

October 27, 2021

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 Q2FY22 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, 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 **Monday, October 25, 2021 at 4.30 p.m. on Q2FY22** of the Company.

Further, the said Transcript will be made available on Company's website at [www.controlprint.com](http://www.controlprint.com)

This is for your information and record.

Yours sincerely,

For **Control Print Limited**



**Akshay Satasiya**  
Company Secretary & Compliance Officer



**Encl.:** as stated



“Control Print Limited Q2 FY22 Earnings Conference  
Call”

**October 25, 2021**



**MANAGEMENT:** **MR. RAHUL KHETTRY – CHIEF FINANCIAL OFFICER,  
CONTROL PRINT LIMITED**  
**MR. SHIVA KABRA - JOINT MANAGING DIRECTOR,  
CONTROL PRINT LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Control Print Limited 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. Thank you and over to you, sir.

**Karan Bhatelia:** Thanks Bilal. Ladies and gentlemen, good afternoon, and welcome all to the Control Print Limited Q2 FY22 Earnings Conference Call hosted by Asian Market Securities Limited. From the management side, we have with us, Mr. Shiva Kabra - Joint Managing Director and Mr. Rahul Khettry - CFO. I now hand the conference to Mr. Rahul for his opening remarks and then we can open the floor for Q&A. Over to you, Rahul. Thank you.

**Rahul Khettry:** Thank you Karan. Welcome everyone to the second quarter FY22 earnings conference call of Control Print. We appreciate your taking out time from your busy schedule to attend the call. Hope you and your loved ones are safe and healthy. Mr. Shiva Kabra - Joint Managing Director joins me on this call.

Let us start with a brief on Control Print followed by specific analysis of the financials of the current quarter and end with a Q&A session. 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.

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

We have our manufacturing facilities in Nalagarh in the State of Himachal Pradesh for the manufacturing of the printers and in Guwahati in the State of Assam for the manufacturing of consumables. Both the manufacturing locations are state-of-the-art facilities to produce good quality products. All our consumables are manufactured in the Guwahati plant and in addition to this, we have also started manufacturing some printers in that location.

We have a strong sales and service team of 350 plus engineers across our 11 plus branches, which gives us the advantage to service our customers efficiently and timely since after sales service is very critical to ensure that the production lines of our customers continue to function continuously thereby maintaining customer satisfaction. The 11 plus branches cross North,

South, East, West and Central India gives us an advantage to be in direct contact with all our customers in a timely manner since our products are critical to their production process. Post sale of printers, there is a continuous demand for consumables over the life of the printer, which typically lasts for 5 to 7 years depending on operating conditions. We have our complete attention on our customers' requirements to ensure that production is never affected and service requests are attended immediately thereby gaining our customers' confidence.

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

As of today, the company has an installed base of 14,000 plus printers across industries, which enables the sale of consumables across the lifecycle of the printer. We are very confident that we have the best-in-class products to meet the requirements of most of the substrates which gives an additional advantage to the customers to do business with Control Print. With a strong foundation and 5 pillars that are man, machine, material, technology, and finance, well established to augment our business plan, we are continuously striving for greater heights.

Let me give a brief analysis of the financials of Q2 financial year 21-22. The manufacturing activities in Q2 was encouraging and gives an indication of the recovery of the Indian economy. The index of industrial production, the IIT has also shown an upward trend in the last few months due to increased production across industries. With the decline in the COVID infection rate and the increased vaccination, the fear of the third wave is much diminished and the mood of the nation as well as the industries is optimistic for a quick bounce back for higher growth expectations. There was a strong traction witnessed both for consumables as well as printers as the companies were increasing productions as well as capacity. These are extraordinary situations when the strength of the company is tested and we can assure you that Control Print is geared up for any challenge. We are financially stable and robust and we will continue to perform in spite of the unforeseen challenges. The stability of Control Print has also been reaffirmed by credit rating agency CRISIL with an A rating after considering the short and medium-term impact of the COVID pandemic. Our investors can maintain their belief on the company's management for an optimistic future.

This quarter's performance delivered an all-round growth in revenue and margins and the volume growth. We achieved the highest quarterly revenue of 62.72 crores with year-on-year growth in revenue of 18.2%, also, sequential growth in revenue of 15.3%. The reason for growth in revenue

was due to good traction in consumables as the industrial production across most of the industries increased, though it is not comparable as Q2 of previous year was partially affected by lockdown. The profit before exceptional items increased 32% year-on-year, increased 36% for the half year and increased 38% sequentially. The profit before tax increased 30% year-on-year and 80% for half year. The EBITDA increased 23% year-on-year and 31% for half year and witnessed highest quarterly EBITDA. The working capital days improved significantly by 21 days quarter-on-quarter and 30 days half yearly due to better inventory management and receivables recovery. The company maintained healthy margins with profit before exceptional items at 18.9% and EBITDA at 25.5% with further scope of improvement due to better product mix and higher revenues triggering economies of scale. We should continue to maintain the EBITDA margins north of 24% on a long-term sustainable basis.

