



“Control Print Limited  
Q3 FY '24 Earnings Conference Call”  
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**MODERATOR:** **MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES  
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**Moderator:**

Ladies and gentlemen, good day, and welcome to Control Print Limited 3Q FY24 Conference Call hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the Company, which are based on their beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you, and over to you, sir.

**Karan Bhatelia:**

Thanks, Aditya. Very warm afternoon, and welcome all to the Control Print Limited 3Q FY24 conference call hosted by Asian Market Securities. From the management side, we have with us Mr. Shiva Kabra, Joint Managing Director; and Mr. Jaideep Barve, CFO. Now I would like to hand this call to Jaideep sir, for his opening remarks, after which we'll open the floor for Q&A. Over to you, Jaideep. Thank you.

**Jaideep Barve:**

Hi. My name is Jaideep Barve and I work as the Chief Financial Officer of Control Print Limited. Welcome all of you to the earnings conference call for the third quarter of the financial year '23-'24. We appreciate that you have taken out your time from your busy schedule to attend this call. We wish you and your family are happy and prosperous 2024. Mr. Shiva Kabra, the Joint Managing Director of Control Print Limited, also joins me on this call.

The detailed presentations have been put up on our website as well as in the Investor presentation notification on the both exchanges for this call. Let me provide you a brief analysis of the stand-alone financial statements of Control Print Limited for this quarter. On a consolidated basis, the revenues were INR89 crores and the period-to-date revenues are about INR 262 crores. The revenue for the corresponding nine-month period is INR 218 crores.

For the year ended 31<sup>st</sup> of March '23, the consolidated revenue was INR 308 crores. On a stand-alone basis, our revenue is INR 84 crores with the period-to-date revenue about INR 249 crores. Just for information, the standalone revenue for '22-'23 was INR 295 crores. The increase in the business does augurs well for the growth trajectory of the company.

We have got a very good revenue for this quarter in the consumables for pipes, paper, dairy, steel and health care industry. We've added new printers in the food, dairy and beverage sector. We consolidated our position in the sugar industry and the cement, and we achieved good breakthroughs in the private and prominent sectors.

Regarding the expenses side. The consumption, which is the cost of goods sold, that has remained steady at about 40% of sales. This is in line with the previous periods. However, we can definitely hope for an improvement in reducing this with better optimized buying strategies.

The employee cost, depreciation, manufacturing costs and other expenses are incurred in line with our business operations.

Regarding the profitability levels. The EBITDA, PBT, PAT and EPS, which excludes exceptional items, have grown by 10.3%, 10.6%, minus 2.6% and minus 0.1% on a Y-o-Y basis. There exists a considerable scope of improvement due to higher revenues and triggering economies of scale. We believe that there is a tremendous future for the company. The way forward is very exciting.

We've got a focused marketing brand, which will lead to increase sales. We've got diversified sales strategies. The installed base for our company has increased. We've managed to have a good traction in our track and trace division. We also hope to turn around the masks and the safety products business. Regarding the foreign subsidy, Markprint, we wish to make sure that the technology is also used in the Indian operations.

The floor is now open for questions. Anybody can ask me and, or Shiva for any clarifications they would like to have on the financial statements.

**Moderator:** Thank you, very much. The first line is from the line of Deepan Narayan, Trustline PMS. Please go ahead.

**Deepan Narayan:** Good evening everyone. Thanks a lot for the opportunity. So firstly, from my side, sir, we have got a very good increase in the gross margin side. But the EBITDA increase has been quite lower due to higher expenses. So do we see this current run rate of expenses continue or we could see some margin improvement from here on?

**Jaideep Barve:** Hello? Yes, Shiva, you can continue.

**Shiva Kabra:** Yes. So just roughly, I mean, we don't know, of course, where the margins go on a quarterly basis and the expenses are booked as certain things happen. So it could be some expenses, which are higher or lower in a specific quarter depending on when they've been incurred. So it's difficult for like on an overall basis, as our revenues increase, our margin should be in line with our revenues.

Obviously, the idea is that technically, our gross margins are quite stable even in a band. And then the SG&A cost should be stable and maybe slightly declining as we get a bigger economy of scale. So of course, in this quarter, I understand your point is that the SG&A and other expenses were higher. But this I mean, for us, like I said, in general, like things can change in a quarter up or down.

But like overall, it's the revenue growth, which will drive the margins. And our size of company, even a INR 2 crores, INR 3 crores expense in a quarter here or there can change some of the other results. So I can't comment too much beyond that. But yes, so our main focus on the revenue growth. The rest of the elements of our business are stable. And then the margin should be accordingly stable and maybe slightly increasing on the SG&A side, slightly.

