



“Control Print Limited
Q1 FY2021 Earnings Conference Call”

July 27, 2020



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

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



Control Print Limited
July 27, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Control Print Limited Q1 & FY2021 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you Sir!

Karan Bhatelia: Ladies and gentlemen, good afternoon and welcome all to the Control Print Limited Q1 FY2021 earnings conference call hosted by Asian Market Securities Limited. From the management side, we have with us, Mr. Shiva Kabra, Joint Managing Director; Mr. Rahul Khettry, CFO. I now hand the conference to Rahul Khettry for his opening remarks and then we will open the floor for the question and answer. Over to you Rahul!

Rahul Khettry: Thank you Karan. Welcome everyone to the first quarter FY2021 earnings conference call of Control Print. We appreciate you all taking out your time from the 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 me start with a brief on Control Print followed by specific analysis on the financials of the current quarter and end with a Q&A session. For those who are probably reviewing the company for the first time, the detailed presentation has already been put up on our website as well as in the investor presentation notification put up on the exchanges for this call.

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 a capability to manufacture printers as well as consumables in India giving us an advantage to share the benefits with our customers. This also gives confidence to customers for the long-term partnership with Control Print.

We have our manufacturing facilities in Nalagarh in the State of Himachal Pradesh for the manufacturing of printers and 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 Guwahati plant and in addition we have also started manufacturing some printers in that location.



Control Print Limited
July 27, 2020

We have a strong sales and service team of 350 plus engineers across our 12 branches, which gives us the advantage to service our customers efficiently because predominantly the after sales service is very critical to maintain the customer satisfaction. The 12 branch offices across North, South, East, West and Central India gives us the advantage to be in direct contact with all our customers in a timely manner, since our products are critical to their production process. Post sales of printers there is a continuous demand for consumables over the life of the printer, which typically last for five to seven years depending on the operating conditions. We have our complete attention on the customer's requirements to ensure the production is never affected and service requests are attended immediately thereby gaining our customer's confidence.

We have an end-to-end SAP ERP system, which ensures maximum transparency in accounting, sales and after sales service as well as total control from raw material planning and ordering to receivables collection, and is integrated with our CRM system, which gives the confidence to the team, the customers as well as our auditors and our investors.

We have a widespread customer base catering to multiple industries like pipes and cables, metals, automotives, food and beverages, FMCG, pharma, etc., and we continuously endeavor to customize our products to reach out to other industries to increase our installed base. We have the entire range of products in our portfolio to meet the coding and marking requirements of the industry, the details of which are elaborated in our company presentation. As of today the company has an installed space of 12000 plus printers across industries, which enables the sale of consumables during the lifecycle of the printers.

We are very confident that we have the best in class products to meet the requirements of most of the substrates, which gives additional advantage to the customers to do business with Control Print. With a strong foundation and five pillars that are man, machine, material, technology and finance well established to augment our business plan we are confident, and continuously striving for greater heights.

Let me give you a brief analysis of the financials of Q1 for FY2020-2021.

These are challenging times for the Indian and the global economy and the human race has not experienced this kind of disruptions. Complete lockdown of the country is unparalleled to any disruption experienced in the past several decades. These are extraordinary situations when the strength of the company is tested and we can assure you Control Print is geared up for any challenge. We are financially stable and robust in spite of slowdown in business environment beyond our control and confidence to regain the lost ground at the earliest



Control Print Limited
July 27, 2020

opportunity. This stability of Control Print has been reaffirmed by credit rating agency CRISIL with an A rating after considering the short and medium term impact of COVID pandemic. Our investors can maintain calm and belief on the company's management for a quick recovery and then optimistic future.

This quarter was affected due to national lockdown for the COVID pandemic and the month of April 2020 was a complete shutdown. The customers started opening up their operations as per the government guidelines in the month of May 2020, but in a staggered manner and the ramp up of production was slow due to uncertainty on the way ahead and the implementation of the unlock guidelines. In effect we scrambled only 45 working days in this quarter. However, in spite of only 45 working days available in Q1 our EBITDA(excluding exceptional items) was at par with Q4 FY2020 in spite of lower revenues as compared to Q4.