Let me brief you on the performance of various divisions, products, and business segments. Printers had a positive demand in spite of the challenging environment though the installations were slightly delayed. The increased installed base will drive the business in the coming quarter. The company received a large repeat order from the dairy segment. We have received pan India success in the sugar segment with key customers from the upcoming sugar season. The flagship division CIJ witnessed traction with growth of 15.5% in half year as the production of the customers was increasing. The growth was mainly due to improved production of some of the industries where we have a strong hold like dairy, healthcare, food, cable and wire, agrochemical and was also encouraging to see growth in some of the upcoming sectors like pharma, paints, and wood. New product launches of TIJ, TTO, HiRes are showing good traction and with some good installations in the past few months. We have dedicated managers and teams to drive these verticals to focus on dairy, beverages, bakery, frozen food, ready-to-eat, pharma, packaging, plywood, lubricants, and carton coding. These new products continue to grow every quarter which builds confidence on the potential of these products in the coming years.

Laser printer business is growing steadily as product technology has improved and a new team is driving the business. This has yielded good dividends with positive response from customers and new opportunities expected in the coming quarter. COVID revenue has also shown good growth in value terms which contributes towards profitability. Our strategy to separate verticals for key account and OEM business for focused approach is showing encouraging results and should yield good quantum of business. LCP business reported an increase in the previous two quarters with some revival in cement accounts and pan India supplies in sugar industry. We are changing our focus to non-LCP business and some new applications and the team is confident of generating business in the coming quarters. The company has strong cash flow and the trend is expected to continue. Control Print retains its position in the list of top 1000 companies in the stock exchange by market cap on the National Stock Exchange. While the pandemic retreats and with the increase in the vaccination population, we will result in robust growth of the economy and we hope for similar trend of growth trajectory. Fundamentally and inherently, the company remains strong and we are focused on our plan and strategies as we are confident of the growth potential to drive positive results.

The floor is now open for questions. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Gaurav Shah from Harshadh Gandhi Securities. Please go ahead.

**Gaurav Shah:** I have a couple of questions, first is with respect to the EBITDA margin, do you think that EBITDA margin of around 25% this quarter will be sustainable especially with the energy prices going up presently? And my second question would be on with respect to the sales growth, do you think we can achieve growth of around 25 to 30% going forward with the manufacturing taking up in India?

**Rahul Khettry:** Yes, I have mentioned in my presentation also that EBITDA margin above 24% is definitely sustainable. We have always maintained this stand and I think anything between 24% and 28% is what we have previously also given the guidance that it is achievable on a sustainable basis.

**Gaurav Shah:** Do we enjoy any pricing power with our customer?

**Rahul Khettry:** Usually I have long-term contracts with our customers and our product is such that we don't really get into quarterly discussions on pricing with customers. It is mostly on a long-term basis, of course, if there are certain abnormal situation like right now the freight has substantially gone up and certain commodity prices have also increased, so we are approaching our customers for price increase, so over the next couple of quarters, we should see at price realization.

**Gaurav Shah:** And the second question on sales growth?

**Rahul Khettry:** So, sales growth definitely I think anything in double digit is possible, high teens is what we have always maintained that we can grow anything between 15% to 20% and as you said that industrial production picking up, we are very confident that this is possible in the second half.

**Gaurav Shah:** So, are you gaining any market share from a competitor?

**Rahul Khettry:** Yes, we do believe that we have been gaining competitor accounts also and last year, we gained some market share, but results of this year for our competitors is not yet published on public domain, so we don't have the real figures, but our internal assessment does make us believe that we should gain market share in the previous financial year.

**Moderator:** Thank you. The next question is from the line of Swecha Jain from ANS Wealth. Please go ahead.

**Swecha Jain:** I have few questions, my first question is, would you be able to give us the revenue breakup in terms of the printers and consumable separately?

**Rahul Khettry:** For this quarter, our printer's breakup would be about 18% to 19%, our consumables is 51% to 52%, spares and service would be about 23% to 24% and so we are at about 6%-7% of the market.

**Swecha Jain:** Sir, my next question is, like you said you guided to the earlier participant's question that you are looking at a sales growth of 15% to 20%, but what I understand is the market size, the whole overall the industry size is just limited to 1300 to 1500 crores, am I correct, sir?

**Rahul Khettry:** As of now, but it is as you know it is growing for the industry, so we hope in a couple of years, we should touch 2000.

**Swecha Jain:** So, with that I just wanted to understand even if it is 2000 crores kind of an industry over next 4 to 5 years, so do you think at some point in time, our revenue growth would be kept at particular level, if not then, if you could just give me some sense that how would our revenues grow over next 5 to 7 years given that the industry still remains like 1500 or 2000 crores kind of industry, so just wanted to understand how overall revenue will increase?

**Rahul Khettry:** Our assessment is that the industry should continue to grow strongly and this should hedge 2000 to 3000 crores in the 5 years that you are saying, may be 2000 in a couple of years and Control Print like we maintained is going trying for the market share of 25% which today is at about 19 to 20%, so with the growing industry and our market share increasing, we should be in a strong position, 5 years down the line. As of now, we are putting an immediate target to reach 300 crores in the next couple of years and thereafter, we will go for the 400 mark. So, from Control Print's point of view, I think maybe we can reach 400 crores in may be 4 to 5 years.

**Swecha Jain:** Sir, just wanted to understand with respect to the mask division, what are we looking at, do we plan to grow the mask division or you could give some color to this?

**Rahul Khettry:** On the mask division, we have already made our investments and machines are already in place, we have our raw material and certifications also, so though we started the mask division in the pandemic as most of our CSR activity.