- Deepan Narayan:** Okay. Thanks a lot. And another question is on the user industry or our customer industry front, so how do you see this volume growth picking up for them and this capacity utilization overall for your customers going up. So do we foresee in short to medium term, there will be many new printer machine orders is possible because of this capacity utilization of this current setup is going up. So there are chances for higher growth in printer sales coming up?
- Shiva Kabra:** Yes. So in general, as the volume growth picks up, obviously, our customers will have to expand their capacity. And as the capacity increases, it increases up into sales and the number of prints that we do, which is in the end what gives us the revenue. So, I have to see like it's been a bit strange. I think like in that COVID time and the next couple of years, I think there was still a lot of expansion going on the FMCG dairy like the entire packaging sector, pharma and stuff.
- I feel, in fact, in the last one and half, two years, the industrial side has seen a lot of growth and I see a lot of projects happening here. Also I'm talking about like pipes, steel, tires, all those types of industries now seem to be more aggressive in terms of capex as compared to maybe the packaging sector. But each sector goes through its overall cycle up and down. But yes, overall, I mean if you ask me like the market seems positive right now.
- Deepan Narayan:** Okay. And how do you see these non-CIJ machines for us? Do we see this competitive position for us has been improving because of a lot of new customer references, and we could reach newer categories in these segments as well so we can establish our portioning there?
- Shiva Kabra:** So I think if you look at the growth, like overall, non-CIJ has been growing faster for us, and it's doing well. And we have some strong competitive edges out there. But we don't get all the results of our competitors, so the exactly, we don't know the exact breakup of sales. So it's difficult for us to understand. But yes, overall, I think it's actually overall, the non-CIJ is helping us partly with the market share growth to some extent. Like I said, even our market share gain is always like quite slow, not the best.
- Deepan Narayan:** Okay. Thanks a lot. All the best, I'll join back the queue.
- Moderator:** Thank you. Next question is from the line of Naysar Parikh from Native Capital. Please go ahead.
- Naysar Parikh:** Yes, hi. Thanks for the taking the question. So my first, I just wanted to understand on the printer growth. so can you give the number of how many printers we've sold and what has been the growth like?
- Jaideep Barve:** See, for this quarter, we've sold about 630 printers. And the YTD is about 2,000 printers. As compared to the previous full financial year, it was about 3,208 printers sold. So that's the printers sales for the last nine months.
- Naysar Parikh:** So exactly. I mean it is broadly similar. There is no growth, right? And if we look at your last presentation also had around 18,000; this time also, it's 18,000. So on a net basis, it seems like we are not adding too many printers. So what is the reason for that?

**Shiva Kabra:**

Yes. So getting back, I think that we are adding printers. I don't know if you guys got a chance to see our previous presentation, go through our previous two con-call notes, we've had some presentation that we made at one of those conferences. So I think that we will actually be more selective about the customers that we are trying to sell to. And we have actually reduced the amount of sales to what we call the category C and D customers, even the B customers to some extent.

So that's because it was stretching our resources. And so what's happening is that the sales are happening, but we're getting a higher percentage of sales in larger customers who are put in to use the printer more so there could be two different guys like I mean it could be Britannia and some local biscuit company.

But Britannia might make 10 million biscuits on the line. The local guy might make 5 million biscuits on the line. But in the end, for us, the printers won, but we're going to get double the amount of revenue from a brand like Britannia. So in the end, it's the number of prints that counts for us, less than the number of printers.

So that's been a bit of a focus of ours for us to change the quality of the sale and that's temporarily sort of reduced the growth -- sales growth rate of new printers. And now this is the second part where we have to -- within the existing pattern, it does not increase the sales. So the first point was to be ruthless in the way we focus on it.

But this is like one of those cultural things that happens, and it's going to take some time for the sales team to really figure this out and also increase. But I think we got the capacity in terms of the number of sales people in the market in period of time.

**Naysar Parikh:**

Got it. And in the customer segment that we want to operate, like from a market share perspective, over the last 9, 12 months, do you think we are stable, up, down? What would be your sense?

**Shiva Kabra:**

I couldn't understand the question exactly. Could you just explain a bit?

**Naysar Parikh:**

Yes, sure. So sir, what I was asking is from a market share perspective versus the other three, in the customer segments that we are targeting, we want to grow, would our market share be flat or up or down?

**Shiva Kabra:**

So I can't say specifically on what segments because, like I said, I don't get the exact details of video share dominant market in March. But broadly from the numbers, we've seen that like the four of us are still dominating the market. There's no structural shift that we have noticed from our numbers. And it seems from the numbers we have and what we've seen of our competitors that our revenue growth rates seem to be faster, a little bit faster than the last...

**Naysar Parikh:**

Okay, got it. And what would be...

**Shiva Kabra:**

Like I think it depends, like in general, we are much more strong in industrial as you're aware. And we're much stronger in the packaging sector. So the industrial sector grows faster than in

general that would lead to slightly higher growth rates for us. Even though we are focusing hard on the packaging sector, not that we've given up.

**Naysar Parikh:**

Right. Understood. And for this...

