

October 31, 2019

To,

The Compliance Department,
BSE Limited,
P. J. Towers,
Dalal Street, Fort,
Mumbai - 400 001
Scrip Code - 522295

The 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 Q2FY20 Earnings Conference Call

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

With reference to above mentioned subject and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement, Regulation, 2015, read with para A of part A of Schedule III thereof, attached please find 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 **Thursday, October 24, 2019 at 3.00 P.M. on Q2FY20** of the Company.

This is for your information and record.

Thanking you,

Yours sincerely,

For **Control Print Limited**


Rahul Khettry
Chief Financial Officer





“Control Print Limited
Q2 FY2020 Earnings Conference Call”

October 24, 2019



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

**MANAGEMENT: MR. SHIVA KABRA – JOINT MANAGING DIRECTOR
– CONTROL PRINT LIMITED**

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



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Moderator: Ladies and gentlemen, good day, and welcome to the Control Print Limited Q2 FY2020 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you!

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

Rahul Khetry: Thank you Karan. Welcome everyone to the second quarter earnings concall of Control Print. We appreciate you all taking out your time from the busy schedule, considering it is the results season, so thank you for attending this call. Mr. Shiva Kabra, the joint managing director also joins me on this call. Let us start with a brief on Control Print followed by specific analysis of the financials of the current quarter and end with a Q&A session.

For those who are probably reviewing the company for the first time, the detailed presentation has already been put up on our website as well as the investor presentation for this call wherein we have given a hyperlink for the company overview.

Control Print is in the niche coding and marking segment, which is an oligopolistic market with four major players, three of whom are MNCs and Control Print is the only Make in India manufacturer. This gives us the advantage to sell our products locally and compete strongly with the other multinational players. We are the only integrated manufacturer of printers as well as consumables in India giving us the advantage to share the benefits with our customers. This also gives the confidence to the customers for the long-term partnership with Control Print.

We have our manufacturing facilities in Nalagarh in the State of Himachal Pradesh for the manufacturing of printers and the second plant is in Guwahati, which is in the State of Assam, for the manufacturing of consumables. Both these are state-of-the-art facilities, which were set up in 2009 and 2015 respectively and now both these facilities are fully operational. All our consumables are manufactured in Guwahati plant and in addition we



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have also started manufacturing some printers. We have a strong sales and service team of 350 plus service engineers, which gives us the advantage to service our customers efficiently because predominantly after sales service is very critical to maintain the customer satisfaction. With 10 branch officers across North, South, East, West and Central India, it gives us the advantage to be in direct touch with all our customers through our own employees and build our relationship for repeat orders and continuous supply of materials. Service support for the printer has to be delivered in terms of AMC and CAMP services as well as the regular supply of consumables, which our customers have to procure on regular basis based on their production volumes. This gives us a lot of direct interaction with the customer and we get to know the pulse of the market as well as the improvements that we need to make in terms of enhancing our services.

We are having complete end-to-end accounting in our SAP ERP starting from PO purchase processing to collections followed by integration of CRM and other ancillary modules, which gives the confidence to the team as well as the customers. We have a widespread customer base catering to multiple industries like pipes and cables, metals, automotives, food and beverages, FMCG, pharma, etc., and we continuously endeavor to customize our products to reach out to other industries to increase our installed base. We have the entire range of products in our portfolio to meet the coding and marking requirements of the industry, the details are elaborated in our company presentation.

We are very confident that we have the best in class products to meet our requirements of most of the substrates, which give additional advantage to the customer to do business with Control Print. With a strong foundation and the five pillars that is man, machine, material, technology and finance, well established to augment our business plan we are ready for level next.

That was the brief about the company which many of you have already analyzed and had discussions. So, I will quickly give you a brief analysis on the financials of Q2 and half year.

It was once again a happy quarter with a strong performance and improvement on multiple dimensions. This performance is in sync with our business plan and strategy and we hope to continue to tread down this path. We are confident the first half of the year leads the way and hope that with a higher installed base similar trends of growth trajectory will continue in the coming quarters. We have delivered growth in our revenue, in our operational profit, in the EBITDA and volume growth in printers as well as consumables. We witnessed a



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strong come back with year-on-year growth in revenue of 21.88%, operational profit growth of 40% and EBITDA growth of 37%.