The EBITDA, the PBT and the PAT all remained positive in spite of impact of COVID 19.

Revenue in this quarter is lower as we have limited working days due to national lockdown; however, we had a quick recovery achieving 70% of the pre-lockdown revenues.

Gross profit for the quarter has improved because of better product mix skewed more towards consumables. This validates the management's conviction that profitability will be achieved as the revenues increase, driven by consumables, due to increased installed base. The margins are healthy with Gross Margin at the rate of 67.6%, Operational Profits at 17.3% and EBITDA at 24.3% in spite of challenging quarter affected by national lockdown. The main drivers for the margin are better product mix and stringent cost control.

I will now brief you a bit on the performance of various divisions, products and business segments.

Printers and consumables continue to show a positive demand in spite of challenging environment and a strong signal for increase in momentum of industrial production. The increased installed base will drive the business in the coming quarters.

The flagship division of CIJ, had a strong recovery on reopening of the lockdown and the momentum is picking up. We are confident to continue our dominance in some of the industries where we have a strong hold like pipes, cables, steel, food, beverages healthcare, etc. Our product launches of CIJ printers, High-resolution printer and TTO printer continue to have a strong traction due to acceptance of the printers by the market and we are confident of their potential in the coming quarters and years. With dedicated national level



Control Print Limited
July 27, 2020

managers driving these vertical, with focus on specific sectors like dairy, beverages, bakery, food and frozen food, ready-to-eat, pharma, packaging, plywood, lubricants, carton coding, etc., we hope to cement our leadership position in these applications. We have realigned our sales team to specialize in these segments, which will give these new products a desired impetus. We have also assigned separate managers to focus on the OEM sales and key customer account and the strategy is showing encouraging results and should yield good quantum of business.

LCP business though reported a decline but we are changing our focus to non-LCP business and the team is confident of generating business in the coming quarters in sugar and metal. The High-Res business has show good potential and will continue to grow in the coming quarters.

Laser business is expected to climb back as product technology is being improved and the team has been changed. This has yielded good dividend with positive response from the customer and new opportunities expected in the coming quarters.

The face mask production has started and the company has declared commercial production with effect from 24th July 2020. This will contribute to the company's revenue and profitability in the coming quarters but we are not making any early predictions due to the volatile market conditions.

The company has strong cash flows and the trend is expected to continue.

While COVID-19 has impacted the economy as a whole we are well placed to capitalize on any revival of demand led by complete range of products, strong presence across industry and a well established service network.

Fundamentally the company remains strong and we are continuing to work on our planned strategy as we are confident of the growth potential to deliver positive results.

I would like to end my opening remarks on a positive note that Control Print is part of the top 1000 companies on the stock exchange by market capitalization. It has improved its position by 114 places and stands at 808 as on March 31, 2020.

The floor is now open for questions.

Moderator:

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



Control Print Limited
July 27, 2020

Dhavan Shah: I have a question on the gross margin improvement so would it be possible to share the revenue contribution based on the industries you catered so on the sixth number slide you mentioned some 9, 10 industries like the agrochemical, automotive and all this FMCG so would it possible if you can share the revenue percentage numbers based on top 5 or 6 industries and which industry has contributed the most to the overall topline number for the last quarter?

Rahul Khettry: So to be honest there is no directly link between the industry that we cater and the gross margin, but to give a better understanding on the gross margin as you have said and I did mention in the opening remarks that the management believes that the gross margin is definitely going to be driven by the increased sales of consumables, which you have been seeing in the previous quarters also and in this quarter since the consumables product mix has seen more positive so the gross margin is showing an improvement, which is what we believe in and going forward also as the installed base keeps on increasing of the company the consumables will drive the gross margins and the management believes that this is a positive sign. Coming to the second part of your question, which is related to the industry, this was mentioned in the previous call also that we do not give a detailed breakup of industries as it is not available on public domain for even our competitors, but we do say that we are more skewed towards industrial sector and we have about 60% on the industrial side and 40% on the packaging side.