**Jaideep Barve:**

And just to answer to your question, see, we've got about 18,000-plus filters of the IP. So -- and we update this number, I mean, with 500 or 1,000 printers, net printers. So definitely, in the next quarter, we'll update our figure. But it's 18,000-plus. So be rest assured about that.

**Naysar Parikh:**

Understood. And just if you could give the mix for this quarter between consumables and printers, the way you usually give?

**Shiva Kabra:**

The revenue you mean to say?

**Naysar Parikh:**

Yes, revenue mix.

**Jaideep Barve:**

Yes. So the printers contribute about 16% of our business, the consumables 62%, spares 7% and service would contribute about 14%.

**Naysar Parikh:**

Right. And have we taken any kind of price cuts or something on consumables? What is the reason that growth has slowed down in this quarter, we were clocking 15%, 20% growth -- 18%, 20% growth in the last two quarters. This quarter, it's lower. Is there any specific reason?

**Shiva Kabra:**

No price cuts, for sure. But no price increases. I think our pricing has been flat. I think we took some price increases in the end of last year sometime and they have translated sometime in the end of last year, Q4 of last year, Q1 of this year. But since then, there have been no price increases. Even if you look at the discounting and the other structures, there has been no change. So the prices are absolutely stable.

So what is the growth it's called volume growth for the last, I don't know, whatever, 8, 10 months. Yes, so I don't think that -- like I said, from a quarter-to-quarter basis, it's difficult to see in a company of our size because we feel that the pipeline looks good now. It can come sometime in some quarter, some things can come in some quarters, we could sell an extra 40, 60 printers in one quarter, which could make INR 1.5 crores difference. So it's difficult for me to say what it is.

Like it seems good so far is what I would say, but like the market can turn in our past experience like pretty fast. And it's not like completely going to stop because the basic growth is there. But customers can postpone some decisions is what we're seeing. But like I said, overall, we are seeing that we're doing bigger projects and bigger cases as our focus has changed, and these have longer gestation time. So the slight lumpiness in the printer sale is actually increasing is what I'd say.

Because when we are focusing more on the bigger customers, we're going to do bigger projects with them. If it goes through -- it gives a slight bump and then if it doesn't, then it doesn't. So

I'm expecting the printer revenues to be a little bit more up and down. But I think the rest of the business should be quite stable. And that's like 80% approximately for our business.

**Naysar Parikh:** Yes. Got it. Just one last question. If you could just give an update on the Markprint and the Track-and-Trace those initiatives, where are we and how is that going?

**Shiva Kabra:** Yes. So the Markprint, as you know, we've been working more closely with them. And in fact, we are hoping to have a couple of projects in India now that where we are trying to look at how that works out. We've got a pretty good technology evaluation, which is the reason why we invested in them.

So even they need to & we need to increase their sales and like their capacity, both on the sales side and on the service side. They also have a pretty good product, and they can also increase their North American market and margins and make it a little cheaper here.

So some stuff is going on. We have a bunch of stuff that's been happening out here in Control Print itself. So like I said, it's been slower, but it's actually now, I'd say, like at least in the last six months, I'm much happier with the progress we're making rather than compared to before or maybe the last six to eight months.

So there are some sales that we that will not come up in Control Print. If those sales, I think what we like Markprint would do directly to some Indian customers that happens. So that part needs to be figured out.

We've also put some specific sales resource in India, would look at some sales for marketing some opportunities. So one of our experienced people we shifted in and hopefully that should give us -- I mean, like I said, these are also long gestation projects, I just want to reemphasize. If we start something now, we should not expect results for like six months is what I would say. But then as least it starts.

And then as far as the Track-and-Trace goes, that's actually going quite positively. We are about to finish one of our major installations and start the second phase out there. So I think that will give everyone a lot of confidence in our own team and everyone else. We've obviously been a bit slow on it because we had a bunch of niggling issues or teething issues because we're starting it off, and we had that in a couple of smaller projects. Now that we've got that thing of how exactly to execute at pace by maintaining the quality now, I think it's easier for us to go to and pitch to other customers.

