



“Control Print Limited Q1 FY2023 Earnings  
Conference Call”

July 22, 2022



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Control Print Limited hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections etc., whether express or implied. Participants are requested to exercise caution while referring to such statements and remarks. 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 Markets Securities Limited. Thank you and over to you Sir!

**Karan Bhatelia:** Thanks Rutuja. A very warm afternoon and welcome all to the Control Print Limited Q1 FY2023 earnings conference call hosted by Asian Markets Securities Limited. From the management side, we have with us Mr. Shiva Kabra, Joint Managing Director and Mr. Rahul Khettry, CFO. I shall now hand over the call to Rahul for his opening remarks, post which we shall open the floor for Q&A. Thank you and over to you Rahul.

**Rahul Khettry:** Thank you Karan. Welcome everyone to the Q1 FY2023 earnings conference call of Control Print. We appreciate you are taking out time from your busy schedule to attend the call. Hope you and your loved ones are safe and healthy. Mr. Shiva Kabra, Joint Managing Director joins me on this call. The detailed presentation has already been put up on our website as well as the intimation to the stock exchanges. Let me give a brief analysis of the financials of Q1 FY2022-2023. The manufacturing activities in Q1 maintained the upswing from Q4 of previous year and most of the industries continued their production to meet the higher demand. The increased production was clearly visible in the higher requirement for consumable, which is beneficial to the coding and marking industry. The last couple of years has been extraordinary depreciations and the strength of the company is tested and we can assure you that Control Print is geared up for any challenge. We are financially stable and robust and will continue to perform in spite of unforeseen challenges.

This stability of Control Print has also been reapproved by credit rating agency CRISIL with A rating after considering the short- and medium-term impact of the COVID pandemic. Our investors can maintain their belief on the company's management for an optimistic future. This quarter's performance was normalized as the previous two Q1 were not by COVID. We delivered growth in revenue and margins and volume growth. These are encouraging signs as Q1 leads the way for the years and this momentum should continue in the coming quarter.



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Revenue for the quarter witnessed year-on-year growth of 21.75%, the reason for growth in revenue was due to good traction in consumables as the industrial production increased though we believe it is still not at the optimum level and there is scope of improvement. The production of some of the industries was low due to raw material shortage, so there is still scope of growth in the overall production volumes.

The growth margin improved due to better product mix huge to towards consumable. Profit before exceptional item increased 66% year-on-year and remains strong as 21.5%. EBITDA increased 50% year-on-year and improved to 27.2% and continues to remain above 24%. PAT increased by 34% year-on-year. The company maintained healthy margins with profit before exceptional items at 21.5% and EBITDA at 27.2% with scope of improvement due to higher revenues triggering economies of scales. Let me brief you on the performance of various divisions, products and business segment. Consumable had a good traction and the increased installed base will drive the business in the coming quarters.

The company continues to penetrate competitive accounts in key sectors like building material, FMCG, pharma, dairy etc., to strengthen its market share. The company intends to expand in global footprints and has formed a holding company in Netherland to acquire 75% stake in mark prints dealing. The SCP division witnessed year-on-year growth of 30% as a production of the customers was increasing. The growth was mainly due to improved production of some of the industries where we have a strong hold like dairy, healthcare, steel and metals, food, FMCG, pipes, cable and wire, distillery, agro chemical and was also indulging to see growth in some of the upcoming sectors like pharma, paints, and wood. Product verticals of TIJ, TTO, Hi-Res continued to deliver strong numbers and these products are penetrating the market.

We have dedicated managers and team to guide these verticals with focus on dairy, beverages, bakery, frozen foods, ready to eat, pharma, packaging, plywood, lubricant, carton coding. The new product continued to grow every quarter, which builds confidence on the potential of these products in the coming years. Laser business is growing steadily as product technology has been improved and new team is driving the business. This has yielded good dividend with positive response from customers and new opportunities is being captured. Service revenue has shown good numbers, which contributes towards profitability.

Our strategy for separate verticals of key account and OEM business for focused approaches is giving us positive results and contributing towards growth. LCP business reported good growth for the quarter with revival income cement account and pan-India supplies in the sugar industry. With new government directives regarding marking and coding in agrochemicals and healthcare, plastic bags and waste management, we expect some good contribution to our



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business growth. Customer especially large business organizations are looking for coding and marking solution so as to avoid counterfeit of their product. We are offering some brief solution including availability of our in-house software development team to provide tailor-made solutions as per our customer's expectation. To intensify our reach to the customers, we have strengthened our inside sales team tele-calling the customers to generate good quality leads. This is helping the field sales force to improve their strike rate for order conversion. The company has strong cash flow and the trend is expected to continue. Fundamentally and inherently, the company remains strong and we are focused on our plan and strategy as we are confident of the growth potential to deliver positive results. 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 Madhuchanda Dey from MC Pro. Please go ahead.

**Madhuchanda Dey:** Congratulations on good set of numbers. I have just couple of questions. The first is, what is the total import content in the raw material and to what extent you think that the current depreciation that impact your margin and the second question little more housekeeping, just wanted a breakup of the revenue for the quarter between printer sales, consumables etc and how many printers did you actually sell in the quarter, the CIJ and new lines of printers if you can throw some light on the same?

**Rahul Khettry:** Start with import is generally between 25% to 30% sometimes now with the shortage of the electronic components and price increases that could vary by couple of percent, but generally it is in the range of 25% to 30% of our requirement though we still have a lot of import substitutes and we can procurement from India, so that time there are shortages and quality issue, so considering that we still maintain 25% on the import front. Regarding the breakup of the revenue for this quarter, if the printers were between 18% to 19%, the consumables was around 56% to 57%, the spares and service was around 22% to 23% and the balance was on the Mark division. The later part of your question was normally printers that we sold in the quarters, for this quarter we had a sale of 750 just a little above that, say about 750 printers for this quarter that we managed to sell.

**Madhuchanda Dey:** Could you give us a breakup between your CIJ and the new lines of printers?

**Rahul Khettry:** Generally, CIJ is still dominating sales, between 65% to 70%, the company breakup we do not put it up in public domain because it is not available for our competitors also.

**Madhuchanda Dey:** Thanks and all the best.



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**Moderator:** Thank you. The next question is from the line of Vaibhav Badjatia from Honesty and Integrity Investment. Please go ahead.

**Vaibhav Badjatia:** Thanks for providing the opportunity. If I compare FY2022 total numbers to assess FY2020 numbers, sales of services has gone up significantly, 50% growth in sales in these two years that is outpacing our total revenue growth, so can you please explain what is happening here and why this services revenue they are growing up significantly?

**Rahul Khettry:** Can you please tell me which year you are comparing?

**Vaibhav Badjatia:** I am talking about FY2020 numbers pre-COVID basically FY2020 represent most of the pre-COVID sales right, so if the sale of services has seen in the annual report is Rs.22 Crores there versus in FY2022, it has increased to Rs.33.4 Crores, so nearly a 50% growth there in the matter of two years.

