October 31, 2023

To,

The Listing Compliance Department
Bombay Stock Exchange Limited
P. J. Towers,Dalal Street, Fort,
Mumbai – 400 001
Scrip Code – 522295

The Listing Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol - CONTROLPR

Sub: Transcript of Q2FY2024 Earnings Conference Call

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement), Regulations 2015

Dear Sir/Madam,

With reference to above mentioned subject and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, read with para A of part A of Schedule III thereof, please find attached Transcript of the Conference Call with the Investors / Shareholders of Control Print Limited (the Company) fixed through Asian Markets Securities Private Limited (AMSEC) held on **Monday, October 23, 2023 at 3.00 p.m.** on **Q2FY2024** of the Company**.**

Further, the said Transcript will be made available on Company's website at www.controlprint.com.

This is for your information and record.

Thanking you,

Yours faithfully,

For **Control Print Limited**

AKSHAY RASIKBHAI SATASIYA
Digitally signed by AKSHAY RASIKBHAI SATASIYA
Date: 2023.10.31 15:54:17 +05'30'

Control Print Limited MUMBAI 400059

Akshay Satasiya
Company Secretary & Compliance Officer

Place: Mumbai

"Control Print Limited

Q2 FY '24 Earnings Conference Call"

October 23, 2023

MANAGEMENT: **MR. SHIVA KABRA – JOINT MANAGING DIRECTOR - CONTROL PRINT LIMITED**
MR. JAIDEEP BARVE – CHIEF FINANCIAL OFFICER – CONTROL PRINT LIMITED

MODERATOR: **MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Control Print Limited hosted by Asian Market Securities Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc. whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Limited. Thank you, and over to you, sir.

Karan Bhatelia: Thanks Michelle. Ladies and gentlemen, good afternoon, and welcome all to the Control Print Limited Q2 and First Half FY '24 Earnings Conference Call hosted by Asian Markets Securities. From the management side, we have Mr. Shiva Kabra, Joint Managing Director; and Mr. Jaideep Barve, CFO.

Now I would like to hand over the call to Jaideep for his opening remarks, post which we shall open up the floor for Q&A. Thanks, and over to you.

Jaideep Barve: Hello, everybody, and good evening. I'm Jaideep Barve, the Chief Financial Officer of Control Print Limited. Welcome you all to the Earnings Conference Call for the second quarter and the first half of the financial year '23-'24. We appreciate that you've taken all the time from your busy schedules to attend this call.

Hope you are all enjoying the Navaratri festival, and wish you and your family a happy Dussehra in advance. Mr. Shiva Kabra, our Joint Managing Director, also joins me on this call. The detailed presentation has already been put up on our website as well as in the investor presentation notification on the exchanges for this call. A brief analysis of the stand-alone financial statements for Control Print Limited for the quarter ended September for financial year '23-'24 is as follows: Revenues, we have achieved the highest ever Q2 operating revenues of INR 83 crores. This has led to the record half year ended operating revenues as well.

The corresponding figures in the financial year were INR 68 crores as compared to INR 83 crores of this year. The increase in the H1 business by about INR 30 crores, all is well for the growth trajectory of the company. With improved industry production in the country, we've seen an increase in the sales for both the printers as well as consumables as compared to the previous quarter. We continue to consolidate our position in large accounts and gradually increase our installation base in multiple printer accounts.

With respect to the expenses, our consumption has remain steady at approximately 40% of the sales in the second quarter, which is more or less in line with the Q1 of FY'23-'24. However, we can definitely hope for an improvement in reducing this in the current financial year with optimized buying strategies. Employee costs, depreciation, manufacturing costs and other costs are all incurred in line with the business operations.

Profitability level, our PAT for Q2 is 17.5%, and the PAT for H1 is 17.68%, which is almost 1% increase as compared to the similar period of FY'22-'23. The EBITDA, PBT, PAT and the EPS, which excludes exceptional items, has grown by 18%, 25.5%, 28% and 28% on a Y-o-Y basis. There exists a considerable amount of improvement due to higher revenues, which will result in this year and complemented by economy of scale.

With regards to the way forward, we have got focused marketing plans. We've got targets given to both our sales as well as inside sales teams. We have got better focus on our key accounts. We are increasing our installed base, and we expect some good amount of traction in the business out of the market acquisition as well as with the new technologies like patent grade.

The floor is now open for questions.

Moderator: Thank you very much sir. We'll take the first question from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Sir, firstly, congratulations on amazing set of results. Just in terms of...

Moderator: Mr. Bajaj, your voice is muffled, sir. May we request to use your handset please?

Dhruv Bajaj: Is this fine now?

Moderator: Yes, so much better. Please continue. As the current participant has left the queue, we'll move on to the next question, which is from the line of Himanshu Bisani from Niveshaay. Please go ahead.