**Naysar Parikh:** Okay, got it. Thank you, Shiva. Thank you, Jaideep. All the best.

**Shiva Kabra:** Thank you.

**Moderator:** Thank you, sir. Next question is from the line of Deven from Marcellus. Please go ahead, sir.

**Deven:** Hi, Jaideep. Can you explain why was the tax outgo significantly higher this year compared to the last year?

- Jaideep Barve:** See, what has happened is that the proportion on the sale of investments, the sale of shares has increased in this quarter and the nine-month period as compared to the previous year. And what we do is that we follow the Ind AS. And in the Ind AS, all the proceeds we have to show in the other comprehensive income, which is below the line. Whereas, we provide for the income tax as per the Income Tax Act and Rules. So the hit of the income tax goes above the line. So that's why there's a skewed percentage change in tax as compared to the previous financial year.
- Deven:** Got it. But for the full year, the average tax rate would remain in that 17%, 18% ballpark, right?
- Jaideep Barve:** We would still get about 17.47%. We follow 115JB calculation. So that should not be an issue.
- Deven:** Got it. And Shiva, sir, you mentioned that one of the reasons the revenue growth has decelerated is the focus towards big customers. Did I understand that correctly?
- Shiva Kabra:** We don't think it's decelerated. We are happy with the results we had. Like I said, we don't look at it so much on a quarter-to-quarter basis. So I'm looking at more like on a nine-month or a trailing 12-month basis. So we feel that's good. But more importantly, I would look at the CRM and I would look at the pipeline, personally. And we're comfortable with that.
- But I said that because of focusing on larger customers, the lumpiness of the printer sales is going to increase. So we don't think that, obviously, we'll not do something that will decelerate our revenue growth that would be stupid. So we don't want to do that. We feel that this will help us maintain the revenue growth without stretching our resources that much because since we have a limited number of resources like this, what we'll do is we have to like put that focus where we have the maximum return.
- And as you all know, we had an investment in ICIPL, and we hope to sort of like improve the focus so that more of the C and D accounts are being handled by them, maybe even the B, C, D accounts, and we're only focused on the A and the massive customers of India. So it's not about reducing the revenue growth rate. It's about -- there's going to be some more lumpiness in the printer sales because we're focusing on larger customers, the individual cases of larger numbers, and they could be up and down. So that's why when you said 1, 2, 1, 2, it sort of stabilizes your overall...
- Deven:** Understood. So it's not like we will stop complete -- we will stop catering to the SME clients. That revenue will shift to innovative growth.
- Shiva Kabra:** No. Whatever people buy from Control Print, they're going to buy, and obviously there's a price gap when you buy from us versus you buy from ICIPL or some of the smaller players. But the thing is that even if the price gap is there, sometimes it puts a bit of stress on our service and other resources that are there.
- So that's the reason we want to focus more on the larger customers because what our understanding is that even for large customers, they want more in-depth focus. Like they want - - so what they're paying Control Print for is reliability, that's one thing.



But I think now from the sales side, they also want like a lot more export advice. So it's not like I sell the product, I'm buying the product -- I'm buying your product because it's reliable. I think that there is also like a feeling that I'm buying Control Print because we are like experts of this. So not only are the products high quality and high technology, but the guy is -- it's like over a relationship manager like to some extent. And so they'll address all my concerns.

And also at the same time, they know about my business, and they'll recommend the right set of products. Because now we have like -- we're not just selling the inkjet printers anymore, we're selling like a bunch of -- not just continuous inject printers, we're selling a bunch of products. We have Track-and-Trace. We have other things.

So we also need to make sure that we are reorienting ourselves to maximize those sorts of solutions for our customers rather than just being a sort of product sales type of focus. So it's a bit of a transition. We're like part of it, but I'd still say like it's going to take at least a year for the culture to like change and even the efficiency to come back to normal, so to speak.

**Deven:** Understood. And finally, for Jaideep. Sir, in the investor presentation, you have mentioned that manpower costs were higher because of annual incentives, but when I look at FY '23, like Q3 of FY '23, I don't see any significant jump in employee costs last year. So, has something changed in terms of accounting this year?

**Jaideep Barve:** No, there's no change in accounting. I mean we have a cycle of performance appraisals. So the incentives are given to the higher management in this quarter.

**Deven:** Got it. But every year, we give that in Q3 or that again keeps on...

**Jaideep Barve:** No, that will depend upon the business needs actually, I mean quite frankly, I mean, it ought to be done in -- by end of Q2, but this time we have done it in Q3, sir.

**Moderator:** Thank you. Next question is from the line of Rashmi Sharma from Samar Wealth Managers. Please go ahead.

**Rashmi Sharma:** Yes. So my first question is that company have been doing well at 16% CAGR for last three years. So what can be the future lower drivers of the company for next few years?

**Shiva Kabra:** So I'll answer that question. So you see like in the end -- like we discussed, in the end it will be dependent on the volume growth of the manufacturing industry in India, in one way or the other. So nothing is in our control, frankly, in terms of the number of prints that are there.

So we might sell machines to something like a Century Plyboards, I mean it depends on how many plywood boards keep selling in the end, that's what's going to be the end driver of our revenue. So and in the end, what that means is, if the plywood industry is growing and the number of plyboards is increasing, then Control Print's revenue would increase. If you're selling to some dairy or person -- in the end, we are sort of dependent on the dairy industry to grow or especially the organized packaging part of the dairy industry, which is where we focus.

So we are like more of a -- we don't have that like a complete control for the destiny in our own hands because in the end, we require like our user industries to grow, and we are dependent on them. We're not like a B2C company, where I'm selling shampoo and I can do some sort of promotion and chip people's wallet from something else or something else.