Dhavan Shah: Okay, so can you share the revenue numbers for the printer and the consumables for the first quarter FY2021 and the corresponding quarter for the last year in Q1 FY2020?

Rahul Khettry: Current year we all know has been affected by the lockdown and things were opening up more in the month of May towards the end, so companies are more focused on starting up their operations and ramping up the current capacities rather than installing new capacity, so printers have been slightly low though we have not seen much of them being cancelled, I would say they are more deferred which we will see coming in to Q2 and Q3. Reason being people want their current capacities to be utilized before they spend on new capacity, so some industries have been ordering new printers. Product mix in this quarter, printers we have done about 10% to 11% on the consumables, which are the more positive is about 65%, 66% and the balance about 24%, 25% is on spares and services. Previous quarter FY2019-2020 was 19% on printer about 62% on consumables and the balance on spares and services.

Dhavan Shah: Okay and one last question is on the strategy part, is there any strategy we started manufacturing face mask production, so how is it correlated with our business line?



Control Print Limited
July 27, 2020

Shiva Kabra: I think very clear this is something that we have got for a temporary situation only to sort of support our country through the Corona crisis. I think that we just believe that all large companies, which have engineering capabilities should be doing something because we know what the quality of, not being negative, but a lot of other companies they do not have the same quality and capability or we just felt it was the best thing to do and we saw that other countries whether we look at the U.S., I know something even whether GE or BYD or something that other things are doing a temporary to support the Country. We just felt we could do something and not to lose any money in the whole process other than something is good if we can help them we should...

Rahul Khettry: Just to add to what Mr. Shiva said that we had engineering capability, the lines have been successfully installed in our plant in Nalagarh, the commercial production has already been declared and we are getting good demand. The best part about this whole process is that our existing customers who are having multiple factories across the country are in touch with our engineers and placing orders for these face masks for their in-house utilization. So our existing printer and consumable customers are automatically purchasing because of the brand image of Control Print placing orders for face mask on us, so it is very encouraging to see that our customers continue to believe on a different product that we have launched and even without a very high marketing budget we are able to sell our products to our existing customers, so that itself speaks a lot about Control Print.

Dhavan Shah: Got it Sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Thanks a lot for the opportunity. I just wanted to understand have you seen any improvement in market share of newer technology printer, so what is the current contribution of them and where do we see for the same over next three to five years?

Rahul Khettry: I think the new printers, which have been launched have really got a good acceptance in the market, we really do not know about the market share as of now, but as far as Control Print is concerned the demand has been quite bullish, the customers continue to place orders for all the three types of printers that is the TIJ, the high-resolution and TTO and we are able to meet different substrates, which we are probably not able to do earlier with our CIJ printer, but it is still very encouraging and we believe that in the next couple of years these product lines will continue to grow.



Control Print Limited
July 27, 2020

- Deepan Shankar:** What is the current contribution in this newer printer?
- Rahul Khettry:** We do not have the breakup as such. It is improving compared to previously the contribution of these products is definitely improving.
- Deepan Shankar:** How much of the cost cut in these other expenses is sustainable we have gained some Rs.5 Crores kind of movement in quarterly run rate, so how much of that is sustainable, are we foreseeing anymore cost reduction in our number?
- Rahul Khettry:** Cost reduction to be honest is a continuous activity in the company, you can see even in this quarter the other expenses has been quite regulated and the manufacturing costs are definitely low in line with the previous quarters slightly lower by a few decimal points, but this is something which is an ongoing activity,
- Deepan Shankar:** Lastly how has been July performance as compared with June and May, any particular sector if you want to mention which are not doing well currently for us?
- Rahul Khettry:** July also has been in line to Q1, it is definitely improving, we are getting more accessibility to our customers, the interaction between the sales team and the customers is definitely improved more and more, even during lockdown our team was well able to reach all our customers, in certain situations I would say that sometime even though the customers employees werenot available, our team was able to reach and this has given a lot of goodwill for Control Print. We have been able to gain goodwill from the customers because we did not allow their production to get affected even in spite of logistic challenges, so I think July has been good and Q2 will definitely see an improvement to Q1 if things keep on opening up, we hope unlock three will be more feasible than first two lockdowns.
- Deepan Shankar:** Also Rahul most of our customers generally keep inventory of consumables and spares, so are we seeing that is slightly increasing because of logistic issues we are talking and they also want to be make sure of our inventory available with them for to ensure continuous production, so are we seeing that kind of trend?
- Shiva Kabra:** To be honest what you are saying is absolutely correct, from our side also we have informed our customers that these are situations which are probably not in anyone's control, so it is prudent to keep some extra inventory so that any unforeseen situation can be managed at your level.,To support our customers, we have also built up some inventory at our branch levels so that even if the dispatches from the factory are affected at least the branch can locally support the customers, so things have been organized. As I mentioned earlier, we have not had any complaint from any of our customers that their production has