Himanshu Bisani: Congratulations first for a good set of numbers. My first question would be some bookkeeping questions like the number of printers we sold in this quarter. What was the capacity utilization for this quarter? And we have seen in the presentation, you have mentioned an increased market share from 18.5% to 19%. So, my question was, was this increase in market share led by the higher gross margin printers like the laser and the new technology printers? Or it was for the basic continuous or thermal printers?

Shiva Kabra: Himanshu, this is Shiva Kabra. I'm going answer this question. So essentially, all printers were sales in this quarter, there's not a substantial change up of the mix of what we've done in the last year or so, which has been sudden or the gradual effect is we've been focusing more on larger customers where the core printer business is significantly higher. And the idea was to grow the sales overall in terms of number of printers, especially to go for those customers who are going to give us significantly more business on a per printer basis.

So, we've been successful in changing the customer profile to some extent. But it's true that we have dropped some sales, but still it's a work in progress because larger customers have a longer pipeline, although the number of printers sold are higher also. May be at the end of the year, we'll get a better read on whether we are actually having a slight decrease in sales as we focus more on the 8 set of customers or whether we're actually slightly dropping sales as a result.

But irrespective that because of our core printer business increase as a result of focusing on the cream, we are still better off. But yes, definitely, we would expect to increase the number of printer sales and increase the business per printer. That's the target, of course. Problem is the target is different from the actual results sometimes.

Himanshu Bisani: And sir, what has been sold in the quarter?

Jaideep Barve: Himanshu, for this quarter, we have sold -- yes, sorry, Himanshu, can you hear me?

Himanshu Bisani: Yes, please continue.

Jaideep Barve: See, we sold about 705 printers in this quarter.

Himanshu Bisani: Okay. And what was the number over the same quarter last year?

Jaideep Barve: It was 679.

Himanshu Bisani: Okay. And capacity utilization?

Shiva Kabra: So, I mean we must be adding about 60% or something. So, we bottleneck the factory quite extensively, but it's difficult to predict the capacity. There are times when there are not that many, it can be sometimes slightly lumpy or something, and you can get to 3 large orders in one go. Sometimes it can be a steady type of sales. So, you cannot look at overall capacity if you look at whether we're able to hit the peak. But we have that capacity to be able to hit the peak. Like if we sold 1,000 printers, we would be quite comfortable with our current set-up.

Himanshu Bisani: Okay. Got it. On that, sir, the capacity, when we look at different type SKUs of printers, does that change significantly when we are producing one type of printer or other?

Shiva Kabra: So, we have different capacity set up for each type of printer. It's not like a mix, so the people are making one type of printer normally, not making other types of printers. So, like in every area, we have that ability to scale up. And if we feel that the demand between printers is shifting on a more permanent basis, then we might shift people from one part of the factory to another part of the factory, if you get my point.

So, if someone is on the line to make the, I don't know, something like the Suzuki Grand Vitara and someone is on line to make the, I don't know, Alto or one of the other cars, so if we feel that there's a permanent shift, we can shift someone from the Alto to the Grand Vitara line or something. But otherwise, we have a capacity for each thing and the labour associated with that. But we can shift if we need to. So, the training is not a problem. It's just that there are different parts in our factories which are created for different products, and we have to reconfigure that thing out.

Moderator: We'll take the next question from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Sir, if you could just reiterate the point, which you were mentioning earlier about shifting of lines. I missed that part. What are you alluding to in terms of the type of printer we are doing? Or is it subject to the consumables? Sir, I was just referring to the point you made regarding the shifting of lines. What are you trying to allude to, in terms of the type of printers we are making or just a better understanding of what are you trying to convey, sir, by this?

Shiva Kabra: Yes. So, what my belief is that Himanshu asked a question on the capacity at the factory. I said that we have a capacity between we'll be operating somewhere between 60% to 70%. Approximately, I believe, we sold about 700 printers in the last quarter. So, I was saying that we can sell even 1,000 printers with our current capacity and current setup.

Then I think Himanshu asked a second question, which was like do we have like a common capacity for all our printers? I said, no, we don't have a common capacity, Himanshu. We have a separate setup, manufacturing setup for each type of printer. And it is sort of fixed for that, but we can change people around if we feel that the demand for one printer has permanently increased or permanently decreased.

So, it's not like that, if I have to make one type of printer in a higher quantity, I'll have to work that team overtime if it goes beyond the standard capacity. But if I feel like this is continuously there for 2 to 3 months, then what I will do is, I will shift some people from underutilized parts of our factory to back those teams because the skill set is quite common. So I think it was more of a capacity question.

Saket Kapoor: Sir, How should one read this capacity utilization levels for our consumables segment? You answered it for your machines, but how are the consumables currently stacked up?

Shiva Kabra: So, the consumables also we had about actually like 60% to 65%. So, whenever we come to a certain thing like 70% to 80%, we just debottleneck, I mean we don't announce it because these are like inside and we keep spending a few crores. That's why the overall or the PPE or plant, property, equipment, though it has not gone down that much, but we keep debottlenecking as and when we need because we are normally at somewhere between 60% to 70%.

