May 18, 2024

To,

The Listing Compliance Department
BSE Limited
P. J. Towers,Dalal Street, Fort,
Mumbai – 400 001
Scrip Code – 522295

The Listing Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol - CONTROLPR

Sub: Transcript of Q4FY2024 Earnings Conference Call

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement), Regulations 2015

Dear Sir/Madam,

With reference to above mentioned subject and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, read with para A of part A of Schedule III thereof, please find attached Transcript of the Conference Call with the Investors / Shareholders of Control Print Limited (the Company) fixed through Asian Markets Securities Private Limited (AMSEC) held on **Monday, May 13, 2024 at 4.30 p.m.** on **Q4FY2024** of the Company**.**

Further, the said Transcript will be made available on Company's website at www.controlprint.com.

This is for your information and record.

Thanking you,

Yours faithfully,

For **Control Print Limited**

MURLI MANOHAR THANVI

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Control Print Limited
MUMBAI 400059

Murli Manohar Thanvi
Company Secretary & Compliance Officer

Place: Mumbai

"Control Print Limited

4Q FY '24 Investor Conference Call"

May 13, 2024

MANAGEMENT: **MR. SHIVA KABRA – JOINT MANAGING DIRECTOR - CONTROL PRINT LIMITED**
MR. JAIDEEP BARVE – CHIEF FINANCIAL OFFICER – CONTROL PRINT LIMITED

MODERATOR: **MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Control Print Limited 4Q FY '24 Investor Conference Call 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 expressed 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Karan Bhatelia: Thanks, Zico. Ladies and gentlemen, good afternoon, and welcome all to the Control Print Limited Fourth Quarter and FY '24 Earnings Conference Call hosted by Asian Market Securities. From the management side, we have Mr. Shiva Kabra, Joint Managing Director and Mr. Jaideep Barve, CFO.

Now I would hand over the call to Jaideep sir for his opening remarks. Post that, we shall open the floor for Q&A. Thanks, and over to you, Jaideep.

Jaideep Barve: Good evening, everybody. I am Jaideep Barve, the Chief Financial Officer of Control Print Limited. Welcome, everyone, to the earnings conference call for the fourth quarter of the financial year '23-'24 of Control Print Limited. We appreciate that you have taken out your time from your busy schedule to attend this call. Mr. Shiva Kabra, the Joint Managing Director of Control Print Limited, also joins me on this call. The detailed presentation has already been put up on our website as well as in the investor presentation notification on the exchanges for this call.

Let me provide you some highlights of the performance of Control Print Limited for the fourth quarter and also for the complete financial year of 2023-24 on a stand-alone basis. First, let me speak about the revenues from operations. On a stand-alone basis, the revenue for the fourth quarter is approximately INR 98 crores which is a very good growth compared to the Q4 of the last year as well as Q3 of the current year, which is approximately about INR 84 crores.

On a stand-alone basis, the full year revenue from operations is INR344 crores. The corresponding figures for FY '22-23 were INR291 crores. Pipes, food, cement, FMCG and beverages are our top five earning sectors. Our performance in the Q4 has been the highest amongst all quarters so far.

On the expenses side, the cost of goods sold has given more or less consistent between 40% to 41% of the sales in the fourth quarter, this is almost in line with the previous period. However, we definitely look for improvement in reducing this in optimized buying strategies. Employee costs, depreciation, manufacturing costs and other expenses are incurred in line with the business operations.

On the profitability levels, the EBITDA, PBT, PAT and EPS excluding the exceptional items, have rolled up by 23.6%, 23.4%, a negative 9.3% and negative 7.4% on a Y-o-Y basis. There exists a pursuable scope of improvement due to higher revenues, obviously triggering economy of scale. We believe we have got a strong way forward.

Our focused marketing plans will obviously result in increased sales. We've got diversified sales teams focusing on results, installed base is being increased, focusing on increased market share. There has been good traction in the track and trace, and masks and safety products business and Markprint technology will be used in Indian operations end of next year.

With this, I'll leave you the floor now open for questions; I and Shiva Kabra will answer this.

Moderator: The first question is from the line of Disha Sheth from Anvil Share & Stock Broking Private Limited.

Disha Sheth: Sir, we wanted to check that -- can you give the details of what we have done from the company level to increase our sales force because that's the main thing going forward, as we have more sales force, we can get more business. And in terms of margin, there is the more scope for improvement and thirdly our target for around INR 400 crores sales by FY '25. Are we on line to achieve that? So just 3 questions from my side.

Jaideep Barve: Shiva, do you want to take this answer.

Shiva Kabra: So just going back to the first question was on the sales force. So we have an adequate sales force as of right now. There are a few additions that we are doing for some new business lines that we've added through our acquisitions, both share and internationally but largely, we've got enough salespeople, and it's about more efficient management and running a smoother business as of right now. That's my own view, and we can increase sales quite significantly even with the existing base.

We have in my past con-call that not anyone is being available, but we have sort of overinvested in our sales and field service force, even though there has been no increase in people right at the end in anticipation of future growth. So we try to keep what we require for the next 1, 2 years because it takes time to hire people and train them and of course there's also attrition at some point of time. So that's the first question on the sales force.

The second question was regarding margins. So our margins have remained quite consistent over a period of time on a COGS basis, like on the gross margins. And on the net margin, of course, there's some fluctuations as a smaller company quarter-to-quarter because of some expenses being incurred in certain quarter versus certain other quarters, but I'll say like overall for our product lines and overall for our business as the whole, the margins are quite stable.

