May 30, 2025

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 Q4FY2025 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 Kaptify Consulting held on **Monday, May 26, 2025 at 1.00 P.M. IST** on **Q4FY2025** 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.

Yours faithfully,
For **Control Print Limited**

Murli Manohar Thanvi
Digitally signed by Murli Manohar Thanvi
Date: 2025.05.30 18:36:58 +05'30'

Control Print Limited MUMBAI 400059

Murli Manohar Thanvi
Company Secretary & Compliance Officer

Place: Mumbai

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CONTROL PRINT LIMITED

Q4 & FY25

POST EARNINGS CONFERENCE CALL

May 26, 2025

Management Team

Mr. Shiva Kabra - Joint Managing Director
Mr. Jaideep Barve - Chief Financial Officer

Call Coordinator

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q4 and FY '25 Post Earnings Conference Call of Control Print Limited. Today on the call from the management, we have with us Mr. Shiva Kabra, Joint Managing Director; and Mr. Jaideep Barve, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to detail us about the business and performance highlights for the period ended 31 March, 2025, the growth plan and vision for the coming year, post which we will open the floor for Q&A.

Over to the management team.

Jaideep Barve: Hello, everybody. I'm Jaideep Barve, the Chief Financial Officer of Control Print Limited. Welcome you all to the earnings conference call for the fourth quarter of the financial year 2024-'25 Control Print Limited. We appreciate that you have taken out time from your busy schedules to attend this call. Thanks for that.

Mr. Shiva Kabra, the Joint Managing Director of Control Print Limited, also joins me on this call. For first time joiners on this earnings call, more information about CPL can be obtained by visiting our website. For information the detailed presentation has already been put up on the website as well as in the Investor Presentation notification on the exchanges for this call.

Let me provide you some highlights on the performance of CPL for the Q4 of FY '24-'25 on a standalone basis. Revenues from operations. On a stand-alone basis, the total income for Q4 is approximately ₹114 crores, which is a good growth from approximately ₹98 crores in the Q4 of financial year '23-'24. The total revenue for the entire financial year '24-'25 is ₹395 crores. Just for information, for '23-'24 and '22-'23, the total income was ₹347 crores and ₹295 crores, respectively.

Pipes, food, dairies, steel and metal, cable and wire are few of our top performing business verticals. We have finalised the staffing and sales strategies to build up and ramp up the businesses for the Track and Trace and the Packing divisions in FY '25-'26. Our outlook towards the sales and profitability of these two divisions is positive for FY '25-'26.

Expenses and profitability levels. The cost of goods sold on a stand-alone basis is around 41% in Q4. There is a slight improvement from the Q3 of the current financial year. It was about 43%. On an annual basis for FY '24-'25, the cost of goods sold is approximately 40%, which is in line with the last year.

That said, the management remains committed to optimise the procurement costs and also look closely into the economy, efficiency and effectiveness of operations. This we feel can definitely lead to reduction in the operating costs and overall profitability.

Manufacturing costs remain at 3% of the total revenue for '24-'25. It is similar to the complete years of the last two preceding years. Employee costs are 14% of total revenue in Q4. In comparison, this was 17% of the total revenue in the third quarter. That said, on an annual basis, this has remained steady at 17% for the current year and the previous year. Other expenses are 14% of the total revenue in Q4. In comparison, this was 15% of total revenue for the third quarter. This remains steady at 13% and 14% for the current year and the previous year, respectively. The EBITDA growth was 10.4%.

The way forward for us, we'll definitely push forward in the Track and Trace and the Packaging segments. We'll have focused marketing and sales strategy and capitalise on the given market opportunities. We will monitor the revenues from both these divisions, both in India as well as overseas. Overseas subsidiaries will be continued to be monitored with focused growth targets. Business plans have already been mandated for execution. For Coding and Marking, the installed base will be increased, focusing on increased larger market share.

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

Question-and-Answer Session

Moderator: Thank you, Jaideep. All those who wish to ask a question, may use the option of raise hand or you can drop a question in the chat window. Also we request our participants to limit the initial questions to two per participant. Participants can now raise hand to ask their questions. We'll take the first question of Arnav Sakhuja. Arnav, you can go ahead.

Arnav Sakhuja: Yeah, hi. Thanks for taking my questions. So in Q4, we had slightly lower gross margins, which was because of higher share of sales of printers. So I just wanted to know going forward, what is the level of gross margin that we can expect in our business?

Jaideep Barve: Well, we are looking at the gross margins on a close basis. But honestly, it all depends on the sales and the product mix. So if the consumables percentage of sales increases, obviously, the percentages would go up. So it's a combination of two factors. One is like optimising on the costs, and secondly, on the breakup of the product mix between the printers, consumables, spares and the aftersales services. So I guess I've answered your question.

Arnav Sakhuja: Okay. And also just wanted to ask one more question. So in Q4, we saw a negative tax expense of around ₹45 crores, and this is also reflected in a deferred tax asset. So what tax rate can we expect going forward?

Jaideep Barve: See, I'll tell you our Guwahati project was under Section 80IE. So we had those benefits, and we were eligible to claim the MAT tax entitlements. So what has happened is that in our MAT, we had a credit of about ₹49.50 some crores. And since now there's a virtual certainty that we can realise the same out of profit stability in the next two, three years. And the project entitlements have already ceased as of today. So we've recognised as a deferred asset. We are positive that in the next two years, we will make sure that we don't have to pay any tax and the deferred tax asset would be used for that.