It's a compliance-driven business also. So that's one of the main reasons to it. And then, of course, for a lot of customers, it's because of brand name and other things.

**Rashmi Sharma:** Okay, sir. So sir, are there any plans or strategies to explore and expand in new regions?

**Shiva Kabra:** I couldn't hear you that one clearly. Could you repeat that, please?

**Rashmi Sharma:** Like my next question is, like are there any plans or strategy to explore or expand in new regions or new countries?

**Shiva Kabra:** Yes. So I'll just go through the thing of what we're looking at because you asked about both, so what we are trying to do is, we've taken three definitive initiatives. One is we started QRiousCodes, which is our Track and Trace division. The second is we've looked at one exploratory product in the packaging area, which is called V-Shapes.

And then, of course, we purchased Markprint. And we've also started now, to some extent, more actively looking at some sort of digital printing, hybrid-type printing solutions that we're providing to customers. So these are the three growth initiatives that we're doing beyond our standard coding and marking business. We sort of well-placed out in our standard coding and marking business with our product range and our technology. And of course, this keeps upgrading.

So there's a five years to seven year cycle, we follow keep trading in all products and getting new ones in, but it's okay. We've got a good product range right now. So we are hoping that we continue to do well in our core business of coding and maybe with the Track and Trace, with the packaging, with the part, like digital printing print through Markprint or part hybrid things like maybe we will -- we can get some extra sales, but these are like exploratory strategies, so we'll find out.

And as far as geographical expansion goes, that's something we've looked at. We've actually exported quite actively. Then because of COVID, it just happened as we were like about to sort of explore into the Middle East and Africa. And we had some sort of arrangement with KB for that because then after COVID, the whole thing went cold, then frankly, after that, in Sri Lanka, we had a disaster because it may ran-off foreign exchange or some economic crisis, and we lost a lot of money because we had invested, looking a good market was growing.

And I think they stopped us from getting our money back, and we lost a lot of I don't know Jaideep could explain it to you, but we must have lost like 7 crore to 8 crore is that because the money we'd invested had sort of being converted into Sri Lankan rupees and it had depreciated and all those sorts of things.

So after that, there was some more pressure on us to consider our expansion internationally with a lot more care, so we're still looking at it and I still want to -- something we want to explore. We have taken two, three other initiatives already.

And in a way, Markprint and other things are international in a way, so we're going to look at it. And -- but right now, I can't tell you anything, but it's not something we've given up on completely. But there were some reasons why for three years, four years, it was off the plate, and even now, Sri Lanka was a bit of a sore point for everyone. And now hopefully it is getting back on track. So just to keep you posted. But we I can't tell you something that if you're looking at it or not, if we do something -- but it's not something we've given up on, but we still hope to explore it.

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

**Saket Kapoor:** Sir, I missed your point, Mr. Shiva, when you were explaining about our Track and Trace initiative and also on the V-Shapes part. If you could just elaborate, pardon me for the sake of repetition also, where are we in midst of these two initiatives? And what can we expect going in especially from the V-Shapes part? And have you done with our some investment for V-Shapes, currently? This is my point.

**Shiva Kabra:** Mr. Saket, so regarding V-Shapes, I don't know, Jaideep would have -- we would have published something. I think we had started a JV company. And I think this is a INR10 crores was sanction capital out of which we spent some part of money. Jaideep, I don't know, if you can -- may be provide those details are public, I think, but I don't know, approximately this, if I remember correctly.

I don't know if we've spent the entire amount or invested the entire capital or we're going to do it in two phases or something. But approximately, we've done that. We have the V-Shaped machine, we've invested in this thing. One of the key problems we're feeling is that the cost of the sachet is quite expensive. So -- I mean, I reckon the pharma industry can afford that type of expense.

But even the premium cosmetic industry and definitely the food industry cannot afford that. So we need to see how we can lower the cost, cost of the material, and that's something we are working on quite actively. We're also working on manufacturing one machine, which is of a lower volume capacity or lower speed rather. And that machine, we're going to be manufacturing in India.

And so these two initiatives -- so we still need to work more on getting the cost of the laminate, the material lower because for the customer, the per sachet cost is the most important aspect. So we are working on that. And it's a complex material to manufacture. It's also patent protected. So from both angles, of course, the patents, we have those rights for it, but because it's a complex material to manufacture. There are very few people, if not anyone in India who have that capability to manufacture this laminate.

So we are still working. When we import from Italy, it is quite expensive. So that's one of the bottlenecks we have to look at. And -- but the market is there. We've seen good interest in the product because it's a premium product and it has some functional use values also which are good.

As far as Track and Trace goes, as I explained that we are executing one project, we're at the end of the Stage 1, and we should hopefully get another part of the business. And when this is one of the bigger customers in India. If that goes live, then it will give confidence to everyone in our own team. So we can be more aggressive on it and other customers also.