**Shiva Kabra:** Rahul, I will just answer that question, I mean for us it is not a strategic thing, right now, it is there, what is there is there and how it goes, it goes, but it is not the focus, I think obviously that is one and 98% if you get...

**Swecha Jain:** So, no further CAPEX or anything on the mask division, right?

**Shiva Kabra:** We did some this year, but that is only to get our certifications for the NIOSH and the FDA, but that is what we do as a company, we use to take everything, but there is not like as I said it is not strategic to us.

**Moderator:** Thank you very much. The next question is from the line of Devanshu Sampat from Yes Securities. Please go ahead.

**Devanshu Sampat:** Just a few questions from my side, one is, it is great to see the working capital situation and the tightening of the same, can you throw some light on what initiatives we have taken and whether this is something that is sustainable?

**Shiva Kabra:** So, Devanshu, I think Rahul might answer than better.

**Rahul Khettry:** Yes Devanshu, like we have been discussing that inventory has been the working capital part which we have been focusing on and we have been able to work on better inventory management in spite of higher revenues. As we have mentioned previously also that there is minimum critical amount of inventory which needs to be kept servicing our customers as well as with the range of printers increasing, the SKUs increased for us. So, now with increased sales, we don't need to keep adding up through the inventory and we feel that even further increase in sales, we might be able to hold onto may be the inventory level, so that advantage we will keep gaining as the sales increases. On the receivables front also, we have tightened it up a little bit in terms of approaching our customers faster and putting some pressure for them to release our payments on the due dates, but as I had mentioned previously also, we were not very bad in terms of receivables, so that slight improvement has been there, but the major betterment has come from inventory side.

**Devanshu Sampat:** And just continuing with the question that the previous participant was asking you, right, so how are you thinking about this myself, may be you can give me your view on this, while the coding and marking business is striving along right it is 1200-1300 crores kind of business which you are expecting it to reach 2000 and so it is fair to assume that it is not an easy business to replicate because you need a concept of the support staff and network which is required, but now that we have this in place, are we thinking about anything beyond this category, beyond coding, marking to leverage on this network that we have, any thoughts and plans over here?

**Shiva Kabra:** If I take that question, the market itself is doing at about 10% to 12% a year compounded like if we look at it over a longer period, but have been a little bit faster earlier, of course like in last 2 years, very tricky to predict because of the whole COVID situation, the market has not really grown I feel in the last couple of years, it has been quite up and down for us since March of 2020, but like overall, we related to manufacturing growth, as you know as manufacturing grows there will be a coding and marking growth and obviously the second thing Rahul explained same was whether we are able to grow our market share in conjunction with the market growth, what we have seen is that for which I have mentioned in some previous calls, as you will get about \$5000 to \$6000 per capita GDP, the coding and marking market grows at about 2 times the manufacturing growth rate and then it slows down to about 1.5 times to reach about \$10,000 to \$12,000 and after that the growth is more in services, not really in manufactured goods, so at that point of time, it is sort of deals the GDP growth, but like you said, there is a fair positive



cash flow business without really much reinvestments required. So, if you are talking from that angle, the profitability versus the free cash flow is quite similar.

**Devanshu Sampat:** And basically, what I am getting at it is expanding our market share, you have coding, marking which is?

**Shiva Kabra:** Our target is to get from, we were about 18.5% pre-COVID, if I take March 2020, is that correct Rahul and as we are targeting 25%, now thing is very difficult to predict what happened in the last few, like so much time, because first our competitors, they do file on the ROC, so we have not got the results recently and at the same time it has been a little bit up and down for everyone. It is very difficult to read what is happening in the last so many months, as you like since the pandemic began, but obviously the idea is to prove the market share and like you said beyond how we leverage on network, so we do have a very strong network, we do have some potential thoughts what we could do, but you know we need some very concrete, we will get back to you. In the meantime, the idea would be drive on business efficiently and there definitely focus on growing on coding and marking market share and that is where our focus is, so we were looking at some geographical expansion, look on very silent because of the COVID, can't travel, we couldn't move forward, may be in the coming financial year we will look that again, we were looking at certain other countries, but we are continuously looking at new products and opportunities which are allied to what we do.

**Devanshu Sampat:** Sir, we are basically asking you bigger question like, may be from a 3 to 5-year perspective, we are thinking about possibly any other industry products that we can get into outside of the coding and marking, so that is what I was trying to get it?

**Shiva Kabra:** So, with the intersection of digital printing on the packaging industry and obviously what is the type of printers in the manufacturing technology and knowhow we have is very related to the digital printing industry, but that is very wide range because even your billboard printers are digital printers, even your home office printers, you will use the printers and ink jet printers and digital printers for example, then you have some low specialized applications, especially textiles and other things, so there are certain applications which we did quite strongly with what we do. I won't really talk about during we have something concrete out on the table that is one area and of course we are totally limited the packaging industry during the end of the day that is the customers we sell to. We sell to customers to package their products organized packaging and those were the two areas adjacencies which are very close to us and our option is geographical expansion, not to get into these two sectors if we can think of the right option and the option to take off.

**Rahul Khettry:** Devanshu, just to add to that we are keeping our eyes and ears open and if there is anything concrete we will update, but at the same time I will say that if you'll come across any opportunity for Control Print to evaluate, please do reach out to us.