Arnav Sakhuja: Okay. Thanks for answering my questions.

Jaideep Barve: Yeah, thanks.

Moderator: Thank you, Arnav. We'll take the next question from Madhur Rathi. Please go ahead.

Madhur Rathi: Thank you for the opportunity. I wanted to understand regarding this coding and marking Codeology that we acquired and they had some products that we were missing. So, what is the, like growth plan for this segment going forward? How big is the opportunity in India? And can we expect the margins in this segment to be similar to our India coding and marking business?

And second question would be, on the Track and Trace like we are pushing further going forward, how is the revenue model and margin for these segments? Is the additional cost added on the printers in the beginning? Or is it more like a Software-as-a-Service kind of a revenue that will be getting going forward, but in earlier phases the COGS or gross margin might be declined on that front? Thank you.

Jaideep Barve: Yeah. So Madhurji, your first question was related to the Codeology business. Now the Codeology as a company, it provides a holistic solution. So it is much more in addition to the pure coding and marking business what we do. So it involves like the conveyor systems, the coding and marking, the end-of-line print and apply systems. So it's a holistic solution what we offer in the Europe. It will be beneficial for the Indian company to like synergise and make sure that those products and those solutions also applied in the Indian industry. And that would be a unique proposition for our business.

And regarding the growth for the Codeology Limited performance in the U.K., there was a bit of recession for them in 1.5 years before. But now it has been ironed out and there's good order pipeline with us. And we believe that like the next year would be a good profitable business for the stand-alone Codeology U.K. operations.

Regarding your query on the Track and Trace…

Shiva Kabra: Are we ready to begin?

Jaideep Barve: Yeah, hi. So Shiva, Madhur ji is asking a question about the opportunities in Track and Trace going ahead? And would we see a reduction in the operating costs for this segment?

Shiva Kabra: Yes. So Madhur, the Track and Trace business has two components to it. The first is the compliance, which is the essential element that everyone needs to meet. So everyone has to be compliant with the new government rules and also for certain export markets these rules are in place. Now in that market, there are four major players similar to how Domino, Videojet and Imaje are there. I'd say the ACG, which is also a well-known company in India, Jekson Vision, and to a certain extent, PharmaSecure and OPTEL these will be the four major players in this business.

Then there are some smaller players who do have like a fair amount of sales, but I would say that these are the four key players in this business. So for the compliance perspective, these are the four players that are used by most of the large customers. And in terms of what we need to provide is, obviously, we're providing a compliance-based solution, but we're giving some extended benefits beyond compliance to a lot of these customers. And that's sort of what our USP is.

So if your enemy is implementing the solution and you can get a lot more benefits out of it, then that's sort of where we are coming in. And there are some stuff that we've also got three key patterns in this area, which we'll be working on. So in a technology platform, we are trying to come in on a sort of technological superiority basis and compete with some of the established players.

But the previous year was about establishing ourselves in the market, establishing our solution. And obviously, there were certain holes that we had to fill in terms of providing the best [Technical Difficulty] [0:13:29]. But the previous year was more about establishing ourselves. The market itself is quite large and it's growing.

Right now, I'll say against the pharmaceutical market is the addressable market. [Technical Difficulty] [0:13:56].

Vinay Pandit: Shiva, I think there's a problem at your end. I suggest you connect from the phone. In the meanwhile, we'll take the next question until Shiva can join back in.

Madhur Rathi: Yeah. I have a sub question regarding, what would be the market size for this Track and Trace currently? And a sub-question would be, regarding the revenue and the cost front, are we adding the Track and Trace solution to the revenue at the start of whenever sales are done or it's more like a Software-as-a-Service model and initially the cost of production or cost regarding the employee cost or software would be higher?

Shiva Kabra: Yes. I'm just logging in again from my phone, so just admit me in.

Madhur Rathi: So, I wanted to understand regarding what would be the addressable market for this segment? And what would be the rate at which it...

Shiva Kabra: Okay. Sorry about that, guys. I just got disconnected out there. Can you hear me now? I hope this is...

Madhur Rathi: Yes.

Shiva Kabra: Okay. So the market is quite large in terms of the Track and Trace. We estimate it to be about ₹400-odd crores as of right now. Like I said, it's mainly geared towards the pharmaceutical sector and certain other regulated sectors. So there are certain things like agrochemicals which include fertilisers, but especially pesticides and seeds which are also governed under this. And now even one, two other new sectors like explosives and some other types of things have come under this category.

So I'm apologising again because I don't know why I'm having these speaker related issues, or with my mic, now I'm just connecting from my phone. So the market is there. And definitely, we are expecting a significant traction because we had a good response last year. We were implementing some projects, and I think that was more of a proving ground that we had to do with some major customers. Now the type of pipeline that we have is significantly better than what we had. And more importantly, our experience and our understanding of the market is much better.

And like I said, we have highly differentiated solutions compared to the four existing providers. And obviously, I'm going to wait for us to maybe have some more sales. I need to speak also to some customers to see if we can disclose anything because these are all confidential projects when we work on these types of things, but we've got a good platform there.

Madhur Rathi: So, on the revenue model, sir, this ₹400 crore market size, is this only the equipment market or equipment plus the software part of it? And a sub question would be, how are we pricing this? Are we adding whatever solution or software that we are going to provide in Track and Trace at the start of the sales on whatever equipment plus whatever cost is there? Or it will be more of a Software-as-a-Service model and that will help us in margins going forward?