The reason for growth in revenue was due to good volume growth for our printers as well as consumables, which is a positive sign for the increase in momentum of industrial production. The flagship division of CIJ accelerated as per expectation, mainly backed by normalized 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 though it cannot be quantified.

The margins are healthy with operational profits at 21.80% and EBITDA at 26.60% for the half year. The main driver for the increase in margins are improved product mix, higher price realization and stringent cost controls. Our new product launched for TIJ printers, the HiRes printers and the TTO printers continue to grow exponentially and we are confident that their potential in the coming quarters and years.

We have dedicated national level managers driving these verticals with focus on specific industries like dairy, bakery, beverages, frozen food, pharma, packaging, lubricants and many other industries that are now into the coding and marking sector. We hope to cement our leadership position in these applications. We have realigned our sales team to specialize in these segments, which will give these new products the desired impetus. We have also assigned separate managers to focus on the OEM sales and the key account sales, key customer accounts and the strategy is showing encouraging results and should yield good quantum of business.

Although our LCP business reported a decline for the half year, but we are changing our focus to non-cement business and the team is confident to open new sectors and generate business for the LCP verticals.

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 continuing to work on our plant strategy as we are confident of the growth potential to deliver positive results.

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

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhawan Shah from ICICI Securities. Please go ahead.



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Dhawan Shah: Can you please share the total installed base of your printers and the top three to four printers, which are contributing in terms of the overall revenue?

Rahul Khettry: In the current quarter, we have sold 600 plus printers, which is a good sign. This number is very encouraging and also the installed base currently would be close to crossing 11,000 on all India basis.

Dhawan Shah: You have shared this 600 plus printers, so on Y-o-Y basis, what is the volume growth?

Rahul Khettry: Volume growth for printers is very encouraging at 30 plus percent.

Dhawan Shah: And how much does it contribute to the overall revenue, the printer?

Rahul Khettry: Printers for this quarter is approx. 21%.

Dhawan Shah: And consumable is how much?

Rahul Khettry: 58.

Dhawan Shah: Okay. So, in consumables, you must be having some order book, right. So, if you can share the number for that thing that would be helpful.

Rahul Khettry: As I mentioned in the opening remarks that we have a continuous interaction with the customers, so it is not based on order book it is based on their production planning. So, it cannot be related to the order book. The regular order that they place every month, every quarter based on their production planning.

Dhawan Shah: Okay so normally what is the recurring revenue of this consumable every year if you can share, how are you in terms of the competition as well, in terms of the cost dynamics if you can share?

Rahul Khettry: Consumables as I mentioned depends on the installed base and installed base increasing, the consumer demand keeps increasing, so you will see that we are having a continuous growth in consumables purchases also. In terms of our competitors we do not know what their installed base is, but definitely ours is improving more towards consumables, which is a healthy sign and that is where our margins are.



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Dhawan Shah: Okay and you shared some new launches in the presentation, so can you please share some more thoughts on that, how do you see the overall revenues can be pan out for this new products and what is the replacement demand as well for your overall revenue base?

Rahul Khettry: Those were launched about year and a half back and they are giving us good revenues, though they right now are at very low base so the main driver as I mentioned continues to be our CIJ printers and the others are the futuristic product, which will continue to grow. So as of now they are giving us probably double the revenue compared to a low installed base of their own, but these are all growth product, which we have mentioned will have the business in the future also, but CIJ is still the main driving force for us.

Dhawan Shah: Okay Sir. Thank you so much.

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

Madhuchanda D: You said the 21% of the revenue came from printer and 58% from consumable so what was the rest?

Rahul Khettry: Spares and service would be the balance 20-21%.

Madhuchanda D: Okay. The second question is typically once you installed the printer, what is the ballpark annual consumption of consumable from that printer?

