

November 04, 2024

To,  
The Listing Compliance Department  
**BSE Limited**  
P. J. Towers, Dalal Street, Fort,  
Mumbai – 400 001  
**Scrp 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 Q2FY2025 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, October 28, 2024 at 4.00 p.m. IST on Q2FY2025** of the Company.

Further, the said Transcript will be made available on Company's website at [www.controlprint.com](http://www.controlprint.com).

This is for your information and record.

Yours faithfully,  
For **Control Print Limited**



**Murli Manohar Thanvi**  
**Company Secretary & Compliance Officer**

Place: Mumbai



“Control Print Limited Q2 FY25 Earnings Conference  
Call”

**October 28, 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 MARKET SECURITIES  
LIMITED**



*Control Print Limited  
October 28, 2024*

**Moderator:** Ladies and gentlemen, good day and welcome to Control Print Limited Q2 FY '25 Result Conference Call hosted by Asian Market Securities Limited.

This conference may contain forward-looking statements about the company which are based on the belief, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk 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 participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your 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, Tanmaya. A very warm afternoon to all. We welcome to the Control Print Limited 2Q FY '25 Earnings Conference Call hosted by Asian Market Securities.

From the Management side, we have Mr. Shiva Kabra – Joint Managing Director and Jaideep Barve – CFO.

Now I would hand over this call to Jaideep for his "Opening Remarks." Post that, we shall open the floor for Q&A. Thanks, and over to you.

**Jaideep Barve:** Hello. Yes, good evening, everybody. My name is Jaideep Barve, and I am the Chief Financial Officer of Control Print Limited. Welcome everybody to the Earnings Conference Call for the first half of the financial year '24-'25 of Control Print Limited. We appreciate that you have taken out time from your busy schedule to attend this call.

With the festival season around, I take this opportunity to wish you and your families a Happy Diwali.

Mr. Shiva Kabra The Joint Managing Director of Control Print also joins me on this call.

For the first timers who are joining us on this call, more information about our company can be obtained by visiting our website. For your information, the detailed presentation has already been put up on the website as well as in the Invest Presentation notification on both the exchanges for this call.

Let me now provide you some highlights of the performance of CPL for the first half of financial year '24-'25 on a standalone basis.

**Revenues from operations**

On the standalone basis, the total income for H1 is approximately 185 crore. This is a good growth from approximately Rs. 165 crore in the first half of the previous financial year. Just for information, for financial year '23-'24 and financial year 2023, the total income was 347 crore and 295 crore, respectively.

Pipes, food, cable and wire, dairy, steel, and metal, and wood remain our top... sorry for this technological glitch, but I will continue with my Speech.

Regarding the expenses and profitability levels, the cost of goods sold has remained steady at around 40% of sales in H1. Management remains committed to optimize the procurement costs and also look closely into the economy, efficiency and effectiveness operations. This we feel can definitely lead to a reduction in the operating costs going forward.

Employee costs have marginally increased due to a proposed employee incentive program. Depreciation, manufacturing costs, and other expenses are incurred in line with the business needs. The EBITDA, PBT, PAT and the EPS excluding exceptional items grew by 7.3%, 11.6%, 15.5%, and 70.5% on a Y-o-Y basis.

The way forward is for coding and marking the changed sales strategy to focus on bigger and key accounts should result in both the jump as well as having a good quality of revenue. We would have a better penetration into the track and trace segments. We have some good strong orders in the pipeline. Global footprints will be increased by focused management of overseas subsidiaries and the installed base will be increased focusing on increasing our larger market share.

The floor is now open for questions.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Karan Bhatelia from Asian Market Securities Limited. Please go ahead, sir.

**Karan Bhatelia:** Jaideep, this is with respect to the number of printers sold in this quarter.

**Jaideep Barve:** Yes, so you want the number of printers which are sold in the quarter, is it?

**Karan Bhatelia:** Yes.

**Jaideep Barve:** Well, we sold 681 printers in this quarter. 681.

**Karan Bhatelia:** 681, right. And also can you share the revenue mix between printers, consumables, spares, and others?

**Jaideep Barve:** Well, for this quarter, the breakup between printers, consumables, spares, and service income is approximately 13%, 64%, 7%, and 15%, respectively.