Shiva Kabra: So there are two components to this. There's an equipment component. Obviously, as you know, our primary business to supply the printers. So obviously, there's the printers, there's vision systems, there are some certain types of mechanical conveyor systems, injection rejection mechanisms, also some agglomeration so that the primary is connected to the secondary is connected to the tertiary. So in certain cases, this whole situation can be more complex. It all depends on the production line that the customer has.

So when you're talking about ₹400 crores to ₹500 crores, that's the size, including the equipment. And over time, the software part of that business is increasing. So I mean, this is just an estimate of mine because, again ACG is the biggest in this business as other businesses, OPTEL is a global provider. So this is our estimation of what the business size is. But it's growing. And this is in India.

Essentially, what happens when you sell a piece of equipment or this thing, you sell the software with it. And then you charge for the software on a per code basis, or per print basis, like a per QR code basis or you charge on an AMC for the line for the year. So that normally depends on the production that's there on that line, but also the amount of what the cost of that specific line is.

So you can say in general, if you sell a line for ₹100, normally the AMC charge would be ₹15 to ₹20, would be the software charges, which would be a recurring charge after the first year.

Madhur Rathi: Got it. Just a final question from my end. Regarding the losses that we have been incurring in our subsidiaries, should we expect that ₹4 crores to ₹5 crores per quarter to be the bottom number or and going forward, it should improve? Or how should we see this going forward?

Shiva Kabra: So like I said, in the original platform we had discussed the packaging business. So the losses are largely in the packaging business. The Track and Trace would have a relatively much smaller type of an investment, and that's happening in India. That's not happening at a consolidated level. That's a sort of different business platform compared to what we are doing right now.

And definitely, we are expecting like I said, it was like a two-year plan for turnaround. I do want to say that we bought the company on, I think March 24 in 2024. So literally, we just bought at the beginning of the year. And it's taken some time for us to just get the operations to a normal set of operations.

I do see that we've got a better type of a pipeline and growth there. That's going to take some more time to turn around. What we are doing is we're getting a better results, a set of results that we're expecting this year, but we're going to continue investing in that business. I'm expecting that the operational losses will come down. But what we're going to do is we're going to try to be focusing on scaling up that business. So in terms of a cash flow situation, it might not be any different.

But in terms of operational losses, I think we lost about or the losses, Jaideep is on the call. Jaideep, you can answer this, but I think it was about ₹20 crores approximately, if I remember in the year gone by.

Jaideep Barve: Yes.

Shiva Kabra: So we definitely expect that to reduce over the course of the year, like if you look at the overall annual basis. Right now we have to understand that we are selling more machines and the machine sales and the revenue associated with that is sort of lumpy. So that's a bit up and down in terms of what sort of profits we derive from that. But as the number of machines increases and these machines get online, then the materials business will be a stabilising factor in that business.

But so far, what's happened is that the machines we sold, we've been taking a long time to sort of dispatch them and install them. So we've sold one machine which we just installed in the Middle East, like I think about a month ago. We've got two more machines, one which is just commissioned right now in India. We've got a third machine which has been sold, but about six months ago, but we've not been able to dispatch. It's been shipped, but it's not being delivered and installed.

So what's going to happen is as these machines start working, we should also start getting some materials business. Of course, that's a lower margin, but it will stabilise that situation as and when we get more and more machines installed. So we're expecting better results definitely than last year. But on a cash flow basis, we might continue investing in that business and most likely our call. There are lot of things that we still need to build out, out there.

Madhur Rathi: Just a final question…

Moderator: Madhur, may I request you to rejoin the queue please. We'll take the next question from Saket Kapoor. Please go ahead.

Saket Kapoor: Yes, thank you for the opportunity. When you mentioned that the burn rate will be closer to this ₹20 crores, ₹25 crores, but what should be the revenue quantum that we can expect from, I think so this year, there has not been a major change. It is I think so the employee cost and the other overhead costs that are hitting the bottom line. So if you could just give us some colour how that performance is going to be?

Shiva Kabra: One second, Saketji, just hold on to this question. For Second question, just wait for two minutes. But just if you can repeat this question because it wasn't clear to me, something about the overheads of the operational expenses? Are you talking for the standalone business or the consolidated business?

Saket Kapoor: Only for the consol part. How do we analyse revenue generation in the consol part for the current year. You are telling that we can curtail the losses or curtail the burn rate to ₹20 crores, but what would be the revenue pie looking like for the consol business?

Shiva Kabra: No, no. So I think that we are maybe going to slightly increase the expenses in terms of employee expenses on a consolidated basis, but we expect the revenue growth to kick in to some extent. And obviously, the margin on that revenue should be good, and that should help curtail the consolidated losses.

Saket Kapoor: Okay. And secondly to the Track and Trace solution part of the story?

Shiva Kabra: So just to get the first thing, we're not really trying to reduce the amount of people and cost further from what we have right now. We're not trying to increase it massively. It might increase by two, three people here and there, but not overall. But like I said, what we are looking at is to grow the revenues, and that's what we're expecting to see this year on a consolidated basis.

Saket Kapoor: Correct. The Track and Trace solution part of the story is totally domestic. That is we are catering to the coding business where it's an addition to what we are doing in terms of the consumable supply. Is that understanding correct for the Track and Trace solution business?