Rahul Khettry: Roughly it is about 1.5 to 2 lakh but it depends on as I said the customers type of production and whether he is running the printer in double shift, triple shift, the amount of characters that he is printing, there are many other factors which actually drive the demand for consumables and service and other aspects, but on a ballpark it is between 1.5 to 2 lakh based on the customers requirement.

Madhuchanda D: That is annual expense on the consumable by a typical printer, right?

Rahul Khettry: Can you repeat that?

Madhuchanda D: That is a ballpark annual expense on consumables by a typical printer installed by you?

Rahul Khettry: Yes.



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Madhuchanda D: My next question is what is your market share in the printer business like you said that you sold 600 printers in Q2, so what was the market size, and what was your market share in it?

Rahul Khettry: We do not have the details because there are no reports released for the coding and marking industry. It is very tough to give exact market share. Previously we were at about 18 plus percent, which we assume should be increasing by a couple of percentages, but since the competitor data is not readily available, the whole market is tough to define, but definitely we are hoping that with strong result in the past few quarters we would be gaining market share so I think anything above 18%.

Madhuchanda D: Okay. What are the reasons for you to gain market share, I understand the others are foreign players and you are the local player but as an industry why would I prefer a local player to a foreign player, what are the things that you bring to the table, which your competitors do not?

Rahul Khettry: We have a very strong service network that I mentioned apart from having a best in class printers, we are giving them localized service support so just selling the printer does not help the customer because these are online production equipment, which as per the regulatory requirement have to be printed on the product and preferably online. If you tried to do it offline it is not conducive for the customer. So, maintaining a very high uptime is very critical for our equipment and our service team, as I mentioned, we have a strong service team to give that confidence to our customer. So, we can reach our customers faster than our competitors apart from being price competitive.

Madhuchanda D: So how price competitive would you be?

Rahul Khettry: Generally may be about 10% in that range.

Madhuchanda D: Okay and if you could share the industry breakup of your revenue say for the first half?

Rahul Khettry: We do not really have detailed industry breakup but we generally say that is 40% on the packaging side and 60% on the industrial side.

Madhuchanda D: Okay, so if you could share at least top five industries or the top industry in your revenue?

Rahul Khettry: I just mentioned that pipes and cables, steel, previously it was cement, even FMCG, automotive, these are our main industries where we focus.



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Madhuchanda D: Okay and my another question is you mentioned in your opening remarks that business got a boost from improved industrial production, so this is little contrary to the macro data on industrial production that we have seen so if you could just help us understand this a little more?

Shiva Kabra: As you know that last year we did not have a very good year. So last time what happened is the cases that we are working on and they do not fructify immediately or even if the purchases happened they did not put online in generic production, and we have to understand that there is a lot of cases especially in certain things like steel, pipes and so on, there is a strong demand for that and we have been working in the downstream sectors, we are not only working in the primary steel, but people are using the steel that they are manufacturing and what we are printing sheet and so on and so forth and downstream processing is constantly increasing and the branding of that is also constantly increasing. So you can say like in the case of primary market might be more affected, but the secondary market I believe this is new stock and that is where the benefits for us. So it is difficult to say because overall my own machine customers also is that it is not broad set of manufacturing industry but organized packaging is still moving forward, so people is still going in towns of buying milk or buying in bulk or persons to come in a cart and give the milk to you, people are going for packaged milk may be from package they are going to tetra pack, they are buying dahi from Mother Dairy rather than making it at home. So that is how the market is still changing even maybe the overall dairy market might not be growing very fast, but I do not know offhand about that, but the organized part of the markets are still growing so people like to be consuming water, but bottle waters constantly increasing. So the same thing is happening on the industrial side. We are on back side of the market so may be Rahul's take was heavy industry like coal, oil, so on but the way talking of final products I think that packaged final product both in the industrial side and the consumer side, both of them are growing.

Madhuchanda D: Okay. So you are not sensing any slow down in your areas of business even on a month-on-month basis, is that a correct understanding?

