is total 7 Crores that is to be paid at 12% interest with various dates?

Shiva Kabra: 6 Crores and 1 Crore they have to pay us something would be about net 5 Crores and there is an interest, but what I said is that there is a calculation mistake. There is a lot of counterclaim of us and our filing date was in 2007, and it is the same time of their claim, so both things set off with each other so their component decreases across the period of time and even if an appeal for the reasons we are very confident for success like as I said, I do not want to get back into this question again, but even if we do not according to us even if the judge's statement is accepted and their claim is accepted without us winning anything if the calculation is done correctly in an appeal court also the liability will be in the region of 4 Crores give or take a little bit here or there including all the interest from 2007 till as of 2019, as of the date of the appeal. So that is our calculation, we have submitted, but we are still very confident of our case, like as I said I do not want to get into, we do not believe we have to pay anything in fact we believe we have to receive and we are very confident, but I am not getting beyond this.

Saket Kapoor: Thank you for the entire elaboration on the same and lastly on the cement portfolio part, you did delve much about the characters part, so what is currently the take on it and how can we improve the business from the cement industry as of today depending upon the character part, has the base has now been lower from what it was earlier, so going forward are we expecting more business in terms of whatever characters are required to print it?

Shiva Kabra: So, to be honest, before people are printing between 13 to 18 characters or even 23 characters a batch depending on the customer, but I have seen most printing between 13 and 17 characters, now what is happening is that they were supposed to print a percentage of fly ash or something on the bag if I remember correctly and now most of the companies are in preprinting that information, so the number of characters has come down to about 6 characters who are the guys who are printing about 13 to 17 characters of printing between 7 to 11 or 13 and then many companies like, even companies like Shree Cement and all, in that 7 characters they are printing the whole day even the year and the other things if the pre-printers only used to print the date, the DD and MM so people have tried their best to reduce the thing, now it depends on how things are enforceable, obviously the fly ash will tune a little bit from here to there, so we cannot use pre-printers, it all depends on how difficulty enforcement, I have not see anything, but I am not expecting any major rebound because neither cement consumption goes at a massive rate from my understanding

although it is not a bad market, but bringing it obviously will be reduction in number of characters and as I said itself previously we were affected by low cost pirates and our policy is clear so wherever the business is not working out economically for us, we have withdrawn from those businesses and we have just taken.

Rahul Khetry: Like I had also mentioned earlier, we are changing our strategy to look at other sectors, which can use the same printer that cement industry has been using, so we will continue to stick around in the cement, but at our own better rates, not competing with spurious market players and focus our teams attention on the other industries.

Saket Kapoor: Sugar also a form of part of portfolio?

Rahul Khetry: Sugar is also, we are supplying to the sugar industry also.

Saket Kapoor: Correct, Sir, then exceptional item, please explain in detail if possible? I am in the queue.

Rahul Khetry: Exceptional item is already mentioned in our note number 5. That is mostly exceptional item of 179.36 that is a mark to market for the quarter.

Saket Kapoor: Right, I for the point, it is in point number 6.

Thank you for all the elaborate answers.

Moderator: Thank you. The next question is from the line of Dhiraj Dave from Samvad Financial. Please go ahead.

Dhiraj Dave: Thanks for providing the opportunity. Just first question, you have said in introduction remark that we have around 350 engineers, which are looking after sales service across our customer, so what is our total employee strength say on December 31, 2019?

Rahul Khetry: There are about close to 750 employees including our engineers and head office.

Dhiraj Dave: So, 350 would be plant engineers?

Rahul Khetry: 350 would be field staff I have mentioned, which includes sales and service engineers, then we have people working in the factories, we have people in the branch offices, we have 10 branch offices across the country and the head office, so altogether is about 750 close to that.

Dhiraj Dave: Thanks a lot and second is one observation. I have been observing company for last 3-4 years and suddenly many times to come out with this exceptional item, which may be because of exchange, etc., so basically over a period of time you have various exceptional

item, so just try to see if management can look into, we were a kind of same as on basically what way you will see it because over a period of time it becomes difficult to evaluate company's financial, so that is one observation and last part, how much we provided for this Videojet arbitration, have we provided anything in our account as on date?

Rahul Khetry: If you see that point number 6, it clearly mentioned in the last line, Mr. Shiva also mentioned we are very confident on our credentials of the case, so accordingly no provision for any liability on this account is considered necessary by the management, point number 6 last line.

Dhiraj Dave: So, we have not provided anything. Thanks a lot and wish you all the luck.

Moderator: Thank you. The next question is from the line of Manisha Shah an Individual Investor. Please go ahead.