Sometimes it might go down 1% or 2%, sometimes it might go up on a 1% or 2%, about 60% or plus ranges is obviously what we target overall. And yes, I mean, obviously, we do have some ideas on projects to reduce cost. But let's get that actually done and we will make sure it works before I see anything on that front.

And then the third question was, can you repeat that again, please? What was the third question?

Disha Sheth: The INR 400 crores, are we on track to achieve of?

Shiva Kabra: I don't know what we did standalone this year. Jaideep, I think it was at 300?

Jaideep Barve: INR 343 crores.

Shiva Kabra: INR 343 crores. So yes, we could -- I can't see anything. Obviously, that was a forward-looking statement, like I said, we don't make any predictions that was a target mandated by board on a stand-alone basis. We might do it, we might not. I can't see any mix. Again, that's a prediction for the future, but we are just focusing on running day by day, month by month.

Disha Sheth: Sir, just on that since for having the target undermine, we must have sold the printers. So it's all about the consumer business, so that we can predict that because 3 years we have the -- if we sell a printer 7 to 8 years, we have the fixed consumer business, so that way I was asking.

Shiva Kabra: Yes. So of course, what we sold the last week we can say that it was good -- till last year, we were on target and in this year, of course, we can see what happens this year. So until last year, we were satisfied with the growth rate and the selling consumers at a rate which can afford us to continue growing at least on a stand-alone basis. That was on target last year and you will see like more 11 months down the line or something you will find out.

Disha Sheth: So and going forward, if we see coming 4 years, like if you want to grow 20%, what are the ingredients we need like gaining market share and other things if you can specify what will help the company to grow if we? And do we target to grow at 20% because industries that we are serving are pretty much growing and there is now rural demand picking up, which has held the light industry. So what is your view on that if we see a little longer term of 4, 5 years?

Shiva Kabra: Yes. So I think that our industry growth rate is normally about 1.5x GDP growth or manufacturing, industrial growth approximately. So I don't know that we have 11%, some 12%, something like that, is where the industry growth rate is. So there are a bunch of ways we can go faster. One is by growing faster than increasing our market share, one is, by adding some more products and significant do better than that?

And one is by looking at some newer geographies where you can expand sales of products for those places for some subsidies. So we're working on those 3, 4 different business areas. The first obviously is to maximize our sales in India itself because in the short to medium term, that is absolutely the most profitable extra rupee business for us.

And then we're also working on some other things to grow faster. But there's no target growth rate. We have to see what comes to us and you make sure that it's in line with our business and it's something that we feel in the long term, we can be profitable around it.

And we can maintain our margins, we can knew the type of products that are sort of compatible with what we do right now because we have certain lines of business and then we have sort of like technology or service type moats around our business. So if I think that there are interesting to us and that maintain that then it makes sense. And you don't want to get into certain other areas which might be -- which might give us the growth rates but might be more cyclical or commoditized in that aspect of competitive.

Disha Sheth: Sure. Okay. And sir, if you can give us split of consumable sales this year -- this quarter and this year?

Jaideep Barve: Shiva, I can take this question. The breakup is for Q4, I'm talking first, it is 16% for the printer business, consumables comprised 59%, spare 9% and service 17%. Spares is 9% and service is about 17%. If you want to consider the entire 12 months of '23-'24, it would be about 16% for printers, 61% for the consumables, 8% for spares and 15% for the service.

Disha Sheth: Okay. And sir, you mentioned that our target is to keep our EBITDA margin in this range of around 25% to 26%. Am I right? I just missed that point.

Shiva Kabra: No, I didn't mention anything like that. I said our gross margin range should be consistent at 60% or higher and then on the net margins depend on really like, it can fluctuate a bit quarter-to-quarter depending on some...

Disha Sheth: That is okay. Yearly, what do we see?

Shiva Kabra: Obviously to maintain the current margins of more than, because the SG&A should not increase as fast as the overall revenues, but that's something we're still working on because like a segment in terms of cost, both the gross margins or the net margins, we have to -- like what happens every time we add a new line of business we increase our expense. We need to -- so on a stand-alone basis, you might get a better idea, on a consolidated basis to micro because those are still based on businesses, which had a certain economic scale, actually, we contribute the bottom line and move on.

Disha Sheth: I will come back in the queue. Thank you.

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

Naysar Parikh: The first one is on the investments that we've made in this quarter. The Europe in the Control Print BV Netherlands. Can you just talk a bit about that? What's the thinking and are we looking at Europe as a market, what's the strategy around it? Just if you can talk a bit?

Shiva Kabra: So if I just get that question because there are two different investments here. One is Control Print B.V which is our holding company in Europe and then there's Markprint B.V which is the step-down subsidiary which is an operating company. So can you just clarify again so that Jaideep really could answer this question properly?

Naysar Parikh: Codeology Group that we acquired and then we set up the Italy subsidiary as well. So the question is around that.

Jaideep Barve: First, I'll address the numerical part and then the business part Shiva will address. So yes, there has been a substantial increase in investment. We got our SPV for the holding company, which is holding company, the Control Print B.V based out in Netherlands. Under that, we've got three operating companies. So one of them happens to be Markprint which you are aware of that.

So as per the management agreement we have invested further 5% into that company in this quarter. In the month of February, we've invested another about 1 million Great Britian Pound, in Codeology Group Limited and we've acquired 50.49% stake in that company. And as we said as March '24, we've set up a new company called CP Italy S.r.l. and there's a small investment of over EUR 10,000 in that company. So Shiva will talk about the business foresight into that.