**Rahul Khettry:** Some of it could be because of regrouping earlier some of our rental revenues were reflected probably in service and then with this Ind-AS coming in these auditors preferred to show it as part of revenues that is one of the reasons and the other is genuinely our installed base has increased, so the service revenue and sales have also gone up, so it is a mix of these two items.

**Vaibhav Badjatia:** Got it and secondly, similarly on the imported sales, if I see the sales of traded consumables that has also gone up in the same period FY2020 to FY2022 in two years' timeframe, so can you help us understand the reasons for the same?

**Rahul Khettry:** Volumes, as installed base is increasing, we have some of the specialized services, which we need to import and that could be the reason for that increase of trading as well as one of our printers TPO, some portion of it is also imported, so volumes of that increasing will also ready to traded items increasing, though we do a lot of activities in-house after the printers come in, so some of it does get reported as traded. The volumes if you are comparing to 2020, volumes have gone up by at least 30% if I can say.

**Vaibhav Badjatia:** This imported ink is used in which kind of printers?

**Rahul Khettry:** Mostly in CIJ printers, but for specialized applications, some of our customers need high-grade ink what they have special environments to work in let us say high temperature or a very low temperature, they need special bonding requirement or there could be UV print requirement, so there are very special requirements, for which the customer is willing to spend that extra money, which we need to sometime import. The volumes has not been too big, it is not feasible to attain manufacture in-house. It is having a unique application.



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**Vaibhav Badjatia:** Lastly, if I broadly compare the total consumable sales of the company, there is more representative what is happening on the IIP front and what is the happening in the broader economy, so the GDP number and IIP barely back to pre-COVID level, but our sales in these two years have grown tremendously. Nearly, it has gone up nearly 30%-35% in these two years from FY2020, 2021 and then 2022, so is it to do more with the pricing because the inflationary environment or the volumes has also significantly gone up and if yes, then what could be the drivers of these higher volumes, because that is not getting reflected into the broader GDP numbers.

**Rahul Khettry:** IIP has definitely increased from pre-COVID like we had mentioned in the previous calls also even during COVID time, our printer sales were always on a very high and in fact those years we maintained probably the highest printer sales, which we said it is encouraging because once the printer is sold, the consumable will follow as soon as the productions are normalized and that is what it will be probably see now, that is one of the reason is higher installed base compared to two years ago and also we have said that some of the industries which we believe, we have a strong hold still there is a gap and once that production increases, our volume should further go up, so we still hold that we still do not think that the production of our customers at an optimum. We still feel there is a 10% or 15% gap where the same printers can give us higher consumable, that is the field report we get from our sales team across pan India. Both of the growth are volume growth though we have gone for price increase because lot of our costing for us has also gone up because of the input prices, but that would mostly be in the range of 5% to 6%. It is a highly competitive environment and tough to get price increase from all customers though we keep trying, but many of our customers have generally given us price increase in that range, also some of it freight increase and stuff like that. If I have to put the weightage, I would put most of it on volume increase and may be 10%-15% because of price in freight and other stuff.

**Vaibhav Badjatia:** Okay, got it and lastly on this acquisition that we are doing.

**Rahul Khettry:** Once a couple of question, maybe you can come back to the queue because...

**Vaibhav Badjatia:** Sure, I will come back.

**Rahul Khettry:** The questions you started, will come up in somebody else.

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



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**Dipen Shankar:** Good afternoon everyone and congratulations for good set of numbers. Firstly, I wanted to understand the sharp improvement in gross margins and EBITDA margins, understandably consumable share has gone up; are we seeing this quarterly run rate of printer volumes is similar or it has come down during the current quarter?

**Rahul Khettry:** Basically, printers are at a similar level around 17% to 20% is generally every quarter percentage. This quarter is the reason for gross margin improvement and EBITDA improvement like we mentioned is that higher percentage of consumables have gone in, so in the previous couple of years, we have had consumers between 50% to 52%, which I said that that should improve and this quarter it has gone up to 56%-57%, so that is one of the major reasons for EBITDA and like you all know that the Mark Division is definitely going to be a little lower than it has been previously during the COVID wave, so I guess the coding and marking is the making up for the loss of Mark revenue, which we saw a very strong in the previous year.

**Dipen Shankar:** Okay and is there any change in government regulation for any particular sectors, which can favorably increase this coding and marking consumption?

**Rahul Khettry:** Shiva, you can answer that will be better.

**Shiva Kabra:** It is very difficult to predict what the government will do and how much lobbying is resulted in by the affected industry, what the final outcome is, but in general, the government has increased the number of rules especially around pharmacy to ensure more traceability through the supply chain, so that is what we expect. We might have seen there was someone wrote an article that came out I think is the top 300 medicines of the country. They will ask them the printer where will QR code (inaudible) 21.27 someone like our printers then need to print the supply chain, but of course that is what they are proposing, but it is not happened as yet, so they could be more rules and regulations coming in general regulations have increased over time, they have not decreased, in between there was also new legal metrology requirement which I believe was that they print the price for 100 grams and price for grams, something of that sort, so then if they had to do something like that especially the price fluctuates, then they have to use our printer on that product, so there are some things are there, but it is not 100% in pharm, so there is always a lot of talk about new, the government always proposals a lot of stuff, but then because each industry has its own in the reasons where it find it difficult to drop their own rationale to the government subject to thumb rule and in general I would say the amount of regulations probably separation, but it is definitely what increase on a pharmaceutical side. These things on the liquor side also, it has increased in the amount of printing as a result.



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**Dipen Shankar:** If this regulation can become mandatory, are we foreseeing some of new printer sales also for the existing pharma companies or it is only the consumption, which will go up if this becomes mandatory?

**Shiva Kabra:** No, for printing, wherever QR codes definitely has been increased more expensive so the people of probably the entire state of equipment lines I think, and if you see a lot of the high-volume medicines actually are barely any printing on them, if you look at Crocin in something like that D'cold it only have actual things they prints, they are in fact coming from no coding to like only variable printing, so it is having a regulation is in force we should think about right now. I think eventually it will happen, but it can be now in the next six months or it will be five years from that, but I think the regulation should happen and some company will start preparing in advance, start equipment new lines in advance of that, so that they are prepared for the new regulations at the time they happen. I hope that answers your question.

**Moderator:** As there is no response, we will move to the next question which is from the line of Nemish Shah from Emkay Investment Managers Limited. Please go ahead.

**Nemish Shah:** Thanks for this opportunity. I just wanted to know what is the current printer installed base?

**Rahul Khettry:** The installed base of printer, we cross 15000 in the previous year and this time we have done about 750 odd printers in Q1, so we would definitely be more than 15500 after considering some of the last fiscals.

**Nemish Shah:** Okay, got it and on a standard scale basis, could you just help us understand what the average realization for a consumables per printer is?

**Rahul Khettry:** Generally clocked between 1 to 1.1 lakh per printer, now the mix is changing between different printers, the consumption is generally higher in CIJ printers as compared to TIJ or TTO. The average compared to previous year is a little lower, but still 1.1 lakh is what we are trying to clock.