Control Print Limited
July 27, 2020

been affected because of Control Print supply. Each one decides on their own, some customers could keep some additional inventory, but since they are giving us repeat orders, I do not think anybody is holding six months plus inventory may be they are just keeping one extra month or something.

Deepan Shankar: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Deepak Mehta, Individual Investor. Please go ahead.

Deepak Mehta: Thank you for taking my question. Sir, my question is that for new agriculture reform what positive impact will be on our company?

Rahul Khettry: That is a good question. I would think that agriculture reforms will lead to more demand for the pipe industry, for the irrigation purpose and it is positive because Control Print is a dominant player in that sector on a pan India basis. For most of the customers we are leading supplier, so that said Har Ghar Nal Ka Jal is the Prime Minister announced in the previous budget all that is going to drive this pipe market for the next couple of years.

Deepak Mehta: Thank you Sir. One more question I had what kind of disruption or any challenges you are seeing in supply chain from farm to factory or this kind of or any impact on farmers due to Corona what is your ground check?

Rahul Khettry: I will be honest, there are definitely some challenges both to reach the product to our customers as well as sourcing material within the country and also for imports, but in spite of the delay since we do keep some safety stocks we have been able to manage the situation, it is definitely well within control. We have maybe in certain cases, which we got required some extra inventory, but overall I think things are more in control. As I mentioned there could be delayed, but it is not extremely disruptive. I do not know about all industries but at least we are able to reach to our customers and I would hope that the worst is over and things will only improve from here.

Deepak Mehta: Thank you so much and best of luck for future plan.

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

Karan Bhatelia: Thank you for the opportunity. Rahul, how much printers did we done in this quarter?



Control Print Limited
July 27, 2020

Rahul Khettry: Number of printers was lower than the previous quarter that you have seen, so in this quarter we did manage close to 250 printers.

Karan Bhatelia: It is already 27 days to July, so how much improvement you have seen on a day-to-day basis compared to the previous quarters?

Rahul Khettry: Definitely now the customers are more aggressive in asking for faster delivery for the printers, so earlier they would place an order and give us more time, but now I guess they have reached utilization of the capacity definitely in some industry and they are now pushing to deliver new printers at a faster rate, so we are also gearing up for that. As I said Q2 will definitely see a number of printers increase.

Karan Bhatelia: Okay, how are we shaping up on the overseas side because the lockdown there was not as stringent as witnessed in the domestic market?

Rahul Khettry: I think everybody was affected including our Sri Lanka branch, may be Nepal and Bangladesh were a little less, but I would say that people were affected;

Karan Bhatelia: For exports we are about 5% to 10% of topline or slightly more?

Rahul Khettry: No, ours is around 3.5%.

Karan Bhatelia: We were earlier getting aggressive in few of the other markets, so what is the update on that side?

Rahul Khettry: We are still good, the market is good for us, but our focus is on India and export markets will increase. as the country opens up.

Karan Bhatelia: Thank you.

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

Madhuchanda Dey: I have two questions. First is of the industries that you cater to where have you seen the fastest revival source so to speak of and which all industries are little more sluggish at this point in time?

