"Control Print Limited
Q1 FY2020 Earnings Conference Call"

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ANALYST: **MR. KARAN BHATELIA - ASIAN MARKET SECURITIES PRIVATE LIMITED**

MANAGEMENT:

MR. RAHUL KHETTRY – CHIEF FINANCIAL OFFICER – CONTROL PRINT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Control Print Q1 FY2020 Earnings conference call hosted by Asian Market Securities Private 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: 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. Rahul Khettry, the Chief Financial Officer. So Rahul, I would now invite you to speak a brief on the company, the business, and the performance for the quarter, post that we will open the floor for question and answers. Over to you Rahul!

Rahul Khettry: Welcome everyone to the Q1 Earnings Call for Control Print and appreciate you all taking out your time from the busy schedule to attend this call. Please excuse Mr. Shiva Kabra as he is traveling abroad and will not be able to join us on this call.

Let us start with the brief on Control Print followed by specific analysis of the financials for this quarter and then we can move on to the Q&A session.

Those who are probably reviewing the company for the first time, the detailed presentation has already been put up on the website as well as the investor presentation, for this call, wherein we have given a hyperlink for the company overview. Let me give a brief on the company now. Control Print is the niche coding and marking segment, which is an oligopolistic market, 4 major players, 3 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 main manufacturing facilities in Nalagarh in the State of Himachal Pradesh for the manufacturing of printers, and the other plant is in Guwahati, which is in the State of Assam for the manufacturing of consumables. This is the state-of-the-art facility, which was set up in 2015, the Guwahati facility and is now fully operational. All our consumables are manufactured in this plant in Guwahati and in addition we have also started manufacturing some printers there. We have a strong sales and service team, which gives us the advantage to give our customers efficiently before predominantly the after sales service is very critical to maintain the customer satisfaction. We do have a strong 350 plus sales and service team across pan India and these are all reporting to our branch offices, we have 10 branch offices from North, South, East, West and Central India that gives us the advantage to be in direct touch with our customers through our own employees and build our relationship for repeat orders and continuous supply of materials. Post sales have to be delivered in terms of AMC and CAMP as well as consumables, which have to be procured from us on a regular basis based on the production of our customers. This gives us a lot of 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 to enhance our service.

We are having complete end-to-end accounting in our SAP in the ERP system starting from the PO processing to collections followed by integration of the CRM and other ancillary modules, which gives the confidence to the team as well as the customers. We have a widespread 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 elaborated in our presentation.

We are very confident that we have the best in class products to meet the requirements of most of the substrates, which gives more advantage to the customer to do business with us. With a strong foundation and the four pillars that is man, machine, material and finances, well established to augment our business plan we are ready for level next.

Let me give a brief analysis of the financials of Q1 and how it has played out for us. As you all have already gone through the numbers it has been a happy quarter with a strong performance and all-round positives.

This is the performance, which is expected out of Control Print and is in sync with our business plan and strategy, which we have always iterated to our Board, our investors and the analysts. We believe the first quarter of the year leads the way and hope that with a higher installed base in the trend of growth trajectory will continue in the coming quarters.

We have delivered growth in our revenue, in our operational profit, in the EBITDA. We have had volume growth in printers as well as consumables and also better price realization. We have witnessed a strong come back with year-on-year growth in revenue of 17.65%, our operational profits grew by about 20.41% and EBITDA growth of 22%.

The reason for growth in revenue was due to good volume growth for printers as well as consumables. Also the flagship division of ours, the CIJ division accelerated as per expectation, mainly by good industrial production of some of the industries where we have a stronghold. Along with volume growth, we have also managed better price realization for our consumables.

The margins have improved and are healthy with operational profits at 22.69% and EBITDA at 27.45%. The main driver for the increase in margins as you all know is a better product mix skew towards consumable business, have better price realization and you have seen that we have had stringent cost controls, which are visible in our account. Also have a new product launches the TIJ printers, the HiRes and the TTO printers continue to grow exponentially and we are confident of the potential in the coming quarters and years.

We have 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 as well as key accounts, managing of customer accounts and the strategy showing encouraging results and should yield good quantum of business.

Our LCP business reported a decline, but we are changing the focus to non-cement business now and the team is confident to open up other sectors and generate business. The company has strong free cash flows in the current quarter and the trend is expected to continue. Fundamentally the company remains strong and we are confident that the work of plant strategy and we are confident of the growth potential.

Going forward, we should continue to deliver positive results if the trend remains similar to the current quarter. That is the brief of the financial results and now we are open to 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 Divesh Mehta from Dinero Wealth. Please go ahead.

Divesh Mehta: Rahul just wanted to know the updated figure on the installed base, as on date?

Rahul Khettry: Even in this quarter, as I said that we had good sales for the printers, so we have sold about 550 printers in the current quarter including the buyback in upgrade printers and there is a volume growth of about 26% in the printers. So the, sort of it continues to grow, we will be touching close to 10,000 plus printers as of now.

Divesh Mehta: Since you have mentioned that there was a strong growth in CIJ printer segment in last quarter, so can you elaborate on that what was the percentage rise in terms of volume over there, since that is the major part of your printer's right?

Rahul Khettry: CIJ in terms of value grew by about 17% that is what I gathered from my national manager so he manages the SCP segment, which has grown 21% out of which CIJ has grown about 17%.

Divesh Mehta: And, last time on the call you discussed that there was a slowdown in the cement sector, which is contributing around 12% to 12.5% of your overall sales, so has the sector has been settled down and the growth, which has come in last quarter, which was the major sector, which contributed that growth?