Manisha Shah: Thank you for the opportunity. First of all congratulations for such a great number from a sluggish economy. Sir, question was more related to the general market share gain from the unorganized sector plus if the economy grows by 6% to 6.5%, what kind of a growth the topline can we achieve?

Rahul Khetry: I did not understand the question, could you explain better?

Manisha Shah: Sir, what kind of a market share gain from our company from the unorganized player plus what kind of growth can the topline of the company achieve in the next 2 to 3 years if the economy grows that 6% to 6.5%?

Rahul Khetry: I am not sure on the unorganized sector part of it, but I think we have consistently maintain that considering the way we have positioned right now, we should have strong double digit growth fort next few years, so let us hope anything between 15% and 20% is what we always look forward to, lesser than that is disappointing for our kind of business.

Manisha Shah: On the topline?

Rahul Khetry: Yes that is what I am saying, the topline at about 15% to 20%.

Manisha Shah: Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad H Gandhi Securities. Please go ahead.

Jayesh Gandhi: Thank you for the opportunity. Sir, in 2017-2018, we did a QIP of closer to 30 Crores and as far as my understanding goes we have used that money 13 Crores to 14 Crores for short-

term borrowing reduction, so how about the rest of the money, have we used in working capital or any capexes?

Rahul Khettry: The QIP funds, a little higher amount was used to reduce our short-term borrowings at that point of time and the balance amount has been kept in liquid fund and it has been growing consistently even as the company is making profits over the last two years since the QIP has been done, so the liquid fund portfolio is continuously increasing. If there is any capital requirement because of increase of revenues that is being internally funded.

Jayesh Gandhi: One more thing, actually I am recently started tracking your company, so I am not very much aware of the industry, so is it possible that in this kind of an industry a heavy or a big capex can change the dynamic, I mean if you do a bigger capex, can you be into a new league or it is not like that?

Shiva Kabra: No, it is not a capex driven industry. This is more of a technology driven industry, but it is big like making creams or something, so there is not that much, it is also not a very fast moving technology, it not like genetic or something like that, this is like if you take medical device or something like that the people are often in a steady state and there is a improvement from generation to generation, but incremental movement it is optimization it is not a evolution of the technology is that we are changing with the existing vendors.

Jayesh Gandhi: From the earlier caller, can you help me out with any market share number if you have?

Rahul Khettry: Already it was explained by Mr. Shiva Kabra in the previous question, may be the transcript would be covering it. You just wait for the transcript and you can check it out there.

Jayesh Gandhi: Sure. Thank you very much and best of luck for the future.

Moderator: Thank you. The next question is from the line of Somsubhra Raj an Individual Investor. Please go ahead.

Somsubhra Raj: Thanks for the opportunity. Sir, what is your effective yearend tax for this year?

Rahul Khettry: The tax rate that was reduced by the government in the previous quarter, it was also done for MAT taxpayers and our tax rate now is down from 18% to 15%, which after surcharge works to about 17.5%.

Somsubhra Raj: 17.5% is that the total effective tax for the yearend?

Rahul Khettry: After surcharge.

- Somsubhra Raj:** Basically what I see is you already used to pay less than 25% effective tax rate even previous year so I was wondering where actually you get any further tax exemption from this tax?
- Rahul Khettry:** As you know that our plant is there in Guwahati, so under Section 80 IE we have exemption so whatever we are paying is MAT which basically is what explained at 15% we are paying, so Guwahati exemption makes us pay the MAT tax, whatever you are seeing now is also being accumulated in our tax return, which is positive cash flow for us going forward.
- Somsubhra Raj:** Thank you for that. Sir, the second question is, the mutual fund what it was mark to market that extra gain with the profit and loss, I think that makes your profit and loss in the earning are quite fluctuating, it always comes as an ordinary item, why out it in profit and loss rather than in the balance sheet basically that is my question, because it makes the mix is very fluctuating?
- Rahul Khettry:** As part of Ind-AS it is requirement now to put the entry into the books of account, so earlier it was only an information, which was to be given in the balance sheet like you mentioned, but after Ind-AS came into play it has to be actually recorded into the P&L also that is why we do it; however, to reduce the fluctuation you will notice that in the previous few quarters we have been reflecting it as OCI in the other comprehensive income, so going forward this is moving from the exceptional item to OCI over a period of time.
- Somsubhra Raj:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was last question for today. I will now hand the conference over to Mr. Karan Bhatelia for closing comments.
- Karan Bhatelia:** Thanks Shiva and Rahul for the call. Thank you participants for being on the call!
- Rahul Khettry:** Thank you everyone for joining us.
- Moderator:** Thank you very much. On behalf of Asian Market Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.