Rahul Khettry: What we had mentioned previously also that last year although our installed base kept increasing because the number of printers sold were quite substantial even last year and we had mentioned that once these printers will start consuming the material, the revenues will themselves reflect the correct picture and maybe I think I would also say that Control Print can give good benchmark to monitor the next few quarters for the other industries, reason being that slowdown last year and that effect probably came into the other industries in the current two quarters whereas now we have picked up again, which means that the



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production has increased and it will transfer into sales for the other industries in the third and the fourth quarter, so it is a positive sign how I would look at it.

Madhuchanda D: Sir have you done any exercise like this that you guys kind of for a lead indicator for what is going to happen, have you done this exercise over a long period of time?

Rahul Khettry: I will leave that to you Madhu, you people are experts and discussing with many industries, but this is only our personal understanding, it is not through any research.

Madhuchanda D: Okay. Thank you very much.

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

Karan Bhatelia: So if you can share the revenue mix in rupees in million for this quarter and on a Y-o-Y comparable basis for printers, consumables and others?

Rahul Khettry: As I mentioned that the revenue percentages of printers are 20 plus, consumable is about 58% and spares and service is 21% that can be worked out from the revenue.

Karan Bhatelia: So last year same quarter what was the mix?

Rahul Khettry: Last full year it was about 20..

Karan Bhatelia: No. That number we have, if you can give the comparable number for same quarter 2Q FY2019.

Rahul Khettry: No. I do not have that right now with me I have the full year but may be it can be traced out in the previous call.

Karan Bhatelia: Okay. Any update on how things are shaping up in the overseas market like Sri Lanka, Myanmar?

Rahul Khettry: The Indian growth as you can see is much more than previously. Though export grows for us the focus remains India though potential is also there in the export segment. Those markets will continue to grow -but focus remains on India.

Karan Bhatelia: Right and Sir we have improved on our working capital cycle, so what initiatives have you taken for that?



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Rahul Khettry: We had mentioned previously also that we have multiple printers and different version, so the number of SKUs are quite high and when you are at a development stage, we had two to three new printers launched that point of time the revenues have not percolated, but now with higher revenues automatically the number of days of inventory is lower and we are able to manage our receivables better, so overall, I had mentioned previously also, going forward the working capital should be better.

Shiva Kabra: I think it is the way you think of like if you go for a car company so Maruti launches four new models, they might not contribute sales immediately because it takes time for the dealers to understand, people to understand, the market and so on, but Maruti starts keeping the stock and keeping the spares everywhere, doing that all thing and the same thing for us also we have had some products may be frankly not contributing much in sale of the new verticals that Rahul just talked of which has helped in our sales performance, but because of that we still have to maintain the production, we still have to maintain the spares in all the factories, we have to do all that stuff, but in a way it is contributing towards the inventory without any contributing to the sales so much, now it is contributing to the revenues and so on, fundamentally there is no real change and what we are carrying now compared to before. As far as accounts, I think that is normal.

Karan Bhatelia: Right and Sir we still have Rs.15 Crores to Rs.20 Crores of Rupees in liquid funds so any concrete plans to make use of it?

Rahul Khettry: As of now we are continuing this. We will see if there is a better utilization going forward.

Shiva Kabra: As of right now there is no capex plans discussed what you are asking, something on the table, I think we have got some Nalagarh expansion this year of 3 Crores, which has enough debottlenecking for the next three years should be sufficient.

Karan Bhatelia: And how is the capacity utilization for both these plants for first half?

Rahul Khettry: On Guwahati we are about less than 50% and in Nalagarh we are about 80%.

Karan Bhatelia: So without having to spend much of capex we can do how much of topline?

Rahul Khettry: I think we can go close to 300 Crores if not more whatever existing capex we spent in the last few years.

Moderator: Mr. Karan, do you have any more questions?