**Saket Kapoor:**

But what goes around for the Track and Trace part, but if you could just elaborate more on it? How does it work? And what is the ecosystem that you are trying to develop, sir?

**Shiva Kabra:**

Okay. So the first part is like, so the Track and Trace is, okay, it's quite specialized thing. It's not the best place to explain it, but essentially what you do is, you need to -- the government of India, for example, in pharmaceuticals has mandated for the top 300 brands to print a QR code on the thing.

Now even there are some other markets like some rest of world markets or other types of things where they have to trace their product through the entire supply chain. So what I would do is suppose, I mean, giving you an idea, suppose you have a blister okay? Let's take it, I say a Disprin, I will print a QR code on the Disprin.

Each different Disprin strip will have a different QR code. Each of them will have their own serialization, which will create and what we do is, we do through a blockchain type of a software. So there's no duplication of the same. What that will do is because they have a QR code, and then each -- suppose I take 10 Disprins and I pack it in 1 carton. Then when we have a camera suppose it detects that each Disprin that's printed, whether it's printed perfectly, whether it's scanning at A grade or B grade, what sort of level of scanning is happening.

And if it's not scanning at the criteria we've set, it'll get ejected from the line. So that's the ejection/rejection mechanism that's there. Then it will get agglomerated. So when it's going inside the 10 packs of Disprin, say are going in one carton of Disprin like one carton or small carton of Disprin. Then on the carton, there will be another code, that code would enclose the information of all the 10 individual blisters of Disprin, which have gone inside the carton of Disprin.

Then when that Disprin gets packed in another shipper carton that will also contain a code, it will also contain the information of, say, a 100 carton get packed in one large carton. And when we enclose that, we will get the information of those 100 cartons also so that in that carton you know each of the 1,000 blisters that are there, then what we can do is use that for your line maintenance.

So that first when anyone clicks it, we have a shortened URL, which can authenticate the product for the user, that's one part of it, but then you can use product diverse and you can use it to also make sure how much your -- whether it's being sold in the right place or not, sometimes people

have free samples that they give their MRs, and they want to check whether it's being sold or what was given as a free sample or it is not. So there's many various different types of metrics you can use. But of course, one of the key is just things to do also manage your inventory across all locations by having this sort of system.

So there are -- basically, it's like a sort of system that needs to be there. There are multiple cameras in each place because each barcode needs to be scanned and verified the quality of scanning of each barcode needs to be there. There's needs to be an ejection/rejection in each part of the line.

The software, of course, the printer is one critical part of it, and that's maybe the most difficult part. So -- but the agglomeration needs to be there. there's a separate thing within all the data that comes, nothing is stored in our printers, nothing is stored locally.

I think we upload it to Amazon or something. So for each client, we set up their own cloud stack on Amazon. And then I think on AWS or something, but of course, if they have their own internal database, it can be uploaded there. And so it's on the thing, but it's not -- we never control the data because legally, we cannot do that.

So if we do it for the client. And then, so they've got all that sort of data out there. And then, of course, that is used for the customers to validate all their transactions and to validate the authenticity of the product to maybe sometimes these, in pharmaceutical not, but in some other types of industry people also might give a discount on that, like maybe like to give your details and you can win a trip to South Africa or something like that, something else can happen. So some people can also for marketing reasons, in pharmaceutical it's used for compliance so that's a basic idea of where this thing is.

**Saket Kapoor:** Okay. So this will lead to incremental consumer demand...

**Shiva Kabra:** Understand that if you see one of those flow diagrams from our team and if you actually see it on the site, like so that's a -- there's a much more complex thing if you've found you but Jaideep, maybe we can try to do -- we can try to put some sort of video presentation on this next time, we'll try to do that, okay?

**Jaideep Barve:** Yes. Why not. We can.

**Saket Kapoor:** So just to conclude that this will lead to incremental demand for our consumables or the printers any special -- as a category of printers will be required for this purpose or the existing ones will only work? And how are -- the consumables is the one where the demand will be?

**Shiva Kabra:** So the existing printers work. In general, because you need a higher quality of printer maintained QR code, you require high quality printer. Normally, in pharmaceutical, frankly, 95% of our installations that are done with our thermal inkjet if not more. So that is the printer of choice for this application, a thermal inkjet. And we're strong in the thermal inkjet, so it works well for us.

Of course, there's some executional ink revenue that doesn't come to this specific team. So I don't know we have some like internal thing that we do. But of course, there's also like an AMC to maintain this entire infrastructure because the -- if this was the customer's, he doesn't buy our printer and someone's camera and someone's software, like he wants -- we have to do the entire thing.

And so the software capabilities and the product capabilities and the integration of the entire line, it's like so slight type of automation, compliance or automation where you are -- from a different angle. And of course, the printers are an important part of it. So it's more strategic in nature, I mean, of course people will print extra because now they have a QR code. But in the end, people will print whatever the government tells them to print.