**Karan Bhatelia:** 13 is for printers. Consumers is 64.

**Jaideep Barve:** 7 is for by spares, and 15% is towards the service income.

**Moderator:** The next question is from the line of Aman, who is an individual investor. Please go ahead, sir.

**Aman:** I just wanted, basically, I am new to the business, and I just wanted to know that what are internal growth projections for all the acquired companies like Markprint, Codeology, CP Italy, and in a JV with V-Shape? So, like, it is in line with the overall Control Print growth of, as you mentioned in previous call, of 10% to 12% or a higher side? Do we acquire for higher inorganic growth of the company? And the second question is, I just wanted to know the average pricing of our single printer?

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

**Shiva Kabra:** Yes, definitely. Thank you, Aman. So, in general, our industry growth is anywhere between 10%, 12%, and that's more for the standalone coding and marking growth. Whatever acquisitions we made, that's obviously to increase the longer-term organic growth of the company. So, one acquisition was quite strategic in nature, which is our own subsidiary CP Italy, in which we purchased V-Shapes. So, that's an entry into new line of business which is in the packaging sector.

Then one thing which we developed also through a sort of purchase but more of a where a team sort of came over and the whole thing happened was for our track and trace business, which is under the QRiousCodes brand. So, I think you will see more information on our website about that. And what we are doing in the Control Print is the coding and marking and the digital printing business. So, that's under the Control Print brand.

So, if you see it, we have essentially been focusing on expanding our organic sales growth capability by looking at some acquisitions to improve, A, the technology coverage, and B, to improve some geographical coverage.

So, if you look at track and trace and of course, the investments in digital printing and getting to the packaging machinery business is more on the technology side and then certain other things where we made certain investments that is for filling some holes in our product range which is with Codeology and Markprint and also for the geographical expansion. So, it's to increase our organic growth rate for at least the medium term.

**Aman:** And one more question, sir. Exactly 64%, as you mentioned, the consumable. So, may I know what is the exactly consumable or what is actually the consumable part?

**Shiva Kabra:** So, normally, it's inks. So, a printer will use ink like how you have an ink jet printer and we use ink. So, even our printers are industrial ink jet printers and the main consumer is ink. Of course, in some printers, the inks are in the form of cartridges. There also some solvents associated with the inks. There are ribbons in some cases, you know, in certain cases. So, that would be the consumers, and there is also service and spares and filters, a business which is another type of repeat, but it's not a consumable per se. It's more of a I think it falls under the spares business. It's under the spares and service business. So, that would be a recurring part of our revenue part of our business, both of these.

**Aman:** So, the major part is basically the consumable which printers use.

**Shiva Kabra:** Yes, the consumable is the largest sector of our revenue. Then the second biggest sector or about equal, I don't know exactly. Jaideep would have the numbers, would be the service and filters and parts business, and then the printer business would be about the same size as the service, parts, and filters business.

**Aman:** So, for this quarter it is 13, 64, 7, and 15 between printers, consumables, spares, and service.

**Shiva Kabra:** Yes.

**Aman:** And sir, you didn't mention the pricing of our one single, average pricing of a printer?

**Shiva Kabra:** No, so we have got a range of printers. So, there is no single printer that we sell. So, unless you tell me which printer exact model you are talking about, it's impossible to know, but our printers go from about 95,000 all the way to close to 40 lakhs or even further than that. So, it depends on which printer. I cannot say off hand because there are so many different models that we have, depending on the need of the customer, you know.

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

**Naysar Parikh:** Just two questions. My question was that new printer sales seem to be low in terms of Y-o-Y as well as volume and even percentage sold. So, is there still some weakness or how we should look at that? And second is that the OPEX cost, employee cost, that's obviously....

**Shiva Kabra:** So, I got both your questions. I think the first question you raised was the number of printers sold and that it's lower than the past trajectory and whether that's signaling a slowdown in the business, if I am correct, or is there a pick-up that's expected, is this correct?

**Naysar Parikh:** Yes, correct.

**Shiva Kabra:**

Approximately something of the sort. So, like I said, we have changed our sales strategy quite significantly, and we have cut out a lot of the smaller customers because in the end, our USP is to service the biggest and best customers. So, you can see it could be like a Taj or a Oberoi where you said in the end we don't want to be in the four star range of hotels. You only want to be in the five star super deluxe category.