We don't want to go beyond 70% because, like I said, sometimes we have that requirement which comes burst. And because of the type of nature of our industry, we have to give printers, we have to give parts, we have to give service. We have to give fluids and consumables even at the peak capacity because without that, the line cannot operate. So, that's what the thing is. We have to be geared towards peak capacity, not just towards regular capacity.

Saket Kapoor: Yes. Shiva, sir, if you could give us or allude to the current business environment in the key addressable market and the key industries where we are servicing. How are you seeing the demand line and our capex being aligned so that new lines would be -- would start contributing going ahead? To our key customers, what are their capex plans? And how are we aligned to benefit from the same?

Shiva Kabra: So, if you ask me, I think it's actually looking sort of positive because there are two types of capex, I would say, in general that are there with our customers. One is the people in the FMCG industry, people doing things like pipes, certain other types of things, which are not very heavy capex, if you will. So, for Supreme to buy 10 extruders or for Unilever to add two bottling lines or even someone else to add like some for Imami to add like, two Navratna oil line, that's not big capex. Their main costs are more in marketing, distribution and other types of things, maybe in whatever.

But that capex has always been quite consistent if I go over the last 5 to 10 year period. These people are continuously increasing their sales. Of course, it goes a bit up and down. But if you see the pane companies, these types of companies, they have for whatever reason, they're able to grow relatively consistently is what I'd say. So, like a dairy company like Amul is always expanding. Whether they are up here or down here, their plan is always to increase capacity by some percentage. So that, those guys are very consistent.

But what we feel is like the big capex are like the steel factories, the aluminium factories, the big cement, those types of big-budget, blockbuster-type capex, which sort of create a lot of capacity for all the industries down the line and ease up the supply chain, that sort of improved. And I think that overall, I mean I don't know how it is honestly, I don't discuss it, but I think the overall infrastructure in India, the power, the transport and logistics has become more competitive or at least seems to be less of a hassle than what it used to be, if you ask me.

I mean I don't know about what the customers are thinking. I'm talking from our own experience. So, like you can fly anywhere to India, you can travel anywhere to India. The trains are there, the planes are there, the roads are there. Within the city, of course, it's difficult to debottleneck even though the metros are taking place toward you. But if you ask me, from an industrial perspective, it's much easier to manufacture, to scale up and do other things in India than what it used to be.

So, I think -- yes, like I feel like people are doing big housing projects again. And those things, obviously, it could be a bullish thing, so I don't know. But those are the things that drive the capex for the next 10 years because in the end, the pipe companies and the plane companies sell that extra amount depending on how many houses are being sold and so on and so forth.

Saket Kapoor: But taking this into account, we have always seen that H2 generally shape better because of the economic activity for the country gathers momentum for this festivity. So, in the likelihood of that getting traction, can we look at a 3-figure top line for Q4 exit? Is that going to be a good likelihood going ahead?

Jaideep Barve: See, we would definitely like to be positive about our business. But so far, as of H1, it's a very good sale for us. I mean, if you look at the top line, it's about INR 165 crores for us on a stand-alone basis. With this then, obviously, if everything goes on where we get the right product mix, we get the right prices for our customers, yes, we would definitely achieve better numbers by March. So, we are very positive about it.

Saket Kapoor: Sir, last two points. When we look at the breakup of revenues, if you look at the stand-alone and the actual number yes, I'll join the queue.

Moderator: We'll take the next question from the line of Yash from Stallion Asset Management.

Yash: So, I'm looking at your investor presentation, Slide No. 18. And there, you've given a chart that over the 5 years, your gross margins have gone down from 68% to 60%. So that's like 800 basis point contraction. And I'm just trying to understand why this has happened. If you can elaborate on that.

Shiva Kabra: So, I have to check the exact details, but there's no difference in our gross margins over a period of time or our net margins. So, someone kind of looking into the depth. I don't know which was the last year where we got some benefits from the Guwahati factory. I knew that obviously increased our profitability for that year because we've got some very, I don't think it was that long ago. So, it could have been that year, it might not have been that year. I don't know when the GST was introduced. So it could be that when the GST was introduced that we also got a benefit from our factory.

But overall, our gross margins haven't fundamentally changed. So, it will be other expenses or other types of developments that we've undertaken that would change our gross margin because our pricing structure has remained constant. In COVID time, I guess it went up a couple of percent because we were buying a lot of stuff, about 2% to 3%.

We've been buying from the spot markets and like exporting the pipe prices, but we had no choice. I think it's quite normalized if you ask me now. It's not completely normalized, but I would say like the inventory, the supply chain is 90% back to normal at least.

