



“Control Print Limited Q3 & 9 Months FY23 Earnings
Conference Call”

January 23, 2023



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PRIVATE LIMITED**



*Control Print Limited
January 23, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Control Print Limited hosted by Asian Market Securities Limited.

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As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

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

Karan Bhatelia: Ladies and gentlemen, good evening and welcome all to the Control Print Limited 3rd quarter and 9 months FY23 Earnings 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 – Chief Financial Officer.

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

Jaideep Barve: Hello! everybody, good evening to you. I am Jaideep Barve – the CFO of Control Print Limited. Welcome to the earnings conference call for the 3rd quarter of the financial year 2022-23. I appreciate that you have taken out time from your busy schedule to attend this one. I hope you all are safe and healthy and wish you and your family a happy and prosperous new year. Mr. Shiva Kabra – the Joint Managing Director of Control Print Limited joins me on this call. The detailed presentation has already been put on the website as well as in the investor presentation notification on the exchanges for this call.

For those who are probably reviewing this company for the first time, we would like to mention that Control Print Limited is in the niche coding and marking segment. This is an oligopoly with just 4 major players, three of whom are multinational corporations and us, i.e., Control Print Limited, is the only Make-In-India manufacturer. We have 2 manufacturing facilities, one in Nalagarh in Himachal Pradesh and the second one in Guwahati in the state of Assam. At Nalagarh, we manufacture printers. In Guwahati, we manufacture certain types of printers and the consumables required for our operations. We have got a strong sales and service team of (350+) engineers spread across the country. At the back end, we have got a robust SAP ERP system which takes care of all our financial, production, purchase, and sales. We also have an

integrated CRM system. Thus, we provide maximum transparency in the accounting, sales, after-sales as well as raw material planning and order to receive collection processes. Our systems and processes are robust and they give the necessary confidence to the team, vendors, customers, bankers, auditors, and investors.

We do have a widespread customer base catering to multiple industries like pipes & cables, metal, automotive, food & beverages, dairy, FMCG, and pharma sectors. We have got a robust IB base spread across the country. At the moment, we have about 16,500+ printers across industries.

Let me give a brief analysis of the stand-alone financial statements of Control Print Limited for the Q3 of FY 2022-23. On an overall basis, the manufacturing activities in the 3rd quarter continued with a rising momentum, as most of the industries who take the printers and consumables from us also continued their production and made their higher demands. However, we believe that it is still not at the optimum level. There is a lot of scope of improvement, thereby our printers as well as consumables business also is going to increase.

On the revenue front, there was an increase in the printers as well as consumables business in Q3. Both printers and consumables registered strong growth patterns. Our service portion of revenue continues to be stable and so is the spares portion of the revenue. The revenue for the quarter witnessed a year-on-year growth at 20%.

We continue to penetrate competitor accounts in key sectors like pipes, food, FMCG, dairy, cement, and pharma. Our overall industry performance in the 9 months is still largely dominated by the pipes sector followed by the food, FMCG, dairy, and cement. In the plywood sector, we have achieved good control and probably we are the most dominant player in the sector. In the sugar industry, we have consolidated our position as one of the key market leaders.

On the consumption side, we can only say that the gross margin for quarter 3 has dropped as compared to the previous quarter. This is mainly because of raw material purchases at high rates in the spot market. The management is working at a strategic level to optimize inventories so as to sustain any probable shortages for a period of a further 3 months.

Employee costs as a percentage of sales have come down marginally. But overall, these are at the same levels in absolute numbers as compared to Q2. Depreciation and other expenses are steady and in comparison to the earlier quarters. With reference to the profitability level on a year-on-year basis, the EBITDA, the PBT, PAT and EPS have grown by approximately 30%, 45%, 42% and 42% respectively. The company maintained healthy margins. The EBITDA has been stable at 26% to 27% for the last 6-7 quarters. But we feel that still there is a considerable scope for improvement in EBITDA because higher revenues will come. And obviously, there will be economies of scale attached to it. For us, the way forward is we look forward to higher consumables sales with improved industry production. We have launched a new product in the LCP segment. Our earlier product Pench has almost stabilized in the market now.

In marketing, we are focusing on the key accounts. Our installed base will be increased in the future, thereby, we will increase our market share. As you all know, we have established a holding company in the Netherlands, which has acquired another company called Mark Print. We expect some good traction with them. And obviously, last and not least, new technologies are being explored.

With this brief background, I will leave the floor open for any questions.

Moderator: We will now begin the question & answer session. We have the first question from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Firstly, Jaideep, can you please provide the breakup between printer, consumables, and other sets of revenue?

Jaideep Barve: Printer revenue would be about 20% of our revenue, consumables for this quarter would be about 57%, services would be about 13% and spares would be roughly about 8%.

Deepan Shankar: We have seen consumables growing at a better rate than even printers, so the product mix profile has been favorable for us. But still the gross margin has been in the lower range. Any specific reason for that?

Jaideep Barve: The gross margin has dropped marginally as compared to the sales basically because we are depending on semiconductors and chips as well as electronic boards. And right now, not just us, but the other players in our market as well as the other players in the other sectors, everybody is facing shortages of such components. As a strategy, in order to make sure that we have the required materials for production, we are buying from spot market. We also have got contracts with our regular suppliers, but then the lead times with them are quite high. So, just to not fall out of stock and not to have a situation where we have orders which we cannot execute them, we are buying at higher prices and making sure at least we are having a risk conscious attitude in our work.

Shiva Kabra: I think it's put well. There is basically some cost increase that has happened. And we have not may be acted proactively to increase our prices to our customers and we are sort of looking at that and we are working on that. But it's a slow process because, of course, everyone is resistant to that. Hopefully, we will get enough of a price increase to cover the costs and fees that have come our way. I will say that some of the cost increases look like they are more permanent in nature now. One set of cost increases, because we bought things from the spot market to fulfill our shortages, one set is also that I think some suppliers want to raise the price. That is the way it is. And we will have to respond by either reengineering things or getting alternative suppliers or convincing our customers to pay more, and we are working on all 3 fronts.

Deepan Shankar: If I understand correctly, this gross margin from the printers business has gone down substantially but consumables remain at the same level. But if we can pass on the prices to customers, our margins can improve from here on as well, right?

Shiva Kabra: A little bit of all. Even the consumables, of course, like I said, the gross margin is still very high, might have gone down by 1% or 2%. The price increase has been across the board 1% or 2% on an overall basis, but you won't feel it that way. It's like some items which are short have gone up drastically. They could have gone up 100% to 200% in certain chips or other things. But yes, definitely, the effect is seen more on the printers because the printers are sold on a like almost no profit basis. So, the cost increases out there definitely affect us a lot harder.

There was a shortage. So, we had only 2 choices, either you pay or you shut down. This is the story for the last couple of years now. But what's happened is that maybe I guess there is some higher cost inventory that was there, some spot market purchases which will at least moderate for sure. Then the rest is exports.

Deepan Shankar: Lastly, from my side, the food and pharma being a dominant sector for the MNC players in our sector, how is our market share improving there? Are we getting good reference points from our existing customers to expand into this space to improve our market share?

Shiva Kabra: Are you talking about the pharmaceutical market?

Deepan Shankar: Yes, food and pharma specifically.

Shiva Kabra: We have been increasing our percentage of sales there. What happens is that, for us, I think overall in this quarter, there has been a bit more production normalization. So, even in some sectors like pipes or other segments of ours, there has been a bit of fluctuation because even they have had some increases in prices or decrease. I am not sure actually what happened but there have been some fluctuations. So, even their production has been affected. Basically, the construction materials segment has been affected more up and down or some of the more industrial segments. Because they sort of came back to normal, the growth that we should have got in the last 1 or 2 years by selling the printers, we didn't get so much. And this time it is just that they are buying fluids at a more normal rate and that's why we have got better results. Obviously, our overall percentage of food and pharmaceuticals, dairy, food & beverage and so on is increasing as a percentage of our overall revenue, but ours is still a little bit more industrial dominated. But it's improving, in that it's becoming more balanced. It's going towards 50-50 slowly and steadily. And our market share in specific segments is also improving.