Shiva Kabra: Yes. So just getting back, of course, this is an important question from everyone's point of view. Now just getting back Codeology so Markprint was an existing subsidiary of us, and we've increased our stake out there and that's part of our long-term expansion into the sort of coding plus area which is beyond the date code and batch code where people want to print out a larger amount of information on products.

The second part was specifically with regards to Codeology UK I'll just explain that. Now Codeology is something we've been working with for about 15 years in the past on and off. So we are well aware of the management team out there of -- and first we make one line of printers for the print and apply and that's something that's not there in our existing business. So of course, you might see a lot of products especially on the outer carton where they have a label applied.

We print directly on to the products. We don't use the printers which print on to label and then apply the label on to the products and that's sort of a more specialized -- there's some specialized techniques in there because of the label application and the whole integration of the print engine out there.

So Codeology actually has a good market in that specific business. So there are two purposes of this acquisition. The first is very specific based to add the print and apply a portfolio, a proven one to our own product portfolio in India. The second part is that Codeology also feels that there is a market for our products in the U.K and they are interested in expanding some of their sales and expanding that sale of our products in their geographies and they already have a good customer base where they can cross-sell this and of course we already have a base outlining in cross sell print and apply.

So that made sense again because of the comfort level of working with them for so many years and knowing their products quite well. So if we operate them in a few different cases there also in the past.

Now the third thing which is significantly bigger than the other two cases is the Control Print - CP Italia S.r.l. That's the third investment we made and that's a significant investment because beyond the amount is invested there will be a substantial continuing investment in that and it's also a very large business opportunity. Now there is a presentation that we would have released an investor presentation in that, there are some video links.

And I think that, if someone can click on those and see what that product does, you'll get a better idea of what it is, but essentially, it's in the sort of single dose, single use or single-serve space. And V Shapes is a company that has like a lot of patents around this space. We already had a joint venture with them.

And then we decided to acquire the entire company through our Italian subsidiary in Italy called CP Italia S.r.l which is 100% step down subsidiary of Control Print B.V which is also 100% subsidiary of our Control Print, and it is 100% owned. And CP Italia S.r.l bought all the assets of V-Shapes including intellectual property and the trademarks and the customer base and so on.

And we purchased that entire set of assets as a sort of like a whatever basis it's for from V-Shapes SRL and now it belongs to CP Italia and essentially we are planning to develop this -- since this is a slightly different back line of business to what we do, so this is in the packaging machinery space. We are also in the packaging machinery space technically the printing side of the packaging machinery.

This is more in the core packaging machinery how to make single doors type product which has applications in pharmaceutical in cosmetics especially the higher end cosmetic and of course in certain low food condiments and certain types of sauces. So, it can be used for any type of liquid packing and also there is a development for powder packing option which again is only primarily for the pharmaceutical industry.

So sort of adjacent space that we're getting into compared to what our existing business is and the scope in that is quite like the addressable market is quite large because there's a massive area of single or low single serve. It is more expensive than cheaper areas like sachets. It can be cheaper than certain other areas like the single serve glass bottles or the types of things, but the space has to be created for that. So that makes sort of a longer-term horizon play.

Naysar Parikh: Got it. Is it -- that's very helpful. Is it possible for each of these three? Can you give a sense of what was the revenue and profitability like for last year and how do we see that going forward? And especially what additional investments are we looking at which we need to do, which you mentioned that we might need to do in Italy. So what additional investments do we need to do in each of these three subsidiaries?

Shiva Kabra: So if I can break the question into two parts. First, if Jaideep can address your...I am back online. I got cut off for a minute there. But Jaideep was going to address the first part of the question which was the specific revenue numbers. I think that you guys were discussing, but approximately.

Jaideep Barve: Yes, for the Codeology Group it is about 700,000 Great Britian Pounds that's the revenue for them. For Markprint also it's about EURU 750,000 and CP Italy it just started like.

Naysar Parikh: And if you can for CP Italy which we are planning to invest in is there like there -- we have acquired their assets, but what was the revenue like? Is there any sense of what is the market potential like globally or in India?

Shiva Kabra: So what happened was like in the COVID time we sold a bunch of machines for hand sanitizers and the revenue was something like the EUR 12 million space for those 2 years, EUR 12 million a year. Then it dropped to about EUR 2.5 million or EUR 3 million because all those machines sort of went off.

And it is a slightly different model because all of the packaging machinery fees the material also if we purchase through us because it's a proprieties like a patented material also that has to be used. It's a bit like tetra pack you get the machine from us, the tetra pack normally sells normally the lease machines to you, but then you have to also buy the tetra packs from tetra pack.

So it's a sort of a different space in a way. So we also feel more comfortable because there was the innovation around with a more technology base and then it was a combination of a machine in the aftermarket which is sort of where we felt we had some understanding of this area or to that extent rather than just up to your capital machinery sales.

So the thing is the addressable market is very large. What I would say is like the company started honestly in 2017 or '18 and then they had a big burst through COVID and then when the COVID bubble burst like they got into some and that's when we sort of tied up at the end of 2022 and then we've gone to some financial issues and that's sort of where we got the opportunity to purchase them because they -- like I said they had a big base in certain markets, but then some of those customers and industries especially in the sanitizer market, where you had a very large profitability like that of collapsed very suddenly, as you can imagine.

And then the refocus was obviously much more expensive and taking a lot longer for them with a high-cost base, which -- then the good thing is for us is they have cut and cost base -- we had 47 employees. Now when the time we purchased and right now they were 14. So the cost and -- the amount of people and the size of the company has already been right sized in a way so it's very easy for us to step in without getting into all these like massive areas of doing other things.