Rahul Khettry: I feel that even during lockdown since we are supplying to certain essential industries like the FMCG sector, the pharma sector, the biscuits, the dairy they were still continuing to be



Control Print Limited
July 27, 2020

quite aggressive and probably better off than any other industry, so they have continued to do the production and deliver their products, some which have been aggressive after opening up like I mentioned is the pipe segment and I think that will continue to grow.

Madhuchanda Dey: Which are the sluggish ones even now?

Rahul Khettry: I think we would like to see more on the steel and the cement side, which are the bigger industries and maybe on the cables, cables is not the fastest growing for us as of now.

Madhuchanda Dey: These are lower than pre-COVID level?

Shiva Kabra: Anything related to construction materials and industrialism, not to every single company but overall, but the whole FMCG packaging sectors are slightly quite normal in fact it is growing.

Madhuchanda Dey: My second question is on an average what is like you said that you have 12000plus installed base of printer, on an average what is the value of yearly consumable consumption of a printer?

Rahul Khettry: On a steady state it depends on each customer on whether we are using single shift or multiple shifts, but ballpark I think 1.5 to 2 lakhs per printer.

Madhuchanda Dey: All the new printers having this RFID tax and all, so that they do not use other spurious materials and all?

Rahul Khettry: Yes, for the last three plus years all the new printers are having the RFID especially in the CIJ and some other printers.

Madhuchanda Dey: Has it made any change to the consumable consumption of your printer population?

Rahul Khettry: We were able to hold our installed base and we are not losing customers, which at one point in time was probably faster than compared to today, we do not lose customers, but definitely now it is not for two years customers by passing our RFID, it is the rate of misuse is much low.

Madhuchanda Dey: Great. Thanks.

Moderator: Thank you. The next question is from the line of Dinesh Kotecha. Please go ahead.



Control Print Limited
July 27, 2020

Dinesh Kotecha: Good afternoon Sir. I just wanted to know what are the exports to China and what is the position now?

Rahul Khettry: We do not have exports to China.

Dinesh Kotecha: Sir what is the R&D updates and commercialization of new product, can you tell something about it?

Rahul Khettry: We are having some new generation printers being developed and we are in constant touch with our R&D facility, so hopefully over the next year or so we might launch some new products that will be an upgradation of our existing printers.

Shiva Kabra: There is work going on, but I like to state of the art over the next two years, we are supposed to launch our new CIJ printer, but because there is a disruption in the travel our teams are not going to Germany, so we will see how that works out may be sometime at the end of the year.

Dinesh Kotecha: Our gross margin has come up by nearly 67.60% the other expenses being controlled; I just want to know one more thing that I have explained sometime earlier that about the solar panel roof that we put up at Nalagarh plant what is the cost savings or energy cost expected there?

Rahul Khettry: It is more from the green environment point of view because as you know the Nalagarh facility is more of an assembly plant, so the electricity consumption is not very high. We are already had some sanctions I am not sure when it is going to be implemented probably sometime during this year, but it is more from the green energy and green environment point of view not so much from cost savings, we might just be sending some additional electricity to the board, which might add some revenues, but we will have to do that maths once we implement.

Dinesh Kotecha: The approximate cost savings percentage wise can you give it, what are the energy cost saving percentage wise?

Rahul Khettry: It is not very effective to be honest; it will not be something that will reflect on our balance sheet considering our current position. It could be a few lakhs may be Rs.10 lakhs, Rs.12 lakhs if you just want a rough figure, but that is not going to make a major impact on overall profitability.

Dinesh Kotecha: But it will be an uninterrupted supply of power to our factory?



Control Print Limited
July 27, 2020

Rahul Khettry: Currently also we do not get affected because of power supply because we do have generator backup, work wise it is not affected, but may be there could be some better advantages, but we will have to see it once it is launched.

Shiva Kabra: Our production is not very power oriented because it was often assembly line so whatever power if it is cut off for half-and-a-hour and hour and even if the backup is not available we can always use to work extra one hour and make up, it is not a continuous process or something or chemical thing, which has been continuously made, it will be more on the ink side maybe more issues, but out there is no power problem. We have a great backup in every situation.