But yes, and then we had some minor price increases to cover the cost of those, whatever permanent price increases have been passed on to us over COVID and so on. So, I don't see any fundamental change in our margins, but someone has to deep dive in that, but it's just a mix of which products we are selling versus what sort of margin in each product. But each product group by itself has a constant margin. I can say in financial year '18, the CIJ was definitely a much higher percentage of the business than what it is now. But I'll have to deep dive into it.

So, I think there will be 2 factors: one is that the CIJ was the highest percentage of our business at that point of time. I'm quite sure of that. The second would be that we were still getting some GST benefits at that point of time in that financial year in Guwahati and that give us, that was actually quite profitable, because that contributes through to the bottom line.

But fundamentally, in each product group, our margins remain consistent. And yes, in some groups, maybe we've invested because we need to build a certain market share because we started late. But now everything is, we have enough references across each and every product group of us. We don't need to do all that anymore. So, it's just about performing execution.

Moderator: We'll take the next question from the line of Karan Bhatelia from Asian Market Securities.

Karan Bhatelia: Sir, can you break up the revenue in terms of printers, consumables, spares and others in terms of percentage?

Jaideep Barve: Yes. So, printer revenue would be about 15%, consumables would be about 62%. Revenue from spares and others would be about 7%, and the service component of income would be about 14%.

Karan Bhatelia: Okay. And how about mask, how are we seeing that business out?

Jaideep Barve: Sorry, Karan, I missed out your line. Karan, can you repeat it?

Karan Bhatelia: Yes. Sir, how about mask, how are we seeing that business?

Jaideep Barve: Mask? Mask, I think we do not have a strong revenue to report as yet. I mean as compared to the total group, it's just about 0.2%. But we are in fact trying to revive the business because the mask as of like the health reasons, I mean, the mask health, given that, has actually come down, rather masks have been started being used as more of a hygiene thing. And so, what we see is that there are some industries where we can achieve, cater to and tap the market over there.

For example, the chemical industries built, which is in the south part of India mainly Gujarat, so we are trying to revive our marketing strategy is around that area to begin with. And so hopefully, we'll try to like increase the percentage of mask revenue in the total bookings of our sales. Currently, it is just 0.2% of the total revenue.

Karan Bhatelia: Right. Also, sir, if you can help me why the depreciation is lower? So have you fully capitalized the mask?

Jaideep Barve: Yes, it's almost done. It's almost done.

Karan Bhatelia: Right. And also, Shiva sir, mentioned about supply side challenges, which you faced in the last couple of quarters. So how do we see things keeping of that?

Jaideep Barve: See, I'll tell you, what we do is we have a risk adverse strategy. So, the last thing we want to have it in our company is that we do not run out of stock. So apart from having a MSL and bill of material-based procurement, we also try to get the demand for our products, which would be in the current offering and then try to build up our stock. So, we try to make sure that we are not out of inventory at any point of time so that our product is not hampered.

As of now, the problem, what we used to have about chips has slowly eased out, and we do not foresee any problem unless there's some kind of like major endemic or some kind of a war or default. But as of now, I think the problems for chips, that has been eased up for this quarter at least.

Karan Bhatelia: Right, right, right. So apart from chips, all of the conductors, dies, pigments etc

Jaideep Barve: Yes, all the electronics -- yes, all the raw materials in that particular portfolio. So, we -- we are very risk averse, like we try to make sure that we do not run out of stock.

Moderator: We'll the next question from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Two questions from my side. First one is a notification that came end of July or start of August, as you say, for the bar codes for the top 300 medicine. How has the traction has been for us post that? And secondly, if you could just help me understand which sector do we have the highest market share when it comes to our business?

Shiva Kabra: Yes. So, looking at the pharmaceutical 300 brands, we're actually executing some projects and a few customers, like I don't give the names. But some of those brands or some of those production lines, our response is to execute. As of right now, I can say that it's a smaller market share percentage because we get to the business leader. So relatively, we have a smaller market share, but we are executing on that. And we're still supposed to, like we're already printing already live, but obviously, to have some debugging or some finalization of our installations going on for that. So, we're working on that opportunity. And of course, it's a positive in that it expands the market to that extent.

The second question was regarding the market share by industry. Overall, I think we've given a broad breakup that we are strong in industrials. I think that's approximately 65% of our business, and 35% is in the packaging industry or packaging would be food, which is the single biggest industry, beverage, pharmaceuticals and personal care, home care and that type of thing. And the industrial will be all your stuff like cable and wires, pipes, pins, lubricants, chemicals, steel, metals, all those types of things, automotive components and what not, cement, fertilizers, all those things.

Vignesh Iyer: Sir, I mean just in the same line, the industrial segment, I mean you're seeing the 65% market share, right?

Shiva Kabra: Yes. Not market share, 65% of our sales.

Vignesh Iyer: No, my question was, which among the sector do you have the highest market share? So, if 35% is highest..