So, in the beginning, it has had some minor effect on the sales numbers, but if you look at our consumers numbers, the overall sales is still growing because the quality of the sale is improved. So, the amount of aftermarket business we are getting for printer and the life of the printer in terms of operation has increased because in general, Marico would, just to take a name, would, if they buy a printer, they are going to use it for the next 8, 10, 12 years, whereas a small company, they might be successful, they might not be successful, they might shut down, anything might happen. So, maybe the life of those printers is less. It may be three, four, five years.

And obviously, Marico would produce more whatever, I don't know, parachute or whatever through that line as an example. I am not talking about a specific customer again, but whereas a smaller company would also produce less bottles of coconut oil through that line. So, as a result, the amount of business we would get from a printer of Marico, for example, would be to the average two to three times higher than what we would get from a small customer. And it would also be two to three times longer in terms of duration that the printer would be used.

So, when you look at it from that angle, obviously, that's sort of where we shifted our focus. Rather than affecting our sales number, it's slightly affecting it. But more than anything, what I think is it's caused a certain amount of lumpiness in the sale. So, I think the sales pipeline is still strong, and I still expect that we could sell the same number of printers as what we did in the past, and it would be of better quality.

But right now, I cannot say that it's going to be the same level of quality. So, again, see, I think that we are going to sell as many printers as before with a significantly higher level of quality. But I am quite sure what we will not do is reduce aftermarket business because each printer we are selling is of higher quality than before, on average.

**Naysar Parikh:**

But shouldn't that reflect in some way because we have been talking about this for like over a year now. So, shouldn't that reflect in some way either in terms of higher consumable sales or higher average selling price per printer? Volume could be low, but there should be, if we are selling better quality printers, shouldn't that reflect in revenue or in consumable if we are selling to a bigger child?

**Shiva Kabra:**

So, if you look at it, our average consumables business for printer has increased and that's driving the sales forward. So, I don't know if that number is there in the presentation. You will have to see it. But the average business per printer, the average IV of business per printer has increased. And that is what is driving our sales. And of course, if you look at it, the strategy has only been

in effect for a year and a half. So, it's still taking place. There are like 100 sales guys. We have just like 300 service people. So, it takes time for everyone to believe in what the management says sometimes and get it implemented down the line.

But from what we see is that the quality of sales has improved and that's why the business per printer has improved. And that's obviously because the marginal sales in the last year to year-and-a-half have been better. And that's what's driving the consumer's business growth.

The second part was about the operating expenses. So, I think that's the second question that you wanted to put through, if I am correct, and you also mentioned something maybe for the employee cost.

So, I think what's happening is that we have got complete business that we have invested in like the track and trace, the packaging machinery business, and other things even in India, and we have not really gotten the numbers from that as yet in some parts of digital printing. So, it's not really contributing to the revenue right now, and I expect that it will significantly in the very near future, because we have some projects even as we talk which we need to implement or rather execute completely because still we don't sign off on it. We cannot start billing.

So, I think there is some revenue from the track and trace. There is very little revenue from the packaging. And so what part of the operating expenses that are there, are there from the non-coding and marking businesses. Because in the coding and marking, we are very conscious about how much money we are spending.

And if I gave a pure break up and I broke out each, if I took track and trace as a separate division, and I took packaging as a separate division, and I took coding and marking as a separate division, and I took out investments in the digital printing, R&D and stuff like that, and then if I break it up into four separate businesses, one is coding and marking, one is the digital printing part and the innovations that we are doing there, one is a track and trace business and a separate P&L for that and the last would be a packaging machinery business, you will see that three businesses will be running into a loss or be sucking up resources and one business would have the coding and marking business profit will further increase.

But obviously what you are getting is a consolidated statement and I am not making any excuses here because in the end, it is my decision and the company's decision that we want to pursue these opportunities, but there is an investment period before sometimes in these cases before we can see a return.

**Naysar Parikh:**

What would be the investment or what would be the loss from the track and trace and packaging business in this quarter or half year, if you can give that number?

**Shiva Kabra:**

So, I don't have those numbers off hand because we ourselves have not separated out completely, but I would say it would be in the order of few crore. I have the numbers for the last year, but



obviously, we have a certain number of sales people, employees, costs, and it would be at least a few crore a quarter towards that. So, some of the OPEX that you are seeing, both in terms of other expenses and in terms of employee cost is related to these other businesses.