Moderator: We have the next question from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: My question is on the Mark Print acquisition. Can you talk about the performance of the company? What was the revenue in 2022? And secondly, we had plans to kind of bring some of

those technologies into India and modify them with our printers, etc. Where are we on that journey?

Shiva Kabra: I can take your second question, but Jaideep will answer your first question. I think, to be honest with you, we only consolidated them from 4th July or sometime earlier this year. So, I don't think we are allowed to talk of the prior period before that. That also is something that Jaideep will revert back on.

Jaideep Barve: Naysar, just for your benefit, as rightly said by Shiva, the acquisition happened on the 4th of July. So, from 5th of July onwards, we are consolidating. The period ended December, it looks good. We have got EUR 0.5 million as revenue and 11% of it goes as the net profit for the company.

Naysar Parikh: My second question was on the technology bit of the market.

Shiva Kabra: Yes, we are behind on that. We expect to maybe have some things starting by the end of this year. Maybe we will only see that towards practically March of this year. What happens is that their mentality and their year-end is also for December 31st. So, they also had some orders that they needed to execute. They were really quite busy with that. There was no time to work jointly on development or other types of projects because they had their own business that they had to execute which took their priority for the last 2-3 months. That's the situation. But we have got some stuff lined up, I think a much more consolidated strategy in the coming year. And I think in 3 to 6 months, we should actually see some things come out. And my experience is that we will have to devise some of those things to improve them and modify them for the markets that we are in and also to eliminate all the bugs and the issues that actually happen. So, the optimization will happen. Then, we will have the products which are really solid for the market probably in 12 to 18 months or something like that.

Naysar Parikh: And my second question is on the Track & Trace technology. On that, again, are we seeing any progress with customers either current or new? And what would be our plan on that one going forward?

Shiva Kabra: Actually, we are working quite aggressively on that right now. There are some different requirements that are there. I can't talk about specific customers and things, but in general, in the pharmaceutical industry, it's a continuing requirement. This time, it's a domestic requirement. I think if the government is not going to go back on some requirements that they have asked, that should be interesting also. The thing is, these are much more difficult executions because, like I said, we have sort of come from behind in this market. We didn't have the solution earlier. And what happened was, as a result, customers also gave us some more difficult projects where we were not able to get solutions easily. It's like a catch-22. But what's happening in our experience also needs to improve. So, it's a bit of everything. But definitely, it's going reasonably well is what I'd say. Financial results are not there but we are making progress. There are some financial

results, it's not enough to make any difference to our top line and bottom line, but we are making progress at it.

Naysar Parikh: Of course, I think that will take a few quarters. But just from a product perspective, would you say that we have a product in place and now it is just about getting more customers and installing it? Or are we still in the product testing and getting the product right stage as well?

Shiva Kabra: A bit of both. We do have a product and we are optimizing it as we go. And what happens is, different customers have different lines and different requirements. So, a lot of times, different handling systems come in; different types of printers and vision systems or scanners come in. So, you need to keep improving. What will happen is you will develop a standard product, then the customer will have some various requirements that, "You see, I want to print on an injectable or vial or something, you'll have to develop a solution for that." Or someone will not have space on his thing or someone will need to print with invisible ink and then scan it with a specific type of scanner. Some people want an OCR, not just 2D scans. There are different sorts of requirements that come up and you have to cater to all of them. So, what you do is you sort of will have just like making a standard car and then you have like an automatic version or 4-wheel drive version in this, but you made the standard car and you've got to keep doing all those things because that's what specific customers want for their specific and that's what the specific lines demand and then you have to cater to that. I hope that answer was explanatory.

Naysar Parikh: That is very helpful. One last question. Your sales and service team, how big is that team today and how has it grown in the last maybe 6 months or 9 months? In terms of coverage of clients or getting new clients, are there any particular metrics that you track and you can share from a sales and service perspective?

Jaideep Barve: We have got 350+ engineers spread between sales and service.

Naysar Parikh: How has that grown? And do we plan to expand that again further in the coming quarters, significantly or something?

Shiva Kabra: As of right now, we have enough to cover our markets. We might need about 20 to 30 more salespeople, I think maybe a few specialized service people, because what's happening is, like you said, things like track & trace come up or like Mark Print type solutions. And honestly, these are not like product sales which is what we do. These are like projects. So, people have to study the line, integrate with their parent line, get data from their SAP, integrate it, send it back here to the cloud and click an SMS, authenticate it. There are all sorts of things that happen. Also, it requires a skilled person and also people who've got sort of cross function and mentality so they understand not only the electronics but also definitely a lot more software expertise and also a bit of mechanical stuff because actually handling of the products and that part is quite important. I don't think we need large numbers of people but we need people who've got a bit slightly more of a jack-of-all-trades type.

Naysar Parikh: And the 350 is comparable to competition? In the sense, size adjusted. Are we at par in terms of coverage? Or would competition have more or less for the same size of revenue?

Shiva Kabra: I think we probably have a similar team compared to Videojet and Domino. I think Imaje might be a bit smaller from what I recollect but similar teams. Maybe, in fact, our team might be a bit bigger than that of Domino on the services side; maybe not on the sales side, but on the services side, because we have always emphasized like a high quality of service. So, I am quite sure we have at least 30%, 40%, 50% more service engineers than them.

Moderator: We have the next question from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir, I recollect we had one order which was yet to be executed completely, 70 TIJ printers for the brewery company and a couple of laser printers on the export. How are we standing as of now?

Shiva Kabra: I think we must have executed all the outstanding orders. They always sum at the end of every quarter, but there's nothing like major that's outstanding. Normally, in fact, we don't talk about specific customers as such. So, I am surprised. Actually, I didn't know we had ever disclosed anything like that. But yes, there's nothing specific or that major that would warrant a public announcement, I think.

Karan Bhatelia: This I'm referring from the second quarter con-call.

Shiva Kabra: But those would have been executed. We've had some supply chain issues throughout – even now we have some – but we are trying our best to work through it. Yes, there have been times when there have been some backlogs and then they get cleared and then there are new backlogs and things like that, yes.

Karan Bhatelia: And Jaideep, sir, volume printers this quarter and volume printers for the second quarter as well?

Jaideep Barve: I would imagine we sold 800+ printers in Q3 and about 675+ printers in Q2.

Moderator: We have the next follow-up question from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: My question was on the mix between CIJ and non-CIJ for this quarter. And also if you could talk a bit about where do we stand in the non-CIJ category now in terms of, say, market share versus some of the other players?

Shiva Kabra: As far as market share goes, I can only say that it's not possible for us to disclose because we only have an idea of how other people are doing. We do get their numbers at the end of every year from the Registrar of Companies. But there is no breakup of anything from their side. It's a

very broad level of breakdown. It is just a revenue number and expenses and profits and so on. So, it's very difficult for us to know what their mix is. It's just an idea. But I do believe that at least in the thermal inkjet and the high-res space, we have 2 good products and we are doing well there. And in the thermal transfer space and the laser space, we are more competitive than what we were before for sure. Especially in the laser marking space, we have picked up to some extent. Yes, the CIJ market is still the main market, but as a percentage of our revenue, I think non-CIJ has definitely increased. And some of our growth has also been, what I'd say like the non-CIJ would have also contributed to the growth significantly, not just the CIJ. But Jaideep might give you a better overall number on this.

Jaideep Barve: I have the numbers, but these are strictly confidential numbers – the breakup. We wouldn't give at this period of time.

Naysar Parikh: My final question is, I think you had mentioned around Rs. 400 crores is what you are looking for as a near-term target, I think maybe '24 or '25. Just want to understand, in that journey, where do you think we are? And what are the 2-3 things we need to do to get there and by when we can get there?