Shiva Kabra: We don't disclose that obviously like we've given like our market studies that our 3 main competitors are 35%, 65%, so 35% industrial, 65% packaging. We have 65% industrial and 35% packaging, which gives a broad breakup that we are stronger in the industrial segments as compared to the packaging segments. So that's what the type of information we can give you.

But in very specific industry, we don't actually disclose that level of information down for competitive reasons.

Moderator: We'll take the next question from the line of Hiral Desai from Anived PMS.

Hiral Desai: A couple of questions I had. So, if I look at the H1 revenue growth, we are at about 22% versus the typical 9% to 11% growth that we talk about for the industry. So just qualitatively, I wanted to know, given that manufacturing has got a large fill-up over last couple of years in India, are you seeing much more inquiries coming in? And is the demand environment much more sanguine versus the past?

Shiva Kabra: Yes. So actually, there was, somebody asked it earlier, I don't know it was Saket-ji or someone. But what I said is, like I said, there's 2 sets of companies or there are 3 sets of companies, they're small SMEs, what you can call. Lately, which is part of our sales strategy, we have been focusing on the SMEs and focusing more on the larger -- mid- to large-sized companies only, not because of capacity or any other reason. It's just more of a capacity of service and the type of effort required to service the larger customers.

We felt that the larger customers give us a more business on a corporate basis. We've just been focusing more on that segment. So, the SMEs have a much more random purchase pattern, but it's a huge market in India, no doubt. The second segment is the corporates. And like I said, if I break them up into 2 parts, which was the guys in paints or, I don't know, lubricants or pipes, FMCG, personal care, they're always doing projects. So, I think whether their capacity utilization goes up or down, they are growing at a sort of consistent pace. I feel like that the demand in those segments is steady.

And number of printer sales, which is what we can control is steady. Maybe we've seen some bounce back of the consumption for printer to normalized levels because of the end of COVID, and therefore, people are utilizing the machinery more. So, it's their capacity utilization which has gone up on the line, which has increased the amount of business of our printer that we are getting as a result.

The third type of capex is the big-ticket capex, which takes years to generate, which is the type of thing that ArcelorMittal or somebody investing INR 20,000 crores like Nalco setting up something new. Even those types of things that happen, and I think there's more announcements, but that's going to take time to drive down. What that does is it's a lot of secondary business opportunities down the line. So, when someone has a huge tire factory that they put up or something, that gets a lot of opportunities down the line for us.

But those types of guys, I don't know how they have their own capex and how they predict it. But obviously, they're looking at somewhere over a longer period of time because it's a heavy investment and I said, it's not my business, but I feel like, it seems like there's more positivity out there from some of our larger customers in the metal space than the rubber space and so on and so on.

Hiral Desai: And Shiva, broadly, from the customers that we target, what would be the broad breakup between, let's say, the smaller SMEs versus large corporates? Just in terms of the number of printer that have...

Shiva Kabra: We are more like, I'd say, like -- I'm sure like at least 70% to 80% plus of our business would be like mid to large corporates are like 80%, 70% to 80%. So, it was a higher percentage of SMEs. It's been changing over the last 1.5 years or something because it's been stretching our sales and service teams. And we just feel like either we could expand the teams or we could which is difficult for us to manage, frankly.

There's a management bandwidth issue there. Or we could with a similar number of people trying to focus more on larger customers, which, yes, it's more profitable for us relatively speaking because even the small customer demands as much attention as the big customer, but the amount of business we get with the larger customer over a longer period of time is higher.

Hiral Desai: Got it. Got it, fair enough. And the other question was for Jaideep. This tax benefit that we have at Guwahati will be valid for how many years? So, when do we actually move to a marginal tax rate for the year as a whole?

Jaideep Barve: The benefits would end in May '25.

Hiral Desai: May '25?

Jaideep Barve: Correct.

Hiral Desai: And then yes. So, post that, there will be no benefits in terms of tax rate? So, you'll actually...

Jaideep Barve: Correct. For financial year '25-'26, it will be back to the normal rate.

Moderator: We'll take the next question from the line of Himanshu Bisani from Niveshaay.

Himanshu Bisani: Sir, in the last interaction in the last conference call, you mentioned that we are working on newer technology of Markprint to come up with a niche product for Indian markets. Do you have any update on that yet?

Shiva Kabra: Yes. So, we are still working with them, and we have started selling some products of this out here. I mean we started marketing it without quite selling it that much, although we should actually have a first installation may be coming up in January, although that's been built and sold directly by them. But yes, it's something that, obviously, we have been developing and we are working upon.

But I said, the stand-alone business which you see is the main business, and then all the consolidated stuff is like businesses which will contribute, but not like now, like maybe later down the line. Of course, that's where the risk is because those are businesses we still have to prove ourselves, we still have to perform. But yes, of course, we are working on development of those products, it's going on.