Rahul Khettry: See, as I mentioned also in the opening remarks that cement again has been a decline for us though the percentage on a total has come down, but the team now for this year we are changing our strategy from cement to non-cement sector. So that now the cement is actually the LCP division that is how we talk about it and cement was the major portion where those printers were sold, now what we have told the team is that you continue to do the work in the cement, but go more aggressive in the non-cement segment like we have getting good response from the sugar industry as well as opened up some new application in the steel segment for this LCP printers where we have a specialized white pigmented ink, which some of our customers are really approving and we hope that this shift will move from the cement to the non-cement and the LCP division will also start contributing favorably towards the results, but again, the weightage is definitely lesser than it was a couple of years back, we are not worried or going overboard to just pick up businesses, which do not give us returns in the long run.

Divesh Mehta: And how well the consumable division growth, last quarter now?

Rahul Khettry: The consumable?

Divesh Mehta: Yes.

Rahul Khettry: Consumable is strong that is why you can see that the results are looking good. Consumables grew at about 16%.

Divesh Mehta: And in terms of realization?

Rahul Khettry: No, we do not have the quantification in terms of how much is for realization and how much is for the volume growth is 16%.

Divesh Mehta: No issues. Thank you Rahul. Thanks a lot.

Rahul Khettry: But yes we have realized better as I told you all that supplied for price increases with most of our customers and we did get it in many of these in the current quarter, but it is more of the volume growth, which has driven the numbers.

Divesh Mehta: No issues. Thanks a lot Rahul. Thanks a lot.

Moderator: Thank you. The next question is from the line of Rohan Pinto from ICICI Securities. Please go ahead.

Rohan Pinto: Sir, firstly, if you could, I just wanted to confirm the number of installed base of printers. So in our Q4 we had mentioned that we are approximately at around 11000 odd printers, so just wanted to confirm on the number?

Rahul Khettry: We have done about 500 plus printers in this quarter, so you can add that number and I think we will get the installed base crossing 11000 odd it is all printers combined and earlier 10500 is what you can put on.

Rohan Pinto: Sir, if you can also help me with the revenue breakup for printers, consumables and services for this quarter?

Rahul Khettry: This quarter we had about 19% on the product mix, 19% on the printers, consumables would be about 62%, spares another 9% and service 10%. spares and service together about 19% to 20%, consumables 62% and printers 19%.

Rohan Pinto: Sir, which segments have done well for us this quarter, so we have also seen some traction in consumable sales as well, so I just wanted to understand whether it is our foray in farmer or dairy, plywood, is there any particular segment which has done well for us.

Rahul Khettry: You know that we have always been strong in the pipe and cable segment, industry has shown good come back for us as well as beverages, foods, these are doing well in terms of our products selling and then we are adding the new line that we have added they do well in the dairy and the pharma, the packaging, plywood, those are the TIJ and the TTO printers. So definitely the industry volumes have favored us especially in the segments where we are having a strong growth.

Rohan Pinto: Sir our margin mix is again in favor of consumables and which is why we have had a robust EBITDA margins of 27% in this quarter, are we basically expected to hold this for the year?

Rahul Khettry: We have always mentioned that if our revenues continue to grow and you can see that costs also have been well controlled, these margins are sustainable though sometimes there are pricing pressures, there are other external factors, which play up in the market, so in a steady state I believe that we should be able to maintain the margin, but I would not like to make it more optimistic or whether it can grow further these are sustainable. I have always mentioned that we had a couple of bad quarters, but then I think this is where more realistic level.

Rohan Pinto: Sir with the tone set in the first quarter in terms of growth how are we placed in terms of overall topline growth for the next two years?

Rahul Khettry: We have always maintained high double digit growth is late teens or 15% plus is what we definitely would like to achieve.

Rohan Pinto: Sir how are we placed on the working capital front?

Rahul Khettry: Yes, so inventories are well in control, number of days of working capital is definitely come down. I think the overall working capital days are down by a great extent, by about 20 plus days we have been able to pull back.

Rohan Pinto: Is it sustainable Sir?

Rahul Khettry: I believe so. Some more improvement can be done. So we will update you once we achieve some more stuff.

Rohan Pinto: Thank you so much Sir. That was very helpful. Thank you. That is it from my end.

Moderator: Thank you. The next question is from the line of Saptarshi Chatterjee from Centrum Broking. Please go ahead.

Saptarshi Chatterjee: Sir, I wanted to know as you mentioned that you are focusing on non-cement sectors like you mentioned sugar, so like, if going to any other sector and focusing can that have an impact on margins?

Rahul Khettry: We have seen that once our revenues are up, the margins automatically follows because the consumables do well, so the idea of the industry is to increase the installed base and pickup on the margins of consumables. We have been working on the sugar industry for the last two to three years, now the focus is more strongly on that segment as well as in that LCP, which I mentioned is that we are hoping that in the steel segment we have some of our white pigmented ink is doing well. So steel also the volumes are large and LCP is basically a print, which is more than 20mm. So if that printer is well accepted then the consumable sales just grows exponentially, so we are working on this segment and the LCP team tells me that they have got a positive response and we are trying to capture that market.

Saptarshi Chatterjee: And in terms of gross margin we have seen some reduction in this quarter what is the reason for that?

Rahul Khettry: Some product mix could be there on the printer side, we are launching new printers, there could be some effect of that, it is about a 1.5% down, but I think it is not something that we will now be able to recover, I think this will come back once we have higher volumes in our new printers, maybe the economies of scale on purchases and all will be effective, so this will probably come back again to what we have seen.