Shiva Kabra: I think that target was put out by our Board and they sort of put that as something that we should aspire to at least. And I think we are doing fine on the path out there and we should get there approximately by that date if things go well, of course. It also does depend overall on the broad economy because in India we are not supplying something direct to consumers. We are supplying on products which are then being supplied to consumers or businesses elsewhere. Obviously, we saw with the COVID and then, of course, with some variations that happened in the Russian-Ukraine situation, they can have weird effects on various markets. So, yes, you have seen some fluctuations on our own side in the last 2 to 3 years now. Assuming things are okay, I think we should get there. There are other opportunities we have to tap, like you said, like the track & trace, like the Mark Print. I don't think everything has to go well, but we have to get a couple of things going well to get that extra boost to get there, and that should happen, let's say.

Naysar Parikh: If I heard you right, you are saying Rs. 400 crores should be the FY25 target?

Shiva Kabra: Yes, approximately, that's the target that has been set for us and we are obviously trying to meet that expectation.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, as we have seen the nature of our business, quarter 4 is traditionally, in terms of revenue, the best quarter. Taking into account what has historically been, is there a very good likelihood that we will be having Q4 also traditionally the way it has been over the last few years?

Shiva Kabra: It's not possible for us to predict because we have been only 18-20 days into the quarter. Of course, we will obviously be able to know maybe in 2 months or 2-1/2 months, but the market seems okay. I don't think it seems bad or good or anything like as of right now; it seems stable. That's what I would say. Now it all depends on how we perform. I wouldn't say the market is overly moving. I wouldn't say the market is overly bad. Obviously, compared to the ups and downs over the last 2 to 2.5 years, this is a better situation, but it's for us to perform, I think, to get that continued level of performance, and that's what the situation is.

Saket Kapoor: I can get your point, sir. But what I was looking was on a sequential basis, we have seen growth in our revenues – top line and bottom line. And the seasonality factor or the year ending part or whatever the pillars that we get in advance from our customers also give us some understanding. And you are very correct that we are only not even 15 to 18 days into the quarter, if we exclude the holidays. So, a fair point that we won't be able to comment on the same. But taking into account how the business environment has shaped up over the past 9 months, there is a very likelihood for us to keep this trajectory. This could be a good understanding.

Shiva Kabra: We don't project or we don't forecast or anything like that. For everyone's assumption, obviously, we all are trying to make.... As of right now, I don't see anything unstable in the market. Like I said, I can only say that the market doesn't seem overly positive and it doesn't seem overly negative. It just seems like a normal situation which, for us, like I said, even after these ups and downs, even with the supply chain situation stabilizing to some extent, it's good because it just means things are better, with less external factors controlling everything. So, like I said, we can't predict, neither do we project as far as Q4 or any other time goes, but, hopefully, we will have a good quarter, we'll see. At the end of 3 months, I am sure we will be here on April 20th or 24th or whatever the day is and we will have the numbers on the table at that time, should have patience.

Saket Kapoor: Sir, when the Board looked at this number of Rs. 400 crores top line, the projection for FY 2024-25, how likely would be the mix from the consumables segment and the printers segment? What are we factoring in when we are looking at a Rs. 400 crores top line in terms of the consumables percentage....?

Shiva Kabra: I don't see the mix changing too much. We are already at a good mix.

Saket Kapoor: Can you comment on what the mix has been for the quarter, sir? What was the mix for the consumables for the 3rd quarter?

Jaideep Barve: Mr. Saket, for the Q3, about 20% of the revenue came from printers, 57% came from the consumables, about 14-odd percent from the services, and spares contributed about 8%, roughly 100%.

Saket Kapoor: And sir, how has been the performance of the investments we have made in the 2 companies – Innovative and the Netherlands one? And what are we envisaging going ahead for the next 2 years? How are these companies going to contribute to Control Print, these 2 investments?

Jaideep Barve: I will first talk on Mark Print. We acquired Mark Print on the 4th of July and then we are consolidating only from the 5th of July onwards, but as of now, we are roughly about approximately EUR 500,000 in the top line revenue from operations. And the overall income, net profit what we say, is about 11% of the sales for Mark Print. When we talk about Innovative Codes, which was our acquisition earlier on, for the 9 months, we are about Rs. 5.67 crores of revenue and we have just now broken even and it is a marginal profit towards the end of the day. We are in positive in net profit terms.

Saket Kapoor: What is the likelihood of their contribution? The growth which these companies can project going ahead, what steps are we taking to improve profitability? First of all, their reach, the revenue profile and thereby the profitability also, what are the steps that are in the anvil? Any further investments we are contemplating, sir?

Shiva Kabra: I can say at least regarding ICIPL, the fact is that we had some supply chain issues. They are sort of like more of an economy type of a brand, or whatever you want to call it, of ours. Not economy type, but like a subsidiary which is slightly focused on a slightly more cost conscious part of the market as compared to Control Print. What happened was we had a shortage of printers. Actually, some of the components we use in our printers are common to the printers we supply to them. Actually, our own supply situation with them over the last 12 to 18 months had actually been very poor. We have had issues and I even did mention on the previous calls that in fact we have actually lost some orders in the last 12-odd months because we did not have the supplies. So, we had to sacrifice some of the CND category type customers in some cases. But the situation has been a bit worse with them because we were not able to supply them properly. Now that our supply chain is coming back to normal, hopefully, we get a better result out of them in the coming year because our supply to them will also improve. Also, they have taken some more time to understand the printer. Our people have been working on this printer for generations. Even when it changes from 1 generation to the next, we have issues and we have to do a lot of training, but at least there's a base of familiarity. For them, it's totally new. That could have also been a contributing factor. But the supply chain was the biggest issue in the performance of ICIPL or I really do believe they would have done significantly more business. But I hope that now if there are no supply chain issues from our side, we will see a better performance from them going forward.

And regarding Mark Print, of course, we might want to invest some more money in them. That's partly also because we want them to be able to handle some more things for it being able to support us. But at the same time, we expect them to grow also. The money we've invested, we expect them to provide a return on that also beside what we expect to benefit in terms of our own synergies. What's happened is, if you didn't hear earlier, they've been executing their orders

because they have to bill before December 31st because their customers require that. So, some of the expected projects we were working on together ended up going slow. Hopefully, by March, we will actually see some of the initial results of those projects. And in another 12 to 15 months, we will fine-tune those products so that they are extremely reliable and they are market competitive if not market leading and then at that point of time start getting significant revenue for us.

Saket Kapoor: Sir, a small point in continuation to it. When we invested in the company, was it through new equity issuance or we acquired the stake from the existing promoter? How much money was invested in the company to grow the business and how much was paid to the erstwhile promoter there?

Shiva Kabra: In our disclosure, it was clear that we spent €1.5 million to buy out one non-working partner and a part take of the working partner. We bought 75% of the company that has been as a buyout of the existing shareholders, and 25% of the company is with the current managing director who started the company.

Saket Kapoor: So, none of the payment has gone to grow the business. The total payout has been towards the promoter to acquire the controlling stake.

Shiva Kabra: Yes.

Saket Kapoor: Sir, you mentioned that you will be growing the business with the money you have paid to them. So, whether they have any commitment to further deploy the same to grow the business? I could not understand what you were trying to convey there, sir.

Shiva Kabra: I said that we obviously invested with the reason to acquire their technology and use it for our own markets. At the same time, we believe that they also can grow and capture their own markets, so both companies can grow. We can benefit because they can help supply some products where we can use it for certain parts of the top end of our market, the premium segment. And they can also grow because, obviously, they are growing and that's why we invested in them. And they have their own requirements in Europe also. So, the situation was that because, as you said, we have invested the majority of the money or the entire set of money to buy some existing stake, we do feel that there is a need to look at investing some minor amount of money in the business. This is also, like I said, partly because we want our own development is not slowed down. That they have extra capacity so that they can support their own European requirements but also they can support Control Print for its requirements for India, because we don't take things from them as is. We want some changes to the products. Otherwise, we feel that it will be too expensive for us.