Dinesh Kotecha: You replied to the earlier participant's question about the sugar and metal thing potential for the next growth area that we are looking at, how much growth can come from that?

Rahul Khettry: It was basically what I did mention is that our LCP printer has been predominantly focused on the cement side, now we are finding that some new applications for that same printer is working out on the sugar and metal, we have already had some installations done in that sector, once it picks up definitely the volumes will add because it is a continuous print and consumable demand will be high, so we hope that we can add a few extra lakhs on the revenue side and the profitability.

Dinesh Kotecha: Thank you Sir and all the best.

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

Karan Bhatelia: Rahul despite the gross margin expansion due to product mix we have not seen the jump in the EBITDA margins, so can you throw some light on it?

Rahul Khettry: You know that revenue this time was definitely lower compared to the previous quarter, so fixed cost like employee cost and depreciation those are not absorbed, but because of the high gross margins at least we have been able to absorb those costs wherever variable expenses we have been able to control them and EBITDA margin is quite in line with the previous quarters.

Karan Bhatelia: Is it right to assume that we continue to be very aggressive on getting the managerial heads across particular user industry, so that still continues the exercise?



Control Print Limited
July 27, 2020

Rahul Khettry: As I mentioned that we cannot take knee jerk reaction because Control Print definitely is a long term player in the coding and marking industry, we generally try in situations like this to capitalize on probably the weaknesses of other players, so we continue our business plan, maybe a couple of quarters it takes to absorb the expenses, but when the revenues flow in you have seen that we have always had a good come back, we are not worried in terms of long term strategy being disrupted because of particular quarter.

Karan Bhatelia: So are we still getting very aggressive in appointing the managerial heads?

Rahul Khettry: This is not an environment to be very aggressive, but if there is a vacancy we will take a prudent decision. Maybe it gets delayed by a couple of months, but it will not get scrapped. We still believe that once the country is unlocked the potential will again bounce back, so we are positive in spite of COVID.

Karan Bhatelia: We spend some amount at Nalagarh plant, so can you throw some light on it?

Rahul Khettry: Like we mentioned that mostly the expenditure that we are doing it for improvement and debottleneck. As and when the revenues are increasing and capacities are getting more utilized, so basically Nalagarh we have spent on expansion of our stores building, earlier it was only at ground level now we are building a three floor store building with some more space to be better organized and we feel that now this will align the plant better for the next few years.

Karan Bhatelia: Correct.

Rahul Khettry: But again it is not a very large investment, it is only maybe Rs.4 Crores or Rs.5 Crores including the interiors.

Karan Bhatelia: The numbers was more than Rs.15 Crores to Rs.17 Crores?

Rahul Khettry: That does not include only Nalagarh, what happens is that even our printers, which we sent on rent or in CPC contract they as per Ind-AS now have to get capitalize, so again you have to view it separately what I always tell you that we are not having much capex, it is definitely in terms of the real capex that we do, but this is more of a deferred sale where our printers gets capitalized and even now as per Ind-AS 116 the rental, which we pay for our offices and some other facilities get capitalized in the fixed asset, so that 17 crore that you say is may be at five, six level, the rest is only an accounting entry.

Karan Bhatelia: Accounting adoption was there last year as well right?



Control Print Limited
July 27, 2020

Rahul Khettry: Correct, our printer is still going out everywhere, so that every time it moves out of an inventory and goes into fixed asset. It used to be in inventory when we were told that why the inventory is so high, now that inventory gets capitalized, so the asset side looks heavier, but this is our business model where we have to give out printers on rent.

Karan Bhatelia: Any update on the arbitration case with Videojet?

Rahul Khettry: During lockdown everything was at standstill so nothing has moved.

Karan Bhatelia: That is it from my end.

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

Saket Kapoor: Good afternoon Sir. Thank you for the opportunity. I hope all people are doing good in this pandemic and pray to God. I was a little late joining the call, so maybe a repeated question maybe there. Firstly how is our investment book looking right now, I am talking about the investment, the shares and mutual fund, as on June what is the size?