**Shiva Kabra:** For inorganic growth options.

**Devanshu Sampat:** And sir, just a last question from my side, over the last 18 months, of course, the markets have been fairly feasible and they moved up quite a bit and actually noticed Control Print's evaluation have been still in the low to mid-teens brand and relatively for the business that we are in steady business earning, the good return ratios and good balance sheet and everything, so just want to, if the management is thinking about sending out some signal to the market, either a buyback or probably some, management probably looking at increasing stake, any thoughts about this especially considering that we are generating about 30-35 crores of cash each year with no major cash requirement as you said to take us to the targeted revenue figures, so any thoughts on this?

**Rahul Khettry:** Devanshu, these are price sensitive discussions and we are not doing it on this call. Once the Board takes a decision, we will inform the market.

**Shiva Kabra:** I think we have also dividend of consistently and we are what the percentage should be, but it was some more dividend policy, distribution policy performance with rules and so the idea would be to make sure that if you don't find any opportunity in front of us that can harm like be available then I think we would definitely what shareholders I can assure you of that, but if we find growth opportunities available whether inorganic or like I said in adjacency, then we have a definite plan which we also then look at, then we will also look at that so that is my answer to you, but at the moment there is absolutely concrete and in depth that there will be something that the Directors would take that call on if that situation came and we have cash which we are not deploying effectively.

**Moderator:** Thank you very much. The next question is from the line of Shalabh Agarwal from Snowball Capital. Please go ahead.

**Shalabh Agarwal:** My first question is, sir we applied a small company couple of months back, it is a very small acquisition that we did, we acquired 80 odd percent, can you just give us some sense on why this acquisition was made while they are making inks perhaps because it seems they are making inks for other branches also, so some insight into that will be helpful?

**Shiva Kabra:** So, if you take up the industry structure, there are four organized players that is us and of course, Videojet, Domino and Imaje and the four of us combined about between 1100-1200 crores depending on what the leaders numbers are and then the rest of the industry is about 300-400 crores, so 1500-1600 crores in industry, like it is about 20-25% of the industry is in that, what you call unorganized segment, so essentially the biggest company in the unorganized segment was the company called Jet Inks, they run into issues during the COVID time and the CEO of that company quit because of some indifferences with the investor of that company, so I won't get into exactly, but essentially he quit and he started his own business and because he knows this area which is an area which we are not really present in, you can say it is a more price sensitive area, so we have taken the option of sort of launch of second brand, started at that segment of the market, but it is totally disconnected, but it's control is only like a manufacturing partner for this company, like we own it, we are the owner of it and we had a manufacturing partner, but it is not part of the Control Print network if you get what I am saying. You know it

is somewhat organized, slightly different segment of the market. That is what I see which we couldn't get into without either lowering of service quality levels or pricing levels and so on and so forth. So, there are sometimes customer will be little more price sensitive and who have higher service requirements and so on like more of that then there is a type of customers we have more 24/7 and what they get about is that they just want reliability one two and three and then all the other questions come in.

**Shalabh Agarwal:** Jet Print's brand will now owned by Control Print?

**Shiva Kabra:** No, Jet Print was the company that he was the CEO of and he separated and started his new company called ICIPL, so we have no connection with Jet Inks, it is just that he was the ex-CEO, so he has knowledge of this market, so wouldn't do it if we didn't have a competent manager in place, that is what I would say. It is a different market.

**Shalabh Agarwal:** This CEO will work along with us, right?

**Shiva Kabra:** Yes, he is the CEO of that ICIPL now. He was the ex-CEO of Jet Inks and because that opportunity was there he was there and he needs growth capital and it was fitting into us and of course we have synergies because we already have all the technologies in place, manufacture printers we have, so for us it is the marginal investment to just make a printer which is for that market.

**Shalabh Agarwal:** Sir, if this new company which has been acquired, are they also progressing other brand for consumables?

**Shiva Kabra:** Yes, other brands including us, now what we are doing is we are sort of moving them to their own brand of printers, separate from the Control Print brand, that is what I will say. So, suppose they were selling under the name of I don't know, Samsung, now they started new brand called Galaxy or something, like that company's Galaxy like they have gotten a two separate companies so like who are we...

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

**Jayesh Gandhi:** Sir, I have couple of questions, the first is, the tax advantage which we are enjoying, can you just help me out in understanding until how many years are we eligible till that, 16% to 18% tax on the income? Until what years will we enjoy it?

**Rahul Khettry:** Currently, it is up till 2025 for our Guwahati facility that we set up, it was a 10-year tax advantage, but on the cash flow if we have to say that the MAT credit can be carried forward for 15 years after 2025, so maybe it can go up till 2040 depending on how much MAT credit we accumulate. As of now, I feel that we should cross about 100 crores of cash credit by 2025. So, the MAT credit right now, it is only going to kick in after 2025, so till 2025 there is no question,

it will be only paid on MAT basis and after 2025, we will get the MAT credit advantage on the cash flow which can be for another 15 years up till 2040.

**Jayesh Gandhi:** And there is one line item which is finance cost in our profit and loss account, while we don't have any debt, neither short term nor long term, can you just help me out in understanding what is that?

**Rahul Khettry:** This is the latest that Ind AS 116 has come up with wherein whatever is on rental basis, if it is more than one year lease, then you have to split it between, you have to assume it as your deemed asset and have depreciation on it and then interest cost. So, basically the rental income if you will see of previous may be a year or two years earlier, you will find that there is a rental cost that we were paying for our offices across the country and that now has lowered and transformed into higher depreciation and some amount of interest. So, it is like, you calculate the present value of the next 5 years rental and account for it for the Ind AS 116.