**Nemish Shah:** Okay and this consumption should ideally increase by the increased production basically for the industry right?

**Rahul Khettry:** As the production of our customers increases, now if they go from single to a double shift or double shift to triple, the same printer is going to give us higher revenues of consumable front that is what increases the average, but it is completely dependent on their production planning, it is not something that we can control.



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**Nemish Shah:** Do you have some similar number for spares; what would be the realization for printer for spares?

**Rahul Khettry:** Spares like there are more than 400 parts on a single printer, the printer SKUs that we have, so that can range from Rs.100 to may be Rs.50000 so that is difficult to say.

**Nemish Shah:** Could you just throw some color on the acquisition that we made?

**Rahul Khettry:** Can we take that question, Shiva you there?

**Shiva Kabra:** We are in coding and marking industry, which is sort of intersection of the digital printing and packaging like at a very small level, which is in a just very basic requirement, which is date code, batch code, expiry dates, the statutory information and sort of minimum amounts of information for printings on a cable, wires, so on, what is happening to the lot of customers do wanting to print more information and if this costs there before, so lot of people who want to print ingredients on the production line and lot of people who want to print the entire blister or mono carton on the production line, so they want to personalize more and have a lot more flexibility, so mark print already makes equipment, which is capable of doing this type of work, so we do also, but the technical level of our printers is significantly less than that of mark print and so the cost warrant, so the printer used for almost eliminate some of the pre-printing this they are in the package and basically personalize the packages to much high extent, so that is what their businesses about and our primary reasons for the purchase, so that we can acquire this technology and use it through boost the top end of our range in India or it is going to take time for us to obviously employ it in the market and get the benefits out of it, but this will help us through our sales in the Indian market, but at the same time mark is itself doing very well and they have also doubled in the last two or three years and I can see that they themselves will be growing in the European markets especially in Scandinavia, Germany, America and Canada something that is something that we will help support their growth by investing in them to expand those geographies, so I am really expecting that it is going to be dual powered acquisition for us in terms of mark print itself doing very well and continuing that growth rate hopefully will faster and that for much bigger ways in the coming times and for us to benefit and to be able to extend our product range and able to cater to much more sophisticated and complex requirements of our customers in our markets, so it is a bit of strategic acquisitions and not like a simple market share idea It is more for technology needs that we need to acquire.

**Nemish Shah:** Basically the high-end printers, we would be looking to just gain the technical know-how and manufacture it in an Indian plant or just input those printers from market?



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**Shiva Kabra:** Right now, we are just importing a few a couple of things, but we are already going to start localizing. Obviously his structure, using his components, his everything is whatever, so we are seeing how we can localize it, but also reduce the cost to some extent significantly, for which we will have to work quite significantly, so the idea may be to do the same consideration he has and manufactured in India and maybe we get a slot in the upfront margin on the printers to help through the market out here, but at the same time we have to work on actually lowering the cost base of those printers because the Indian market are very different from the Benelux, Germany, Scandinavia, Northern European, Canadian and world market that you have and that is something we will be working upon, so we already have some of the equipment on the way out here, I think we had some information is going on, so we will be working on it, as of course at the end of the day, I do want to point out, which is not very obvious from my statement so far that it depends only on the application that we are talking about because we can do a lot of types of printing, we can print a lot of different things, a lot of different packages, a lot of different items, it depends on, which specific applications that we are targeting in India and what we feel will succeed in the Indian markets, so accordingly we will focus on those specific items and try to come out with aggressive solutions for those specific areas that we are targeting whereas may be for things that we feel one-off or something we can really know it is import and cater it to them.

**Nemish Shah:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

**Kashyap Javeri:** I have only one question, when we look at some of the more industrialized or manufacturing focused countries versus let us say an installed base for us which is about 15000 odd at industry level may be about 40000, 45000 kind of a number, what is the sort of maximum possible domestic market to do. Is there any benchmark for particular amount of manufacturing GDP, as many number of printers which are needed eventually and that is going to be the size of the domestic market?

**Shiva Kabra:** What we have seen is definitely as the GDP grows GDP per capita because of increased automation requirements and also because of the organized packaging even this substitution of a lot of other types of network even in industry side, the number of printers per person definitely increases and the resulting consumables and so on, so it is there, but it is on a declining curve, basic on a declining curve, so what happens it increases faster like I said something which cost about \$5000 per capita, it is at a faster rate and then beyond that it starts increasing at its lower rate, so I think it is very difficult to compare, but if you look at market like China say that their domestic market would be at least five to six times so large, so in

terms of the number of printers, the CIJ printers they sell per year is more than 30000 whereas we sell about 8000 to 10000 that is one type of printer we also have like bigger markets for all the types of printers and because the base has been going at a large base three years now as a result. We have to look at it that Indian market will be like about \$200 million, Euros or whatever we give it right now and the worldwide market will be about 5 billion to 6 billion, so I think it is going to dependent on India's share for world GDP and of course as the GDP grows, this market with company growing so, it is difficult to say and we saw that some person asked also in that IIP has not grown so much, and it is still growing, I think there was earlier question, I apologized who asked it and Rahul did say that we continue sell printers and that is also because there is a shift from unorganized packaging to organized packaging, so for lot of people the edible oil there was sugar, there was salt, there was wheat, there was rice even milk, a lot of things are not packaged in India or the percentage of packaging was quite less and now lot of those products are being packaged, so that is causing secondary increase in sales and then as people getting more convenience, people is also having like 23 kilo bags of rice, it is starting to get by one or two kilos at a time rather than opening a 20 kilo bag and then sorting in huge jars and so on that is what we will see more pre-cooked stuff, more varieties will increase the amount of packaging, may be on very good from some taxability view point, but that could be seen in the world, so if you look at bottled water, people used it only on a travelling or sort of very small things before, now someone comes to office for the meeting, which might be the same with all of you if you have like one liters bottles all over the place and that is increasing the consumption also. These packers also tried in the market, it is not just GDP growth thing, but it is related, as you will see growth per capita increases other factors will continuously increase.

**Kashyap Javeri:**

One more question I want to ask over here, you mentioned that installed today at the end of FY2022 was about 15000 printers that amounts to almost about Rs.140000 a printer per annum of consumables and services based on the annual report data, which is already available that number if I go back about four, five years ago was roughly about Rs.155000 a printer, so what has changed between then and now that this consumable per printer of installed based or services and spares also, it is not growing at all rather it is probably declining. First are they number correct because I have taken it from your annual report and point number two, if that is the case then?