Rahul Khettry: We did gain in this quarter about Rs.600 lakhs on the investment, which previous quarter also I had given the statement that it is a mark-to-market entry, we should not get too paranoid about that, so in this quarter it is again bounce back by about Rs.600 lakhs, so currently we are at about Rs.13 Crores, Rs.14 Crores of equity portfolio.

Saket Kapoor: We have not redeemed anything as of now, they are still holding onto the portfolio as of March?

Rahul Khettry: We did redeem some of it during this quarter.

Saket Kapoor: Very short point is that we had a major investment in Reliance Industries and there the right issue also happened in the last quarter, I just wanted grinding details whether we participated in the issue, put further money or..

Rahul Khettry: I would not get into specific investment discussions on particular share, so overall portfolio I already mentioned it to you.

Saket Kapoor: I am talking about this CRISIL report that was published sometimes on July 21, 2020 wherein they have spoken about under the weakness it is large working capital requirement and moderate scale of operation and intense competition from multinational company, what

is our roadmap or strategy wherein we can strengthen our weaknesses on these two points of large working capital requirement as well as moderate scale of operation and intense competition, what is your thought process?

Rahul Khettry: When assessment are done by banks and rating agencies they have to do sensitivity analysis as well as SWOT analysis, so these are things which are known to all of us because we have discussed it over the last few years that there is multinational competition and we have progressed in spite of these challenges, but it an inherent part of our industry and being a rating agency they have just highlighted it. So I do not think it is something that is come up recently, it has always been there. Coming back to the point of higher working capital you would appreciate if you have been following the Company for the last few years, this has definitely come down over a period of time and I have been mentioning that we are continuously working to further improve it. I do not see this as a major worry, but something that we do need to carry and we are always cautious to keep a tab on it, although it is a little higher it is required by industry and it is not excessive is what I can assure the investors. It can improve maybe a few more days, which we are working on.

Saket Kapoor: What they have highlighted these are the areas, which needs to be addressed, you should definitely agree to that point, they have written it is okay, but these are the area of concern for the managements going forward?

Rahul Khettry: What can we do about the multinational presence. It is inherent to the industry and we are aware of it. We should also read the positive points in the CRISIL report. The Management believes the CRISL report is positive as it reaffirms our A rating after considering short and medium term impact during of COVID.

Saket Kapoor: Yes, that is about the market share increase, multinationals are present in the industry, we are aiming for higher markets that should be endeavour as you have articulated earlier also. If you take this quarter utilization levels how have the ramp up been and what are we expecting going forward for Q2, Q3 onwards?

Rahul Khettry: Like you said you missed the first part of the call. In my opening remarks I mentioned that this quarter we got only 45 working days effectively, which is like 50% of the quarter and in that we had a good recovery, which is like 70% of pre-lockdown revenues, so in 50% of the time being 70% of revenues, if you look at it that way it is a good growth even in this quarter. Q2 again if we get the full 90 days of working, definitely things should improve though they are still not at pre-lockdown levels because our customers are still ramping up their operations, but we see that it will be probably higher than the current quarter and Q3



Control Print Limited
July 27, 2020

onwards probably things should again normalize and hopefully the second half will be more aggressive than the first.

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

Suyash Kapoor: My first question is regarding our annual report, which I am reading page number 2, which you have uploaded on your website. If we analyze the last five year data as being categorically mentioned on page number 2 of the latest annual report, we have seen that the sale has increased from Rs.134 Crores to Rs.194 Crores whereas profit after tax was five years before was Rs.26 Crores and right now Rs.29 Crores that is 2019 to 2020 it is 26.6% it is almost in the same bracket, so what is your view on it, has our growth been plateaued, share your thought process on it?