Shiva Kabra: No. I wouldn't say it's part of our coding business. It's definitely a separate division of vertical for us and is viewed differently by the customers because for them, software expertise, integration expertise, printing expertise and vision system expertise, all four are equally critical for them. And of course, it's a compliance-based business. So to understand the entire compliance angle, especially in pharmaceuticals is quite important for them.

So I think that the fact that we have mastery of the printing element is a good selling point, but it's not a necessary point. I don't think people are interested in taking the solutions from Domino, Videojet, Markem or Control Print if the overall package is not strong.

So to understand, it is, what we're giving in terms of the printing is definitely one part of that solution, but it's not a sufficient aspect for the customer to think. It's not a part of the coding and marking business. It's a separate business.

Saket Kapoor: It is not a part of the package to the customers who we are supplying the printers and the consumable?

Shiva Kabra: No, no, definitely not. There's a lot of elements to that specific type of installation. So it's way too complicated for most customers to look at.

Saket Kapoor: And here the market size is ₹400 crores, that is the total target market?

Shiva Kabra: ₹400 crores to ₹500 crores. So most of it is, because some part of it is equipment and then some part of it is now a lot of people have an installed base. So they also have a certain number of AMCs and software charges coming from the number of lines they've installed. So this is our estimation of what the business size is.

Saket Kapoor: Correct, and now coming to the...

Shiva Kabra: Maybe ₹400 crores, but it could be bigger than that also because we don't have the exact disclosed figures from our competitors, especially for the Indian market only.

Saket Kapoor: Just to conclude for the Track and Trace part. So taking into account the groundwork that we have done and taking into that ballpark number to say ₹400 crores, ₹500 crores, what are we eyeing in terms of our market share in terms of top line in, say, two to three years down the line, where do we think our company will be placed in this segment?

Shiva Kabra: So like I said, there are four major players, which on a technology basis, there are even other secondary players, but I wouldn't say like, and they've got a good sales. But I wouldn't say that their technology platform is the same. So like I said, ACG, Associated Capsules Group, which is a well-known company in India, and it's a very good company, is the biggest player in this business, then Jekson Vision, OPTEL and PharmaSecure. So the four of them are in this, four good competitors.

Like I said, we need to prove technological superiority in our solution with additional benefits to the customers versus these four. And that's what our focus has been in the previous year. For that, we've also had to do certain more development works on other types of things to make sure that our solution has a sufficient benefit, because you have to understand that today, I'm just giving you an idea of course, like a name.

But suppose say Dr. Reddy's or Cipla has machines from a supplier. He's not going to change a compliance-based thing for like a saving of 20% on the equipment normally or 25%. There's going to be something bigger as a delta for him to move and evaluate a new supplier and then integrate that new supplier into his line and his systems because everything is connected to his ERP, his software and his compliance also.

So for us it's more about creating that sort of delta in terms of giving the customer that we are targeting like a much superior solution and sort of taking them away from compliance into different areas where we can serve their requirements.

So I think last year was a proving and an understanding of what we can do and also certain developments that we had to do in the last 1.5 years to actually make our solution better. We're still doing certain developments, but now I think we've got certain areas or certain platforms, which we can definitely scale up and which have a clear edge compared to the four major competitors in this business.

So it's difficult to see two, three years down the line, because we believe we've got something superior. We're working with some customers. We need to install it, prove it. And if people are getting a sort of strong ROI and they see that visibility, then people will definitely pick it up in a strong way going forward. And if they don't see that, then yeah, we still got a good solution, but then we're just like another supplier, and we'll still do okay, but it's not going to be like a fun business.

Saket Kapoor: I got your point. I was looking for the feedback from the V-Shapes packaging part also. What are we eyeing in terms of the current market? And in this, in the supply chain, what are the key raw materials? And how are we aligning the raw material supply chain for the same?

Shiva Kabra: Yes. So in the Packaging business, we are still working on stabilising that. Like I said that we need a two year plan to stabilise that business. I think in the Track and Trace, definitely, we should see that we are coming to that level of maturity and this thing. In the V-Shapes business, definitely we've got some good solutions. We continue to develop the platform, and we've got our newer products that we've developed in the meantime.

Now as far as single dose packaging goes monodose, there's a huge market for it. So this is a much, much bigger market than the coding and marking business that we are in. But we've got also a highly premium product and it's differentiated. Now the question is whether it's also more expensive. So, it depends on the customers who want a premium package. For them it's a benefit that might be there. But the ₹2 or ₹5 ketchup and shampoo is not really going to probably benefit from what we are offering.

So right now, what we're doing is we're just trying to create more of a market. I think the basic knowledge and awareness of our product is extremely low. So I don't even now study those 4 Ps of marketing and all that very long over. The thing is right now we just need to reach out to a lot more people. We need more marketing presence in terms of helping that create our growth. So like the awareness needs to increase.

Most customers are not even aware that there is a solution like this. Those customers are aware might not be aware that it's a serious industrial solution that can operate at high speeds and high volumes and can compete directly with single use packaging of stuff like thermoform or tubes or glass bottles or of course, sachets and stuff like that.

So right now, in terms of the marketing, we've got some salespeople in place. We've got certain other things in the marketing that we're working on at a ground level in terms of like just websites, SEO, other types of things that we need to increase upon, like our own presentations and so on. And we have to target very focused market. So because the cost point is higher, we're targeting more things like nutraceuticals, honey, stuff where it's not a very cheap product. So people can afford to spend slightly more on the packaging if it's premium and it's giving them that type of visibility, like, maybe cosmetics, serums, things like that, moisturisers rather than standard shampoo, the ₹2 shampoo.