**Shiva Kabra:**

I will answer your questions. The first thing, we had a very large cement business previously and you know cement has a lot of production prior then we had a lot of issues with piracy in that market even till date, the customers that are there have a lot of issues in terms of in the quality of printing, because they frankly do not care about that which actually affects our business a lot because the moment a person does not care of meeting statutory requirements

at all, then the scope of Control Print and Domino decreases, because they knew they can take any one, so when business decline quite sharp, Rahul give you the numbers after this and that is sort of affected per print of business quite a lot because the cement business definitely like in excess of about Rs.3 lakh per printer per year in terms of consumption and the second factor that, our product mix is continuously evolving, so we sell for example a lot of other stuff, so we also print sale for example on the cartons now, your printing say on I do not know some sort of antiquity whisky or something. Now just 24 bottles pack in a carton, we also print on the carton that is also printer for us and Rahul said we do not give that break up because of different reasons, but they have eventually increase in the secondary packaging and packaging there may be some people to print offline at a fast pace and obviously the printers online so they are using more printers as a result, but the overall production for printer has decreased and those factors are also affecting the overall consumption for printer. It could be according to me figures of the company may decrease, but what is matters that which is the overall trajectory increasing on what base, it depends on so much on what mix of printer we sell, so for example tomorrow if we sell some printers for which the technology come from mark print, the consumption for printer those will be very high, it would be like 10 lakhs to 30 lakhs per annum for printer range, so they could see the figures the other way, so it is very difficult, without the granularity, which I realized we do not provide you at that level. it is very difficult to predict a very broad production, it is not very relevant piece of information, is what I would say if you look at the number of printers and the total base because we do not know what mix of printers has been sold, which we only understand how that business is performing. This is my own personal view point. Rahul, are you going to add anything on these points?

**Rahul Khetry:** No, I think you have already explained.

**Kashyap Javeri:** Thank you so much. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Yash Bajaj from Lucky Investment Managers. Please go ahead.

**Yash Bajaj:** Good afternoon. I am fairly new to this company, so just excuses in terms of the granular details of the company. I just wanted to understand, one of the previous participants said that the growth or the volume in our business will be dependent on or customers growing in their respective segments, so can I get like an overview of the kind of mix we have in terms of customers like industry wise, like I know that we are in FMCG, pharma, textiles, but like just to brief breakup of it and in which respective segment or industry are we seeing a higher growth?



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**Rahul Khettry:** Basically, we are mostly through towards the industrial side since we were late entrant compared to our competitors, so for Control Print about 60% of our revenues were mostly on the industrial side and about 40% on the packaging that is the breakup we will be seeing, now that is changing and may be some more on the packaging side, so the industrial side is coming towards the 55% and the packaging is going up to 45% over the next few years that is what we believe will happen because of the new printers that we are launching.

**Yash Bajaj:** Okay and we offer the printers as well as the consumables for the printers, so if a customer buys the printer, is the consumable to be bought only from control printers or....

**Rahul Khettry:** Mostly we have RFID chip in our printers and that is what the customer needs to purchase the consumable from us. Some people do try using **other** consumables if they managed to bypass the RFID software then in that case we do not service the printers because **other pirated** ink actually spoiled some of the parts and the customers then has to get the servicing done from outside, so in many cases we have found that the customers moved out of Control Print over a period of time that printer deteriorates. They have again come back and started buying from us, so these are things, which do happen in the industry, but apart from that 85% of the industry is still organized, it is 10%-15% where these activities take place.

**Yash Bajaj:** Okay and in terms of margins, how difference would be the margin for the printer and consumable?

**Rahul Khettry:** Definitely printers are at rock bottom prices, very little margin and it is very competitive price market there. The reason being that main high profitability is on the consumable and that is what sell for multiple years after you sold a printer, so one printer can give you let us say five to seven years of consumable business, which is high-profit margin, so that is the reason why printers at least in India we found is at a very low price compared to our other countries and the profitability mostly like in the consumables.

**Yash Bajaj:** Got it and just one last question, in terms of printers, what is the difference between the CIJ and TIJ, what is the different?

**Rahul Khettry:** Difference between?

**Yash Bajaj:** CIJ and TIJ, I heard it right on the call?

**Rahul Khettry:** The difference is here about seven different types of printers, CIJ and TIJ are just two out of this level and the print on different substrates, TIJ is more specific to certain application



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whereas CIJ is more general and can print across more industries in substrates, may be on the website you can get much more information and you can just go through.

- Yash Bajaj:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
- VP Rajesh:** Thanks for the opportunity and congratulations. Just a question on the acquisition that we did in Netherland. Can you share the financial matrix revenue, EBITDA or PAT in last financial year on that?
- Rahul Khettry:** We had put that up on the stock exchange. It is available there for the last three years.
- VP Rajesh:** My second question is on the macro side.
- Shiva Kabra:** **(inaudible) 47.52** borrowed in revenue and 150000 profit I think, so but Rahul can get you those numbers if you just write into us.
- VP Rajesh:** My other question was on the macro side, are you seeing an escalation in the industrial activity or in the packaging activity and what is the prognostic because everybody seems to be talking about the slowdown, which will also impact India, so I was just trying to understand the growth point what you have seen?
- Rahul Khettry:** I did not hear the question clearly, Shiva can you answer that?
- Shiva Kabra:** I did not hear the question clearly also, if you can repeat it once again.
- VP Rajesh:** What I am trying to understand is, you are very much plugged into the industrial side of the economy, so you are at the ground level, are you seeing the industrial activity pickup let us say one month or two month ago and are there certain pockets going faster than the other pockets, probably sale of your printers or from the increased sales of consumables?
- Shiva Kabra:** From the industry side, we actually felt it was a bit slow, honestly it is slower than what we expected, we do not know what is going on the print, but overall activity will get subdued.
- VP Rajesh:** Was it constantly in a particular industry that supply to or was it across on the segments that you cater to?



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- Shiva Kabra:** Two, three segments; obviously the construction material industry looks okay, I think the pipe especially was a bit weak, if to some extent the cable and wire, so we will have to break it down, because the pipes that we print on used in agriculture so much they used more in construction and then in the FMCG was okay, it was increasing their much per print or consumables business and there was an decreasing, also it was sort of flattish.
- Rahul Khettry:** Overall I think we believe another 10%, 15% definitely the volumes and increase compared to the current level.
- VP Rajesh:** It will be in this quarter or for the rest of this year?
- Rahul Khettry:** Going forward, I think thing should increase more if the productions of the different industry increase.
- VP Rajesh:** Thank you. That is it from my side.
- Shiva Kabra:** May be there was a sluggish/destocking obviously sometimes it happens, so I guess we have better product probably figures for the quarter.
- Rahul Khettry:** On the raw material side, some industries were struggling we know that some printers were shut, because their production lines were not operating, because they could not manage their raw materials, so different reasons have kept it low.
- VP Rajesh:** Understood, thank you.
- Moderator:** Thank you. The next question is from the line of Anurag Dinkar Patil from Roha Asset Managers. Please go ahead.
- Anurag Dinkar Patil:** Thank you for the opportunity. Any kind of a supply chain this much and they are anticipating in the coming quarters?
- Shiva Kabra:** Right now we are in a supply chain disruption and our printer production has been affected, I did brief in the Q4 conference call, I said we have been severely impacted that is why our revenues are lower in this quarter, because we have not been able to sell many printers, so we do not have the controls we are purchasing from the spot market whatever we have to fulfill our needs at a much higher prices affecting as almost to the tune of Rs.30000 to Rs.40000 a printer, but we then cannot make the printout because there are still some parts missing, so in other words we have to buy, however it is wherever it is available, how it is available once we have to indicate the validated the component, so that is the situation right now and because