**Jayesh Gandhi:** And one last question sir, while you said that you were expecting your sales to reach by say 400 crores in next 4 to 5 years, what kind of a CAPEX will we require here?

**Rahul Khettry:** So, I believe up to 300 crores, we should be comfortable. Beyond that we will have to make some CAPEX which will be decided at that point of time. So, up till 2-2.5 years, we still should be able to manage without major CAPEX, but beyond that we will have to evaluate.

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

**Saket Kapoor:** Sir, firstly, if I could sum up, earlier in the call sir, we were looking for the direction wherein we could be more confident of this being a linear trend going forward, so do you feel that the pillars on the ground give us that confirmation that the type of the highest turnover that we posted on a quarterly basis, the base can be now moved up and this is not one-off quarters?

**Rahul Khettry:** Yes, I strongly believe that this is not our best and there is definitely scope of further increase wherein as the current installed base we should do better. The things have improved, but some of the industries where we have a strong installed base, it is still not at optimum and we hope to see improvement in the second half.

**Saket Kapoor:** Sir, you spoke about this dairy business part in sugar, so out of the total pie sir, what percentage we will be getting to them, sir, the dairy, and the sugar business as of now?

**Rahul Khettry:** Honestly, sugar is seasonal, it is only from November to March, that is the 5 months that the industry run, so I mentioned it because now we are in October and maybe the next 4-5 months we should get some additional revenues from that sector, so again it is not a big pie, but next couple of quarters, it will be some additional revenues coming in and dairy is definitely growing for us. Right now, it is not a very significant chunk, but as I have mentioned in all the previous

calls, it is catching up and it have good growth potential. Right now, it will still be in single digits for sure.

**Saket Kapoor:** Higher single digit?

**Rahul Khettry:** No, not very high, but it will be like that.

**Shiva Kabra:** No disclose like very specifically.

**Saket Kapoor:** No issue sir, when I look at the clientele profile Mr. Kabra and Rahulji, I found all the market names, but in spite of that sir, then why are the credit receivables part so higher, these people like JK Tyre, Cipla, India Oil, there also the cycle is so elongated that we have to wait, just some understanding on the same?

**Rahul Khettry:** Currently, our receivables in coding and marking business is 67 days which I don't think is something which would raise an eyebrow because generally the terms even the bigger players is 45 to 60 days and once we consider the transit time from Guwahati to some of the locations, it is 10 to 15 days, so people only start counting after it receives in their factory and the ERP system books the bill. So, I think 67 days is a good pan India based receivable days..

**Saket Kapoor:** Because what I felt is that it is a nursery component, so we can never look for cash and carry mode there, that was my understanding given. It is the need because without that the production lines and all things will not proceed, so we can't command that kind of urgency in that sense, depending upon this being a key organization?

**Rahul Khettry:** We can command the model that you are mentioning, but we like to be cordial with our customers because it is a long-term partnership. If we will over pressurize them to gain some additional cash flows, we might lose the customer to our competitor so I don't think that is a prudent strategy. We would like to continue with slight credit terms, it always helps in the long-term sustainable business and our cash flows are not stressed, so we don't need to really disrupt things.

**Moderator:** Thank you very much. The next question is from the line of Anish Jobalia from Banyan Capital Advisors. Please go ahead.

**Anish Jobalia:** So, I would like to give my questions related to the margin, now, as of restriction we had a favorable product mix in this quarter and hence is there any reason which could help to understand that gross margin declined on year-on-year as well as sequential basis?

**Rahul Khettry:** There is a slight drop, I do agree with you, gross margins there is a slight drop, but that is mostly because some of the component globally you know that there is a shortage of the semiconductor and lot of electronic components are affected because of that and increase in the global freight rate, so these two components have definitely affected us and the prices have gone up which I

mentioned that we are now starting to discuss with our customers to pass on marginal price increase. We haven't previously done it for the last couple of years, but now it is the scenario where we would like to approach the customers since it is a global trend.

**Anish Jobalia:** Sir, I just wanted to check sir that can we say that these problems are getting corrected say in H2 because of which the gross margins will actually revert to a higher potential than what we did in this quarter and operating leverage also is likely to clean out here because of that the margins will be better in H2? Is that the right expectation?

**Shiva Kabra:** My view is that I think Rahul and we are hopeful that we should do better sales in the second half than we did in the first half because we were badly affected in Q1 and all the way through July. We are hoping for increase in sales in the second half, but I have to be honest as far as this issue of the components in the shortage we are facing of the micro process was it is only becoming worse right now for us to get all our semiconductors in place where we lose premium to actually just make sure that our production are switched on, so I don't see things changing like till like down in 3-4 months. I don't know what is happening, we are getting it, we have to pay more money for everything.

**Rahul Khettry:** Adding to what Shiva is saying, right now the market is very volatile and getting components is our first priority. We have some things lined up and they seem to be it should not affect us as such in terms of supplies, but it has to be very closely monitored and price is highly fluctuating, so at least for the next 6 months, we might have to still pay a slightly higher prices and we are not sure if gross margins can improve. The next year will be better visibility.

**Anish Jobalia:** Then you are looking some freight cost, I think Rahul might say that, but I think also like that has also secured, not usually but some?