So there is a market. And definitely, we have had a few sales as they get installed and we see more products coming to the market. I'm hoping that that itself will create like more awareness. So the main thing I think is to sell more will help us sell more, so the initial part is always the more difficult aspect. Like each stage in the beginning is a lot more effort.

What we can do and we're working on is to try to see if for some reason our lead times and other things always seem to be a bottleneck, we need to reduce that. So from the time we get an order to the time we customise the machine for those specific products to the time it's delivered and installed, that time is reduced. So the faster the end product comes out of the market, the more the awareness of our package will be.

And again, these machines are, again, manufactures are similar to our printers. They're much bigger. There's a lot more mechanical aspects to them, whereas we use more hydraulics. So there's a lot of stuff going on in there. It's a pretty sophisticated type of a machine. Parts are purchased, some are machine, some are this thing, a lot of them are custom made. And then a lot of electronics is purchased from standard guys like Siemens and those types of people, drives and so on. So there is a bunch of stuff. Some of it is there. The programming is what makes it work in the specific way that we require. There's not like that many custom suppliers that we rely upon.

And as far as the materials go, that's still something that we are working on. That's also been a bottleneck for us. Our core material got an aluminium layer in it for a perfect barrier. We are trying to work very aggressively to come with a sort of recyclable material. We've done pilot projects on that and it's working well, it seems. And if that is the case, then we need to try to scale it up.

So definitely one of the big issues in this business is that, suppose, for a 10 ml packet, if the cost of the packaging is ₹2, and if we can reduce it to ₹1, which is our longer term target, then the addressable market can increase quite significantly. And the other thing we need to do is go from a non-recyclable to a recyclable package. So those are the two aims in terms of the materials specifically. And we're doing other developments in the longer term also for biodegradable and other types of things for other things. But this is the immediate target in this year.

Saket Kapoor: I'll join the queue for core business question. Thank you.

Moderator: Thank you, Mr. Saket. We'll take the next question from Manan Shah. Please go ahead.

Manan Shah: Yeah, hi. Thanks for the opportunity. My first question was for the Track and Trace and the QRiousCodes part of the business. I believe one of the problems that we solve through this business is counterfeits. And there is a big luxury market which faces this problem. So you spoke on the pharma side for this business, but what are your thoughts on exploring, or are we exploring or do we have a solution for this part of the business where there is already a problem for which we have a solution?

Shiva Kabra: So Manan, what we are doing is, one of the things I discussed in terms of a differentiated technology platform. What we're targeting very aggressively is, one of the things is the anti-counterfeiting platform and also the supply chain management at a different level. So we want to give those additional options to our customers along with, of course, meeting all the compliance requirements from L1 to L5. So that's not an issue.

But in terms of, to be honest, the only market we've really explored is the pharmaceutical market. The only other markets that we're exploring are where Control Print itself is operating. And we're also telling some of our customers in other businesses like plywood or cable and wire that we do have such a solution. Price points are very different expected amounts people are willing to pay in pharmaceutical is very different than what it is in other types of businesses and customers.

So right now, to be honest, I'd say like 90% plus of the effort is in the pharmaceutical business. It could be that we can explore other areas. And I think definitely luxury cosmetics, luxury goods in general could be an area, as of right now, because pharmaceutical is regulated, they have to do it and they are looking for solutions. Considering the amount of bandwidth we have, we've not been focusing on creating new categories right now.

Manan Shah: Okay. Understood. And my next question was on the V-Shapes business. I believe our capacity over there is approximately 40 units per annum. So if you can highlight how many units have we sold last year? And at what sort of sale do we breakeven? And I mean, to understand, what are the levers to breakeven? Is it primarily the sales that will help us breakeven? Or there are other levers to the business which can help us breakeven over there?

Shiva Kabra: Yes. In terms of the capacity of what we do in V-Shapes, it really depends on the types of machines we are selling. It could be as few as like 15 all the way up to 40. It depends on whether it's a standard twin, what we call the Prime Duo, the Nexo machine right now. Or is it something more customised. So if there's a pharmaceutical machine, then everything has to be purchased individually from the beginning. So the whole process becomes significantly longer.

To answer your specific question in terms of the sales, we sold three machines last year, out of which none were installed last year, because of some delays in supplies from our side and so on because we just need to get some things, it took us six months to get things stabilised before we could really start focusing on sales on the other side. So we sold most of the machines towards the back end of last year. I can't tell you what's happening in this year, of course, and I'll keep you updated as and when we do more things.

Also depends on what sort of mix of models our machines are sold and then also how many machines are running and the materials. So I think we have like about, Jaideep, I mean I think we did calculation, we have like 60 or 70 machines, or maybe less or more. But I think something like that of the Twin Prime, the smaller machines, we have like 60, 70 of them, I think we should be breakeven on the material business. Obviously, what we've said on the machines will be an additional revenue and additional margin.

So it's a combination business. We do make more money on the machines than we make on the materials. But then the materials is something that would be used year-by-year. So the margins and the volume margin is higher on the machine upfront. But the material would be like a consistent, I mean, over the next eight, 10, 12, 15 years for this machine life and that would be like of a consistent that we would get from that.