And like we all figure out that some things cost quite a bit of funding if you get everything from the Netherlands. And then some stuff, if you do the other development, it's more challenging than you expect because it has to work 100% reliable. We don't have those types of things where we can keep engineers left, right and centre at different locations and stuff. So, our customers expect that type of reliability and performance from us.

Himanshu Bisani: All right. Got it. And sir, on the pharma track and trace technology, do we have an update on legal requirement because it's been like for months that we are expecting some legal requirements get finalized? Do we have update on that yet?

Shiva Kabra: Yes, I think the government has mandated that the top 300 brands have to comply with this requirement. Like I said, we've got part of that business of some brands, all those top 300 brands with us. It's still a smaller percentage of the market share, no doubt, of the overall market. Because we are later in this, so we have less references, we have to prove ourselves. And we also want to execute well before we go to every single customer of the market.

But the government has started with the top 300 brands, this I'm quite sure of. The exact date was supposed to start by 1st September. I don't know if they got an extension. I can't tell you that off hand, but I know that this government has not given any major extension or any relaxation of the norms beyond one point. So, I think all those brands have to comply with the government regulation or maybe they've just got a few months to do this at most. And then the how is defined by the government, but someone will look at it, right? I think it's in terms of revenue or something.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Continuing with our earlier discussion on the pharmaceutical side of it, top 300 medicine that have been notified, can you let me know what is like the market size for this business could be? Or if, also to the point that if a lot of these medicines are already is now not mandated even, they were already doing it, I mean, had the bar code for themselves. I mean just to get an understanding if the entire 300 medicines comes under as a business for us or it is for just to get an idea.

Shiva Kabra: So, I didn't completely understand. But what I can say is that obviously, it depends from line to line in this type of thing. Then it depends on how whether the brand is a higher volume type of a product or is it a higher value type of a product. So, some brands can mean the top 300 brands because the value of the product is relatively high, so maybe they just have one production line.

So normally, on a per production line basis, if you implement a primary, secondary and a tertiary, I can't say offhand, it can be anywhere between INR 25 lakhs to INR 45 lakhs. It really depends on your line. That's approximate ballpark range of installation on one line. Then how many brands have how many production lines and so on, that's something that literally depends on whether how you're packing your products.

So, if someone is packing something like a Dolo, it's a relatively cheap product. So, it will still be in the 300 brand, but they might have many production lines of it. Whereas someone might be making something like some sort of, I don't know, insulin or whatever, they might have one production line. And so offhand, I cannot tell you. But obviously, a big part of it is like the, there are onetime components to the sale, like vision systems, injection systems, conveyors, some integration, some other types of hardware and stuff like that. So, it's what you're buying is you're buying a sort of line solution. You're not buying just a printer. So, the printer is just one part of that production line.

And of course, the software should roll to everything. So, the revenue is higher. The aftermarket revenue cannot be compared because even if we say INR 1 crores billing in that, where we sold like 50 printers, you would get like INR 75 lakhs of INR70 lakhs, INR75 lakhs of aftermarket business every year because, obviously, you won't get that type of billing because maybe you only sold like 5 printers in the entire thing. And you'll get some AMC for maintenance of the software solutions. So, the business per printer per year will be -- or the overall repeat business of that will be significantly lower or it's still substantial.

So again, like I said, I cannot say it because it really depends on how many lines, whether people are only implementing on the secondary, which is what we're seeing mainly, which is on the Google cartons. And are they going to implement on the primaries? Are they going to do other things? So, depending on that, you can predict like how much it's going to cost and what sort of size the market is going to be.

Vignesh Iyer: Right. Right, got it. Sir, also on the overall market size of it, if I'm not wrong, it is roughly around INR 1,800 crores or INR 2,000 crores. What is your internal estimate of how the total market is growing for the next couple of year's maybe?

Shiva Kabra: Yes. So broadly, to reiterate, last year, we did, I think, about INR 291 crores in stand-alone sales. And the market was, in our estimation, about between INR 1,750 crores to INR 1,800 crores, out of which the big 4 were somewhere between INR 1,350 crores and INR 1,400 crores, that is us plus Domino, Videojet and Markem-Imaje.

And so, we're expecting that we've seen that over a longer term, the market is growing between like 10% to 12%. Assuming India is growing at like between 5.5% to 7%, that's what sort of the market growth rate is. So maybe this year, I think that maybe the market will grow 10% to 12%, so maybe we're close to INR 2,000 crores this year, somewhere between INR 1,950 crores to INR 2,000 crores. And obviously, our market share depends on how much we sell.

And the stand-alone number should be looked at is my personal view because that shows what we're doing in our core coding and marking business. And what we're doing on a consolidated business as -- like it's not this INR2,000 crores market, it's other things. So obviously, I cannot see offhand because we get these figures at the end of the year, and there's honestly no point like fantasize about market share and doing all that other stuff because what's more important is we focus on executing.