**Rahul Khettry:** Yes, freight both for sea freights and air freights have drastically gone up which then we have been discussing with our customers.

**Moderator:** Thank you. The next question is from the line of Jatin K from Alfa Capital. Please go ahead.

**Jatin K:** While my most of the questions have been answered, just one question, what is our capacity utilization currently and what will be the peak revenue at 100% utilization?

**Rahul Khettry:** So, at our printer factory in Nalagarh, we will be about 75% to 80% and in our Guwahati facility, we will still be at about 50-55%, but peak according to us should cross 300 crores. Beyond that, we will have to look at more CAPEX.

**Jatin K:** And so, given we have good balance sheet, as a debt free and low of cash flow need my suggestion would be we should as in we are giving good dividend, we are maintaining around 50% dividend payout, so my suggestion would be given the market price where it is we should consider a buyback and all.

- Rahul Khettry:** We will let the Board know of your suggestion, thank you.
- Moderator:** Thank you very much. We have the next question from the line of Swacha Jain from ANS Wealth. Please go ahead.
- Swacha Jain:** Sir, I wanted to understand with respect to the printers that we sell, we said the life cycle is typically 5 to 7 years, so wanted to understand what typically happens to the printer at the end of the life cycle, I mean does the customer has a choice to go back and install some other printer or it has to be our printer, one was that? Second, I also wanted to understand that typically when is the demand created for our printers, does it usually happen when a Greenfield expansion takes place or even when a Brownfield expansion have taken by a customer, our printers also play a role at that point in time?
- Shiva Kabra:** Just the first part, as far as the life cycle of the printer goes normal, it is more than 5 to 7 years, it is a bit longer than that, you could say that the working life of the printer would be 10-12 years, what happens, some of the biggest customers, may be some industry like chemicals and fertilizers and of course cement and stuff were getting into the life is short because the atmosphere is difficult, but what happens is normally after 5-7 years, lot of prime customers, they tend to upgrade their printers because for them, absolute line to liability is critical, most of the times we give them some sort of discount when they dream from an existing printer to the upgraded printer and in most cases, we will refurbish the existing printer and then try to sell it, it has been successful in, but we are now trying to refurbish some of those printers and sell them as key for options for some of the customers who could be more sensitive. That is the first question, I hope I answered and the second was, I think you are asking about, I mean of course in the end, all printers were scraped and broken down and recycled and obviously if they come back to us, we will recycle them, we have got the authorized recycling in the e-waste and all that, we have all of that in place and there was one other element to your question, if you repeat the end part?.
- Swachha Jain:** And the last part was when is the demand generated for our printers, is it typically at a Greenfield expansion or even then a customer do a brownfield expansion?
- Shiva Kabra:** Any new manufacturing line requires a printer, so each line because you are printing on the production line itself, so most customers what they do, they set up a factory, especially nowadays, we acquire like extra space with the view that I will set up like say 5 or 6 production lines and as and when demand keeps increasing, I have already got the space to keep adding like more sheds and more printers, so the brownfield expansion will continue for some time to come and of course, Greenfield is always going to require printers. So, both of those, as long as there is any manufacturing capacity which needs to require more additional printers.
- Rahul Khettry:** So, just to add, Shiva also on existing products, which were not being printed earlier are now getting into printing, so even an existing factory can have a requirement.

- Shiva Kabra:** So, yes, that have achieved big source of demand for us because in India just to move from unorganized packaging to organized packaging and you know organized packaging there is a move towards from preprinted or older technology still towards a digital technology, so that is also....
- Swachha Jain:** I just need two more data points, if you could help me with the number of printers that we sold in Q2 and the revenue from the mask segment, it think you did mention this number, but I kind of missed it out?
- Shiva Kabra:** Yes, I think 19% of the revenue was approx. from printers and like I think about 2-3% approximately is form the mask. May be, if you wanted the mask was slightly more, then 3% will, whatever that is about it.
- Rahul Khettry:** Quantity of printers was about 750 plus, about 750-775 printers, quite similar to the Q1 numbers.
- Moderator:** Thank you. The next question is from the line of Shalabh Agarwal from Snowball Capital. Please go ahead.
- Shalabh Agarwal:** Just circling back to our earlier discussion, Mr. Kabra, this acquisition, is there any risk of any confusion getting created in the minds of our customers, where we are selling a premium product, but we are kind of also backing the product which is into the market which has its own dynamics and it is probably not that premium?
- Shiva Kabra:** I think that the way we are positioning it is that it is a quality manufactured product through us and the end of sales and service is totally different. So, it is your choice, if you want the best, there is Control Print and if you want like the good product which is a bit more reasonably priced overall in terms of service and price, fluids, and everything, that is an option, that all I can say so there is always a chance, but there is a clear pricing gap between the two of us, then it is really everyone....
- Shalabh Agarwal:** Is there anything more that we are looking to invest in this company going ahead? Will it require more investments from our side today if scale that business?
- Shiva Kabra:** Right now, it is in a loss-making phase as it grows because I don't know if you all know our business if don't get certain number of printers installed, the cost are significantly higher than your revenues. I think it will continue to lose money till some amount of Installed Base that is created at least it might not require the same amount of cost as we see Control Print because we already have the manufacturing facility in the logistics and all the software's, so relatively the investment is more marginal for that company, for I say ICIPL for subsidiary, but yes there is surely an investment phase.
- Rahul Khettry:** I don't think it will require anything large that we should be worried about, maybe it is not something significant which needs for us to inform the investors, but yes, if there is a small



requirement we will definitely fill the gap, but as of now, they are getting their own bank finance also, so they should be self-sustainable.