of that we are unable to produce the CIJ printers during in Q1 except for some old board, some old stuff, we have been scrounging around that we will depend to some spare stocks and stuff we normally keep as a very big safety for the printers to manufacturer some of the printers, but now our production is starting of the new generation of printer and hopefully we will be able to get out of the situation at a price because we are just buying stuff at a much higher price, so I think this is going to continue for the next six months or so whatever we have seen. We have created some stock at a very high price, so that is the situation, so we have no choice. The semiconductor market shortage is improving, we also see some other components like rubbers and increased tremendously, so the whole supply chain is a bit broken, it is not recovered frankly probably from the COVID time and definitely giving more anything affected we do not have the electronic components. We would have manufactured our PCBs, the drive electronics for our printers, so because we cannot make it and once we miss, we cannot redesign it and for every part on this component have to validate and some of them require software reprograms, this whole things come as a disaster, but basically, no way out, which we have purchased in a spot market at a very high price and in some cases we have redesigned and in some cases we have purchased. Expect the situation to continue as it is very difficult for at last six months.

**Anurag Dinkar Patil:** Okay, raw material costs are now correcting, so current gross margins of 60%, can you say that will sustain going forward?

**Shiva Kabra:** I do not know that will work, but whatever seems like this quarter, the printer revenue has been subdued, it would not add to our profit normally, but it would not reduce our profit, normally we will sell them at a market level, so that it do not cause loss, not the because profit, so the right now may be they are selling them a bit of loss going forward because our cost will increase, so we had to purchase from the spot market, but I think absent numbers might matter little bit more than this quarter comparison especially because there is so much fluctuation going on like last year, but Q1 affects because of COVID, this year the war is affecting us causing shortages, something of the other seems to be going on since March 2000 or something, so it is very difficult to get a comparison and may be in Q4 everything may go quite smooth.

**Anurag Dinkar Patil:** Just one question was more on the consumable side, if the raw materials for the consumables are correcting, is there any scope for other improvement in our margins?

**Rahul Khettry:** Currently, some of the prices are on a higher side, but if global in the situation stabilizes, we do have scope of improvement in some of the raw material or consumable, so yes, definitely there is a chance that the things are better. This year we are not sure because the market



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feedback that we are getting is that the prices will remain on the higher side may be the next year if it stabilizes we have scope of better margin on that.

**Anurag Dinkar Patil:** That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Harsh Beria an Individual Investor. Please go ahead.

**Harsh Beria:** Thanks for the opportunity. I noticed in the presentation that field staff has reduced to 300 from 360 earlier, is this reading right, is that a reduction in the account of field staff?

**Rahul Khettry:** Could you repeat, what has reduced?

**Harsh Beria:** Field staff, the number has changed slightly. I think it has reduced to 300 plus and earlier in the presentation, it was mentioned as 360, is it a reduction?

**Rahul Khettry:** We are just still not understood could you speak a little louder?

**Harsh Beria:** The field staff has reduced from some sort of breakup in the presentation. This field staff is 360 earlier and now it is 300, but I do not know numbers nothing has reduced; is everything is alright?

**Rahul Khettry:** Where are you getting the numbers from exactly?

**Harsh Beria:** It is from the presentation, earlier it has mentioned that 360, now it is mentioned as 300 plus.

**Rahul Khettry:** 300 plus from a presentation point of view I get they change from presentation outlook, but like Mr. Shiva said, the field staff has not reduced and we are looking to add a few more, because the business seems to be growing quite strong, so there is no reduction probably just a presentation format.

**Harsh Beria:** Perfect, thanks to the clarification. My second question is about Track and Trace Services, how does this business structured and what is the kind of software team that you need to provide the service?

**Rahul Khettry:** Shiva, the Track and Trace can you explain?

**Shiva Kabra:** We normally print like something significant on the products like, date code, batch code and so on MRP, and various information, now the track and trace system, is an integrated system, so it is not just about us printing the standard information along with that what we do is we



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have to generate a variable QR code, now for that what we do is we have to download some data from the customers' TRP systems. and at the same time we add some software which then generic certain granule numbers, it is a format provided by the GS1 organization the Global Standards 1 and they issue the standards for this as per the EAN barcodes and so on. There is variable information on the products and then that we have to do is upload it back from our printer and eliminate in our printer because we transfer more than one code at a time and then it goes back in to the customers business, at the same time this will scan the barcode ensure that the print has been there then it is priority it has been a part of this available and has been printed and then we have to eliminated from our data base it goes somewhere in the cloud or there is the cosmos where it is stored and then and at the same if some code is incorrect, we have a rejection mechanism to check build on the line so that without stopping this production if the code has not been good then that product is removed from the production line, which of course can be challenging with that certain speed and then all other information is then connected so when the same product then packed in a secondary carton. In the secondary carton the code of all the primary carton is also included in that, suppose I have like say for example 10 blisters and I packed it in a blister pack and a little folding carton then all the data of variable data of all this 10 blister packs, which is there in that secondary pack that data will be encoded, so it will come on the secondary pack and when we see it in the secondary packs goes on the tertiary pack which the carton, which then get shift to all the distributors then on the tertiary packs it contains the information of which 10 secondary packs are there and which 100 trialing this packs out there and each of thig on the rejection mechanism everything is being uploaded somewhere on the cloud or the customers data in that sense choice how you want to handle it and sometime some people use it for helping, they might use it for validation with an SMS your intercity of the product and then might use it further in internal staff to validate some products or they might use it also for some marketing reasons, so that they can use it to scan this code and get Rs.10 off or something like that you get a 20% discount in the next purchase, so then what happen is basically that sort of different from us for guiding a product because I am just tilting our date code and batch code in leasing because the amount of involvement of our hoursproviding much bigger so it is much more challenging and of course it is a much higher revenue generator and then there was a certain software component, which have to manage every year so we charge some money for that.

**Harsh Beria:**

This sounds like slightly competitive service, so the revenues that comes from this segment could be categorized in the services segment in the revenue breakup.

**Shiva Kabra:**

What?



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- Harsh Beria:** The revenue that we are generating from this track and trace should be capitalized the services segment in the revenue segment digital segment in your report.
- Shiva Kabra:** No, Sir right now it is quite negligible overall because when we sell the equipment it will come under sale of equipment depending on what strategy comes under, but the peak service revenue and I think there is nothing special and this comes under sale of services and something on that sort.
- Harsh Beria:** Yes, thanks for the clarification that is all from my side.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Namaskar, and thank you for the opportunity. Firstly with coming to this acquisition part so this payment is made to the promoters or there is a first capital has been raised in the company for growth of the same.
- Shiva Kabra:** No the initial payout will be to the current CEO there who is the promoter and he will continue in the company for the next five years; we have got management contract with him.
- Saket Kapoor:** The balance 25% is also held by him only.
- Shiva Kabra:** The current CEO has a partner and non-active partner and we are purchasing that partner out entirely and from the current CEO we are purchasing a part of his shares this show that it is clear.
- Saket Kapoor:** No the balance would be held 25% balance share will be held by whom?
- Rahul Khetry:** Balance will be held by the managing partner and our share purchase agreement say that every year we will continue to buy 5% of his balance and by the end of fifth year Control Print will have 100% of the equity.
- Saket Kapoor:** About the valuation part, at what value are we buying is there any clause of incremental valuation we are going to pay or any other yardstick that will apply.
- Rahul Khetry:** No it is because as per RBI guidelines it has to be valued every year as per the category one merchant banker so at that point of time it will be revalued though we have some indication on what the pricing will be.