I would say like the coding and marking cost has not increased that significantly or lesser than what the revenue increase has been. So, if you look at the delta on that business, to me, from what I know is more profitable, but the thing is I have not put it out in the investor presentation. So, now I am a little bit reluctant to talk about it exactly. So, that is something I will have to discuss with Jaideep if we can pull it out next quarter or do something like that, maybe at the end of the year.

Some of these businesses are also more lumpy in the packaging side and the track and trace because you can get projects which are significantly higher in terms of billing, but till you don't ship out and you don't bill completely, obviously for someone like us we would not consider that as a revenue till the day the project is signed off, the customers accepted it, and accepted to pay us. So, there is some lumpiness to those revenues, I want to be straight forward, till we don't increase the size of that business to the extent that the lumpiness reduces.

**Naysar Parikh:**

So, if we look at it, right, we are growing at a gross profit level or somewhere around 20% plus, but even that is down to flat, right? So, just going forward, do we think that from a loss perspective of the other business and investment that it is not going to go beyond that and we will start seeing some revenue push, or do we think that there is still some time or some more loss that needs to be incurred there? How should we just think about it? Because revenue is up 17% and then EBITDA is down. So, how should we think about the next step?

**Shiva Kabra:**

So, what I was talking about was the standalone part where I said we lost a few crore. If you look on the consolidated side, you will see that there is a significant negative as compared to the standalone. So, again, the standalone profit has increased, but even in the standalone, which is Control Print in India, there is a substantial set of other expenses that we have incurred in these other businesses within our own areas directly being looked at by the mothership company. And if you look at the subsidiaries and you add that up because obviously we are investing.

So, right now I can only say that we are in the investment phase. I had said in the previous con call that I am looking at two full years before the strategy is executed and we are working on all sides because in the end I am not here to nickel and dime this. In the end, my objective was very straightforward.

What I have said is that to increase the long-term growth rate of the company, and we have the types of products, and solutions, and the technology with patents and everything else that's protecting us to do that in the medium-to-long term. So, if that means that we have to be, obviously in the meantime, we still want to optimize our business in the current thing, but I am not, first, I don't really make predictions in any of the con calls. From the past obviously you would know. But again, like I said, it's going to take a two-year period, and it's very difficult for

me to look in the future, but I am not, like if someone has asked me overall, I would say like the first six months of this year have not been bad at all. It's not out of line from what I was expecting.

**Naysar Parikh:** And what would be the revenue for track and trace now? Is it getting meaningful? Are we seeing a good pipeline? And the same for packaging if you can give some flavor in terms of...

**Shiva Kabra:** The pipeline is better. There are some projects also. They need to be executed. Till then we cannot book the revenues, but it's definitely looking better than what it was last year. I think our solution is more mature also. And as a result, how it is to get that first customer to is more difficult. Once we do that, then it's easy to get the next set of customers and so on and so forth. So, it's looking better and the pipeline is also better.

So, I think, again, because these are smaller businesses, I would look at it on a year-on-year basis, whereas coding and marking is many, many small printers. You can have a comparison on a quarter-on-quarter basis, and it's there for a long time. Some of these other projects like whatever revenue we do, I would look at it over a yearly period and compared to the previous year or the trailing 12 month basis to the previous trailing 12 months because there is a lot of lumpiness to these things.

If I sell three packaging machines, that's going to be like 12, 14 crore, but that doesn't mean I did it today, because if I get an order today, it's going to take me 6 months to execute it because the customer should come, he has to take the factory acceptance test, have to do all the sampling and other type of things for him. Everything is to be approved piece by piece by piece because I don't want to send a product if it doesn't work properly.

I didn't want the customer to have an issue because he went like a cowboy took a machine and then he had some problem because the barrier properties or something else was not exactly what he was looking for, for example. So, there are some more different subtleties to these businesses, and it's a bit more project like type execution.

**Moderator:** Our next question is from the line of Rishi Modi from Marcellus Investment Managers. Please go ahead.

**Rishi Modi:** Can you elaborate on the new employee incentive program which you referred to in your opening remarks? What is this about?