So, we are starting, yes, on the expense side, but that's a very small market. So, we need to make some changes and work together to optimize those products. And even the performance and the ruggedness for India needs to be at a different level, So, there are some changes we need from

them, which costs money and takes development, effort, resources, and time. And because we want it for ourselves, for Control Print, we are looking at increasing a little bit of money directly into the company, not to buy out any promoters or anyone else, to expand the resources of Mark Print.

Saket Kapoor: Sir, going ahead, when will we see the product introduction? From the acquisition in the Netherlands, what is our plan so that we will be introducing their product at the right price to the customers in India? What should be we looking for?

Shiva Kabra: We will get some products, like I said, by March of this year. They will not be optimized to a level that we want but they will work. It's a continuous process, always with us. It's never a one-time thing. You get the product, you have to put it in the market; there are customers who will complain about many things. Then, you will go back and you will change and you will get closer to what the customers want and then you will change. And at the same time, we will also work on.... Suppose we make a higher volume of this product; how do we get that cost down so that we can increase the market further and sort of create a cycle of economy of scale? This is something that I personally believe normally takes 12 to 15 months after the first product is launched at a minimum. So, I expect that if the product launch is successful or if the product has a market, it will take us another 12 to 18 months approx

Saket Kapoor: A small point, sir. Which industry are we first would be introducing the product catering to which industry?

Shiva Kabra: Mainly pharmaceutical and also some industrial customers who have asked who require it for some branding purposes.

Saket Kapoor: What have been our utilization levels for the consumables segment, sir, currently?

Shiva Kabra: I have no idea, but definitely, there is no stress. The issue has been more right now, again, of supply-related issues for us regarding consumables production where we had some shortages of certain eResins and dyes and stuff. We couldn't meet the production there. But now I think that stream is streamlined. I mean, there's no shortage of capacity. I think we can always work more hours if we have to. So, I think that should be okay for right now. There is no CAPEX required, if that's what you meant to ask.

Saket Kapoor: You were trying to explain that whatever the headwinds we were facing earlier because of the supply chain issues, those are now back to normal. And as in the normal course of business when and the demand picks up, we would be in a position to easily supply the market without any further CAPEX? This is the correct understanding, sir?

Shiva Kabra: I think that there are supply chain related issues. They are less than before. But I never said there were no supply chain related issues.

Saket Kapoor: So, what steps are we taking?

Shiva Kabra: Like, we are paying money to buy things from the spot market where we have shortages. We are trying to look at alternative suppliers who have the same product as we have, but normally we don't have exact copies of the same product, so it's a problem. We have similar products and so on. But, in terms of the fact that, yes, we can increase our revenues without incurring CAPEX, that's not an issue. The supply chain issue is a different issue. But it's improving, I'll say the situation is improving. Before, if we had 50 parts which sourced out of 1,000. Maybe, now it's 15 or 20, but there are still shortages. And we did one software reengineering to change one critical part. But it was so difficult that I don't think there's any appetite to do it again. Those sort of things, I think, we would just spare more money. It's better for us to spare more money.

Saket Kapoor: To just keep up the service with the customers so that their lines are not disturbed.

Shiva Kabra: Yes. Because what happens is if you change one thing, you have to do so much testing, development, and then you have 2 lines of components for the same product; then, your economies of scale splits and there are a lot of other issues that happen. So, it's not easy for us to accommodate any type of change in one generation of the entire piece.

Even if you look at 600 to 800 printers a quarter, it's not a real production volume. It's very small. We know that people who are making washing machines or fridges or something, they are the ones that are like real volume. If you look at this, this is nothing. It's like even if we make 3,000 to 4,000 printers, it's nothing. People are making millions of TVs or phones, they are the ones with the real volume. And they can afford to maybe even have 2 lines or reengineering of the entire software or something to accommodate some shortages and stuff. I think, for us, it's too difficult to do that.

Saket Kapoor: Lastly, sir, returning cash to the investors. I definitely applaud the Board in declaring this interim dividend. But when we look at the tax incidence part of it, because of the changes brought into the same, the tax incidence is higher and it is taxed at your investor. So, I request the board and a few people through you that, innovative ways or like others should be deploy in determining cash to rather than looking at only different payout to manage. The short point was, the tax incidence appears to be higher, since you are also the largest shareholder you have predict the same thing as an investor.

Shiva Kabra: Yes so Saket, definitely you have raised this point earlier in fact, maybe some other investors also have I am quite sure and we spoke about it. So, I did say in fact we do have like more than 50 crores in cash or cash equivalence or something and I did say that when we go above that level we would be to return at looking all the excess back to shareholders, unless there are some acquisitions that we might make. So, we are looking, of course, at all options, of growth options for the business, we are looking also at how to return excess cash, if there are no available things. So, I can't say, this is a quarterly result, obviously in April when we come back, there'll be a final result. And that time, or the AGM time would be where we will come out with a clear pass

of action, because we've been quite clear that obviously doesn't require much CAPEX as of right now, of course there are small things here and there like putting few 100,000 extra into Mark Print, and maybe a few crores here and there, but nothing major. So, it's more of a technology-based business and we have core technologies with us as of right now. So, like I said, the options will be acquisitions strategic growth areas the way we can look at beyond acquisitions also like new partnerships or other avenues. We closely didn't relate to coding, marking, digital printing, the packaging industry. We did announce the V Shapes joint venture, we have disclosed that sometime or the other day. And of course we were very clear that we will return the excess cash and of course the method of the return is not my decision it is the board decision. But you are correct that I am paying 14% something tax and, but it's not my decision of how the excess of cash would be returned to the shareholders, it will be returned. But the method I can't say, as of right now I only know buybacks and dividends if there are any other innovative methods we would.

Saket Kapoor: Buyback would be but, buyback at the time of coming with buyback, the tax details should be on the company and whoever participates won't be paying any capital gains. So, that would be a slightly prudent way, but the tax would be then falling on the company, which is currently when we are paying dividends, that is on your recipient, on your shareholder so that will change going ahead. So, that is again the cost on the company as today that tax is on your investors?

Shiva Kabra: So, if we continue to maintain a cash balance well in excess of 50 crores which is the case right now, if that is the case, at the time of either our annual meeting or our AGM depending on what the board decides, they will get back to the shareholders with further details on how they plan to reward shareholders or at least redistribute the excess cash which cannot be used profitably by the company. I can't see more than that.

Saket Kapoor: Sir any update on the Liberty Chemical and the VideoJet part sir.

Moderator: Thank you sir. We have the next question from the line of Jayesh Gandhi from Harshad Gandhi. Please go ahead.

Jayesh Gandhi: Sir, I have actually only one question, how many years are still left till we enjoy the extra advantage in Guwahati operations?

Shiva Kabra: I have no idea, Jaideep, why don't you take this?

Jaideep Barve: So, as of five years to go.

Jayesh Gandhi: Okay. And then we go straight back to 25% of tax or do we, is it going to be a gradual or how it will be?

Jaideep Barve: We will get back to you on this.

Shiva Kabra: I believe that MAT credit available through if it doesn't lapse, but before then. Because technically we are at a 0% tax right now. So, technically would have a MAT credit available. Again, that's a fair point we will revert back to you if there is anything more. I think this question has been raised in the past, I believe we have MAT Credit, although we don't show them in our accounts. But we do have a MAT Credit available to us, which we can use in the future against taxes. So, we can maybe maintain a MAT rate for even post the next five years, even post five years.

Jayesh Gandhi: Got it. So, basically for at least for next five years we hover around somewhere between 17% to 20%?

Shiva Kabra: Yes.

Moderator: Thank you. We have the next question from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Just wanted to understand for the 400 crore revenue aspiration that the board has set out, are we planning to do any more inorganic acquisition?