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**Saket Kapoor:** This company was founded in 2015, so what is their current installed base and this whole purpose is the technology part, which we want to get enabled in our printers going forward that is the main the factor behind it or what is the installed base as of now.

**Shiva Kabra:** Yes, I sort of answered this question earlier, but if you can just repeat as a strategy.

**Saket Kapoor:** Yes, I was looking for the installed base of printers for market that this company was founded in 2015, so it will be seven years, six years old so what is their current date and that sole purpose for us is the technology transfer and then post this 100% acquisition do they have any technology partner for which we have to pay the royalty going forward.

**Shiva Kabra:** No, it is their own technology they I will just stated earlier I think in the same con call today so our primary purpose is to acquire the technology for the top end of our range second in mark print own installed base is about 300 printers if I remember correctly between 300 and 400, but if you want the exact number I will have to check, but it is between this number it is about 300 if I remember correctly and yes of course we are also expecting mark print to grow, so mark print sales above 1.5 maybe if I remember right and we are expecting that to almost exceed double or so in the next two to three years and continuing to go at a faster rate because of our support to them and in their own of course packaging got an existing base case within the products and this is the timeframe them we have to go faster than before.

**Rahul Khettry:** Saket Ji then this is more be a slightly different they also make a good number of margins on the printers apart from the consumables post sale, so it is not only on consumables that they make the margin it is also on printer sales because the technology is very high end.

**Saket Kapoor:** Okay because the installed base of 300 only definitely you must have done the due diligence but the base installed base that they are very new to the market if the understanding of 300 printers...

**Rahul Khettry:** This year this product it is not something that will be there; they said it is high end niche products.

**Shiva Kabra:** So I think that cheapest printer would be like 15000 Euros discounted like that is a cheapest like the most entry level so their average ticket size is much higher than ours so in terms of compared it to because if we have consoling hash backs and answering.

**Saket Kapoor:** What should be the market share then on a base of 300 and since they are the niche segment.

**Shiva Kabra:** Yes.



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- Saket Kapoor:** What should be the current market share in the market in which they operate.
- Shiva Kabra:** I do not know the market share because it is a undefined market; we are creating a new market in these segments because people who have....
- Rahul Khettry:** There are very few players Saket.
- Shiva Kabra:** They are a pilot in doing business so there is no market share in those thus it is almost like a new market.
- Saket Kapoor:** Yes, that 8% odd, but when we look at again the below like item this time we find a negative line item of 8.66 Crores it could be investment through the ODI route so what is the current size of the book and how are we going to conclude this transaction from the cash flow or any borrowing or how is it going to conclude.
- Rahul Khettry:** We have funds in liquid funds which we are integrating so it is completely be internal accruals.
- Saket Kapoor:** Size of the book Sir we have a negative line item of 8.66 Crores in a quarter, assume this was a bad quarter for the capital...
- Rahul Khettry:** The markets are very volatile right now. Towards the September you will get to know once it is out in balance sheet then you will get to know. Right now it is not in the public domain so...
- Saket Kapoor:** Sir lastly about the buyback part and a special dividend payout, which Shiva Sir and Rahul Ji who were telling that board will take the decision at the appropriate time, so now this two acquisitions happening over a period of one year another one is very small innovative and now with marks print, so going forward what is the thought process of the management in distributing the cash back to it investor since we are at the cuts or the inflection point if my understanding of the total conversation and the numbers goes, so we should build on from these numbers, so this is the first quarter only so just a thought process of how things are looking up and also on this utilization levels for the consumable part. I think they were in the lower 40s for us. So how are they? Have they improved?
- Shiv Kabra:** I will just take your questions one at a time that is okay. We are just getting back and of course I appreciate first you are coming into the AGM call and putting those questions there. We will definitely appreciate shareholders are involved and obviously ensuring that they are giving us suggestion to improve. Our thing is quite clear. We had decided approximately 50



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Crores of cash and 50 Crores of bank in regard of any opportunities that come. It is not so much of an emergency because in our business unless something really bad happens because there is a repeat consumer business. We do not see any real liquidity issues of course something like COVID happened and that lockdown happened. so even we cannot say anything 100% but it is more a case of an opportunity to expand the terms. I will say again that we are in space where there is customer demands from us somewhat integrated solution, which I think Harsh asked earlier something about track and trace and I tried to give some basic idea of the system to him and to the other investors, but there are more requirements like this coming from customers. It is not only on track increase. It could be for certain branding. It could be for certain **(inaudible) 73.57** it could be certain other requirement. We are obviously trying to buyback, so it will be based around 10000 for; it could be a bigger solution, not just the printer itself. The second part is that we are looking and getting more into more sophisticated type of printers, something like the mark print acquisition was obviously one getting started. The ICIPL was bit more opportunistic because it was the right person who we knew from the market. It was a brand extension. It is used in our existing factories and facilities and technologies, so the cost involvement for us is very marginal and what I think is sustainable packaging is another area that we would be interested in going forward, so I think these all three could be good growth levers to be taking us in the coding and marking business, which is any way growing and any way we are fully focused on it to the next level of growth as a company but more than that these are the areas that we are focused on investing and we are keeping some liquidity available for opportunities that come in these areas. The board has been clear and I can suggest on behalf of the board and we have provided dividends in the past, but if the amount of cash that is available in our company goes beyond a certain point, our first priority is to invest in these growth areas and our existing business. Our existing business as we discussed before does not need funds. Whatever the depreciation amounts are right now is more enough to cover the capex requirement for at least the next two to three years so it does not require any capital investment that is the first point. The second point is that we will be looking out because we are more interested in organic both on acquisitions rather than developing capabilities more scratch in our company for certain areas that we think. We should do printing definitely we will be working on ourselves, but for other things we need very interesting strategic investment to increase our capabilities that is one area, where we are keeping this 50 Crores, 60 Crores cash and 50 Crores, 60 Crores bank limit available for so whatever is beyond that we will provide back to the shareholders whatever the board decides a stock situation. I cannot say there will be a buyback or dividend or something that is the boards call. We will not hold on to cash beyond that amount. There is nothing immediately visible on our plate, so I can give this assurance to all the investors that we are not just going to build up a cash balance endlessly, so there is no reason to deploy them effectively and we do not have a genuine solid outlook for that so that is my invite. I



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think it will be brought up in the AGM. I do not know if that was answered clearly but it has been discussed at the board level and I can give this answer on behalf of that.