Rahul Khetry: I will take this question Sir, but I would request that we should ask the annual report related questions in the AGM, which is on August 21, 2020, otherwise we will miss out on certain other questions on the quarter, I will take it for this time. I would request that you see the profit before exceptional items to give you a better outlook on the operational profits, because our exceptional item mostly is having mark-to-market entries for investment and that might give you a little different picture, if you see the previous year the profitability was much more, if you see it before exceptional item I think you will see a different picture, so maybe you can do that and we can address this question in the AGM. I think the operational profits are definitely increased in line with the revenues over the last four years which you pointed out.

Suyash Kapoor: One suggestion I want to suggest that if profits are like we have seen various companies they are active on Twitter, Facebook, YouTube, I will also like you to show your product and services it will act as an advertisement or also will help shareholders for whom it is not possible to understand the nitty-gritty of your services, the various industries how you are catering, so to help us to understand the business model in a much more better way this was one suggestion, so if you can give your view on that?

Rahul Khetry: It is a good suggestion and I think over the last six months we have been available in all these platforms though I will give the feedback to my marketing team to take it up more aggressively.

Suyash Kapoor: This is regarding arbitration case, in this I want to say that I am also in the legal profession little bit nitty-gritty I also understand of law, but I am very surprised Sir and I am a very old



Control Print Limited
July 27, 2020

shareholder of your company and full faith on the management, but this arbitration case it perplexed me that how can order comes like say suppose I am Videojet and you are Control Print now I have to pay to you also and to get from you this is just like how can it happens, if I have to pay you I have to pay you, if I have to receive something from you I have to receive something from you it cannot be a two-way traffic, yourself mentioned in your annual report from there I have read this case if you can throw some light on this?

Rahul Khettry: The reason is that there were claims and counterclaims, so both have been addressed in the arbitration, Videojet also filed the claim on us and we also filed a claim on them and the arbitrator heard both the sides, so couple of cases were clubbed together which you as a lawyer would understand that did not want to have multiple arbitrations on the same platform, so they have clubbed the two cases and what you are seeing paying to Videojet and we are receiving from Videojet is because of claims and counterclaims is what my understanding.

Suyash Kapoor: It is the Indian company Videojet Technologies or foreign MNC?

Rahul Khettry: No, it is U.S. based MNC.

Suyash Kapoor: Is there any possibility to go for an out of court settlement it is almost eight years old case as a well wisher I would urge that if possible go for an out of court settlement and settle this blot which is on us because if we goes on rendering the interest meter will disturb us, that is why I have asked you, I hope they understand how court functions in India, which is one humble request to you Sir, if possible.

Rahul Khettry: All multinationals also understand how courts function in India nowadays and they have Indian lawyers.

Suyash Kapoor: It pains the other shareholders.

Rahul Khettry: I agree with you it pains all of us and we are in constant touch with our legal team and trying to find the best solution.

Suyash Kapoor: Lawyer fees on their client, I have been a lawyer I am admitting this, so eight, nine years for a company and that is yet to be on very reputed company and very shareholder friendly company, it pains me that is why I put forward before you that kindly go for an out of court settlement because nine years is a serious period of time, it is not a small period of time and you have very efficient management, you have build the company from nothing, we are 10



Control Print Limited
July 27, 2020

to 15 years old shareholder, we have seen how you have grown and created well for us that is why I have requested to you Sir.

Rahul Khetry: We appreciate your concern and we accept your point, we are also trying to find an early solution and hopefully things will work out for the best, so just have faith we are on top of thing and trying to find the best amicable solution, but since it is a subjudice let us leave it at this point of time.

Moderator: Thank you. Ladies and gentlemen we will take this as a last question. I would now like to hand the conference over to Mr. Karan Bhatelia for closing comments.

Karan Bhatelia: Thank you so much Rahul and Shiva to be a part of this call. With this we conclude the call. Any closing comments you want to make Rahul?

Rahul Khetry: I would like to invite all our investors and analysts for the AGM on August 21, 2020 that will be an online AGM like most of the companies and I guess like Mr. Kapoor said annual report has already been circulated this morning. So please go through it and join us for the AGM, it will be a new experience definitely for us. Hope all of you and your loved ones stay safe and all the best to everybody.

Karan Bhatelia: With this we conclude the call.

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