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

**Saket Kapoor:** Sir, with the economy picking up, any update on the real estate part of our facility, liberty chemicals and sir, in addition to that from the OCI part also other comprehensive income, we have seen this time a loss, markets have remained buoyant over this quarter, so if you could explain or throw some light on the same?

**Shiva Kabra:** I will just give the first answer, you know Mr. Kabra himself is looking at the entire real estate thing and he is not here today. To my knowledge, there is no real movement in the whole Chandivali land plot. You know there are some litigations, we are trying to get into this quarter, then the thing is the court system has stopped frankly for the last and at least for like non-urgent cases for the last 18-20 months, so that has not really moved one way or the other or maybe, I think now I think hearings might start again like and courts go back to normal, maybe some movement there and as far as the OCI goes, Rahul might give you a better reply on that.

**Rahul Khettry:** Saket, on the OCI also for this quarter it is a very small amount that could depend on how our portfolio played out towards the end of the quarter, but I would request you to look at half year where we are 2.63 crores positive.

**Saket Kapoor:** Sir, actually why I dwell on it was that our portfolio stock selection is, we are bidding the market in all terms when I looked that the portfolio in March when the annual accounts were there. So, that was a surprising part because the markets have moved up significantly, so there should have been significant gains in that way, so that was my reason, even on a quarterly basis?

**Rahul Khettry:** We have done gain Saketji in half year, most of the gain according to me had come in March 21 itself where we were, you know the figures and since this is mark to market, you can't have the same thing growing at that rate every quarter, but if you see the last year it was a big gain which was already marked to market. So, you have to see it from March to September again we have gained.

**Saket Kapoor:** And the list is level for us, sir?

**Shiva Kabra:** We have been increasing our exposure in this market and further, of course like again this is Board of Directors thing and Mr. Kabra looks at it specifically, but I don't think we have had too much on in our portfolio that we have been doing so. Maybe, something is gained and then there is no stagnant and so on.

**Rahul Khettry:** But you have to compare Saketji mark to market, you can't compare it from last year because we have already marked it in the books up till March and now it is only March to September.

- Saket Kapoor:** These are audited figures, they have been done away, sir, a small point more, sir, we paid income tax also was 4.5 crores attributable for this year only or prepaid item also?
- Rahul Khettry:** No, it is always for this year, I didn't get the question.
- Saket Kapoor:** I was asking that for the first half, our income tax payment is to the tune of Rs. 4.45 crores, so if this entire amount attributable to this year's performance only or does they have any other tax paid which was due for earlier years, any assessment and all?
- Rahul Khettry:** If it was earlier, it goes into prior period, it will not come into current time. This 4 crore is for current year.
- Saket Kapoor:** Current year, so that gives an indication.
- Moderator:** Thank you. The next question is from the line of Anish Jobalia from Banyan Capital Advisors. Please go ahead.
- Anish Jobalia:** My question around margins, I could not complete last time, so if I were to again think from the longer term perspective and you are already confident of reaching say 400 crores of revenues in the next 5 years plus Rahul sir has been saying that the sustainable margins are 24 to 28% range, so it would be very helpful to understand from you that how should we think about the margin trajectory going forward given that the revenues are on an increasing trend, so can we expect that the margins also will be on an increasing trend along with that because our incremental contribution is from higher margin products like the new products that we have like TIJ, TTO, etc., plus there is also an operating leverage potential, so how should we think about say over the next 5 years, what then our margins be in the base case, in the real estate scenario?
- Shiva Kabra:** My belief is that the margins should increase as sales increase, both slightly at the gross margin level, I am talking like if don't look it over like one quarter, two quarter, but if you take 3-4 years profile, it should slightly increase as we get more leverage and more fluids, more consumers in service business as compared to printer business and as far as the EBITDA, rather the SG&A we would expect higher operating leverage there because we already have a full team of manpower in factories and lot of other expense have been already included for a bigger jump in EBITDA margin, but of course because of like fluctuations that happened like right now with the full COVID situation and whatever the knock-on effects in terms of cost of parts in trade and all, so like there can be of course changes from quarter to quarter, but we have been smaller company, slightly evaluated in such a quarterly basis I think.
- Anish Jobalia:** Sir, but I mean if we were to think about say margins when we do 400 crores, would it be possible to pencil it down to narrow range to think about considering your....

**Rahul Khettry:** As of now, the visibility is this 24% to 28% which I mentioned is sustainable even with increased revenues as of now, but things are very dynamic and keep changing. If things improve more than that we would be happy to share.

**Anish Jobalia:** I understand, but one with 28% is it more realistic to assume that when we reach 400 crores margin, it will be closer to that or it will be still in very broad way in the 24% to 28% and why is it such a broad range that you are looking at because there are not too many factors that kind of impact our margins given that we are at high gross margin?

**Rahul Khettry:** It is always based on product mix, if the consumable portion like you said, the higher profitability sells more in a particular quarter, you will find it closer to the higher brand of 28% and if the printer sell more, it will be on the lower brand, so I think 24 to 28 is not a very large brand considering that there will be change in product mix quarter to quarter and even on the long-term basis I think we are inching up towards the higher percentage. It all depends how much our consumables are sold based on the industrial production. We are confident if higher the consumables, we will be closer to 28%.