**Saket Kapoor:** The utilization level of consumables for us. They were in the lower 40s or in the 50 bracket so with now the install base crossing 15,000 and what the first quarter number reflect about the percentage mix of revenue at 56 for consumable, how are the utilization levels looking currently and what should they look like for the end of this year.

**Rahul Khettry:** We are still in that 50 to 60% range so those things will be very stressful in terms of capacity utilization.

**Shiv Kabra:** I think we should be okay till it is about 350 Crores. At that point of time we might have to increase our raw material storage facility in Guwahati. That will cost a few Crores not like a huge investment. It is just a storage facility. It is not production facility. We need to have more storage facility for the raw materials and the finished goods at the point of time or we will need to set up some more warehouses outside of Guwahati so that we can ship the finished goods out but that will take maybe another year and half including 12 months of 300 plus at that point of time maybe we build that decision.

**Rahul Khettry:** As of now only from operation point of view, we can increase the shift a few hours to give the additional capacity so that will not be bottleneck at this point of time.

**Saket Kapoor:** 300 top line should be our target for FY2023 given what the sentiments are currently and utilization levels at your customer base, we should look forward to scale our revenue Sir. I think that ballpark number should ideally well wedged into our numbers for this year.

**Rahul Khettry:** I think internally also we are targeting close to that number.

**Saket Kapoor:** All the best for the team for a very conclusive decision and we look forward for further interaction with the team. All the best, Namaskar.

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

**Devanshu Sampat:** Good afternoon. Just one question from my end. You just mentioned on how the model is different for the company which is acquired versus what it is in India, so while that company makes money on printers and that is not only the case over here so just wanted to understand how is it globally for the coding and marking business. If there is some sense on development emerging markets both and why is it so different over here because the sector is fairly consolidated right. We have 85% share coming in from the top four guys so is it the new

challenges beyond the top four that is leading to this or the intensity between the top four players that is leading to us giving us printers at a cost or something and you think this is just a phase right now giving away printers for essentially free or you think it is a temporary phase.

**Shiv Kabra:**

Yes, getting to your question, I think that first of all obviously the pricing discipline in Europe or the developed markets is much higher than in India. There is no doubt about that, so the way customers evaluate product is also very different, so in India there is a direct cost comparison, but you will just say that this cost Rs.10 per kilometer and that cost Rs.8 per kilometer and then you need more direct cost comparison of this thing versus something. Abroad people are very much concerned about the cost of labor. They are concerned about the cost of automation. They are concerned about the ease of the use and the reliability factor, which helps us sell in India and that is why the market is dominated by four of us, its because of the underlying concern of reliability but the cost of reliability also so abroad the person will see if that I go to some local guy or some Chinese guy or whatever person whose support maybe less and I lose one day of extra production as a result. What is the cost of my line being down for one day and then that cost is normally 20 times higher than the printer cost right because you lose production, you have employees out there who cannot operate with all the other fixed expenses but most importantly you need that capacity and you are not able to service your market and that is also a massive issue so because of that reason the way people measure these things abroad is very different. In India people have a very shallow way of thinking at certain times and I am trying to pull out a bad way or good way, but we will not look at these issues, so it is very cultural in terms of quality or certain things. You have to look at a brand name. You cannot look at doing something and give it a short-term result. This is something that you build up over a 5, 10, 15, 20-year period. That is how you build your brand, your quality, your reputation, your service and so on, so I think that is an issue that there was in India, so the easiest way for people to focus in expanding the market was to improve, to spend cheaper which is obviously the method of telling, so it is definitely a management call that happened. It is also an industry wide thing, so it is very difficult for one person to control the situation. Of course it has stabilized in the last two years because I think Rahul as mentioned they are largely a cost and that is the situation. Definitely, as you will get in newer printers like in the mark print situation and those type of printers and we are selling them in India. We are not going to sell them. We obviously might not make the same type of margins in mark print, but as we go higher up the value chain there is no reason for us to discount the printer with the cost level and we should make a certain amount of money on the printers, but in the existing printers, which are already in the market it is very difficult for us to change that situation so that is where the story is right now. It is looking worse because since the COVID time there have been some cost increases on us by the freight rate or

shipping or fixed disruptions and now this whole semi-conductors, earlier there were performance issues and electronic component issue that we are really stuck with

**Devanshu Sampat:** Is it possible for this to get a bit more aggressive from the players in the sense of giving away printers at basically for free and then hoping for business to coming out as compared to just recovering the cost now is that a direction the industry could possibly be moving it that unlikely here.

**Shiv Kabra:** I do not think we have any intention of lowering prices that is a Control Print view point. I mean obviously whatever the challenge is it will be more aggressive, then it would be not going to be as aggressive, but in general we have pretty much no intention of lowering printer prices. If anything we want to go the other way, although it might be more focused on newer models that we increases price there rather than on existing models that we increase prices.

**Devanshu Sampat:** Got it. Okay thank you and wishing the team all the best.

**Moderator:** Thank you. The next question we have is from the line of Dharmavenkatesan K B an individual investor. Please go ahead.

**Dharmavenkatesan:** Good afternoon and thank you for the opportunity. I have only one question regarding equity investments. I know this has been raised many times in the past calls and the response from the management was that it will be liquidated at an appropriate time, but if I see in this year's annual report instead of not liquidating we have initiated newer position in some scripts so what is the rationale behind this. What is the way forward for this?

**Shiva Kabra:** I think I just answered this question quite extensively to Saket Kapoor who he had asked this question in the AGM so the board will discuss. When we talk about that 50 to 60 Crores, we are keeping that permanent account for hire power in case we need it for anything and we do not believe in our type of business we need it as an emergency for own requirements. Rahul can give you some more details on that, but the basic focus is that we need a certain amount; we are keeping that beyond that amount like I said we do not have a specific and a very clear idea of how to invest it. Our first focus is to reinvest into areas where we feel that we can contribute to the industry, to our country and also make sure that it is a reasonably successful business and I outlined it very clearly which is into integrate solutions not only track and trace, but similar. The second is I said that we will be focusing on digital printing and that area would go with Mark print one acquisition of this. That is what I said was that we will be focusing on sustainable packaging solutions because we feel that is something that Control Print needs to contribute for our country to move forward because this is a big area of concern and it is something that we believe in. Again we would like to integrate our printers as part