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- Karan Bhatelia:** No.
- Moderator:** Thank you. The next question is from the line of Dhawan Shah from ICICI Securities. Please go ahead.
- Dhawan Shah:** Yes. For this quarter, the growth is around 22% on Y-o-Y basis, the topline growth, so can you please share it between the volume and the realization growth, how much is the volume growth?
- Rahul Khettry:** As I mentioned previously it is mostly volume growth because the prices because of competition is quite stable, so mostly volume growth. Few customers as I had mentioned we went for some price increase in the Q3, Q4 last year but we cannot quantify that.
- Dhawan Shah:** Okay and can you just share per printer how much consumable is used?
- Rahul Khettry:** I just mentioned it is about 1.5 to 2 lakh on a ballpark figure, but it varies from every customer.
- Dhawan Shah:** And if calculate your per printer cost also comes around 1,75,000 or something?
- Rahul Khettry:** Could you repeat that?
- Dhawan Shah:** The printer cost comes also around Rs.1,75,000 or something per printer, not the consumable, I am talking about the printer cost.
- Rahul Khettry:** For one of the higher selling models.
- Dhawan Shah:** Yes and consumable also cost the same 1.5 to 2 lakh, right?
- Rahul Khettry:** Yes. The consumable is in every year the same printer so printer sales is one time but consumables can be for the next three to five to seven years.
- Dhawan Shah:** Okay, So this 1.5 to 2 lakh can last for three years, you are saying?
- Rahul Khettry:** Almost. Mostly more let us say five to seven years; if it is not an aggressive industry.
- Dhawan Shah:** Okay so if I assume four years your per year cost for consumables comes around Rs.50,000 ballpark figure right?



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Rahul Khettry: We misread that. The consumables is 1.5 to 2 lakh per year So next five years is a multiply of that. Printers sold once, the consumables sold every year.

Dhawan Shah: Yes. That is I know but the thing is that your printer cost is 1,75,000 if I buy a new printer consumable will come along right, so what is the logic why should I buy the consumable I will buy printer every year?

Rahul Khettry: No. consumable does not come along with printer. Consumable is like it depends on how much you produce.

Dhawan Shah: New printer must be having consumable right?

Rahul Khettry: That is only to start up. It is a startup kit. One bottle of ink and one bottle of makeup.

Dhawan Shah: But that will last for one year right, new printer I can use that consumable of that new printer for a year right?

Rahul Khettry: It is like you buying a new car you get petrol for five liters that does not last the whole year. It is till the pump, only to drive you to your house.

Dhawan Shah: Right. And is there any risk, can I use the consumable of another company?

Rahul Khettry: Typically we do not service printers, if somebody is using other company's consumables. Also we have certain protections in our printers which keep out the customer from using other consumables. So we cannot maintain printers, which do not use our consumables.

Dhawan Shah: Okay. That is it from my side. Thank you.

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

Shakib Kapoor: Good afternoon friends and thank you for the opportunity and thank you to the team for the continuity of the call. Sir firstly about the Sri Lankan entity part Sir, earlier we started to have a base there, but due to some tensions and somehow it did not fructify what is the update on the Sri Lankan JV part?

Rahul Khettry: Hi Shakib, Rahul here.

Shakib Kapoor: Yes Sir thank you Sir.



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Rahul Khettry: In Sri Lanka we have a fully owned subsidiary there, it is our own branch office and we are increasing the business there, right now may be the team was little unstable, but now we have a country manager and the business is growing there so it is definitely improving.

Shakib Kapoor: What has been the contribution Sir if you could give last year contribution in the first half?

Rahul Khettry: As of now it is quite negligible, but we are hopeful that we have better volume going forward, as of now it is not significant.

Shakib Kapoor: Okay. So there is no base asset there?

Rahul Khettry: We have close to 100 plus printers there, which is increasing so there is a good potential, but they have their own political and other issues, so it is slower than we planned but it is still positive.

Shakib Kapoor: Any other geographies we are looking to tamper Sir other than Sri Lanka going forward?

Rahul Khettry: We are already doing Nepal, Bangladesh for the last few years and we are seeing if we can open up in Africa, which I have mentioned previously also., In our business it takes time to stabilize and the gestation period is longer. So these are all more futuristic, our focus continues to remain on the Indian business.

Moderator: Sorry to interrupt Sir, but the line for the current participant is disconnected. The next question is from the line of Amit Bohra from SBI Mutual Fund. Please go ahead.

Amit Bohra: Sir just one question on this 22% growth in topline what the main drivers are or what was the main industry, which drove this growth. Is it because cement is coming back to us or is cement there, which was there in the last quarter or we have gained some other industries?