Shiva Kabra: So, the board has set out a 400 crore standalone revenue target, definitely we would be looking also at inorganic acquisitions, but that will not hopefully be part of this. So, whatever ICIPL or Mark Print or anyone else contributes is not part of this target, so this has been put at a standalone target on us.

Alisha Mahawla: Just to understand historically on standalone or this business used to do a mid to high teen kind of growth. And it is an oligopoly market where gaining market share is also not really easy and our progress. So, what is inherently changing for our business is it some particular sectors doing well or being branched out into white spaces that we were not addressing earlier to aspire for growth which it's been a while since the business has seen?

Shiva Kabra: So, this specific thing is actually growth that happened within the last two to three years, but didn't show up because, even though people bought printers, and there was a growth, people were not using the printers to the full capacity because, the demand for our customers, customer to like me and like I said, our customers, customer might have been lacking. So, a lot of our customers were not producing at that capacity, and now they are just using the machines more and that's why got more business specifically this quarter maybe to some extent in the first two quarters or so. So, it's not anything extra special from the market it's just our customers producing more. And hopefully one of the things that will help us is, which we discussed earlier, there was some cost increases and we are hopeful that we'll be able to push through a price increase of which is feasible of yours resistance and that will help our revenues in the coming financial year. And besides that, the non-CIJ market and the automation requirements of customers has increased, because there are other things like track and trade, there are things like, holding on the outside cartons, warehouse management aspects, people are looking at other areas

also. And these are also contributing to growth. So, that there are factors which are increasing the amount of coding required like even right now something happened whether the government made it like, you have to print per gram or per 100 ml, I don't know something like that was there where if you have a pack of biscuits of 80 grams, you have to print, the price per gram also. For us, suddenly there was a lot of requirements running around because we have to do this or print the price per 100 ml or price per 100 grams or something not just the price. So, that just creates like an additional demand, in all cases sometimes it can also cause a lot of additional problems, because like it means a lot of extra work. But, fundamentally there has been some market share gains for us. But part of the bounce back, that has happened, because of people who are just using the printers less and they are just getting back to normal use, I won't even say it's normal use, I would say like it's still slightly less than optimal it's coming back there.

Alisha Mahawla: And is there a particular sector that is really firing for us. These were build, or has the sector or client concentration skewed in a different direction, which is leading to this growth?

Shiva Kabra: So, before we were like a single jet engine, where we were very industrial oriented. Now, the packaging sector which would be the food, which would include of course normally like food will include all the sectors like dairy and beverage, and dairy and bakery and so on and so forth. But food, beverage, FMCG, personal care, which is always a stronghold of us and the end, pharmaceutical, so we're doing well in the packaging sector, we have increased our overall percentage of revenue from the packaging sector as a whole. And we continue to maintain our industrial sales and our market share there. So, by basically being a little bit more broad based in some sectors where we were quite weak frankly and like you said based on the number four in the packaging sector between the four of us, but we are in a significantly better position than what we were before. So, that's helps stabilize our revenue and the growth.

Alisha Mahawla: Sir just one last question, during the previous call also you had mentioned that there is some high-cost inventory that will take some time to move out of the system and we are seeing some of that so when do we think that margins will stabilize and some of these supply side issues which hit us, we would have crossed check on our side.

Shiva Kabra: Jaideep, maybe you should answer this?

Jaideep Barve: You mentioning about the supply chain issues, right?

Alisha Mahawla: Yes.

Jaideep Barve: See, overall if you look at our cost of production we are at a steady 42% to 44% % cost of production in all which includes manufacturing overheads, there exists some room for improvement definitely for us, but at the moment we are really cut short because of this short supply of semiconductors and chips. And the margins are reducing on a marginal basis because we are buying mostly from the spot markets because the regular vendors like they are having

steep lead times about 26 weeks or 52 weeks. So, we are having a high level strategy to buy this so that we don't run out of stock and make sure that sales will have proper inventory to produce.

- Alisha Mahawla:** So, we believe that the 60% gross margins and 25% EBITDA margin is sustainability?
- Jaideep Barve:** Yes, I believe in fact we can definitely improve on that, if we increase our operations there is obviously will be economies of scale attached to it. So, if things are settled down in let say three to six month's time we would imagine improvement in our EBITDA levels as well.
- Moderator:** Thank you. We have the next question from the line of Sunil Shah from Turtle Star. Please go ahead.
- Sunil Shah:** I have just one question to ask and this is about, when we say that our installed base is 16,500 printers, those are active printers which give us revenue in one form or another, like consumable, spare service, is that the case or it has been the journey so far, how is it?
- Shiva Kabra:** If it's just 16,500 printers mentioned then these are active printers because we have sold more than that.
- Sunil Shah:** So, what's the life of this printer, meaning when we say we have sold 800 printers in this quarter, how much would be like repeat customers and how much will be new customers, I just want to understand how are we expanding our market reach, so is it new customers or is it existing customers how is it, out of those 800 sold in the quarter?
- Shiva Kabra:** No the majority of sales always repeat businesses, because even in new customer whatever orders we have for three months that comes in new. So, even if you and most customers what they do is, they'll buy two, three printers from us even if it's a big company, and they'll check it and once they're comfortable, then they'll go in a bigger way. So, it should turnout as repeat customers in our books but reading segments obviously, I'm sorry. I said we have been penetrating new segments, as I've mentioned. So, that's a better indication of probably, that we are successful in creating fresh avenues of growth, fresh sources of revenue within the industry for ourselves. So, the industrial segment like I said was always strong, what's changed for us as a strategy in the last two to three years is that we've added a second engine of growth in the packaging sector. And of course, the packaging sectors are slightly more stable than the industrial sector. So, that's also been, has to have a second source of growth but it's also like a stabilizing influence.
- Sunil Shah:** Sir, so just to understand this better, in terms of what is asking. Sir, 16,500 printers are installed and 800 had got sold only in this quarter. So, in that sense, I would believe that I'm expanding my market reach by 5% in this quarter, if 16,000 is my base, and if I'm sold 800 more, which means I'm expanding it by 5%. However, that is not the case, because as you stated 800 is the number of repeat customers. So, if the repeat customers are like let's say 640 out of 800, which

means I'm expanding my market by only 1% in the quarter. Is that the case, that's what I want to understand?

Shiva Kabra:

So, I don't understand what you mean by expanding my market. So, we look at the number of unique customers we have. And we look at it by the number of active printers that we have. So, if you sold 800 printers, as you said that would be an additional 5% of the existing base would be installed so, that would increase. Of course, there would be also some of those 16,500 printers which would become old and not be used anymore or some of those customers might go bankrupt or might shut that specific factories operations. So, some printers also go out of the ways. Like I said, the printer has a life between 8 to 12 years and that's a fair judgment that people can take, so a printer sold in general will give 8 to 12 years of life unless that factory is not in operation anymore or that line is not being used anymore or nothing untoward happens. So, for us the 800 printers would be an additional 5% increase in the base. But like I said, it will also be balanced with the fact that some printers would also have become old and fallen disuse in this period. So, in terms of number of unique customers that we address, yes, that's a separate question that I don't think we disclose that information as yet that we would measure our reach in terms of number unique customers that we address compared to before. Now, I don't know if we have disclosed that as yet. So, I can't give you that specific information right now. But Jaideep, may we will disclose the number of unique customers that we service in the past, we actually have it in our company profile presently. But, I don't think we have given it in our investor presentation anywhere, I don't know.

Jaideep Barve:

We can give the information. And just Shiva to add on what you just now said, we do not even consider all the dead printers or printers which we give it on demo basis or old standard testing purposes. So, this 814 is not 5% of that so that's what is the answer.

Shiva Kabra:

That's what exactly I was saying, 16,500 is the active base, 800 whatever is the additional base which would add to the 16,500 and of course some of that 16,500 in the next three months would also not be used and that will be reduced so it's not every print I sold is going to be used but some printers also fall into disuse. So, that's how you have to calculate our active things for all days and our market reach.