Saptarshi Chatterjee: And Sir you are investing like in terms of employees and lot of service engineers despite that we have got a good amount of EBITDA margin, so this margin will be sustainable despite our continuous investments?

Rahul Khettry: As mentioned that in the previous year we did recruit a high number of sales and service engineers. The reason is that we are now spending more on training and the time that we allow them to settle in and generate business for us because this is the whole cycles at the time they do level three, level four training, it is six to eight months they can be in the field independently handling customer queries. So probably that is what we did in the previous year has given results in the current year and if you will see in terms of percentage from Q4 to Q1 we are down about 5% in employee cost. So that is showing that with higher revenues because of which we recruited these new sales and service people is sustainable and the margins we have, so if we will not grow at this level what we have seen in the previous two years probably because now we have a good bench strength to have a higher sales without recruiting in the same level that we did previously. So this should flatten out and the margins will be sustainable if the sales are maintained.

Saptarshi Chatterjee: And one last thing. I just said there are some spurious sales happening in the cement sector. Are you seeing similar kind of some early signs in any other sectors that have present in or maybe how easy or difficult it is for like spurious sales in other sectors that you are present?

Rahul Khettry: Cement was relatively easier because the printer is probably easier to handle and when we have higher concentration of printers in one location you can manage the show better, but in other segments, we have not seen this kind of inroad by the spurious market, which as we have been mentioning to you see they do much more with time, but then because of the high serviceability requirement of the customers they tend to have a quick natural death then the customer does come back to us. So it has always been there in this industry, it is there, this problem is there globally, it keeps coming up, but then again does not spread to the level where the main players get affected. So they continue to hold about 10% to 15% of the market, but the rest 85% is organized and you know that we have put our RFID chips and the other things that we have done to make it tougher for them.

Moderator: Mr. Khettry, sorry to interrupt sir, but the current participant is disconnected. We move to the next question, which is from the line of Vaibhav Joshi from Himalayan Fund. Please go ahead.

Vaibhav Joshi: Two questions from my side. In the domestic market how are you seeing the demand from your customers and second part and what is the outlook on the export market?

Rahul Khettry: From the domestic definitely the traction is raised from Q1 when we compared to last year. So many of the segments have reported a good demand for the coding and marking, which is a positive and another good sign is that it is across the country, it is not like regional, it is like North, South, East, West, all our branches have shown equal traction towards the coding and marking requirement. So consumables is up, which means the customers are using more and that is good for all your other segments that you all are covering. It clearly shows that there is increase. Some surprises even for me is like automotive where there is too much of negativity in the market, but we seem to be doing well for the automotive segment, we have seen a volume growth even in that segment for us. Some of them are well in line with the results of other companies, but some of them are maybe having their own unique reason for growth for us, but yes we take it positively as long as we are producing and we are selling our consumables, we are happy. On the export front our Sri Lankan business is picking up, we have a strong team now, who is trying get the numbers and it is definitely on the uptrend, but the Indian market is so dynamic that of course even if exports is growing as a percentage it does not reflect in our results.

Vaibhav Joshi: Thank you.

Moderator: Thank you. The next question is from the line of Shalu Asija from Nves Researchers. Please go ahead.

Shalu Asija: Sir my question is debtor days are as of March 2019 are increasing like it is 96 and it has increased from last two years. So I want to know the reason for the same and second, what is the current position of debtors?

Rahul Khettry: To be honest debtors is better on the revenue to add GST and then have a look at debtors because the sales does not have the indirect tax component whereas the debtors have it, so my calculation shows that debtors is anything between 80 and 82 days and with higher revenues it has further come down by two, three days. So I am not worried on the debtors front because general trend in the industry is about 60 days of credit and the customer only face after they receive the material to the transit time and the booking in their ERP system is another 20 days. So anything between 70 to 80 days is a good realistic better DSO and I think we are very close to that. It could be one or two days, which are increased as per your calculation, but I do not think anything to worry about it.

Shalu Asija: And Sir one, we have been spending Kotak Liquid regular plan for 13 Crores, like we have sufficient fund for our expansion; I just want to know the reason for this investment?

Rahul Khettry: We have excess fund, which we have been keeping in the liquid fund for any acquisition or any growth requirement of the company and that has been our strategy for the last one, one-and-a-half years and as of now it is a very healthy amount that is available in that fund.

Shalu Asija: And last question Sir can we have sector wise breakup of revenue like main sectors contributing to revenue?

Rahul Khettry: As I said that we are strong in the pipes and cables, beverages, the food, even now the dairy and plywood sectors going for us, pharma is where we are concentrating more with our new printers. So these are all, but there has been an overall growth for the industry that is very good for us. Of course some of the ones which, I just mentioned was there we have always been strong and when you grow in these industries it shows on the topline, but it has been all round performance I would say from the team as well as most of the industry.

Shalu Asija: Sir Auto sector exposure can we have?

Rahul Khettry: We have as I mentioned grown in the auto segment also, but generally we give the breakup between industrial and packaging, so more or less if we take that we still at 40%, 60%.

Shalu Asija: Thank you.

Moderator: Thank you. The next question is from the line of Indrani Ghosh from Kiven Securities. Please go ahead.

Indrani Ghosh: Hi! Rahul, just try to understand the market, we say that, we have around 20% market share, is that right. 18% to 20% market share in the meantime?