Rahul Khettry: To be honest as I mentioned that some of the industries where we have a strong hold like pipes, cables, automotive, beverages, dairy, these are growing well for us and on the cement side, as I mentioned in the call also, we are not putting much focus there because the competition is not worth due to the lower margin, so we are changing our strategy to non-cement business for that vertical and focusing more on sugar and metal side. So, this should give us better result because the sugar season is expected to start in November so may be Q4 we will get some good volumes for that vertical also, but main drivers are still the CIJ business, which has grown above 20%.

Amit Bohra: Okay.



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Rahul Khettry: But overall, I think multiple industries have shown good results so maybe little different from the overall gloom in the market but for Control Print it has been a good first half.

Amit Bohra: So, consumables for CIJ grew by 20%?

Rahul Khettry: Yes.

Amit Bohra: Okay.

Rahul Khettry: Overall CIJ grew, consumables plus printer and service and everything, CIJ as a vertical.

Shiva Kabra: Contribution was probably the printers we sold the previous year, which are giving us consumables this year so there is always the time lag because printers this year by the time it goes, it actually get installed, so if a person buying and it start giving us the consumables revenue because the spare revenue means up one year further down than there because it is under warranty for your after installation. So I think the biggest driver I would say to a large extent be the printers we sold last year, which are helping us.

Rahul Khettry: That is right. So even last time we mentioned that the positive is that we are selling printers even last year that will give us revenue in the current year so even what we sell this year is going to be in the next quarters and the next year, as long as the installed base is increasing, the consumables revenue will come to us.

Shakib Kapoor: Yes Sir, so the increased installed base is helping us to drive the 60% part of the revenue.

Rahul Khettry: Correct.

Shakib Kapoor: Yes, which will further help in margins as well.

Rahul Khettry: Yes, because once the consumable start trickling for these printers, automatically the margins are better.

Shakib Kapoor: Thank you Sir.

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

Agastya Dave: Thank you for the opportunity. Very good numbers so congratulations for that. Last couple of days you have mentioned, I believe it was two quarters back that you mentioned that



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there were certain clients who purchased printers from you, but the consumable business was kind of a leaking out of your, and people were regretting buying your consumables, so has that business come back to you that is first question? Second, other questions have been answered but on the balance sheet we have certain other investments where a lot of it was as pointed out in the previous conference calls by another participant a lot of the investments were in equity market, so have you done any readjustments there and then I have two request can you please now that we are conducting routine concalls can you please post the transcripts also on the website regularly.

Shiva Kabra: I do not want to interrupt you, but if you just go one question at a time, it is much easier for us to go through it.

Rahul Khettry: Just before you say the question, the transcript for the previous two calls have already been put on our website.

Agastya Dave: Perfect and so the first question was the consumables, which we had kind of loss?

Shiva Kabra: We put a RFID in all our printers in the last two and a half and three years, so the printers before that there is still people some are using our consumables, some are using other people's consumables, they come back when they have issues, they need service, so that is like a thing but at least the printers we sold since I think 2016 June or maybe July or something we definitely implemented our kit, so I think those printers have to use our consumables on the main CIJ printer, on the other printers we implemented this later. In the cement industry they have kept on using pirated consumables, so that business is still dropping and they are still using pirated consumables.

Rahul Khettry: This is much lower over the years. As Mr. Shiva mentioned has been two to three years since we have been supplying with RFID chip so those printers, probably they are dead by now so the base is quite low which would be where the leakages are.

Shiva Kabra: It is there, but the timing of percentage of our total installed base, so 11,000 printers were there before, 1500 to 2000 printers or 6000 maybe now, it is 11000 so in a percentage that – less.

Moderator: Mr. Dave. Sir it seems like we lost the connection from Mr. Dave. Sir the line for the current participant is disconnected. We moved to the next question, which is from the line of Debanjana Chatterjee from HDFC Securities. Please go ahead.