Manan Shah: So you're saying, just to summarise that, we breakeven at around 60 to 70 units, right?

Shiva Kabra: So I'm saying of the small type of machine. Now what happened like last year, we sold two big machines. So one big machine is about, say like it gives you about 2.5x to 3x the usage of the small machine. So what I'm trying to say is like it really depends on where we are selling again and what the thing is. So I'm trying to like standardise everything. So I'm talking about the 2-track machine, but we've sold like two 8-track machines and one 2-track machine.

So the 8-track machine normally gives you at least about 2.5x to 3x the amount of business as the small machine. And it's only bought by customers who have products which are running continuously. So in a way that you could also consider equal to selling six small machines because one machine you've sold and the two big machines would be worth like, according to me, five small machines. So it's a combination. As and when we get a better idea of the breakup of the bigger machines and the smaller machine, we can keep you posted on that.

Manan Shah: And we also provide co-packing services under this segment. So any success on that side or…?

Shiva Kabra: Yeah. So we have some customers that we are doing it, including like I think some people see like Bombay Shaving, of course. Like I'm only saying this name because he himself has put it on his own X and Twitter and other handle, we never disclose a customer. So I think Bombay Shaving is supplying it to Taj and some other hotels. So that's also like something we're looking at keenly because that will get more awareness for this.

But in general, I'll be very honest, like, we are not very fond of co-packing services. It's something that we're just doing because we have to give samples and do certain things for the customer. And that's why I think somebody asked for something about the work in progress. And so the reason we created some additional space in Nalagarh, so that we can have like a license facility to pack foods and cosmetics and so that we can just do this co-packaging, but that's separate from our main coding and marking factory.

But, yes, so it's something we do, but it's more from the view of that it's sampling, it's other things. If you keep coming to me month-after-month, I'll be like you got to buy your own machine and make your own arrangements. So it's definitely part of what we have to do to help popularise the product, but it's not really our main focus, because we're not like the contract manufacturer, so to say. It's part of the -- but we need to do it to help popularise the product.

Manan Shah: Got it. Understood. Thanks. I'll get back in the queue.

Moderator: Thank you, Manan. We'll take the next question from Bhargav Buddhadev. Please go ahead.

Bhargav Buddhadev: Yeah, good afternoon. And congrats on a good performance. My first question is on the standalone business. So if I look at the printer installed base as on FY '20, it was about 12,000 and now we are closing in at 21,000. So we've had a consistent 10% to 11% CAGR in terms of the printer base. But if I look at the gross margins in the stand-alone business, we have seen sort of some pressure on the gross margins. So if we look at raw material cost as a percentage of revenue, in 2020, it was about 27% and now it is about 42%. So how should we look at gross margins? Are we facing some competitive pressure, which is resulting in this gross margin being under pressure?

Shiva Kabra: So like I said, in general, we don't change our margins at all, Bhargav. So what happens is our product selling prices and our margins about fixed. Now what happened last year, I do think the rupee depreciated against the dollar. Two, three of our things that we buy from Taiwan and one, two other countries besides the U.S. itself are linked to the dollar. So there might have been some slight cost increases. I think the rupee was a little bit down last year.

We'll take counter measures this year in terms of some price increases and certain other things.

But, yeah, so normally, what happens is we meet like once a year or twice a year as a set of managers. And when we meet, then only we go ahead with certain other types of strategic decisions like price increases and stuff. But so we normally maintain our margins throughout and it's about close to 60%. Now what happens is sometimes there's a different set of product mixes. Continuous Inkjet Printers have the highest margins and also our Piezo printers. Some of the other printers have lower gross margins, but then they require less cost in terms of selling and servicing them.

So when we do really look at it on a net basis, there's not that much difference. But on a gross basis, there may be some variations of the same. So it could be that the product mix has changed, I think to look at this very closely what you're talking about. But in general, for every individual product line, we don't reduce our gross margins, or we don't increase them either. We keep them as it is.

If there's a major change, it will be because of product mix. Sometimes there's some temporary change. Again, I don't know, 2020, is that the COVID year also you're talking about specifically?

Bhargav Buddhadev: Yeah, I mean just three months of COVID.

Shiva Kabra: So I'm not again very sure what would happen in that year. So I'll have to look at over a longer trend line. But in general, about 60% overall gross margin is what the company targets. And we are normally somewhere close to that. I mean, Jaideep, you are here, if you can give some better idea on this?

Jaideep Barve: Yeah. So for the cost of goods sold, I mean, since 2022, we are remaining constant at 41%, 40%. So this year also we are just about 40% for '24, '25. It's similar to the line of last year and the year before last. So that kind of consistency we are maintaining. And again, as Shiva has rightly put up is that it also depends on the product mix. I mean the higher the number of consumables if we sell, obviously, the profitability is going to be higher.

Shiva Kabra: And the product mix in terms of the line of printers. Different printers have different gross margins although the net works out similar.

Bhargav Buddhadev: And secondly, do we share what is the revenue run rate in the Track and Trace business? Because I see about ₹20 crores, ₹22 crores is the burn, which we are doing in the subsidiaries. So if we are not sharing that number, just wanted to know what's the guidance on this burn rate? Will we see reduction or will it stay around these levels for the next two years?

Shiva Kabra: Bhargav, the Track and Trace division is part of Control Print stand-alone. So you'll not see it in any subsidiary. The subsidiary that you're talking about, is that ICIPL? Can you just repeat which subsidiary you're seeing in there?