And we bought all the assets we won without being with any of the other past liabilities and things and what goes up. But the essential thing is like I think the business scope is quite large. Obviously, that's the reason we brought it into it. So it could be significant because it's a large addressable market. In the end, the product is good. It's high quality, it's premium, it's innovative. But it's like a marketing type of a product. It's not -- there's no like direct comparison, right?

Like tetra pack created its own market, right? They're competing with glass bottles or with HDP bottles or with pouches, right, like how we get pouches of milk. So out here also, we have to create our own market if you understand what I'm trying to say. So it's very difficult for me to make predictions, but I think that the scope is significant.

It is going to take one or two years for us to also get everything perfectly in place before we really see positive sort of profitability in this product, I think like it's going to take two years if you ask me of an investment phase. I do want to point out that the material is quite expensive. There needs to be a major investment in improving the sales team, improving the coverage in multiple geographies and there also needs to be a major investment in reducing the material costs because the material cost is on a per sachet basis. It's quite on I mean, rather per mono dose basis is quite high.

So that means to decrease because obviously, for like larger customers, the cost of those, the cost for the pack is more important than just the capital cost of the machinery. So there are some positive things and some negative things. There's also one big issue that we have, which is the current mono dose is the packaging material is non-recyclable, it's on a combination of aluminium and some other polymers. And we definitely need to come out with a recyclable option because a lot of customers, especially in pharmaceutically doesn't matter because they need the aluminium barrier properties, but definitely in the food and cosmetic market, there is like a lot more pressure right now towards sustainability.

If you look at it in a broader perspective. So definitely, customers are putting a lot of pressure on us, not only in terms of interest in the product, but they also want a recyclable option. We do have some recycling options under development, but even that will require significant investment to take to like a commercial size, so I think reducing the cost of the material developing the recyclable option, improving with getting all the certifications for that, continue to develop the machinery and keeping that base like the technical knowledge base live in Italy and developing a sales these all significant expenses and investments. And I feel like it's going to take us, you can say, 24 months maybe.

Naysar Parikh: What will be the amount of investments we would target to do a combination of maybe capex, opex or whatever, but over the next one, two years?

Shiva Kabra: See, I don't know off-hand, but I know just, I can like over this current year in terms of the entire sales. The entire opex budget, including R&D, which has been more than EUR 1 million or EUR 1.5 million of the R&D in that because you have to develop two, three other products in this range -- the material would be about EUR4 million including like the entire Asia Pacific sales, including Africa will be now run from India, and we are going to keep people in different areas.

We will run Europe from Italy, but we need to add a certain number of high-quality salespeople and in both the geographies, that's going to cost us a significant amount of money, more than EUR 1 million, about EUR 1 million a year is what I'm thinking and EUR1.5 million for R&D, about EUR 1.5 million to run the company as it is, the people, the technology base, everything else.

So the other sort of where you can take the EUR 4 million budget to run. Secondly, we're looking at the material option. We're looking at multiple options you're able to source from some suppliers while commitment better to make a unit ourselves and some other things. So we have the technology in the formulation of how to make the materials. But it was not being made. And right now, we are importing these materials from Italy or from Italy it being sold to multiple customers worldwide.

There was also one other question I think that you asked so that part, like we still getting into a much more depth conversation. So I don't like to put any numbers out there because it is still tentative. So like we have some approximate ideas, but we don't get like a final ballpark range. I wouldn't like to comment on that.

And we've not even decided if we are going to go ahead manufacturing of the material, we're going to outsource it entirely. We're going to -- how exactly this network is going to be because that modelling team will happen in our next Board meeting, we probably know something much for more on that basis once we all have a chance to discuss it and you have a chance to put it up. And just to give you an idea of like V-Shapes' last year they did about EUR 2.5 million, EUR 3 million sale, like a EUR 3 million sales on the size that they did as for purchases at CPL Italia. So I did answer most of the questions, I think.

Naysar Parikh: That's very helpful. I just have one follow-up to that is that it seems like, one, it's obviously different like you said, second different geography and the amount of investment seems very high, right? So what do you think was the need you felt that you felt, what is the compelling business sense to do this because what you're seeing is that the market needs to be created and a lot of R&D, etc., needs to happen. And this is obviously very different from our printing business. So what was the need for such a different and big diversification, which would need so much investments? What was the thinking behind that?

Shiva Kabra: Yes. So the first option is that, we have a clarity quite at least for me personally, I have a lot of clarity that there are different types of businesses, which are very good in this space, like the Huhtamaki PPL, there's Cosmo or Polyplex, those types of guys. And they are more on the film business with relatively speaking less innovation. So they're more of relatively speaking, please don't take me in the wrong way or anything like that, but they're more in a slightly more commoditized space, and they are making a certain margin. Now with the way our company structured is that we are in the printing space, we are expanding there.

So the idea was that we've sort of done what we've done in coding and marketing. We are like I said, in research and development and innovation, that's sort of more where our core is, like we started with something 15 years ago in a bunch of other products, initially expanding our product range on those things. So like I say, I agree with you that the innovation is not on the packaging machinery.

There's a lot more mechanical expertise acquired in that space but we are getting people who have done it, if you understand what I'm saying, neither is the part of us to move the base from Italy to India, but yes, I think that we are comfortable being personally, a much more comfortable being in the space, which is more around innovation, more around IP, more around like marketing and you're creating like new needs for customers, frankly, rather than just being sort of closet in this very specific space where we feel that like even though there might be less risk, but there's also like less reward.