So, at the end of the year, we'll -- because our competitors are private companies, we do obviously get some information from the market. But in the end, those things are not accurate. So, it's better to always wait for their internal numbers to be sort of announced or published or wait for the ROC data. So yes, that's what the thing is.

Vignesh Iyer: So, if I could just squeeze one more in. Just to understand the reason for that was because we have a target of consolidated revenue of INR 400 crores by '25. I understand it's consolidated. But even if I have to take it on a stand-alone number, it would be fair to say that we would be going, I mean, faster than the market. So, it has to end up in such a way where we would be gaining market share.

Shiva Kabra: Well, I think what I set as a stand-alone target only for the coding and marking business from what I remember what we've said. So, what we do on a consolidated basis is not their concern. But like I said, it's obviously, these are targets, and it depends on multiple factors. Name it, we'll execute well.

So, everyone wants to grow market share, but the point is that who's going to be successful depends on how well they're actually running their business, how satisfied their customers and so on. Like we have been very clear that we've got a strong product portfolio, but we are not some sort of discount players. And I reiterated earlier in this thing that we are actually struggling to service all the SMEs because it's putting stress on our service networks and our sales networks. And we don't, we're finding it difficult to manage that many extra people.

So yes, so obviously, you can see like what I see like it's all coming down to the execution. And yes, that's all we're trying to see because definitely, we want to the target is to hit INR 400 Crore. And maybe the market might grow another 10% to 12% from whatever it is from INR 1,750 crore and you can or INR 1,800 crore and you can grow it out 2 years. So, we should have some market share gains, but these are all -- like I said, in the end, what matters is what you actually execute, right?

Because -- so -- and -- but it does stand-alone numbers. And of course, the consolidated numbers are difficult to predict because these are like recent businesses. They're small businesses. They are still in the very early stages. So out there, it's just about growth. And honestly, they're not like INR 50 crores, INR80 crores, INR100 crores in size each. Like there's no point to be discussing those businesses is my view, if they get to those sizes.

Moderator: We'll take the next question from the line of Karan Bhatelia from Asian Markets Securities.

Karan Bhatelia: Some follow-up questions out here. So, sir, you were trying to price negotiations with a client in a couple of months. So, are we done with that? Or are we still to see the real benefit of that?

Jaideep Barve: No, I mean, your question is still unclear. I mean I couldn't hear much of it.

Karan Bhatelia: Sir, with respect to the price negotiations we were trying with a couple of our client, so have we started to see the benefits? Or a few more quarters of that benefit...

Shiva Kabra: Karan, we've done most of the negotiation and most of the customers have given us an increase, it was gradual. But I think largely almost all customers have that price has been executed almost across the board, I'd say, over the last 12 to 15 months. that sort of covered, I think, all the COVID cost increase. So, it should be stable, but yes, I don't think there's anything lined up as of now at least.

Karan Bhatelia: Okay. Right, right. And maybe despite of a double-digit growth in the consumables sales in this quarter on a Y-o-Y basis, still our gross margins have seen some decline. So just wanted to have your thoughts on that. That's it.

Jaideep Barve: Actually, what happens is that it actually is a mixture of the product mix. And first of all, it's between consumables and the printers. And within the printer also, we've got about 5 or 6 different types of printers. So, so long as our top line is still increasing, we are not too much into it, right?

Moderator: We take the next question from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: As Shiva, sir, you were mentioning about to look into the stand-alone numbers as the core operational numbers of the coding and marking segment. So how should one look at our investment that we have done currently in innovative, Control Print BV, the Markprint and all? How are they going to yield the desired results going ahead? When are we going to reap the benefit of it? And where are we in terms of the stage where the investments are currently? I think so far, Markprint BV, we have some milestones being there so that we will be buying the remaining stake from as well promoters. If you could give us some more colour on this case.

Shiva Kabra: Yes. So as far as Markprint BV, we made a minor stake increase there. And what like I said, Saketji, these are coding and marking, like I said, just given because it's very difficult to understand on a narrow basis. Like we said coding and marking was INR 1,750 crores, INR 1,800 crores market in the previous financial year. Maybe this year, it will be about INR 1,950 crores to INR 2,000 crores, whatever it is.

So, there's a certain size of market. Even if we hit INR 400 crores and the market is INR 2,200 crores to INR 2,300 crores, like the market is a certain size, right? It would not be like even Domino is only like 23% to 24% market share. So going beyond that, market share is going to be difficult, especially since we are finding it difficult to manage millions of people. And like we don't want to increase that beyond the point of if we are finding struggling to manage it without losing the service quality in the product. So, like those things are there.

And at the same time, we are -- yes, I think that what I said is like, basically, there is a sort of runway or whatever you -- I think what is the runway to grow based on the marketing term that I think all the investment people use. And that's like basically 10% to 12% a year. So that's the thing that's there. So, we can increase our market share and ramp up growth. But in the end, where the market grows is where we can grow a few percentage points faster year-on-year, which is good. And it's a good business, it's a profitable business.