Rahul Khettry: Yes, close to 18%.

Indrani Ghosh: And we have 10000 installed bases?

Rahul Khettry: Right.

Indrani Ghosh: So that means the market in the industry is around 50000 purchases?

Rahul Khettry: Yes, would be around that figure.

Indrani Ghosh: Unorganized sector within this there is 50000 for India seems small for coding and marking I wanted to know your views on this?

Rahul Khettry: So, basically see not only the printers when we take out the market share we go by the revenue because we do not have the printer numbers for our competitors available. So based on revenue we say it is about 1200 to 1300 Crores market and based on that we do our calculation that does not include the spurious market of about 15 %.

Indrani Ghosh: And is there a substitute for coding and marking in India, are there any unorganized players doing that apart from the top four?

Rahul Khettry: Just repeat the first half.

Indrani Ghosh: Is there a market for unorganized players in India what is the market size?

Rahul Khettry: As I mentioned, unorganized sector is about anything between 10% to 15%, which has always been the way and they do get some, so they are at any time we keep trying to draw and now more with GST coming in we feel that this sector is getting the pressure and maybe they will dwindle out in the coming years, but some do move out and then some do come back in, so it is something that we are not able to control completely, but we do it is slightly difficult for them.

Indrani Ghosh: If you could just tell us what is the revenue contribution from the cement industry in overall?

Rahul Khettry: The cement we were earlier at a higher base and now we are close to about 10% to 12% on the cement segment.

Indrani Ghosh: Rahul, I was just looking at the annual report, FY2019 report, I was looking at the receivables figure, around 10% to 15% we are doubtful, are we facing issues converting receivables to cash?

Rahul Khettry: Not really, we have really provided for the doubtful ones, it has already been, so it is not going to affect our financials even if we have adjustment or write-off from them. These are all the players some of them are under legal that we are having high cases in the MSME court and to be honest we have been awarded also a couple of legal cases in our favor and even in Q1 there is a settlement that we have done and Q2 in the month of July also in the last week we have done settlement, so these are the things, which customers sometimes try to hold our receivables that we are able to get it out through the legal process and some good reconciliation issue that is where we made provisions and we do keep cleaning it up as and when we get an opportunity, but as I mentioned that most of it is provided for so it is not going to affect our financials even going forward.

Indrani Ghosh: By understanding the business model correct I understand that the stickiness of the customers should be high what the average length of stay of a customer is and how many years they stay with you?

Rahul Khettry: See normally printer life is about 5 to 7 years so that is the minimum that a customer generally stays with us and as you know the stickiness of the customer we have mentioned, which means that repeat orders are more prevalent. So they also go for an upgrade or replacement with us. Then we do not lose customers that will be honest, but the loyalty of the customer is more than the ones that we have to led growth, so we win some from our competitors, we lose some, overall it is more loyal customer base.

Indrani Ghosh: What is the capacity utilization currently at our plants?

Rahul Khettry: The capacity utilization for our printers, which are in the Nalagarh facility about 75% to 80%, but that is an assembly plant and with increased working hours and more input of the run up capacity can be ramped up there. Apart from that we also have built capacity in our Guwahati plant for printers though it is not fully utilized and if push comes to shove then we can always ramp up there also. The second part is the consumables, which you know is manufactured in our Guwahati facility there it is being a new plant in 2015 it was well planned and right now we should be touching about 50% to 55% of our capacity there. So I think over the next two to three years we are still well covered in terms of our capacity.

Indrani Ghosh: And how do you plan to utilize the QIP funds that you raised last year?

Rahul Khettry: Most of it is still in the company, we have not utilized the funds and that is why the liquid funds keep showing up.

Indrani Ghosh: Just one last question from my end. What is the price differential between our product and the competitors are we like price lower because we are Indian?

Rahul Khettry: Yes, we still like to give because we want to play on that Make in India manufacturer advantage so 5% to 10% lower depending on which customer, so generally 5% to 10% lower than our competitors.

Indrani Ghosh: Thanks for this Rahul.

Moderator: Thank you. The next question is from the line of Madhuchanda Dey from MC Research. Please go ahead.

Madhuchanda Dey: I have two questions. The first question is with the present capex that you have what is the revenue potential of this office expansions that you have?

Rahul Khettry: I would believe that we can go up to 350 Crores, with this current capex.

Madhuchanda Dey: So you would not expect any fresh capex in the next couple of years, is that a correct understanding?

Rahul Khettry: More or less yes, it will be mostly maintenance capex and maybe some de-bottleneck, some production capacity needs to be enhanced in a particular part of the production cycle then there will be some de-bottlenecking and maybe just increased some storage space, which we are working on. So it will not be a big bang capex, but yes we should budget a small amount, which should not be a problem in our current cash flows.

Madhuchanda Dey: Sir what kind of maintenance capex, if you could just highlight?

Rahul Khettry: It is about 5 to 7 Crores of maintenance capex.

Madhuchanda Dey: Yes. My next question is a little long-term in your opening remarks you mentioned about taking the company to the next level, so what is exactly meant by taking the company to the next level, is there a vision for revenue, is there an inorganic plan, if you could throw some light on the same?

Rahul Khettry: It is mostly organic growth that we are currently focused on, inorganic if it comes along we have the finances to pick it up, but when I speak of level next it is only with the organic growth. So, we have been growing consistently for the last many years and even now the Indian coding and marking industry is quite under-penetrated and we feel that this momentum can continue for at least next five plus years. So considering that with the capacities in place, finances in place, we feel that we can accelerate and a strong team to back that up, so we are positioning ourselves for a 25% market share from the current maybe 18%, 19%, which then the industry is about maybe 2500 Crores level we should be a strong player at that point of time.