**Moderator:** Thank you very much. The next question is from the line of Shalabh Agarwal from Snowball Capital. Please go ahead.

**Shalabh Agarwal:** Sir, at the industry level, are we witnessing because Rahul has mentioned that there has been a fast increase because of various factors, so at the industry level, are we witnessing our MNC competitor increasing prices of their products in the market?

**Shiva Kabra:** So, I think in the last 18 months, nobody has really done too much of anything because of everyone has been preoccupied which is ensuring their supply chain and their service and the safety of people, so I wouldn't say like right now, there has been a change or now people will all have to employ the strategy because like if our cost have increased, I assume that there might have been a similar effect for our competitors.

**Shalabh Agarwal:** And if they are not manufacturing here, then their costs would have probably gone much higher compared to us, right?

**Shiva Kabra:** So, normally, we are importing primarily from China, but I don't know off hand, so we have not tracked them very close in the last 18 months and we have not got the data from the ROC or either, but it is difficult to say because everyone has their own transfer pricing policies also, so that will get of a hidden mix, we don't get a straight naked cost and cost pricing, so it is difficult to say.

**Rahul Khettry:** But at the ground level, the prices are still competitive, if they have more costs, maybe they are taking an extra hit because their cost would have gone up more than ours, but able to get better pricing, but still competitive.

**Shiva Kabra:** I think so far, everyone has not really changed pricing much in the last 16-18 plus months now?

**Shalab Agarwal:** Sure, and sir these MNC players, they have the global tie-up with big FMCG companies as in their suppliers plays at a global level and then distributed to different factories or how does it happen?

**Shiva Kabra:** So, normally, we do have some preferred supplier tie-ups in some cases. Also, there are some companies like Coke and Nestle or P&G do have that, but it is not like. When it comes to big operation like India, then everyone want their own local service and support and where we are most comfortable with, so there are lot of companies like Unilever or Pepsi or so on, so we supply lot of printers there, even though they do have like some sort of tie-up because in the end it is not a monopolistic thing, it is preferred supply arrangement and preferred good depending on what the local factory manager prefers, so indeed everyone will go for whatever they think is their best supplier and the loads of companies like Ferraro and so on, like who have some technically tie-up, but they are using our printers largely, so I think sometimes those things matter, but I wouldn't see like it is near like, if everything work smoothly, nobody cares as what I have to say and in general, Indian pricing front is much lower than the global pricing arrangements, so even the local companies like to ignore those arrangement because they get the global pricing here, they won't have any sales now because obviously we sell at X and they are selling at X and the global agreement is like 2.5x, then why would they buy that.

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

**Saket Kapoor:** Rahulji, you told about this non-LCP business, I missed that link, what was you trying to convey that more thrust will be there or later thrust will be there on the non-LCP business, I missed that point completely?

**Rahul Khettry:** No, there will be more thrust, as you know that the cement has been diminishing for us, though there has been some revival with cement customers, but that team is now trying to promote new products in the steel segments, the sugar is what they have only developed, so the team which was more focused on the cement side is now putting their energies on sugar as well as steel. So, if we open up a new product, it gives us good revenue, and that has shown some green shoots at this time.

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

**Karan Bhatelia:** Rahul, you have been mentioning about the new launches, TIJ, TTO, HiRes, so it is good quarter that we have had in the portfolio, so today what contribution to the total volumes or revenue has it become, so just ballpark number can you help?

- Rahul Khettry:** These are inching up and now they should be definitely in double digit closing into about 15-17% in that range. We have good hope from them even in the future.
- Karan Bhatelia:** And just last bit on the depreciation policy, we were hinting to honestly the mask project by this year, so incremental 1.5 crores is for quarter depreciation, correct or we want to keep the mask project current as well?
- Rahul Khettry:** Yes I think couple of years more it will require.
- Karan Bhatelia:** So, this 4 crores of quarterly run rate stands, right?
- Rahul Khettry:** Yes, at least for the next one year or so.
- Karan Bhatelia:** That is it. I think we don't have any further questions, any closing comments Rahul or Shiva you want to make.
- Shiva Kabra:** First of all, thanks for everyone to investing lot of time and effort, taking our call, especially in this busy season and Happy Diwali and a Safe Diwali to all of you. As far as we are concerned, I think things are now coming back on track. There has been a bit of if you call, 18 months or so, but it seems things are normalizing. I don't want to say anything, because last time we said the same thing and we all know what happened over the second wave and so on, but I hope that if there is no COVID, then the market goes back to normal and we are able to capitalize on strong product portfolio and the strong team and strategy that we have created which we didn't get to really take in place before COVID disrupted us, so I am really hoping positive 18 month period and by then I think a lot of people will have questions to the next there is lot of buyback and somewhere I think at that point of time, those questions will become more relevant as to what the next step should be, the next level from 400-500 crores to the next size.
- Rahul Khettry:** Thank you everybody for your participation in this busy earning season, Karan informs me there are 10 calls which are between 4 and 5. Thank you all for giving the importance to Control Print and wish you all a Happy and a Safe Diwali. Thank you. Thanks Karan.
- Karan Bhatelia:** Thank you management of the Control Print.
- Moderator:** Thank you. On behalf of Asian Market Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.