So that's the basic rule. If the government tells them to print a QR code then of course, that takes a good amount of ink. So that's good for us. But it's a regulated industry. It's not for everyone. It's so specific like pharmaceutical and even now some agrochemical and seed customers, I believe have to implement the same. So it's for those compliance related driven industries.

For the rest of the people, there are a lot of people who use it, but that's mainly for some marketing campaigns that give this and you get a, you buy four and you scan and you get a discount on something or something like Paytm credit or whatever. So those are like different things, but they are not a compliance-driven people.

**Saket Kapoor:** Sir, the small point I have is how are, I mean, how was the consumable utilization levels improved? And what are we expecting going ahead with the improved sentiment as Shiva, sir, mentioned from your customers? What would be the increase in the utilization levels for the consumables. And for Markprint, as we have observed that for the last -- sorry for the last...

**Shiva Kabra:** One question at a time because...

**Saket Kapoor:** Okay, okay. First one, I would like to understand how the utilization levels for our consumables are going to trend going ahead with improved sentiments from our customers?

**Shiva Kabra:** Saket ji, as you know, we keep doing some de-bottling. So we're still operating between 50% to 70% capacity at Guwahati. So we still have that capacity. So we have added some more equipment's there in the last year and like even in this year. So we've continued to maintain that capex to cater to that increase in capacity that for the fluids manufacturing, more on the specialized side. But yes, it's there.

**Saket Kapoor:** So the utilization levels have not improved, sir, when you were mentioning about...

**Shiva Kabra:** No, if we sell more consumables, we also have increased our capacity that much. So it is -- our factory capacity has also increased, our processing capacity for manufacturing the consumables has increased. So we are still less than 70% capacity utilization at Guwahati.

**Saket Kapoor:** Okay, sir. And sir, for the Markprint part, the revenue has declined, I think, so for the year ending '23 versus '22. So any specific reason why they have posted lower turnover?

- Shiva Kabra:** For what?
- Jaideep Barve:** For the Markprint division.
- Shiva Kabra:** Yes. Just because -- so okay, we have one person -- somebody ex Magnum who's looking at it and some other things. They're doing better, it's not doing badly, but like it's and that's working fine. So there's no like pressure on them. It's going as it is.
- Saket Kapoor:** Okay. And sir, in rupee terms, what have been our investment as on date?
- Shiva Kabra:** In what?
- Saket Kapoor:** How much in Markprint, how much have we invested? I think now 80%, we are owning the company.
- Shiva Kabra:** Yes, in Markprint, we have EUR1.75 million is the total investment -- no EUR1.7 million, EUR1.7 million is the total investment we made in Markprint from the beginning to now.
- Moderator:** Sorry to interrupt. Saket Kapoor please come to queue again. Our next question is from the line of Chinmay Nema, Prescient Capital. Please go ahead.
- Chinmay Nema:** Thank you for taking my question. Could you talk about our wallet share presently you are supplying to a client then are we the only supplier or are there other suppliers as well? Could you tell us what's the typical wallet share?
- Shiva Kabra:** Can you just repeat that question? I'm sorry about that. I couldn't hear you clearly.
- Chinmay Nema:** I just want to understand what kind of wallet share do we have for a typical client are we the only supplier of printer and the consumables or are there other players as well?
- Shiva Kabra:** No. So for a typical client, like I said most clients tend to have on supply in one factory, some definitely have two or even three of us. And inventory is, like I said, in one factory to keep one supplier, but we have something where in one factory, there can be two suppliers. There is no saying it would be less for us, it would more for us. But in general as far as the industry goes, so our measurement is that this year will be like INR 2,000 crores or INR 2,100 crores.
- Last year, it was about INR1,800 crores, INR1,750 crores, INR1,800 crores or something. So like I think it's going to grow about 11%, 12% this year. And obviously, now if you take our revenue was INR291 crores, how much -- something like that last year and the industry was approximately between INR1,750 crores, INR1,800 crores. So then you get an idea of our revenue market share overall.
- And this year, of course, we can take the market will be INR2,000 crores or INR2,050 crores somewhere between that size and what about our revenues. So it's a -- I mean if we calculate it, it's approximately somewhere between 16% and 17%. It depends on -- 16% I'd say like 16.5% is the number that what we're doing right now -- maybe we said 16%, 17%, something like that

is our revenue market share of the overall -- of the industry and then from customer to customer, it just depends.

**Chinmay Nema:**

No, sir, I was actually referring to wallet share. But that's all right, I understood. Secondly, could you talk about the nature of our contracts. So what kind of contracts are these long-term contracts? When do they get renewed, some colour on that aspect? And additional part of that question is what kind of price hikes are we able to take like what has been the trend in the past? And how do you see this going in the future?