Madhuchanda Dey: Sorry, I cloud not get the last sentence.

Rahul Khettry: In five years, seven years down the line when the industry is at about 2500 plus Crores then 25% market share for us will be a good sizable amount.

Madhuchanda Dey: And just one housekeeping what is the organic growth of the industry?

Rahul Khettry: Industry, see it is generally we would say growing at about 11%, 12%, so we generally target 15% plus to capture more market share.

Madhuchanda Dey: Thank you very much.

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

Saket Kapoor: Congratulations Rahul Sir for good set of numbers. First is about the employee benefit expenses what should be the annualized figure that we should work for this year there is a reduction vis-à-vis March from 11 Crores to 9.85%, 10%?

Rahul Khettry: See now as I said that the recruitments actually will flatten out, it would not be as much as we have seen in the previous year. So I think the current levels are quite good trend to follow. Of course some increments do come in, in the second, third quarter that will have to factor in a little bit on that since that do not include the increment for the current financial year.

Saket Kapoor: I did not get Sir. For the entire year on a base of what 38.45 Crores, 38.5 Crores last year, what number should be work out for the employee benefit expenses?

Rahul Khettry: We follow the current quarter I think this is what we should take for the rest of the year.

Saket Kapoor: Sir you were talking about, our dampening from the cement sector, what could be the reason, cement has grown in volume definitely so why their contribution in the coding segment has fallen?

Rahul Khettry: The main reason for cement is that there are spurious players in the market as the quality has definitely come down as compared to the OEMs that is why none of the big players and the OEMs are working to match that price level. Secondly that the number of characters that they were printing previously has come down, so obviously the consumable sales comes down and the revenue gets lower though their volumes increased the characters that they were printing per bag has come down. Thirdly the important factor is that they were printing with red ink, which was more valuable ink for us and now the BIS has changed the standard to allow them to print in any color, which means that they are now substituted the red ink with the black print and that again reduces the margins as well as the revenue. So these are the main factors and in spite of their volume increasing the revenue has been lower.

Saket Kapoor: What is the first point Sir you mentioned?

Rahul Khettry: Number of characters they were printing let us say 16 to 20 characters today they have lowered it down to 10 to 12, so that automatically is about 30% to 40% reduction in consumption.

Saket Kapoor: Any foreign players that you are mentioning, those players are garnering market share with lower quality?

Rahul Khettry: No, not foreign players, spurious players, so that is why none of the big four are active in the cement industry much.

Saket Kapoor: Which players I am not listening your voice.

Rahul Khettry: Spurious players, the spurious market.

Saket Kapoor: Which market is this Sir?

Rahul Khettry: The unorganized sector.

Saket Kapoor: Sir in your management discussion you did mention in your opening remark also that the key TIJ, the HiRes, the TTO and the LCP printers are expected to drive the industry growth higher, so where are the applications for these four types of printers, TIJ, HiRes, TTO and LCP.

Rahul Khettry: They are mostly catering to the dairy, the pharma, the packaging and the plywood sector.

Saket Kapoor: So these are the thrust areas for us?

Rahul Khettry: Those areas getting good response and we are confident that we will continue to grow in these segments.

Saket Kapoor: Sir in the revenue from operation part that if you could going forward provided the breakup there itself between the consumables, the number of the printers volume and the sales it would be very helpful for us to understand with a comparative figure of the previous quarter numbers also that will be helpful in your presentation if that happen?

Rahul Khettry: We will consider because even the comparative figures are not available so I am unable to help us giving too much information, but we can let you know on the calls like this.

Saket Kapoor: Correct sir. On the other income part what does this institute that our treasury income could be 30 lakhs?

Rahul Khettry: No, as I mentioned that there was a legal case, which was in our favor, so we got some, apart from the principal amount we got some additional interest, which was given by the court.

Saket Kapoor: Okay, this 30 lakh will compensate that?

Rahul Khettry: Yes. So it is one time, so even in Q2 as I mentioned that we won our things so certain amount will also reflect in Q2.

Saket Kapoor: Q2 also. Sir, if you take item number four for the exceptional items part here Sir how much of this exceptional item is about the comprehensive income part coming up and I just wanted to understand what this breakup is all about?

Rahul Khettry: See that note number 3 exceptional item of 188 out of that we lose an amount of 187, which is the full amount towards the fair value of investment including profit and loss from shares. This whole amount is basically a mark-to-market it is not that we have sold any shares that it is just that the market came down towards the end of the quarter and that is why it has base effect.

Saket Kapoor: It is according the Ind-AS part Sir we have to do?

Rahul Khettry: Yes even earlier it was only reporting now you have to pass the accounting entries that are only a mark-to-market it is not real sales that we have won.

Saket Kapoor: If we come to your side in your other financial asset part if I am referring to your annual report we find that in other financial asset side there is a claim reimbursement of budgetary support under GST, so if you could explain Sir what is the amount about it was for last year it was 15 Crores 65 lakh and for now this is 42.48.

Rahul Khettry: You know that previously before GST came and we used to get the incentive of excise and sales tax. Now that has been substituted by this GST where the North East state that is our plant in Guwahati gets refund from the government on the amount of GST that we pay. So this is going to continue and once if volume increases the amount will continue to increase.