of that solution. The free areas we are focusing on, probably I said that our existing business for the next two to three years will require a marginal amount of investment and we should be able to cover the amount of investment for the coding and marking business through the depreciation amounts, so net capex will be approximately zero. I did say that we are of course investing in R&D it is really expensive at this point in time so that **(inaudible)90.52** increasing but beyond that I said that whatever amount we have beyond that and it could change. I could always request the board for a higher amount if I feel I need to make bigger acquisitions but the focus is more on acquiring technology, acquiring capabilities and we do not want to shift over reach because our knowledge around printers even in the packaging industry we do not know how to make packaging machinery for example. We know how to make printers. We are going to obviously increase our capability in manufacturing digital printers from higher levels as per different requirement that we are targeting but not so much. We do not want to get beyond our own core competency because it takes a lot of time to acquire that experience to make a very high-quality reliable product versus a product that has all the technical specifications, but is not that reliable on the line, but we have made special mistakes in the past and I am not going to do that so once we invest in all those areas. I was clear we requested the board for an amount of 50 Crores we feel cost and liquidity and 50 Crores as a bank unit and beyond that amount we will divert back to the shareholders because we were looking at this a multiyear thing that we always keep the amount available. We might increase it. We might decrease it that is something I will discuss every year depending on what if foresee as requirements along with our team for whatever our goals are for the next one to two years and whatever is beyond that we will reward the shareholders or give it back even to reinvest it is a reward for the shareholders it is coming on the form of increased growth over a longer period of time. Our first priority is to invest the money in these allied areas of business, which we want to grow. If we can find the right type of opportunity if we are unable to do it and the cash balance increases then we will be giving it back to the shareholders in whichever form the board decides to be tax efficient in that given situation so that is the situation. Again when it comes to equities or liquid fund or something there is a difference in the rates between the two. We are looking as a continuous holding period over a two-to-three-year period. It is a short fluctuation over the quarter or up or down honestly does not affect us so much but we have taken this note that people are concerned about that and that is something we need to internally discuss and get back to you guys on, but it is not something that we are investing or we are concerned about total fluctuations up or down. It is not that relevant to us because we are looking more as sort of something that we are keeping in reserve. Because if we get an opportunity like 100 to 200 Crores acquisition which we have is not available to us. So I just want to explain it because I know this question has been raised many times and I have given a very long answer and I have answered this like three times,



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but I hope that it is very clear because I know this is an area of concern that few people have raised and I just want to address that.

**Dharmavenkatesan:**

Just to add a point here. We understand that the business has to reinvest and most of the investors are happy if the company is looking out for acquisition and if it is a big-ticket acquisition we need to keep cash on books, which is well and good. The concern for most of the investors is that it has been invested into equity instead of some big thing for income instrument. That is the concern here. The concern is not the cash balance. It is where the cash balance is invested, so if the management can come out and provide more clarity on the way forward in the next meeting or by the way of action saying that we will be investing in certain areas and we will not be investing in certain area it will be very clear to the investor and shareholders because many are actually concerned by this, the way the capital has been allocated into equity investment.

**Shiva Kabra:**

Again I am going to answer this question which I hope I just answered but if your understanding is what I said. I said we need a certain amount of cash whether in the form of equity or in the form of funds, in the form of liquid funds, to me it does not matter. Like I said the second thing is the view that these funds will always be there so even if we spend in the coming quarter we will then reduce maybe in certain other ways because they are generating cash continuously through certain funds available for the business needs so we are less concerned with the quarterly up or down obviously there was maybe a view, but there is a significant variation in what we are getting over equities and we will invest on some equity investment since at least 2005 since I joined. Again this is not something I look at, but the overall rate of returns since 2005-2022 when we calculated has been more than 15% post tax. So I am talking over a 15 period over taxes and dividends and appreciation and so on whereas we see the liquid fund was slightly different so I understand what investors that it is your core competency in your business and so on and we appreciate that. That is how I am being very clear about the limits what we will be employing as cash in whichever form and keeping it and what we will do the amount which are extra so we are not planning to turn into an investment house. We are a proper business. We do very important service for what we believe for our customers for the wider consumer and obviously that is where our focus is and we have some areas of growth clearly outlined. As you want to be quite clear about that so it is not like we are not taking this and I understand this is a concern, but of course it will be multiple view point which is the view point of Mr. Kabra and the board. Like I said this is the rate of return we are generating over a 15-to-17-year period or whatever that 2005 to 2022 is versus what we are getting in the liquid fund after tax is different. If we do not need the money for something very immediate so it could be that if there is something on the line, which is what the view point of Mr. Kabra was when you have something on the line and I

know I need the money in six months because you are working actively on something like the mark print then I will keep that money in the liquid fund so right now we have more than 20 Crores in liquid fund so we know we have to pay out the dividend and the mark print acquisition and then you would not invest that money in anything else so that is what is view point is but I am going to send this information back to the board. Of course the next discussion probably will happen in September results now. I will take this point and I will pass the message on to them. Again I just want everyone to understand that Rahul and Jaideep and we operate and we run the company, we do not need further investment my request is that we keep certain amount of money available for strategic reasons that might come up and that is what the board has done. That is the more the operations part of it and so this is just what I wanted to convey to you all.

**Dharmavenkatesan:** Okay Sir thank you. We appreciate it. Congratulations on the good performance and looking forward to another great set of numbers in the next quarter.

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

**Karan Bhatelia:** Thank you for the opportunity so what capex are we looking for 2023-2024 if you say so given the current template sales of printer and consumables.

**Shiva Kabra:** The net capex will be about margin as we know. The net capex. We always do some maintenance. We always keep improving but right now specifically there is no new facility needed in the next one or two years I think we believe.

**Karan Bhatelia:** Is it correct to assume that all the price hikes have been taken to cover for the past inflation or we are yet to see some more round up price increase.

**Shiva Kabra:** We are looking at sort of price increases. The thing is that Karan we are shifting to a new model of printer, so we have built the net price increase in the new model, but right now honestly we actually do not have printers so we are like in bit of bad footing in front of our customers right now because we are sort of quite behind in lot of printer orders and we are juggling things from one place to the other to meet the requirements and regarding that we lost some business because we have not been able to service customers who have very immediate requirements, so we are just trying to get out of the production issue right now and maybe where all the energy as gone right now for us maybe once we got out of this situation we will be able to take a better look at the next thing but right now the focus is just to getting our production back on track.



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**Karan Bhatelia:** Yes any closing remarks you want to make. Thanks for the very detailed con call Rahul and Shiva.

**Shiva Kabra:** Thanks Karan. I just want to mention. First I think you are going to get stock exchange notification. Rahul is leaving Control Print after long time and for me personally it has been really a pleasure to work with him and I think he has grown along with the company. There has been a lot under him and most importantly all the employees the team has really benefited from his presence and I really wish him all the very best and all my thanks to him for being such a great guy and a great friend throughout this period. We have hired Mr. Jaideep Barve and Jaideep you can say hi to everyone and please introduce yourself and Jaideep will be taking over from Rahul from August 1<sup>st</sup> and we are keen to have Jaideep on board he has lot of experience and definitely you all can interact with Jaideep also as previously did with Rahul at any given point of time and mainly made available on the con calls every quarter and I kind of keep myself available for this AGM always for any questions that might come up. Mainly I just wanted to thank Rahul for all the support and all the stuff that he has done not only on behalf, but this is personally, but by as a company especially to his team everyone has grown under him and thanks Rahul and anything you want to add. Please say something.

Thank you every one for taking that much time. It was a little bit of long call but I really appreciate it. Thank you everyone take care and stay safe.

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