Jaideep Barve: He's talking about the V-Shapes thing, about the burn rate of ₹20 crores he's saying.

Shiva Kabra: Yeah, yeah. So that's in the packaging business. That has nothing to do with the Track and Trace business. The Track and Trace losses were part of Control Print standalone.

Bhargav Buddhadev: Is it possible to highlight what is the loss in the Track and Trace business? Do you share that or you don't share it?

Jaideep Barve: No, we don't give divisional performance. It's part of our internal MIS. So divisional performance we don't give.

Bhargav Buddhadev: But revenue run rate, monthly run rate or yearly run rate, do we have some idea or not?

Jaideep Barve: Bhargav, at the moment, we are not mandated to give a segment-wise analysis at the moment. So when the time comes, we'll definitely give in our financial statements.

Bhargav Buddhadev: Sure. And this burn rate, is there a possibility of reduction or we'll stay at about ₹20 crores, ₹22 crores? V-Shapes?

Shiva Kabra: So I just answered that. I think that as the revenues increase this year, we would expect that we should reduce that operational loss significantly. But we don't know exactly where we're going to end up. I think it's like May end or something. So as we know in the next 10 months, I think we should, like I said, even what we sold last year will definitely help contribute this year because it's just I mean, out of three machines, one just like literally started a month, 1.5 months ago and one is under installation, one is going to be installed in another month from now.

So some things that we need to improve here. Obviously, as we sell more machines, that will give us some more revenue and that will also give us a more consistent aftermarket business of the materials, which will be a consistent earning. But, yeah, I think we are expecting, in general, we've got the cost platform that we need largely, like I said, across all our subsidiaries, including CP Italy.

But we might add one or two people just more on the sales or marketing side, we don't need anywhere else across Markprint, Codeology, CP Italy or elsewhere. Even in the Track and Trace we might just add one or two more sales guys, if we feel that we get the right type of fit. So we've got some people, we might add that one or two people to help just give us an extra thrust if we feel we get that right type of person.

Other than that we're not going to see any major cost increases, unless there's some unforeseen issues that happen. So in that case, as we sell more, we should get some more operational leverage and the SG&A will be spread over a bigger revenue base. So the gross margins would really flow in to reducing the losses.

Bhargav Buddhadev: Thank you very much and all the very best.

Moderator: Thank you, Bhargav. We'll take the next question from Gaurav. Gaurav, please go ahead.

Gaurav: I just have three relatively basic questions, I'm slightly new to the business. Do you all share, or maybe could you give us an indicative sense of gross margin, let's say, across different verticals, whether it's consumables or printers? And the reason I'm asking this is going back to Bhargav's question, let's say in FY '18, '19, our gross margins were almost north of 65% with a lower consumables mix. And today, that's a lot lower with a higher consumables mix. So just trying to understand how do we think about gross margins, let's say, on a three, five year basis?

Shiva Kabra: So I just said, I think overall, we're targeting about 60% overall. There was a certain period, which again I'm not sure which year you are referring to, where from Guwahati, we were getting certain additional benefits from manufacturing out there, okay? So that boosted our gross margins because we were getting certain tax benefits that we should accumulate straight to the bottom line or pan our gross margin up further.

We still get some, but then the amount reduced quite sharply at 2018, 2019 or something like that. So we got some benefit for a couple of years and then it reduced. So like that could have been a change. Again, I will say that at a certain point of time, CIG was like 85% of our business and Valvejet was, so I'd say like till about five years ago, LCP, Valvejet and CIG was probably like 90% of our business.

So as a result, the margins were high because even though we have like had theoretically six or seven products, we never actually really focused on selling the Thermal Transfer or the Thermal Inkjet or even the Piezo for that matter, whereas now they are forming a significant part of our growth. So those issues could be there. Like I said, in every individual product line, we don't change the margins. And if there are certain cost increases or certain other types of things that happen, we normally also would increase the prices in proportion.

But in general, our overall target, we expect from the mix of products that we are selling, it should be about 60%. Like I said, different product groups have different margins. But on an overall basis, like I said, certain product groups also have lower operational costs. So on a net basis, we think that everything would be the same.

Gaurav: Got it. And just second question was on the consumables component, like, let's say, ink, any example you want to take over there. Just trying to understand how pricing has moved? So let's say, on a per cartridge or a per litre basis, just given that the business is very sticky, is this a segment where you can take, let's say, 5% to 7% annual price hikes? Or I'm just trying to understand how pricing moves in that segment?

Shiva Kabra: So some of our competitors have been a bit more aggressive in terms of increasing prices than us. I think I've disclosed that in the past. And there's now, I'd say, more of a pricing gap between, a little bit of a pricing gap between our three competitors and us. So far we've not taken a very aggressive stance on that because we are getting a fair volume growth. And like I said, last year the Rupee depreciated, so this year we're probably looking at some sort of a price increase.

So in general, it's been more for us, genuinely if we feel the costs have increased, that's when we've gone for a price increase. We've not really used it as a revenue lever. It's something we need to discuss internally, whether we need to do that. And like you're right, so the product is sort of inelastic, sticky, but it's not being used so far by us.

So it's something we need to discuss deeply inside, I think as a strategy, if this is a method we want to go down or not. But if there are cost increases, we normally pass them on with a little bit of a lag. So sometimes you might see the margin dropping 1%, 1.5% and then it comes back because sometimes like in the COVID time, there was a certain cost increases.