Saket Kapoor: So it is proportionate to how much revenue we do?

Rahul Khettry: How much GST we pay after input credit.

Saket Kapoor: After input credit?

Rahul Khettry: Yes, but if this revenue increased as I said will continue to increase because we have a good value addition.

Saket Kapoor: Between two plants I think the new plant is the one, which is making the consumables at a higher number than the printer or vice versa?

Rahul Khettry: Yes the new plant in Guwahati that is the one, which is making the consumables. So the other plant Nalagarh only make printers whereas Guwahati make all the consumables and two varieties of printers.

Saket Kapoor: Which two varieties Sir?

Rahul Khettry: TIJ and HiRes.

Saket Kapoor: Sir anything in the vicinity we find that can be a disruptive technology for oligopolistic segment, which we are getting today, what is our understanding of how this market is developing and how much is the continuity of this pattern going to be say in the near future, any disruptive thing, which you have captured, which is visible right now and can catapult something big anything that is precautionary to us or to the industry?

Rahul Khettry: Globally also we have not seen anything disruptive, it is a quite stable industry, our directors and technical team does travel to exhibitions and keep meeting our partners outside India so there is not anything disruptive in the coding and marking industry on a global front and as you know that India still a little behind the other developed countries and we still have a lot of penetrations to be done. So I think at least for the next decade I do not see that there is any, at least for five, seven years I feel that there is enough for Indian industry to grow the coding and marking industry.

Moderator: Thank you. The next question is from the line of Amit Vora from SBI Mutual Fund. Please go ahead.

Amit Vora: Just one thing Sir what is the impact of Ind-AS have we adopted this year?

Rahul Khettry: Ind-AS as a whole we had adopted on April 1, 2017 .

Amit Vora: Ind-AS 116.

Rahul Khettry: Ind-AS 116 if you will see note 4 this was adopted this year. So the note is effective April 1, 2019 the company has adopted Ind-AS 116 lease using modified retrospective method the adoption of the standard did not have any material impact on these financial results. So we have adopted 116 in this financial year.

Amit Vora: So Sir there is a fall in the other expenses say the line of 7, 7.5 Crores is now 6.3 Crores, any comment on that Sir?

Rahul Khettry: We have been able to control our cost like the travel expenses, the legal expenses and some part of the rental, which was reflected in other expenses because of Ind-AS 116 has also got apportioned to the finance cost and the depreciation part. So if you will see the depreciation has increased from 188 to 226 that is one impact of Ind-AS 116 and we are a debt free company so there is no reason to have 18 lakh also as part of the finance cost, this also is because of Ind-AS 116, so these two have also taken a little bit of the expenses out of other expenses, but we have been able to control our cost and as I mentioned previously also that we were probably spending for the future and with our revenues increasing the economies of scale will definitely show better results now.

Amit Vora: Thank you Sir.

Moderator: Thank you. The next question is from the line of Keyur Shah from Emkay Global. Please go ahead.

Keyur Shah: Sir I missed your comment regarding sales mix you mentioned of 19% printers I missed the rest of it, can you please repeat that?

Rahul Khettry: The product mix was 19% on printers, 62% on consumables and spares and services about 19% to 20%.

Keyur Shah: And you had mentioned capex can you give me the figure and are you going to incur it in this current year or has that already been incurred.

Rahul Khettry: I did not follow which figure?

Keyur Shah: Sir Capex figure that you were mentioning.

Rahul Khettry: Capex I had mentioned that we do not have any large capex as a plan, but maintenance capex as well as some de-bottleneck in our production facility might be required, so 5 to 7 Crores is a good amount to keep aside for that.

Keyur Shah: Thank you. That is it.

Moderator: Thank you. The next question is from the line of Sandeep Sabharwal from ASK Investment. Please go ahead.

Sandeep Sabharwal: Actually I was just going through your balance sheet I saw that in the investments book where there is a substantial amount of money, which is put in its equities of a few companies, so what is the logic for that?

Rahul Khettry: That is being there for quite some time to be honest with you and now that the increase, which you are seeing would be more on the liquid fund, which also get clubbed as investment, so over the last year or so we have not had much of increase in the investment it could only be moving because of the mark-to-market.

Sandeep Sabharwal: Okay we got a particular new stock also got added, so I saw that some of the holdings are old and they were not changing, but then a new stock also got added, so when you are raising money through QIP and then you are deploying money into...

Rahul Khettry: But we also have a lot of positive free cash flows from operations, so it cannot be that QIP money is being deployed there, it is mostly in the liquid fund that excess money is going, but it would be a very small amount, which could be on the equity side.

Sandeep Sabharwal: So what is the strategy on that portfolio book, it is around 20 Crores as per the current market value?

Rahul Khettry: The Company has always made a good profit on the equity and the promoter handle that directly. Mr. Kabra does it, and as of now not much of movement is happening there so I guess with, there is no economy performance as and when he will take the decision to liquidate or I do not have much of a direct involvement in that.

Sandeep Sabharwal: Alright. Thank you.

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

Devanshu Sampath: Two questions, one is you mentioned about cost cutting efforts and everything, so is there still a scope of that happening or we sort of maxed out on that?

Rahul Khettry: See it is increasing revenue some costs are tough to control with increasing number of sales and service staff, their travel also goes up though now to put cheques and balances in place we have routed all our travel through the SAP system earlier it was manual but now it is system driven where the system has limit spent for each level of employees. So we have done I think that will help us to control cost also in a more organized way, but in value terms I cannot say because if revenue keeps increasing some cost will increase, but as a percentage I think we should be able to hold on.