**Shiva Kabra:**

Yes. So in general, our capital equipment lasts for between 10 to 12 years. So an average working life for printer once a customer purchases is approximately that much. That's the working life. And then what happens is customers tend to start replacing the printers once about 9-10 or 11-12 years old. With some new equipment, they'll upgrade their lines also a lot of times and they'll upgrade the equipment also a lot of times depending on the situation.

So that's the approximate life of our printers. And so once the customer purchase the printer, of course, it's his property. And we have a tag on the printer, so as long as the printer belongs to him, he's locked into using our consumables, so to say? So it's -- and that's obviously where the majority of our revenue comes. And like in general, like I said, like that's the life of the printer.

In some cases, we do have a lot of contracts, and it's been increasing as a percentage of our turnover where a lot of customers outsource entire coding and marking business to us or at least factory to factory and we charge them on a per bar or per pipe or whatever type of basis and that -- so normally those contracts like three years at the very minimum to like six years, depends on customer to customer depending on how the whole calculation works out for us.

So yes, those are the different types of sales that are there like, obviously, for us, you always pay for the capex, we just sell the printer and then it's customer's property even though the margins are a bit higher on the -- when we do the entire business for the customer. So the margin is normally higher than that. We normally before that the customer buys the printer.

And for the last part was about the price hikes. So we don't normally hike regularly every year. But whenever there is a cost increase, then we pass it on. So our last price hike was last in Q4 of last year in Q3, Q4. In Q3, we announced it last year, and then by the time it got implemented, it was Q4 of last year, Q1 of this year.

But yes, we might increase the prices depending on the foreign exchange rates and depending on the type of inflation that's happening. But so obviously the only area where we increase the price every year and our service charges, but not necessarily in the inks or something sometimes might increase the printer price so it just depends. If our cost increases, then we increase the prices, but normally we don't tend to just increase the prices if there's no increase in cost.

**Moderator:**

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



**Karan Bhatelia:** Shiva, I just wanted to understand, given the ongoing global supply chain challenges, do you think we can get some benefit of this in the near term?

**Shiva Kabra:** No, there's no supply chain challenges right now. I mean at least for us, there's not been that much of an issue. Definitely, we had a problem in that COVID in the past 1.5 years post -- now I think it's quite streamlined.

**Karan Bhatelia:** No, I was more referring from the Red Sea point of view given the global disruption in the supply chain, you think we can have some benefit?

**Shiva Kabra:** So in the end, it depends if that means more manufacturing is going to happen in India then we'll benefit. If it's just like a temporary their freight rates for other people will increase like I don't see that affecting us too much. So from what I understand, any reason the Red Sea, it's more of the oil and gas type of bulk of products, which are more affected. So obviously, like in the end if India's manufacturing picks up, then we're going to get a chunk of that. We're going to get a chunk of the print -- the coding and marking requirements, track and trace requirements, the other types of things that they require.

So in the end, like I said, that's obviously like one of the negatives of our industry that we can't create our own demand. We can't like create some sort of like a food snack and advertise it and do what -- like it depends on someone else to sell his food, then we will benefit from that.

**Karan Bhatelia:** Yes. Thanks for the clarity. Any closing remarks you want to make?

**Shiva Kabra:** Yes. I think that I just want to first thank everyone for coming. We really appreciate your time. And for us, this was a stable quarter. There's a couple of transitions that we're trying to do, which we'll see. One is, of course, we've been implementing our own sales strategy -- our new sales strategy this year. And three quarters into it and I think it's going to take another four to five quarters for the cultural shift, the mental shift is much more difficult than anything else, frankly, than I think it's going to take another four to five quarters for I think that to be streamlined.

And hopefully, that will then result in not only better sales in terms of which we're already doing in terms of that quality of sale has improved, but also like the quantity will bang up -- so we'll have that dual benefit part. Again, like I said, there are some items that people asked on, and I don't know, probably Jaideep has explained very perfectly like there are some like changes that happened on a quarter-to-quarter basis, and it just depends.

Maybe like a trailing 12-month basis is a better thing to look at. But it's everyone's call. But of course, like the three initiatives that we've done in Markprint, with QRiousCodes and with like our own track and trace division, so I think -- and V-Shapes. So I think like -- and we're seeing, think V-Shapes might take a little bit more time because of the cost of the materials. But I think that there should be some traction, at least in the QRiousCodes, in Markprint we feel more positive that we should get something like this better integration with one of these projects now.

So it's -- and hopefully, it's still a complement to us in the long term. But again, in the short to medium term, it's a small business, that's going to be the main driver for our company.

**Karan Bhatelia:** Yes, Aditya, over to you.

**Moderator:** Thank you. On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

**Shiva Kabra:** And I also wanted to thank you Karan and AMSEC for hosting this. Thank you.

**Jaideep Barve:** Yes. Thanks AMSEC, thanks Karan.

**Karan Bhatelia:** Welcome, sir.

**Jaideep Barve:** Have a good day.

**Shiva Kabra:** Thanks, everyone. Thank you.

**-X-X-X-X-X-**