**Shiva Kabra:** I didn't get it exactly. Jaideep, did you understand?

**Jaideep Barve:** Yes. He just asked about some employee costs, which have gone up. I think you mentioned the same thing, right? About the employee costs.

**Shiva Kabra:** Yes.

- Rishi Modi:** Sir, the employee incentive program you referred to in your opening remarks.
- Jaideep Barve:** So, this is the internal management decision what we have taken to make sure that we hire, we retain the best talent and make sure that the rewards and recognition go hand-in-hand. So, that's the internal management decision what we have done. So, that's where the costs have gone up.
- Rishi Modi:** And about this new sales strategy that you implemented last year, so by when do you expect it to, let's say, start paying off in terms of printer volumes that we sell? So, like you have been saying since two, three quarters that the pipeline is good and you are hoping to convert, but it isn't happening. So, any reflections on the change that we made last year?
- Shiva Kabra:** So, I think that, like I said, Rishi, I think our own expectation is that even if we sell the same number of printers as what we bought before, that we will get a significantly higher business per printer and that's what our focus is. Right now we are a bit lower on printer sales in all honestly than what we should be.
- Again like I said, because the pipeline is good, I cannot predict, but I would expect that we would do on average the same number of printers as what we have been doing the last couple of years besides this before this, but because the quality of the printers is better, I think in the long term, it will help us give a stronger long-term revenue growth. So, obviously expecting to do well on that front. We are still expecting that the first half can be improved upon if you get what I am saying, and we would still be at that 2,700-2,800 printer mark at the end of the year, which is normally what is right, that's what we bought too, But of a better quality.
- Rishi Modi:** And finally, so if I look at your standalone balance sheet, the inventory has gone up significantly by around 10 odd crore. So, what's the reason for that?
- Shiva Kabra:** So, the main thing is these are some COVID level commitments that we had from the past and we just executed as per what our commitment was. So, we should see some benefits on that side as it comes down. One, two things are slight increases are there because one, two products that we put more on the digital printing that we are doing some more R&D, we are also setting those products. So, that's got some minor increases, but some part of it is a commitment that we made in the past. So, I think by March we should see some reduction on that, maybe not to the level where it was in March of '24, but definitely less than what it is in September. Jaideep, if you want to please give your own?
- Jaideep Barve:** Yes, so, Shiva rightly said, like some of the critical components, the electronic components we had made like orders with our suppliers, and as a result why the supplies have happened now, but we got a stronger pipeline in hand. So, the consumption would happen soon. And as you would be aware about our business, like we do tend to keep a certain amount of inventory for the spare parts because we got some generations of printers going on at our customers' premises. So, we need to make sure that they need to be serviced, they need to be replaced as a result of that, but yes, we are monitoring the situation very closely. And as of Q1, it was about 88 and

now it is about 97, but we definitely bring down to that Q1 level of 88 or maybe to 85 as well. So, we are monitoring the situation very closely.

**Rishi Modi:** And by commitment, you mean like you had committed to buy some minimum quantity.

**Jaideep Barve:** So, we have some economies of scale achieved with that, like the buying costs obviously get reduced by certain amount of committed quantities.

**Rishi Modi:** So, if I look at the difference between your consol PAT and standalone PAT, so that's around close to 3 crore. In Q1, that was around 4.6 crore. So, it has like reduced sequentially. So, do you like expect it to remain at this 3 odd crore level or how should we think about this?

**Shiva Kabra:** Yes, Rishi, I think we said a question similar, you know, obviously we are still in the investment phase. So, it's going to take us about two years to get a very clear picture of whether we are successful or not. Like I said, from my own perspective, I think I am happy with the way the first six months have gone on this year. So, I don't think we are out of strategy, but in order to get predictions about the future is like not really what we do. And like I said, there is also a lot of lumpiness of revenue.

So, even whether we do well in one quarter, we do poorly in one quarter is very difficult to make out because primarily what's there abroad, a huge part of it is the packaging business. So, that is by inherently lumpy. Then even what Markprint does is digital printing. Now, again, in both cases, you know, we only count the revenue when we actually ship the equipment and we get the money in. So, even if I have some projects, but these projects are more complex, sometimes they can take months to execute. So, it's very difficult to make out whether it's a plus or it's a minus.