Devanshu Sampath: And just another question, which I think even other people have been asking you. So we have about 30, 35 Crores of cash or investments on books and we are generating about 30, 35 Crores through cash flow from operations and we do not have much of an investment so there definitely be money more than required, is there a possible dividend payout increase that we can see?

Rahul Khettry: Yes, let us hope so, we have always been a strong dividend paying company and with results like this I guess the board will decide on the dividend when doing the board meeting. So I do not see any reason why we should not have a strong dividend, but led the board do their work.

Devanshu Sampath: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Anirudh Shetty, an individual investor. Please go ahead.

Anirudh Shetty: I have couple of questions. First question was, what is happening on the cement industry side wherein the unorganized is under pricing and gaining market share, do we expect to get those clients that we lost some time back in the future?

Rahul Khettry: We constantly in discussion with them, but as a policy we are not going aggressive to pick up businesses, which will not give us good returns going forward. They want us to work with them that at the price level that sometimes they are demanding we are letting go of the revenue because it will just be loss business that we will accumulate and some of these contracts are long-term it is a three years, five years, so we do not want to bind ourselves on a loss making business. We have enough to do on other front, we do want to work with them, but definitely not, so maybe short-term we were not looking good for us but believe me in the long-term maybe it is a better decision we are just making our sales and service team busy in business, which is not giving returns.

Anirudh Shetty: And I understand that cement maybe a very small share of your book today, but are there any other end industries, which show similar characteristics like what we are seeing in cement wherein the cost, the quality as a requirement from the customer is not so much they are willing to downtrade, what percentage of our sales today can have this risk of where the unorganized actually have a strong right to win and gain market share today?

Rahul Khettry: To be honest the cement is more on the LCP printers whereas the chunk of our business is on the CIJ printers. CIJ is definitely more difficult to handle and maintain. So there smaller unorganized players do have a struggle as well as the customers do not want to give them the business because the risk of breakdown results in loss of production for them. So CIJ that there is spurious but definitely at a much lower levels it is only the smaller individual companies who take these risks, but the larger ones definitely do not want to burn their fingers.

Anirudh Shetty: And over the years we made a lot of progress on our inventory days where do we see our inventory days settling at like this, is there scope for more improvement?

Rahul Khettry: Yes, I continuously work on that front, there is scope of more improvement, the only challenge that I face that every time I am able to do some reduction there is a new product that is launched and then there is R&D that is going on plus continuous cycle keeps the inventory at a little higher level than it should be, but I still see that it can definitely come down by some number of days still, we will work on it, we will try to get it done.

Anirudh Shetty: And Sir where do we see it settling at roughly?

Rahul Khettry: It looks at least 10 days lower than what we have seen at least for the short-term.

Anirudh Shetty: And my final question is I see on our balance sheet we have a land parcel, land of I think about 6 Crores or what exactly is this land?

Rahul Khettry: Most of this land is by our subsidiary company Liberty, the land is in Chandivali in Mumbai. So since the land parcel there is some litigation in that, so we are holding on there is no project that we have plan that we made as of now, it is just that holding it in our balance sheet.

Anirudh Shetty: And do we have any plans of developing it or monetizing it if they have the ruling comes in our favor?

Rahul Khettry: We will have to wait and see since it is under litigation we will have to wait and see.

Anirudh Shetty: Thank you so much for answering my questions.

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

Karan Bhatelia: Can you provide me with the revenue mix on a Y-o-Y basis, you have mentioned this for this quarter, but if I have the same percentage for Y-o-Y basis?

Rahul Khettry: Y-o-Y I have it for the whole financial year 2018-2019, which is like again spares and services about 20%, consumables is 59% and printers is about 21%.

Karan Bhatelia: So is this comparing on a Y-o-Y basis?

Rahul Khettry: For the whole year maybe Y-o-Y would be quite close to this 1% or 2%.

Karan Bhatelia: And also in the previous concall you have mentioned that now you have a separate head for each printer types so how are things shaping up there?

Rahul Khettry: Yes, it is working well for us as I mentioned that for each of these new verticals that we have launched there is a national level manager who is guiding the business. So this gives a lot of focus on the product rather than just leaving it on the branches as our previous strategy. So that has been a good setup that we move to. Secondly also on the OEM is a good business that is catching up in India we sell directly to the machine manufacturers and our printer goes along with their equipment. They are also we have a manager who is directly contacting them and the volumes are pretty nice, which we are getting from them.

Karan Bhatelia: Which industry?

Rahul Khettry: These are OEM sales, so we tie-up with machine manufacturers and they integrate our printers along with their equipment and supply it to the customer. So what happened is only that the printer goes to them, but then the consumables and service the client directly connects with us. So the OEM is showing a good volume for us as well as key account whereas certain big customers who corporate level agreements being have signed for their multi-location plant there we have a separate manager who is addressing their requirement, so both these fronts have also worked are showing good potential.

Karan Bhatelia: And also Rahul, are there any new user interest with that we are currently not there and can be a big opportunity maybe in five, ten years going ahead?

Rahul Khettry: See there is continuously new substrates are coming in the market and the requirement of ink as well as printers is changing. So it is a developing scenario as I said that we are still very less, we are under-penetrated in India and it is going to be dynamic over the next at least four to five years. Focus area, which are nascent industries as I mentioned are dairy, pharma, packaging and plywood, not packaging, but plywood, dairy and pharma where sugar and now LCP we are working on the cement side, so these industries are there, but new products coming even in the existing industries. So it is a dynamic scenario where the customers themselves are getting conscious about coding and marking as it gives them more branding for their product and that is good for our industry.