So we definitely back our management skills and you will find out in the long term, what the reality is, but we definitely believe that we've got that capability of doing that. It's worth the risk is -- the reward is worth the risk because the scope is large. The second thing is, specifically, I want to address that there is I think because we were working with V-Shapes for about 1.5 years. We have sold a machine. We have worked with them. And we have a fair idea of the interest in this product from customers in India. And that's obviously where the overlap was because we are selling to the prime customers in India, we have like a huge customer base in the packaging space.

And there is a definite interest in this product, it is meeting a certain need. Like I said, there is certain changes in terms of the cost of materials, which might not actually matter, honestly, that my feedback in Europe is the cost of the material is not so critical. They seem to be willing to solve that slightly higher cost. In India, the cost of the material is quite critical. So you can go -- you can go to INR 15 sachet right now.

If you get the cost of the material down, you can even target an INR 7, INR 8 sachet and trying to change the INR7, INR8 sachet actually to sort of semi-rigid monotype of a solution, like what's happening is that the addressable market can increase significantly, but there is an interest. And it's only after like feeling that -- telling this in India, getting feedback from customers, understanding the market, at least the Indian market quite well. The belief is that there is a -- there could be strong demand for this product if this is done well.

Like across now the key thing is if this is done well, and that could be -- so I agree that there's a risk element to it. But in the end, if we have to do something new. There's always going to be a certain amount of risk. Like even if we launch new print does it not digital printing space or whatever it is, like India, I might like unless I get some customers seeing that all by '23 of the print at this price in advance, which doesn't happen normally if you create it, like you have to still be in that particular area. So there is the risk worth of reward. I know I'm taking a long time for this answer, but I wanted to -- because this is an important move that the company has made, so I'm going to clarify this in as much depth as I can.

Moderator: The next question is from the line of Shreyas from Monarch Networth Capital.

Shreyas: My question is related to, are you looking for some more acquisitions this year?

Shiva Kabra: No, no. So right now, I think we have our hands full. There is a second area that is going on, which is -- because we've got a good product lineup of our existing coding and marking and digital printing products. We are looking at some geographical expansions, but not acquisitions, just like expansions like mine, we might look at setting up one or two outposts here and there just so we can sell in different areas.

It might also help for our V-Shapes business that we've taken over so that we have some areas where we can have a more direct service and setup centre, but I think that there's no more acquisitions to be streamlined V-Shapes at least a breakeven basis, which like I said, eye and massage can take 24 months. But so till that point of time, nothing major -- I don't think we allowed anything, but I wouldn't ask for something like that in many ways.

Shreyas: In any case?

Shiva Kabra: Yes.

Shreyas: You told barrier capex plan, right?

Shiva Kabra: No, no. I said we're still exploring it. There's a project that we are trying to -- or that I'm working on because I need to understand, like I think for the V-Shapes business, the cost of materials is a critical aspect. Like in the tetra pack business, one is the machine you buy from tetra pack, but then the cost of pack can also matter a lot in terms of the volumes. So it's the same thing in our things. The machine cost is expensive. I won't get past that. But for the larger customers, the major customers, it's not a sort of stumbling block, but for the cost of materials would be a stumbling block. So I'm just giving you an idea like just on a hypothetical basis, if I was speaking with someone say Marico, and they were looking at a single dose of some sort of like whatever Set Wet gel or whatever those things are.

And for them, maybe they can say that we can afford INR1 per mono dose or mono wrap, but we cannot afford INR2. And maybe right now, we are at the INR2 cost per mono dose, just to give you a hypothetical example. So we are trying to get as close to that viewpoint so that we can get into a much more bigger addressable space. So in pharmaceutical, the material cost is not an issue. It's just the marketing needs to be improved, and that's a sector we could easily target as of today in India because the material cost is well within their budget.

But if you want to get into the food and cosmetics space, like singles of honey or jams or Nutella type of products or all those sorts of things, we have to look at the cost of the material. There are multiple options here. We can try to outsource in a large way with a large commitment, do some other things. We can look at manufacturing or in-house or for dedicated contract pack. So there's 2, 3 things that have been worked out. Like I said, till I don't get the entire detailed sorter, I won't get a board approval. I think we don't know what's happening how we want to move ahead. It's difficult for me to give any type of specific numbers beyond that. But I can say that, yes, we are exploring multiple options here.

Moderator: The next question is from the line of Deven from Marcellus Investment Managers.

Deven: Hi, Shiva. Shiva, what's the profitability for V-Shapes and Markprint for the last year?

Shiva Kabra: For V-Shapes, it was obviously, purchased by us separately. So like I can only talk about what they --in fact, they were profitable, if you take out the interest payments and you look at the cash flow - cash flow positive, maybe even to the tune of EUR1 million or something even last year. The Markprint was - I think about breakeven last year, I think, if I remember right. Jaideep, approximately, I don't know...

Jaideep Barve: Last year was a bit of aberration, but they still have a good GP margin, which is about 53%, which is in line with the previous phase. What had happened is that they have about 2 months of some low line business. So last year was the aberration. So it could turn into green last year.

Deven: Okay. Got it. And for Codeology, what was the profitability?

Jaideep Barve: For Codeology also, I mean, both these companies are based in Europe. So price factoring wise, they had a deep in the business for 2, 3 months of the year. So Codeology also on a consolidated basis for both the entities, it will negative right now.

Shiva Kabra: Can I say that with Codeology, our discussions are going on for more than a year, there were some issues with the tax structuring, and therefore, the transaction delayed by year because of something to do with the taxes, I can't understand exactly something to do with some taxation matters. And therefore, they need to do some transfer something or the other before and then wait for some time before going ahead with this? And we - I request them specifically that you assume that the transaction will happen and go ahead, so we have been investing at a higher rate than what we normally would and that could have also been one of the reasons for the slightly lower results.