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- Debanjana C:** Good evening. My question was on borrowing spot, are you going to maintain this level of borrowings for the coming two years?
- Rahul Khettry:** Level of what?
- Debanjana C:** Borrowings, long term and short term.
- Rahul Khettry:** We do not have borrowing at all. We are debt free. We do not have long term and short-term borrowings.
- Debanjana C:** You are going to maintain this level, right?
- Rahul Khettry:** Yes. We have enough free cash flow as well as substantial amount in our liquid fund so we do not see any need of borrowing, we cannot envisage as of now.
- Debanjana C:** Okay and taking into consideration all the discussion points so can we like expect a 20-plus revenue growth for FY2020 and somewhere between 10% to 12% volume like sales growth in FY2021, any forward-looking statement?
- Rahul Khettry:** Madam the first half has been good for us and we sold good number of printers in the previous year also and considering that third quarter as well as fourth is generally stronger, we hope that the momentum will continue.
- Debanjana C:** So, we can expect a 20 plus like revenue for FY2020?
- Rahul Khettry:** We generally do not give any projection, but we are positive on the growth.
- Debanjana C:** Okay and your tax rate it has been maintaining for some 16% to 17% for the past couple of quarters, are you going to maintain that?
- Rahul Khettry:** See we are MAT company. We pay MAT on our profits. So now the government tax rate from 18.5% has dropped to 15%, so I think 17.5% is what after surcharge will be our taxation. So this should be there for the next few years.
- Debanjana C:** Okay. Thank you. That is all.
- Moderator:** Thank you. We take the last question which is from the line of Harsh Shah from PM Securities. Please go ahead.



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Harsh Shah: This is actually my first time covering the company, so I just wanted to understand the process, so if you sell a printer what is the payment cycle and do we have to pay upfront and when they come back for consumables. Is there like a contract that we set for them for two years or three years we have to buy consumables from us or how do we go about the service and consumables on printer side, the payment cycles of it?

Shiva Kabra: So now when we sell a printer, it is like I do get some fix we are in like 25% in advance 50% upon installation and 25% down the line, it can get delayed a bit for something like that so there is some percentage before we actually install the printer.

Harsh Shah: Do we set like some contracts thing for the new printers, I think you mentioned?

Shiva Kabra: I do not know who asked the question earlier but we have got to keep it up, so it only talks to our printers so obviously the customer must have thought through that then we are not hiding that from the customer so which is the customer must have considered that has been buying a printer mostly has to buy our thing and our parts and our service and whatever, so I assume that we thought through this side we get approvals quite clearly.

Harsh Shah: Yes. You are only selling CIJ printers, correct, not for the other ones?

Shiva Kabra: What?

Harsh Shah: The CIJ printer I believe that is what you mentioned.

Shiva Kabra: Yes.

Harsh Shah: So how much of the total printers is the CIJ printers right now?

Shiva Kabra: I think that might have happened later there is a last year but I think all printers except for a high resolution printers and even that is just under testing I think that rolled out printer, but we are not sure off hand, but yes the system is being implemented for all printers except for one particular printer and that will happen and obviously yes you are right, a good part of our scope, previously installed is now covered, but as the years go by percentage of that is decreasing and Rahul saying the average life of printers about 7, 8 to 10 years depending on the combination, sometimes it can go even as high in a very harsh atmosphere so if this old printer get phased out.

Harsh Shah: Okay..



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Rahul Khettry: Yes we have long term contract for rental printers and some other different version but in case of direct purchase by the customer, the consumable is depending on their buying and production pattern.

Harsh Shah: Okay and we do not differentiate about the payment terms with suppose to industrial printers, so if we sell it to some manufactures by industry wise or anything, it is the same?

Rahul Khettry: Depends, every customer is different. For a new customer, it depends on how the negotiations go with the customer

Harsh Shah: It depends on customer-to-customer basis.

Rahul Khettry: Yes. It is completely customer to customer basis.

Harsh Shah: Okay. Thank you so much for your time.

Moderator: Thank you. I now hand the conference over to Mr. Karan Bhatelia for closing comments.

Karan Bhatelia: Thanks Shiva and Rahul for the call. Thank you, participants, for participating on the call.

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

Shiva Kabra: Thank you everybody. Happy Diwali.