Sunil Shah:

So, just to simply put 16,500 printers have been sold, 800 we sold in the quarter. So, we can consider that in the next quarter it would be 17,300 odd printers from our side, out of that we wouldn't know how many are active, etc is that right?

Jaideep Barve:

No, there is some bit of correction, if you ask me. 16,500 plus is an active installed base. So, here we are clearly ignoring like anything is on demo for testing purposes. So, even if we sell, let's say 700 new ones, I won't add it automatically to the 16,500 because that's the evolving population of printers, some of them might be returned, some of them might be converted, some of them might be dead. So, as of December, we've got about 16,500 plus active installed base.

Shiva Kabra: So, if I may explain to you more carefully. Anyone who doesn't do business with us in six months, any printer that has not done business with us in six months, is then considered as a dead printer, and it goes off our installed base. Better answer for you, so if not done business within six months you will not be part of the 16,500.

Sunil Shah: So, I am just repeating what I've understood, 16,500 installed base is giving me revenue in one form or another in a six-month basis. And to that I'm around 800 odd printers in the quarter. So, again, give me more revenue going forward. So, that's exactly what it is.

Shiva Kabra: It would be 17,300 as you said but some of them will also not be used and I don't know, in this active investor presentation have we updated every quarter, every six months. So, that is a thing that, we will have to get back to you on that.

Sunil Shah: Sir probably every year end maybe we can update it much better.

Shiva Kabra: Yes. So, it's like an automatic thing that happens for SAP, it's calculated and we also have a target of every customer that hasn't bought and of course we get in touch with every customer hasn't purchased for a month or two months, depending on their cycle so all of these things are already programmed in. But if someone has not purchased for six months, it is considered as a not active print always for us. And then it will not come in this list of 16,500 certainly.

Moderator: Thank you. We have the next question from the line of Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: Sir as I understand we have a property card for the Liberty Chemical land. So, still encroachment is not getting vacated or what's the problem can you just enlighten that situation?

Shiva Kabra: Ashok, so the thing is, from my understanding, there is no basic change in the Liberty Chemicals Chandivali situation, but Mr. Kabra is directly handling that matter. So, you will have to talk to him directly, but my knowledge is that there is no major change in any direction.

Ashok Shah: But the encroachment is vacated or still now clear, by the way it's not clear.

Shiva Kabra: The encroachment is not clear, if it clear we would have sold the land by now. But then you have to speak to Mr. Kabra on where the encroachment status is.

Ashok Shah: Okay. And regarding this VideoJet case, is there any further feedback?

Shiva Kabra: No, actually the case is exactly where it is because since COVID happened, there's been no court hearing so it's just stagnant right now.

Ashok Shah: Okay. Sir the second question is regarding dividend, we are generally paying a two dividend in a year. So, as I understand from the shareholding pattern, we have around three lakhs shares

which are in physical mode so these are going out of the scheme or out of the way maybe in many of the dividend may not have been encased. So, finally this money going to the government of IEPF, so is it better or it's better to take one buyback every year, a small buyback so due to that this money doesn't go to the government and money is distributed directly to shareholders who are actually shareholder and not part of the IEPF fund?

Shiva Kabra: We have discussed the buyback and shareholder and dividend issue. In fact Saket earlier had raised this question. So, I've covered that and I said that maybe if there is more than 50 crores in cash still, in three months from now on or when the AGM is happening, the board will take a decision. I don't know what the board will decide. The board has said that they will return any cash more than 50 crores if there is no acquisition and nothing happens to the shareholders and, I don't know whether they will take that decision in the next quarter or the quarter after that. But, the board can only decide whether it's a buyback, whether it's a dividend, whether they have some other policy that they do so, this is not in my scope.

Ashok Shah: So, can you just guide me out of the three lakhs shares which are in a physical format, how many dividend is entrust for the shareholder, some dividend is not getting encased?

Shiva Kabra: I don't know. I know that good money goes in the IEPF every year.

Ashok Shah: So, what's the quantity of the shares which are not getting en-cashed dividend?

Jaideep Barve: I think I will revert you on this. Every year we have to deposit back into the IEPF fund funding, that's for sure. But if you are very straight for some time on the call, we'll get back to you with this answer.

Ashok Shah: Sir how many number of shares are vanished or several are not en-cashing the dividend, that is my question.

Shiva Kabra: Okay, thanks Ashok, Jaideep is saying he is asking someone to find out, maybe into the call we will be able to give you an answer.

Moderator: Thank you. We have the next question from the line of Devanshu Sampat from Yes Securities. Please go ahead.

Devanshu Sampat: Hopefully two questions. One, is on the inventory on books, what does it standard at currently?

Shiva Kabra: Same as the three quarter or two half year about approximately.

Jaideep Barve: 67 crores.

Devanshu Sampat: 67 crores. And how much of this is because of the overstocking that we may be doing to meet the client demand?

- Jaideep Barve:** So, when I say overstocking we are going by prudent method of management. In order to tie out the crisis, because of the shortages of semiconductor and the shift in the market, we are actually having a strategy to build up some stocks so that we not run out of the required raw materials for production. So, it's not a deliberate case of overstocking but we are actually reacting, more of a reaction in the year have been very risk averse and conscious of the fact.
- Devanshu Sampat:** Got it. And sir second question I wanted to ask is, about how much of revenue do you think we would have lost this because of supply side issues?
- Shiva Kabra:** I don't know how much we've lost specifically this quarter. But yes, it has been a bit continuous. I would say like this year, at least maybe a couple of percent would have been at least more if they want to supply at least 2%, 3% more.
- Devanshu Sampat:** We could have easily crossed 80 crore mark basically in this quarter, and not been for these issues?
- Shiva Kabra:** No, I am specifying over the years, over the years this quarter we did 74.
- Jaideep Barve:** 74.
- Shiva Kabra:** In this quarter Devanshu, it affected us less than the first two quarters. So, I can't see you on a quarter-to-quarter basis. But on an annual basis, we could have done 2%, 3% more, if that didn't happen. This quarter, we got some of the stuff we had previously, luckily whatever we were able to manage, but in the first two quarters it surely affected us more, even in the previous year.
- Moderator:** Thank you. We have the next follow up questions from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** I just got disconnected after you were speaking about the bad credit part. So, if you could elaborate, what were you try to explain?
- Shiva Kabra:** No, we just said Saket that our 0% tax for Guwahati lasts for five more years. So, for five more years, unless the government changes its policy, we should be under the MAT umbrella. At the end of five years, we will have a sizable Mat credit, which we can offset against future taxes. So, we should hopefully be able to remain in the MAT umbrella for even some period post five years. But, this is not like something we have to obviously go through the audit or to give you a confirm statement so you can just take it as a guess, best idea of the situation, I cannot say this with a 100% confidence to check with the audit.
- Saket Kapoor:** So, Jaideep sir, do you have this advance tax number as on 15th December, what have been our tax outgo, actual cash outgo we have placed?

- Jaideep Barve:** The advance tax number, Yes, we have. It should be about the indirect taxes is something separate but it's about eight crores.
- Saket Kapoor:** Eight crores we have paid?
- Jaideep Barve:** Yes.
- Saket Kapoor:** As on 15th December?
- Jaideep Barve:** No, 31st December, after the installment.
- Saket Kapoor:** Okay. No, sir advance tax generally are paid before 15th.
- Jaideep Barve:** Yes, so I'm talking about the indirect taxes which you have.
- Saket Kapoor:** Yes, 8 crores.
- Jaideep Barve:** There is nothing receivable and payable as of now, we have paid everything.
- Saket Kapoor:** Correct sir. And lastly sir on this JV part, you were also explaining the last one in the month of December, how was this going to benefit the company, the latest one this on V Shapes apparel part what are we ironing through it?
- Shiva Kabra:** So, V Shapes is a company that makes some innovative unit like packaging solutions. Like around basically sort of high quality right sachet replacement, but also like the especially appealing part for us is that the solution is not only innovative, but it's a fully recyclable solution. And there's also a compostable option. So, it was a tie up where we felt that with our expertise and our reach in the packaging industry we could tie up with them and take advantage of it and also combine some digital printing solutions of ours to service certain customer needs out there. So, that's all, it's still is a very early days, I'll keep you posted more, we are just trying to say that we are looking at other growth avenues and options also which are related closely to our industry. And definitely I do believe in fact there might be one or two press releases out on that matter. So, if we can try to put it out in the next quarters presentation, we can put an additional note on that if there is a demand for that.
- Saket Kapoor:** And how much we have invested sir as of now?
- Shiva Kabra:** So, we've made a provision for a 10 crore joint venture, Jaideep can you revert back, because right now what's happening is we have to be incorporating with our subsidiary and then V Shapes will then take equity in that subsidiary, Jaideep you can better explain this exactly.
- Jaideep Barve:** You are talking about the V Shape?