Karan Bhatelia: And Sir also if you see right from FMCG to auto in the commentary for the major OEMs have been very sluggish for FY2020 entire year so seeing growth of such growth for Q1 and even the guidance is very encouraging so from where does the positivity stem out?

Rahul Khettry: Things are positive for our industry we are happy I know there is lot of negativity and the outlook is not showing as I mentioned that even the auto industry has given a good volume, so I guess, like the pipe and cable where there is lot of bullishness even in the industry and we have a stronghold there. So going forward also likes the dairy, pharma, all these are new segment for us. So even if there might be sluggishness in the industry we are picking up market share, that is where I guess the growth for Control Print is coming.

Karan Bhatelia: I think that is it from my end.

Moderator: Thank you. The next question is from the line of Rahul Koti, an individual investor. Please go ahead.

Rahul Koti: I joined in a bit late, so I just wanted to know like I read your presentation so there are three more printers if I am not wrong, which have been launched, right?

Rahul Khettry: Correct.

Rahul Koti: So like to which industries these catered to and what is the revenue potential printers might bring in?

Rahul Khettry: So basically for the dairy industry, the pharma industry and the plywood, these are the sectors where these printers are catering to. We have not been strong in these printers; we did not have a well developed product, but now I think we have a best in class product and getting good in roads in these sectors. These over the next at least three to four years going to grow exponentially.

Rahul Koti: Are these extensions of the present printers like they were like modified or are they silt like with R&D or something like that are these extensions of the existing printers or something entirely new which has been developed?

Rahul Khettry: They were always there in the coding and marking industry but not part of our portfolio. So these are new products that we have worked on and launched in the last two years and now we are getting positive response from the market, but they are making for the industries.

Rahul Koti: My question as coming around from was the QIP amount used for developing these printers or it is still intact and what is the plan of that amount being raised?

Rahul Khettry: QIP amount is not being used to build these printers, they were always in our vision, it is just that earlier our focus was more on the CIJ and LCP product now we find that we have a good team and we were able to launch these products.

Rahul Koti: So in the last quarter have we managed to tap in any new customers on the dairy, pharma segment?

Rahul Khettry: It is new very dynamic segment for us I told you we bring it exponentially so every month we are adding new customer.

Rahul Koti: Any big deal we have signed in the last quarter or so on the dairy, pharma?

Rahul Khettry: In dairy side we have signed a big deal and so once the printers are in the consumables will continue to grow, the multi-location deal.

Rahul Koti: Can you please tell me the revenue projections what you have given for this year.

Rahul Khettry: No I would not give any revenue projection we will take it one quarter at a time, but post that we will continue to grow at a strong double digit.

Rahul Koti: Thank you. That is it from my side.

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

Saket Kapoor: Sir everything got answered, only the point about QIP money was when we went for the QIP what was in our mind, what was the need for doing it and as on date how are we planning better and the best utilization?

Rahul Khettry: We have said as of now we have not utilize the QIP we discussed this previously also it was basically for the R&D project that we were working on and that although the product has been launched, but the research lab that we were trying to get a take on has not been realized as we just do not want to overpay, we will continue to hold the money in the company and the second part was to open offices in other geographies, which is still on the cards and hope we can find something this year.

Saket Kapoor: Sir you did spoke to our last speaker that we did sign a contract with the dairy manufacturer. Sir what kind of revenues are we going to garner from that and if anything in the vicinity is it a very consistent type of business that we are going to get on a continuous basis any timeline we have also set with them for a year-to-year, three year multiyear contract something like that?

Rahul Khettry: Once we have printers in and these printers in themselves run for five years, so we do not need to have a contract with, of course we have a maintenance contract with them, but once the printers are in the consumers will follow and we are confident that this will be a good partnership. So these are all good segments and because there is less days they will grow at exponential rate in the next quarter and the next few years, but the driver still has to be the CIJ business because these will take some time to get a certain portion of our revenue.

Saket Kapoor: And Sir those CIJ would be catered in the core industry part not to the dairy and there the application is other segment I think?

Rahul Khettry: Yes, the applications are other segments each printer has its own niche area, there could be overlap, but mostly they have their separate industries to play on. That is why we change our strategy from having a national level manager when a branch manager who is doing all the printers and we never knew that why these printers are not going for us because it focuses more on the CIJ so now we have changed the narrative and we told them you only talk about CIJ and we have a new manager only talks about TIJ or a TTO printer. So that crisscross of the new printers is not happening and we are able to get better market response.

Saket Kapoor: And CIJ is catering to which segment?

Rahul Khettry: Most of them, you know that CIJ has been still the flagship of the company so apart from the specific industry that as mentioned CIJ works in most of the other segments.

Saket Kapoor: Thank you Sir. Thank you for all the answers.

Moderator: Thank you. We take the last question, which is from the line of Ashok Shah from LFC Securities. Mr. Ashok Shah's line got disconnected. As there are no further questions, I would now like to hand the conference over to Mr. Karan Bhatelia from Asian Market Securities for closing comments.

Karan Bhatelia: Thanks Rahul and on behalf of Asian Market Securities I thank you all for joining on this call.

Rahul Khettry: Thank you everybody. Thank you for taking out your time and see you next quarter again.

Moderator: Thank you. Ladies and gentleman, on behalf of Asian Market Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.