So, what I do believe is that, you know, I agree, we have not given the exact breakup of our coding and marking business versus the digital printing, the track and trace and all of our packaging in India or in the standalone. And we feel that the coding and marking business is still growing and still driving the profitability for everything. And that's why the standalone business has increased even though there is a lot of cost in the other three businesses which accordingly would be negative as of right now, but it's very difficult to see where things are in the future.

But I think we will get a very clear picture because we have got like a sort of two-year road map in how we are implementing this entire strategy and going to like a long-term path of profitability in this business because we believe that all three businesses have a fairly big opportunity size as compared to the coding and marking business. So, this could be an opportunity for Control Print to really go to something where we can be in a much bigger addressable market and therefore we can sustain that type of strong organic growth for years to come.

So, like I said, there is no, I am not here to try and look at quarterly or short-term results out here. For me the focus is to really focus on where the strategy is going over the next two, three

years and we believe that this will be the best for not only the company but for our customers, for our own team, and also for our shareholders in the longer term, and that's sort of where we are thinking. But again, like, I can't give any predictions.

So, I think that the two important things to look at the sales growth overall, and the standalone profitability, and maybe in the end of the year, in the results we give it in March, we will give a breakup of the different businesses. It's the coding and marking, and then the other businesses combined. That will give a better picture to everyone.

So, I think those will be like the key factors, you know, what is the profit, the coding and marking business, because that's what the company is today. And then whether the sales growth is happening in the other businesses, because we are not here to try to force an early profitability. We want to scale up these businesses. So, in the end, what we would look at more is that is the sales growth happening, and is that on target.

**Moderator:** Our next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Sir, as you very well-articulated and mentioned that we are in this nascent stage of growing these verticals where we have invested in the overseas entities. So, only my suggestion point as an investor and as a long-term investor are, number one, sir, when we are mentioning our current structure under the slide which is being uploaded, we should also provide the numerical, that is the value of our investment along the subsidiaries. We have mentioned Markprint acquisition and the stake being increased twice so that there also if we could mention how much we have invested, so investors will get an understanding what has been the breakup of the investment from the slide itself.

Point number two, Shiva sir, as you very well mentioned that you are not here with the job of predicting what's going to be your guesswork, but sir, you are working with a business plan and so on a half-yearly basis, at least provide us with an input of what you have thought and how things are shaping up. And also for H2, in terms of these investments, what are the steps that are in the anvil that may or may not result in a probability?

But we as investors must be knowing exactly what your line of action being, since you very well mentioned the first point that you are yourself satisfied with the progress which we have made and the way things are going up, but people in the investing community are not getting that same color or things in the numbers, and that will take time.

So, my first humble suggestion is that we investors must be also in the same loop where your thought process is, and we are there to support you on the basis of that. So, kindly look into or deliberate on what I have spoken.

Sir, now coming to the numbers which we have reported, and I am now concentrating on the first half itself, not going for the Q-o-Q number. So, Jaideepji, you were mentioning about the

employee cost being higher because of some one-time incentives or if you could just give in color on this 31 crore to 44.4 crore increase, that is around 13 crore increase in the employee benefits, what is an exceptional part of it and what should be the ballpark number for H2 going ahead?

**Jaideep Barve:**

So, part of question number one, what you said is that to give the investment, invested amounts in the subsidiaries. Yes, so going forward, like from Q3 onwards of this year, we would definitely give you information about the amounts what CPL has invested in the foreign subsidiaries, in the industry. We will definitely give. Yes. And I think Shiva has already in the earlier questions, he has already commented on how he actually sees the business going ahead and what kind of investments we want to do and make sure we support them.

So, at the moment it is very early. We have just made these investments early this year. I think in March 2024, we made an investment in the Italian company where we bought out the assets of V-Shapes. And in February 2024 we made the investment in the UK company which is Codeology Group Limited. So, at the moment they are still in the investment stage.

But one thing is there that Markprint which we had acquired way back in '22, now we are working on with the business plan for them, and we are supporting them with every initiative what they are taking and in the current quarter, they have turned positive. In fact, they have shown a good net profit. So, at least the things are looking well for Markprint and Codeology and V-Shapes investment which is CP Italy, they are still in the national stage. So, we would be definitely supporting them and make sure that they would become a self-sufficient unit in the near future and produce the results.