Now we had three or four adjacencies where we felt that we can have a strong market. One is in the packaging sector, which we are part of, all the way to be listed in IT hardware. By the way, I just found out today on Money Control, for some reason, someone can correct that why we are listed on IT hardware. Maybe that's a separate thing, I don't want to get into that. But when the part of the packaging industry, then so we started the V Shapes business, and that was something that we looked at and looking at some more that we can do in the packaging industry.

Then of course, we are part of the digital printing industry, coding and marking being one of the smaller parts of the digital printing industry. And we believe that there is a market, and we know that this market is being served by people like Markprint. It's an upcoming market that's there where a lot of customers have a requirement to print additional information on the production line itself. Like I'm differentiating between digital printing presses, which are done offline and done by your printer at their press. So, this would be done by someone like Supreme Films or something like that, would print some digitally, some laminates, some flexible films and supply that versus someone who wants to do it on the production line with more limited amount of information.

So, the Markprint acquisition was focused more on that thing. And like I said, it's been more challenging to, maybe because of COVID, maybe because or whatever. I won't say that I -- maybe because we are sort of hands full and we overestimated what we could do and how fast we could do it. The optimism was higher in a lot of cases than the reality and to use that to help drive that business faster.

And the third area was, of course, the track increase, which was well connected. The track increase is the software part of the business, which is well connected with also our existing printer business and, in fact, a requirement of especially the pharmaceutical industry and maybe 1, 2 other types of industries also where it's government mandated or the industry is finding some benefit in it.

So, all 3 of these businesses are basically to increase the target market size because right now, we're playing in a market of INR1,800 crores -- INR1,750 crores, INR1,800 crores. It will be INR2,000 crores. So, the idea was that, okay, we've got a strong team, we've got a strong setup. And can we look at developing space in these other markets?

So, my view is that the individual business comes like INR50 crores, INR60 crores, INR100 crores. There's no point discussing them because they should be at least, each individual business, I think 10% of our stand-alone revenue for it to be discussed. Until that point of time, we don't have any aim for them in terms of profitability or other things. Of course, they have to maintain their gross margins because in the end, we don't mind if they lose money or they invest more in R&D, they invest more in other types of capacity building, but the idea is more to grow the business, get to a semi-decent size and where with the economies of scale will sort of start kicking in.

And because of the sort of financial position that we are in, we can afford to be patient and invest in those businesses, fortunately. So, I think these are like all new businesses, and nobody can predict how it's going to work. There is always a risk that none of them will work. We've chosen carefully, but in the end, the reality is going to be found out by how we perform. So, nobody can say.

I mean JSW got on the paints business. Some people will view it as money wasted as going up against Asian Paints and Berger Paints. Some people feel, okay, they have a good distribution and they have this. They can be successful in that business. So, I cannot say what's going to happen because in the end, this is like that type of scenario where there's question marks. And so, I think we just have to be patient for maybe at least 1.5 years more and see where we are, maybe to view in March 2025, something like that.

Saket Kapoor: Right. And then last point was, sir, I think it was a very successful buyback issue for the non-promoter shareholders. However, due to some technical issues around what was highlighted, the promoters could not participate in the issue. And also -- so that was the impact, I think. So that's the sad part of the story that the promoter did not get their share.

Sir, when we look at the current numbers and the equity instrument through OCI, the contribution for the last 2 quarters have been significant. I mean for the first half; it is around closer to INR 25 crores. So, post this buyback, what is our current exposure to the equity market, sir? Jaideep, sir, can you give any thoughts on that number?

Jaideep Barve: We monitor our investment levels very closely. And in fact, we also take the approval of the Board as well. The market to market, the M2M security holding would be about INR 52 crores investment.

Moderator: Sir, the participant has left the queue. Ladies and gentlemen -- yes, sir?

Jaideep Barve: Yes. Is Mr. Saket still there on the call?

Moderator: Sir, he has left the queue, and that was the last question.

Jaideep Barve: Yes. He had asked a question about the equity investments, what we have. So, I think I should give an answer for that.

Moderator: Sure, sir, you can go ahead.

Jaideep Barve: So, the cost of the investments like is just about INR42 crores as of 30th of September.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Shiva Kabra: Yes. This is Shiva Kabra. First, I want to thank everyone for participating. I know it's a busy period, and happy Dussehra and a festive season to everyone in advance. Thanks to Karan and AMSEC team for organizing this. I really appreciate it.

And we just want to reiterate that it was steady for us this quarter. Those growth initiatives are there, but it will take some time for us to see those results. And we'll keep you posted sometime in the beginning of January with our next quarterly result. And if anyone needs to reach out, please free to contact Jaideep for any details that is required by anyone. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Asian Markets Securities Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

Jaideep Barve: Yes, thank you so much. Bye.

Moderator: Thank you, sir.