And this thing, I think because the rupee depreciates a little bit unexpectedly compared to what we expected, prices increase a little bit and then we'll recapture that by some price increases. So it's more like in line. It's not a fundamental way of increasing our margins and revenue, but it's more to capture like a justified cost increase on our side.

Gaurav: Got it. So I mean, it's fair to imply from that, that there is a fair pricing umbrella that you all can still work towards in terms of working upwards versus where your direct peers are?

Shiva Kabra: Compared to them, yes, compared to them.

Gaurav: Got it. And just my last question. Again, partly I'm approaching this with less context. But it seems like there are a few businesses which are in an investment phase like V-Shapes and let's say, Track and Trace over the next few years, next one or two years. And then there's a core marking and coding business, which is quite stable. So you've mentioned that you'll probably give this investment phase maybe one to two years more and then sort of decide as to where we go from there.

So let's say, if we were three to four years out from now, and you've decided to keep some businesses, invest in others, etc. How should the business look as it, what is the bare minimum in terms of how do you think the business should look in terms of size and margins once you've made those decisions and where let's say, a few years out from now? Thanks.

Shiva Kabra: I mean a few years out from now it's very difficult to predict. So like I said, in the core Track and Trace business, I mean, rather core coding and marking business, we've got a history of what that business is like. And we know that the industry is going to grow at about 9%, 10%, 11%.

Let's take it as 10%. We believe we've got a slightly better product mix. So we should do 10%, maybe a bit more. And we've done that over the last two, three, four years or something like that. So hopefully, we can continue that. And like I think, it's not only that, we've got more digital printing things. We've integrated some of the Markprint products, some of the technology in India, certain other types of things that we've done. So we are also advancing on that front.

We've done a lot of innovation in the highways. We have some three key patterns in the Thermal Inkjet and we've come out with a new product, which is not going to be successful because the ink development is still not complete, but we would have a leading edge product if we did have the ink developed in time.

So we're definitely doing our investment in the coding and marking business on the core side. But these are R&D expenses that we were taking anyways and we're just continuing them. So we're still trying to maintain our competitiveness in that business and try to grow a bit faster.

As far as the other businesses, like I said, I think we are working on a platform of technological superiority and that's what we want to establish both in the Track and Trace. We're also like a premium player compared to the other players that I mentioned. So what we need to do is we need to offer a sufficient delta of at least 30% plus in terms of value to the end customer for him to consider changing platforms from what he's using right now to us.

And in terms of the packaging business, again, like I said right now the market awareness of this product is very low. Obviously, it was fundamentally my decision to look at this thing and invest in it. And I think that there's a massive scope in it. But like I said, we are still in the early stages and we are struggling and we are working to make things run smoothly. And my focus or what Control Print is bringing, of course, we've got some differentiated technology. We've got some other stuff.

And especially in the packaging business what we feel is we know how to make a business run smoothly and scale it up consistently, especially if it's a technology-based business. And that's sort of the type of management that we want to -- and that type of a process-driven skill that we want to bring in into that packaging business. But in the end, these are markets that are slightly different than which I've been working in personally or even some of the other people.

So it's very difficult for us to give a view from three, four, five years out. But I think in the coding and marking business, we are quite confident that things should work smoothly. Like I said, in other things, we're still building out. And honestly, even if we are successful in building out, that just means we've got to continue reinvesting and building out because right now, even in the packaging business, the only places we are targeting is some part of, half of Europe and India. So we've not even got our marketing act together outside of that where actually it's a global business.

So even in the Track and Trace business, the idea would be if we can prove it in India, we can again take that solution elsewhere to certain other geographies and see whether we can exploit that. But if we're not able to do it here where customers know us and they give us a better reception, then it's going to be difficult for us to do it elsewhere.

Gaurav: Got it. Thank you very much.

Moderator: Thank you, Gaurav. Since we are running short of time, we'll take the last question from the line of Deven Kulkarni.

Deven Kulkarni: So can you share the split of like printer revenue, consumable revenue for this quarter?

Jaideep Barve: For this quarter, the breakup between printers, consumables, spares and service is 14%, 58%, 11%, 16%.

Deven Kulkarni: Okay. Thank you. And how many printers did we sell in this quarter?

Jaideep Barve: 836.

Deven Kulkarni: Okay. Got it. And last year this number was 630? The number of printers sold in Q4 of FY '24? Yes.

Jaideep Barve: It was actually more. It was 868.

Deven Kulkarni: Okay, fine.

Moderator: Thank you, Deven. Since that was the last question, I would request the management to give their closing comments, please.

Jaideep Barve: Thank you everybody for joining on the call. Shiva?

Moderator: Shiva, would you like to?

Shiva Kabra: Yeah, absolutely. Thanks, everyone. A lot of great questions. A bit surprising because I think more questions on the Track and Trace and the QRiousCodes business and the Packaging business than the core coding business. But yes, I think if there are certain things that people would want us to put up, I think we'll try to add those additional details. We have a pretty extensive ERP, so we get a lot of data.

So if people need some specific questions then we feel it is not compromising our secrecy or our competitiveness, then we are glad to share that. So thanks everyone for joining. I really appreciate your time, that too during the working hours, and best wishes.

Jaideep Barve: Thank you, everybody. Yes, thanks.

Moderator: Thank you to the management and thank you to all the participants for joining this conference call. You may all disconnect now. Thank you.