**Shiva Kabra:**

So, I will just give my things asking you see what happens out here the amount we are investing in relationship to Control Print's size and profitability is not very high in all honesty. It seems higher, and of course everyone wants that when the results are not looking that good in the short term, and I can understand, even I might not like it as an investor. But at the end of the day, we need to grow this business.

Now every business can go through a different phase and every person can have a different view. Like today it could be that suppose you have India Mart International and I am not here to talk for any other company or something, don't take this in the wrong way. Some people might view it that they have to maximize their profitability in their paying customers or something. Some person might say that hey, you know what, the option is to become big like Alibaba and they should be reinvesting the money, in fact, raising more money from the market even if it means some minor equity dilution at a higher rate and growing the business because this is the time to create a huge company.

So, there can be multiple views of a different strategy. For us we are going in three markets, to be honest, that we have a very good idea about, but we need to understand the exact business model and specifics because we know that the opportunity is very large in all of these businesses.

As we are doing the specific projects, what we are doing is we are fine tuning our business model and where exactly we want to operate, what is going to give us the short-term results, where do we want to work in the medium term and the long term.

So, the coding and marking business is a mature business model for us because we have an idea of what we want to do, we know the market quite well and we have been working in this business for 35 years or something like that. In the other spaces, we are adjacent to those markets. We know those markets well from a technical angle or certain parts of it. But when you are actually in that business and you are going through the dynamics of the business and especially like I said, whether we look at the packaging machinery or the Markprint, these are products, especially in digital printing and definitely more on the packaging machine, which we are still working a lot on developing certain products and investing on that side and even investing on the digital printing on our own side.

So, as a result, like I said, I am not here to, I don't want to give some sort of guidance which is incorrect or is leading an investor on, I don't want to say that this is going to be a 1,000 crore or this is going to be 10 crore or something because I myself, I am still optimizing my own idea of how we need to react and work in each of these businesses.

Definitely we have a business plan, but right now these things are still more fluid, there is still more change than what happens in the coding and marking business because when we made a change like that, even the coding and marking business, which was a big change, which was, this is the focus, these are the customers, this is how we are going to work, we had a very definite idea of that business. We knew what we were doing. So, even though the market view is that we are losing a big market, which is the C&D customers and so on. We feel that that's not a very high risk move because we know what we are doing.

Out here, I want to be very clear that we have a good idea of what we want to do in the short-to-medium term, but we still need to keep optimizing and keep understanding where we need to invest in, what we need to expand, and we are still building out our own teams and our strategies for certain things. What we know is that if the products are appealing to the customer and they are resolving the customer's needs, then, and we have obviously a protective moat around whatever we are selling. It's a very simple thing in the end that we need customers, we need products specific to resolve specific customer issues.

And at the end of the day, whatever product we sell, there should be some sort of a ring around it so that it's not easy for someone to deliver the same type of solution that control team will deliver. And that's what our focus is. And we know that we are working well towards that. If there was a problem, I will definitely flag it out. But it's very difficult for me to give a prediction of what exactly we expect the business to be and what's happening.

Right now, our focus is on maximizing the long-term growth. And we feel that the opportunity in all the three businesses, definitely the packaging, machinery, and materials, but also the track

and trace and the digital printing is quite a big scope. And even what Control Print address itself is a big scope. Maybe more than the coding and marking business.

So, like I said, this was a project for us to get something where Control Print can grow at a high double-digit type of a, maybe in, where we said like our own coding and marking business is growing at 10%-12%, so in the end, even if we are doing well in the short-to-medium term, in the end we are constrained by the 10%-12% growth. So, we need to do some other things too, so that we could say, hey, can we grow at 20% or 15% or 25% over the long period, over the next 10 years and this is more of a thought to go in that direction. And I think, as a long-term shareholder, you will appreciate that doing that type of business with strong margins and operating leverage will also be better for our own long-term shareholders, even though, of course, in the short term, it might not reflect that well.

But like I said, I will try and speak to Jaideep, and we will try to give some sort of a breakup on the standalone basis of the coding and marking business versus the other businesses, so people have an idea of what the core business is doing and then how much we are investing in the other businesses on both an investment basis and an ongoing basis. And like I said, obviously in the end, it all comes down to certain level of trust in the management because we also don't want to waste our own money, but if you are doing it, obviously we are convinced that it's something we can do successfully.