So with Codeology I won't look so much of the profitability last year because we did request them to increase their size and scope of business, so they will hire some additional people and some additional costs have undertaken specifically in the last year. And it was with the knowledge that this transaction will happen whenever this taxation on your period or whatever happens gets over.

Deven: Okay. Understood. And Second question, Jaideep, this quarter, there was a tax adjustment of INR32,00,000 in Q4. So what was that regarding?

Jaideep Barve: No, actually, it was like we have some gains from the sale of investments. So that actually was the reason. Other than that, our margins are still on the same thing.

Deven: There was a similar tax expense in the previous quarter, right?

Moderator: You return to the question queue, sir, for follow-up questions. The next question is from the line of Naysar Parikh from Native Capital.

Naysar Parikh: Just a few data points. One is, can you give the number of printers sold in the quarter year. Second, the tax impact was high in the fourth quarter. So what is the tax rate for the year is also high. So what is the reason for that? And the third is there is a INR1.5 crores loss if we compare consol and stand-alone. So consol is lower by INR1.5 crores. Is that loss is attributable to Markprint or is there something else?

Jaideep Barve: Yes. So can you just take -- give me the first question, so I'll go question by question.

Naysar Parikh: Number of printers sold for the quarter and year?

Jaideep Barve: So for the year, it was about 2,859 printers what we sold and for the quarter, it's about 868.

Naysar Parikh: Okay. So it is a decline on a Y-o-Y basis, basically, right, on number of printers sold?

Jaideep Barve: Yes, it's a number of printers sold on a consolidated basis.

Naysar Parikh: So is there a loss of market share? Or is this just a mix change?

Jaideep Barve: Yes, Shiva, you want to take this question?

Shiva Kabra: Yes. So out here, overall, if you look at our actual value of printer revenue has actually gone up. The printers have gone down marginally. What we communicated in our earlier calls is that-- in fact, there was a question earlier about the number of salespeople and all of that. So we are focusing more and more on the top few hundred -- top 1,000, 2,000 customers of India.

So we've been much less aggressive in pursuing smaller customers and we are focusing more on big deals, big customers because we are successful in that -- that's our core area and those are the people who don't mind paying extra money because they want 99.5% reliability which our Control Print gives versus 98%, which some secondary player will -- can provide maybe important from over 95%, 98%, some importing from China with some other things or whatever it is.

So we are more in that top space with more innovation, and we've changed our sales model and it's taking time because these are -- I can say the pipeline looks good as of right now, of course, in some people marking some predictions for the year, I can't say anything what's going to happen because nobody knows what's going to happen in the future.

But the pipeline looks good overall. And it's much more lumpy now because they are much fatter cases, but they are also like much longer gestation period. Why do these sales increasing past the previous levels, but also the value of the sale in terms of the amount of business it generates for us over the lifetime of the printer will be much higher for printer. And that's what our target is fundamentally, so it could be that they were 2,800 and whatever printers sold last year versus 3,200 the previous year or something like that.

But these 2,800 printers are more profitable, and I want to give us a significantly higher business for printer than the previous 3,200 and so on. And the target this year is to increase the volume further without compromising quality. So it's a bit of a learning experience. It's a bit of a change for us. And like I said, we do not ignore the small -- we're not like out of that exiting that market, but the focus is -- we have a limited amount of salespeople on the street, and we don't afford to extend too much energy on purchasing smaller customers. So the message is a clear to everyone that either this is our core base, and you need to make sure that the core base is focused on.

Naysar Parikh: Jaideep, the next question was on tax impact. The tax rate for the quarter -- last quarter, last 2 quarters higher and even for the year is relatively higher.

Jaideep Barve: Yes, we follow section 115 of the income tax act. So I mean basically, what has happened is that there have been some gains on the sale of investments. So that's -- as a result of that -- the provision for tax, in fact, that has gone higher this year.

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

Saket Kapoor: Sir, I missed a lot of part of the con call today because of some technical issue. So maybe -- I may be repetitive, but just to put my question in a nutshell with the type of investment we have done in innovative markprint and now the other assets. The profile of the company is very different to what Control Print has been known to your investing communities for the last 2 years. And we have reached that scale and margin profile with the investing community has been anticipating.

So kudos to the team for delivering a steady set of numbers. And so we and also the coming forth investors would also like to understand that how are these investments going to get nurtured and benefit us going ahead since it is a sizable investment. And for the other financial assets, part questions I have already sent to Jaideep, sir. Sorry, if you have answered them during the call, I'm not aware. So this was the comment section of my question.

Shiva Kabra: Jaideep, could you answer those financial questions, please first, before I answer the rest of the question.

Jaideep Barve: Yes. Saket, Can you just tell me the first question. I mean the line is a bit hazy over here.

Shiva Kabra: The question that he has sent to you on email, can you answer those first, please?

Jaideep Barve: So Saket, I mean, you had raised about 4 questions. One was like the increase in the additional fixed assets. So yes, it is true that we've done some of the sufficient additions to the fixed assets. Now on the standalone basis, it was about INR20 crores. And the main reason for it is that there is a substantial increase in the coding and marking machines on a rental basis for this year, it's about INR13 crores approximately.

First, one of the assets, what I mean is now currently the V-Shapes machines, which we have purchased. So we have done a lot of trials on that. And after successful trials, then we have capitalized that asset, so that is about INR5 crores. So roughly about INR20 crores that extend between these two additions. And you also have like the investment in...

Saket Kapoor: One second, out of the INR20 crores that you have capitalized, how are we going to benefit in terms of the revenue addition and the margin addition from these 2 assets?