- Saket Kapoor:** Yes, please V Shapes transactions sir
- Jaideep Barve:** The V Shapes we've just signed a JV agreement, the company incorporation is yet to take place. But overall, we stand committed to you like, as of now we would be investing about Rs.10 crores in the initial franchise and 90% of the shareholding would be our capital, which is a control contributors capital and 10% by the overseas investor. As of now, it's not yet crystallized about the exact nature and when and when we are doing it, but overall as per the JV agreement this is the overall thing. So, 10 crores is initial phase and five crore later on by virtue of preferential capital, by equity we will do it, so it's 10 plus five.
- Saket Kapoor:** So, how is this 10 crore going to be accretive to us, what is the business plan for us?
- Jaideep Barve:** I missed your last line.
- Saket Kapoor:** How is this 10 crore going to be accretive for us, what is the business plan this is a large sum of money that we are contemplating to invest?
- Jaideep Barve:** The business plan is that, we are going to do supply machinery in India, we are looking at that option. We also might look at options contract filling to be done over here. The machines are of a unique specialty, not in India they've got some sort of foothold, but not majorly they have also expanded to India. So, we believe we will be the first players in the Indian market for such kind of machines. And yes, so as of now the business plan, the full grown business plan is being developed. We've just signed a JV agreement and once it is finalized, we will get to the board approved and in the incorporation the company will happen.
- Saket Kapoor:** Right sir. What Shiva sir has just explained, I think much needs to be explained rather than only the statutory disclosure that we have done for the 10 crore part and Shiva Sir please look into it that the perfect definition of information is provided for the size of the company which we are a Rs.10 crore investment for this packaging business and the potential with Jaideep sir is just articulating to, is not very well explained to the investment community, just a two pager submission as per the disclosure does not speaks volume. So, I would request to dwell as you approach Shiva sir with a further press release or better information of what exactly are we contemplating to do with V Shapes going ahead.
- Moderator:** Kindly stay connected we are trying to connect Mr. Shiva as the line has got disconnected. Please stay connected while I try to reconnect. CFO sir do you want to take this question?
- Shiva Kabra:** The business potential and the type of machines that I would let Mr. Shiva Kabra handle it.
- Moderator:** Kindly stay connected while I try to reconnect.
- Jaideep Barve:** Whatever information I know I will try to explain that we would be into like supply of machines into the Indian market. We can also look into things like contract filling like, they have got

unique machinery for filling up food, cosmetics, some medical chemicals into sachets or pouches. So, that's all what I can tell you as of now, regarding the exact business plan, we have not yet fully developed it. Once we develop it we will take it to our Board of Directors and then we'll take the approval and then incorporation the company happened. But in case sir, if you want to know more details, then we might as well wait for Mr. Shiva Kabra to join this line and he will be able to answer.

Moderator: Sir we have one more participant, can we take him?

Shiva Kabra: Absolutely.

Moderator: Okay. We have the next question from the line of Harsh Beria, Professional Investor. Please go ahead.

Harsh Beria: I simply saw that Control Print has been participating in conventions in Africa. And that was a very good thing to see, can you talk more about it about expansion plans in the African market?

Shiva Kabra: So, Harsh right now, it was just an explanatory thing, we were looking at it actively about two and a half three years ago, then post the COVID part we have not really focused on this and as I described, in some previous communications we've had some supply chain related issues. So, it would not make sense to take on commitments that we can't be ready for our own markets and our own current requirements. So, it's definitely something we're exploring and as soon as we take some definitive steps we will keep you posted on this.

Harsh Beria: Okay. Thanks for that clarification. My next question is on our market. So, in the last quarter itself you guys had mentioned that it takes three to four quarters to pass on price increase to our customers. And most of the price increase would reflect in July, August quarter of 2023. Are we still in line with that so my broader question is, this quarter our gross margin sank below 60%, which is after a long time. So, I am bunching, if this is the bottom of our gross margins?

Shiva Kabra: So, I just want to say one thing to everyone, I would request that all margins are going to be calculated on a standalone basis, not on a consolidated basis for subsidiaries as of right now there is no requirement for profitability it's a growth that we want from them, there's enough scope to make margins lead off, as their revenues expand. So, for our gross margins, Jaideep will address this question quite thoroughly, where we did say that we've got definitely some increases that we have faced, because of short supplies in our markets and in fact to purchase several things for the spot market. And it was covered that was not only the electronics and semiconductors, obviously we saw the maximum impact also in certain things for the chemicals, certain specialties in that we use also fluids. And so, overall we saw that there was a cost increase and also, we've seen beyond spot purchases, there has been actual pricing increase in the price of semiconductors and electronics in general, across the board. And then we did finally say that we are in the process of increase in the prices, we've started, and some customers have accepted. Then bulk still have to accept it, but we are in that process it's well underway, and hopefully that

should at least cover all the cost increases that we have faced, genuine cost increases. And I would say like beyond just the cost of like stop purchases there has also been a little bit of a depreciation of the rupee, against the dollar. And that had some impact maybe in the past, because a lot of the things that come from some countries are also priced in dollars or benchmarked to the dollar.

Harsh Beria: Makes sense, thanks to that clarification. And lastly, when the line dropped off, you were explaining about your 10 crore investments in V Shapes. Maybe you can comment more on it, because the line dropped in the meanwhile, while you answering some of these questions.

Shiva Kabra: So, like I said, it's a unique thing obviously being in the packaging industry we have a close link with the packaging, machinery business and the packaging materials business. Although we're not actually supplying packaging machines and materials, we're more on the printing aspect and the coding and marking business. But, we felt that there was something unique and like I said, especially for us what was interesting was not only that it was a unique format, which had value additional and innovative space, but also some of the solutions that are offered are recyclable and some of the solutions offered are combustible and that's something we felt was also a market demand that was there. So, essentially, that's because we felt that there is a scope of something innovative, something that we should explore. And it's also an area where we could be strong.

Moderator: Thank you.

Shiva Kabra: Again, I just want to say to people, because one of the previous participants did ask more details regarding business plan, we would rather take high risk opportunities, but which are round us sort of technology core which is dependable and it's not a commoditized business. I've explained this in the past, and I will repeat that again. So, if we invest in a business, it is going to be something that we feel that there is some proprietary technology or there is a technology barrier and it is going to be at best an oligopoly or a monopoly. It's not going to be something where anyone can enter into that market. And of course, when you go for a technology-based solution, there is always a much higher risk, I want to be clear to everyone, so it is a judgment call, we are going with the business plan, but the risk is high.

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

Saket Kapoor: Sir, I got the answer to the question about this V Shapes investment which we are doing currently. And only as investigators we wanted to understand the potential of what exactly V Shapes brings on both the control being going ahead, since Rs.10 crore investment for a company of our size is a sizable investment and as you articulated just to the previous Harsh that it's a high risk opportunity that we're taking. So, going ahead, just a fair understanding of what are we seeing and how is Control Print going to gel with V Shapes going ahead, what kind of exclusivity or if you can elaborate understanding or a press release would have followed post your JV going ahead that would have surprised lots of investors and party interested that was the

only understanding. So, we are unable to visualize what are we trying to risk in V Shapes going ahead. That was my broader question.