Jaideep Barve: See, Shiva already spoken about the value addition in terms of the V-Shape's packaging business. So what are...

Shiva Kabra: Jaideep, can you hold up for one second?

Jaideep Barve: Yes.

Shiva Kabra: Saket ji, the machine we put out on a rental basis is when some customers instead of purchasing the machines from us, we don't show up on sales numbers, but some of the larger companies, now they prefer sort of like leasing the machines on a per printer -per code basis and paying us on a per print basis or on a per machine per year, per line basis? So normally, we intend some companies in a multiyear contract basis. And then we put our printers in their factories, and they spend it on a month-to-month basis for, say, 5 years.

So the difference between like buying a car versus leasing a car for 5 years and after 5 years, you give your old car and get a new car up, So now what it is that problem is the asset is in -- so if I'm an auto manufacturer, the asset remains in my book. Whatever reason last year, there was a lot of sales on rent basis or rental leasing type basis so whatever you want to call it, lease rentals. And therefore, our book size increased by INR13 crores plus just on that 1 individual basis then the rest are some other things, including the V-Shapes machine, but I think now Jaideep, you can answer the rest of the questions, please.

Shiva Kabra: Just to explain this first question out of that INR21 crores, INR13 crores is on a rental basis. Of course, those same printers will be consuming, they will consume other things. We are going to charge rental or lease prices for them. So they will benefit us. You can -- consumers an alternative like instead of just buying the machine and buying a consumable separately. Now they're leading the machine and they're buying the consumers. It's like an alternative model to our existing sales process. But because of the way it is structured, the fixed asset of those machines comes into our book and then it gets depreciated.

So it becomes a fixed assets -- manufacturing the machine will convertible fixed asset, then we'll depreciate it over the life of the contract completely. And at the end of the 5 years, we'll take back those machines and that customer normally sign a new contract, sometimes the third or fourth year to take back these machines and at the end of the fixed date, we will replace with new machines from us.

Saket Kapoor: Right. But how was the revenue profile and the margins addition will be from this contract, annual revenue addition and thereby the margin?

Shiva Kabra: So obviously there's some lease revenue and then it depends on the consumption per printer basis. But in general, of course, we do these types of businesses with customers who are, you can see high-profile customers because normally, we tend to prefer selling the machines. But if we’re doing something out of the way then we want to try to get something extra.

So compared to our regular revenue and margins, it should be technically speaking, extra. But I mean, of course, I cannot give you like an exact number, but it should be slightly better than our normal margins for sure.

Jaideep Barve: Yes. So Shiva would have explained to you about INR20 crores for the fixed asset additions in stand-alone. First, as late as 29th of March, we are aware that we have purchased several business assets of V-Shapes, which are not part of the balance sheet of CP Italy S.r.l. So there are about

INR18 crores has been the capitalization so far. So out of that, it comprises the land and building, plant and machinery and the patents.

Saket Kapoor: Sir, I will take it offline whatever I could not understand right now. The remaining question is also for the closing balance of investment and the cash and cash equivalents, I will take offline.

Jaideep Barve: You can call me anytime, Saketji.

Saket Kapoor: Shiva sir will be answering the rationale. And now that going ahead the profile of the company would be very different than what the coding and marking work we have done because now our acquisition are in foreign land. We are exploring new things, and we have invested substantially in those assets. So the investing community would need more understanding on the investments which we have made.

And I congratulate you firstly on the presentation part also congratulate to Vinay ji and the team also on elaborating on giving us some hints on how the current structure is, but more details and more understanding are needed to get an understanding how will you map the visibility of the earning profile of the company? And how are these assets going to accrue - create value to us? That is some assumptions of my perspective.

Shiva Kabra: So Saketji, as you must be knowing because you have because you - con calls for a long time you've been an investor, and we appreciate it greatly. So like I said, Control Print is a coding and marking play as you know in over time we have developed more of our own technologies and from being mainly a CIG only player, we have also developed some other products and we're doing well in those other products and we've grown our non-CIG business and therefore, we have in the past few years, we have been able to grow slightly faster than the market as you are aware. And we have gained a slow market share over the last 3, 4 years. And we believe our product portfolio is strong, and we can continue to maintain that. But of course, nobody has seen the future, as you know.

The second part, as you are aware, is that in the end, the entire coding and marking business last year in India was about between INR2,000 crores, INR2,100 crores, if you add every once like we were INR345 crores or something of the INR340 crores, INR345 crores whatever it was.

So there is - we are already at about approximately 17% you know take it as 0.2, 0.3 year depending on what your expectation of the market is - so there is a limit in this market size because in coding and marking for date code, batch code, it’s a amount we charge for print is like literally like a INR0.1 or something. It's quite low, if you understand what I mean. So there is a limit to how fast we can grow because it depends on how fast the volume of our customers grow.

So basically, what we did is - we did for 3 different types of expansions that we've gone for -- to which was extremely planned. One was to get more on the digital printing of coding plus business where a lot of people want to print a lot more information online. So maybe you want to print the ingredients, the barcodes, other types of other things online, not just date code, batch code, MRP or whatever the normal thing is get into higher resolution printing. So if you see things like wooden stuff like that where people are printing big logos. People are even going to do two colour logos now we're even offering multi-colour things. So we're offering those types of things with our QR code, the other type of solutions out there.

The second part is that we entered with the track and trace business with our software division, we've also invested in the last 2 years. And now I feel - in fact, it's finally turning around we're getting a positive set of feedback. We're getting a positive series of orders in the last few months. And now I would say like it's - it's a breakeven. If not contributing positively for it to be in the last 2 to 3 months. So that was a well-defined second step, which was part of our business, which was not only do people want to print information, but they also want to trace the entire supply chain. So we're going far more deep into the software side in the automation side out there.

The third part, which we also discussed with everyone was that we are looking at some geographies. We all agree that Sri Lanka failed. That was there by the time the business was growing somewhere the COVID crisis happened, after the COVID crisis, the economic crisis happened, so we agreed that things were a failure. But that doesn't mean Sri Lanka is the end of the world.

And after some persuasion of our Board members and other types of people, we feel that we are confident that we can adopt a light strategy, we just focused on some areas where we have a competitive advantage and try to again look at some other countries in Asia Pacific, Middle East and Africa, where we can at least focus on some specific products that we've got a good advantage.

And look at whether we can increase some sales in these areas. So these were 3 defined areas which were explain to you and to other investors that we are looking at and we are working on it. And of course, it's taking some time because it's a time and investment whether developing a a market plan, sales strategy, and so on to be able to address these areas. And the idea was that although we are growing at a luckily at a fair rate because you've got to good competitive market positioning, we've got a good team in the Indian market.

But in the end, the market is only so big, it's INR 2,000-odd crores or INR 2,100 crores, it is growing at about 12% a year. The GDP is growing at about 7% a year. Of course, if the GDP grows faster, this will grow faster, but we felt we could do this and do some other activities also. And we wanted to take these avenues to explore for the growth, so that was the thing that's happened.

And this is where something like Codeology has been added because they have a print and apply system, which is of high quality. So, we wanted to add that product line to our own portfolio of products. And this question was raised earlier, so the print and apply is a core coding product. We have not been in that area because there's a sort of a lot of mechanical expertise that is required, which is different from just India at expertise and normally, these are run on formal transfer printers?

So again, more of a secondary product for us than a primary sales focused product. But it is part of our lineup, and it is adding to our product range because we already are selling these products to our customers. Our existing customers do have some demand of these printers, of these label print and apply applicators.

So, we're working on that. And that was one of the key rationales of investing in Codeology. With Markprint, it was a key rationale in going to the coding and marking plus towards the digital printing side, in between space and we have developed some products on that. The Markprint products were quite expensive for the Indian market.

But now we do have some products which we have developed off the support or the expertise from Markprint which can be leveraged in the Indian market, and we also have a better idea where Markprint products can be sold directly, which is frankly more in commercial printing, which is not more in our packaging space areas.

So, we have to see how we can explore that area, but this price sensitive than the packaging space or the coding online space. And so, we hope to see more results on that space in this coming year, in this financial year itself both on the track entries and on the coding plus things. With Codeology, like I also said, adding the product line will take some time to integrate because there's certain amount of technical expertise that's there.

It's not currently, the mechanical level of expertise is not there in our company to that same level. So we are understanding obviously with their support, but we just started this process. And maybe towards the end of this calendar year or financial year, we'll probably get a better idea of how exactly can we utilize for some of the cases that we have or some of the customers that we have to address their issues on irregular printing objects and even some regular objects with they want to label, they don't want to print directly on the product.

And at the same time, Codeology also is interested in selling our coding and marketing products on our product range in the UK. market. And so, there is a synergy there also. So that's the justification for that investment. But yes, it was like a more, simple product acquisition and for them also for other territory opportunities where they have a good existing base in the food and food market out there and maybe this could be your product sold to their customers.

And then the V-Shapes business is a large market opportunity. It's a different business than what we do, there are a lot of challenges and investments ahead, but the potential reward is big. I have covered it earlier in some depth. There were a few questions on this topic. And I have tried to address that. So, I think the easy thing would be to just see that transcript whenever Jaideep publishes it and read through that.

There is a large scope out there. There is a different market, so there's no definition of what it is. But in general, the signals of single-dose market is a large market. And with our own experience of selling V-shapes products in India, we have a reasonably high level of confidence that this is a strong product, and there is demand for this product if done properly.

And there are definitely the team needs to be strengthened, the sales team needs to be strengthened, the material costs are too high. Recyclable material needs to be developed so there are many challenges in this business. I don't know hide away from this. It's going to take us at least two years -- or not at least two but probably two years to put this into a no-profit, no-loss business.

But even though it's an investment, I think the potential reward in this business, the potential addressable market is quite large. And in my own evaluation of the risk most definitely a potential award. So, I hope I covered all those issues. But some of the deeper issues, especially regarding V-Shapes. If you read the transcript that Jaideep will provide shortly, then definitely, you'll get the full answer of that.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Shiva Kabra: So, from my side, first, I want to thank everyone for participating. I know it's a very busy period, and I appreciate people taking their time and some very thoughtful questions coming. It's like I think that there were some more talks on the acquisitions. I think it's a very interesting point and definitely something that we are very conscious of.

This is not a headwind strategy where you just gone and bought some stuff like I've explained, there are some markets we need to address. I think that I want to be honest, like everything seems easier on paper, but it takes slightly more time to integrating stuff, but we are seeing good benefits in V-Shapes in the track and trace team already and expecting both of them in Markprint and in the track and trace, and we're expecting both of them to contribute quite positively in this coming year.

So just looking at that, I think it's going to take at least two years with V-Shapes because of the nature of the businesses and the challenges being within the scope, but we do believe that there is a substantially positive opportunity for us. And we think that we can execute on this. We can fulfill this product opportunity.

Jaideep Barve: Yes. Thank you, everybody, for being part of this call and look forward to your continued support, in this year as well. Thanks a lot.

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.