Shiva Kabra:

So, like I said Saket, first of all we have pulled out a clear statement, I will put that we've made all the statutory disclosures. With regards to our joint venture with V Shapes. Again, we're still in the process of doing some other legal proceedings, we have to incorporate a subsidiary and a wholly owned subsidiary, then we have to incorporate, get some FEMA, some sort of formation so that V Shapes can enter, and so on and so forth. And there's a technical aspect to it that Jaideep can answer you. But, fundamentally as a business everyone knows when the coding and marketing business, coding, marketing digital printing. Is that the packaging machine, machinery and the packaging materials business is a much bigger business. It is service mainly by people like UFlex, Cosmo and so on a Polyflex and of course on the machinery side people like Hasiya, Nichrome, or Bosch, people like them, but a lot of them are with two solutions. Some of them are innovative solutions, we are not interested in anything which is commoditized, if we feel that there is some opportunities where we could service the market especially if it could be something that's environmentally friendly and sustainable, that's something that our board would also has encouraged us to look at. And if we feel that we can find the right types of innovative solutions in that space, which we believe could be a sustainable long term business, we can look at that.

India, also of course will have a lot of talk on certain types of technologies and solutions, but maybe to willingness us to pay actually a premium might not be that high. So, it's a risk always, but it's worth exploring and of course I can only say this much, if we intend to tie up with any company or it's obviously on an exclusive long term basis and obviously our lawyers and stuff are paid and I hope that they've done a good job to make sure that the business is clearly demarcated and it will be beneficial for both sides. So, like I said we're not afraid of investing. If it's something align to our business, if it's something that we feel we can go to the same sets of customers, and we feel that the risk reward opportunity is positive, but like I said, it is going to be risky, there's always going to be at risk in any type of new venture.

Saket Kapoor:

Sir, only short point was sir, when we had a Rs.10 crore investment, we have definitely looked at the business opportunity the size which we are going to cater going ahead and what I could Google out is, V Shapes is a technically based organization in the single dose packaging product type. So, definitely we must have worked before committing an investment of Rs.10 crore, we must have worked out with business opportunity and as you mentioned that the disclosure which we have done to the exchanges, when we speak of a small number and our contribution in the state which we are going to add, we are looking more than that what the investment is towards. So, that was my reason why I'm harping again and again of just understanding where are we going to spend this money and what kind of business opportunity of a company, of a top line of 250 or 300 crores going to garner going ahead from the segment, that was all my point.

Shiva Kabra: So, part of that money is to invest in working capital, because they are selling this machinery or the materials that goes in this machinery are propriety. So, you have to buy some of the materials from us that go into this machinery. And so, we need to have those materials and those machineries accessible in India. So, we can actually demonstrate those same to our customer. So, let's say the bulk of the investments would go to working capital which would or maybe the inventory so that we can show the same and we are also setting up a contract filling facility in Nalagarh factory, which would be used for specific customer requirements especially in the initial phase where the product needs to be proved in the market and what we are expecting is, we are getting the feedback that a lot of customers want to print initial sample quantities or rather fill initial sample quantities with us. So, it's a try before you buy type of situation as of right now.

Saket Kapoor: So, this business will be Nalagarh, the entire business will be routed through the Indian domestic operations only, and they will be bringing the technology domestically for us?

Shiva Kabra: Yes, so they already have some existing customers in India, and they will be merging that customer base into our JV once we start, but everything will be routed through Nalagarh, if we saw the machinery business, the materials is something that of course, we don't manufacture ourselves. So, we'll be sourcing, it's a proprietary material though, and customers have to purchase that propriety material from us at least for the Indian market.

Saket Kapoor: And this customer which segment are we catering initially sir, when we have already multi-gen the customer, to which category, we will showcase with V Shaped products?

Shiva Kabra: So, the easiest market is the pharmaceutical market, because the willingness to pay is the highest and the highest price of the end product that they sell and the other two target markets would be some expensive cosmetic and the third market would be certain types of foods which are reasonably high in value, could be jams, could be like that.

Saket Kapoor: And when will this conclusion happen, it will be communicated when sir and when would the money will be drawn?

Shiva Kabra: No, so the process is already underway. We've already imported some machinery; we've already started working on it. But there is some legal things that are going on in the background like I said, the joint ventures has been incorporated, there are some change in the vectors, and seven shareholders and all of those things have happened in order to put in application for getting a foreign investment in and so I don't know exactly how long it will take but Jaideep, do you want to answer this?

Jaideep Barve: Yes, of course the first thing would be that we'll get all information for the incorporation of the company as you will be aware we'll follow all the basic steps of approval and getting MOA and AOA parts from. It will take about a month or so for the company to be incorporated in India.

And then we will go ahead with the rest of the procedures. So, my guess is that in another two, three months of time all the legal processes would be done.

Saket Kapoor: So, as of now out of the 10 crore how much cash have we sent a ballpark number?

Jaideep Barve: No, as of now the company is not incorporated. Having a bank account then it is going to be subsidized and then we are going to deposit the money. So, as of now, whatever investment would have been done that's part of our investment.

Saket Kapoor: And our marks part of the story, where we are in the mask segment currently, in your initial comment also you have not mentioned, how has been the contribution there for the mask segment?

Shiva Kabra: I missed out on the last line sir.

Saket Kapoor: On the mask segment.

Shiva Kabra: mask. See, as you all know the mask business is basically a business based on how customers are fearing the COVID and that's the primary basis of the business. So, so long as that fear factor remains and there are government mandates to keep the masks on in public places, then there is a steady demand, as of now because of the latest news about the Chinese versions and like six or seven different variants which were there in the month of December. We feel that, like as God forbid nothing happens, but there is a slight increase in the sales of masks at the moment.

Saket Kapoor: What is the contribution for the December quarter?

Shiva Kabra: We would probably marginal increase in the business and this year we would seek about let's say about seven odd crores, seven or eight crores of top line by the year, Q4.

Saket Kapoor: And the entire asset is depreciated now?

Shiva Kabra: Sorry, I am not able to get you.

Saket Kapoor: The entire asset has been depreciated, the depreciation benefit we have accrued completely?

Shiva Kabra: Yes, it's in the process.

Saket Kapoor: Thank you for all the elaborate discussion. Sir we hope to hear more on our future investment, whether it is V Shape, or the Netherland part and coming up with better press release with more insight will be really very helpful. And thank you, Jaideep and Shiva for conducting elaborate calls. Thank you very much for the time and the attention given to investors. Thank you.



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Moderator: Thank you. Ladies and gentleman that was the last question for today. I would now like to hand the conference over to Mr. Karan Bhatelia. Over to you sir.

Karan Bhatelia: Thanks, Shiva. Thanks, Jaideep, for a very detailed concall. Any closing remarks that you want to make?

Shiva Kabra: Thanks to everyone. This was a pretty long call, but really happy that people have taken lot of detailed looks at all the questions they want to ask, especially in such a busy period for everyone. And we really appreciate it. So, if there is some things that for whatever reason, sometimes I feel, these questions come on us and we're not prepared. If they feel that there is some questions that could be complicated, which are not covered in investor presentation, then, if people could email us, then we could actually get those answers ready, and publish them. Because we want to make sure that if there's a question which is relevant to the broader set of investors, then it would come on that investor presentation. So, that's just my only request, if that's there, because sometimes we don't have those numbers exactly in front of us and we don't want to provide our incorrect piece of information to despite of all because it would be circulated widely that will not be correct. Thanks, everyone, for coming and I look forward to seeing you again April sometime.

Shiva Kabra: Thank you everybody for the support you've created in us. We look forward to meeting you after the Q4. Thanks all.

Moderator: Thank you.

Shiva Kabra: Thanks Karan.

Karan Bhatelia: Thank 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.

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