And of course, like I said, only time can tell whether you are going to successfully and successfully can be defined in many ways, but how to define it in terms of numbers is something different. Like I said, for me, the success is that if we are growing at like say 12%, 10%, 12% whatever it was, in the long term, even if we could grow at a higher percentage in the short term, then are these measures taking our growth rate up significantly to maybe 15% to 30% in that range over a 10-year period? And if that's something that's sustainable, then that's without losing the core operating leverage and profitability and the margins, then I think then it's a successful business.

So, it's going to take some time because it's even you know the Control Print business took a long time before we created that base, we had that thing, and then we went to a mode where we were focusing more on profitability rather than just growing.

**Saket Kapoor:**

Yes, sir, I agree with whatever you have spoken in length now. Only two small points. First is that if you could, as you mentioned right now with the discussion with the CFO and the Board, during the next results or maybe the annual results, I can show a well-documented narrative from your side or from sir in the encrypted way that is just narrated out in proper documented words would give a better understanding of what you are trying to explain to us, which is very well understood.

And sir firstly, I missed your point about our core business sentiment part. We are also witnessing a lot of consumer companies who are our customers feeling the pain in terms of



volume growth. However, inflation has subsided to some extent across the board, taking into account the seasonal veggies. But what is your understanding? What is the feedback from your customers, from our mother business in terms of consumer demand and the consumer sentiment? And I think 400 CR was our Board guideline to achieve in terms of top line in 2 years, that is March 24th. So, we are, I think, on the path of achieving that. But if you could give some more color and spend some time on giving your thought process on how the business sentiments are.

**Shiva Kabra:**

So, it's difficult for me to give the sentiments. What we have seen is that our own business is going stably in the coding and marking business, I am talking about specifically, just want to emphasize, what has happened is that for some reason, the pipeline is good in terms of new printer sales, but they are taking a bit more time to close.

Now I don't know if it's because the market is slowing, the customers are not saying that any project is dropped, or factories are there. So, it just seems to be a little bit slower, which I think somebody has asked this question earlier about the new printer sales being down a bit. So, again, it could be partly for a change of strategy. We are not changing our strategy.

We are still expecting to sell the same amount as what we did in previous years, which means we have to have a stronger second half in the coding and marking business, but again, we did expect maybe that we would sell about at least 150-200 printers more in the first half than what we have, we are expecting to make up in the second half. But I don't know if it's because of the market or I don't know like big slowdown being said by any of our customers or anything. But yes, it's just a little bit slow in terms of new printer sales.

That's what I would say, but other than that, the people who have the printers are using the printers and that seems to be fine, but it's just a slight slowdown in new printers in projects getting concluded and going live. And obviously, you have to understand our printers are very small part of the project. So, obviously, this is when people are setting up new factories, brownfield expansions, revamping some of their existing factories or lines. First, they order the line, they do everything, then we are the last people to go. So, it could be some slight slow down there, but I wouldn't know. I really wouldn't know.

**Saket Kapoor:**

Sir, I am sorry to take much of your time, but our consumable demand is dependent, is directly proportional to the utilization level. So, as you have already many times mentioned that it is on the lines on which the printers are being installed and at what pace the production goes, that depends, that is directly related to the consumable getting replenished at a considerable pace. So, taking that into account, what is the thought or what is the understanding in terms of the consumable replenishment from the customers whom we are servicing?

**Shiva Kabra:**

So, I think I mentioned earlier that the consumables business has been the sales growth driver for us so far, this first half of the year. Now again, I don't know if it's because the quality of sale has been better over the last year and a half. And that's why the printer consumables has increased, which means people are printing more from each printer, which could also be in our

specific case not related to the market, but related to the fact that our overall quality of installation has improved a bit. So, it could be that, but again I don't know off hand. But people who have the printers definitely seem to be using them. For some reason, the new printer pipelines seem to be, nobody is dropping it. It's not like we are losing that many cases or anything. It just seems to be that the pipeline is taking a little bit more time to move ahead. So, it could be, I think it's probably because we are moving more towards larger customers and therefore the pipeline is being a bit slower to move through and conclude because larger customers have a higher degree of sign-offs. So, I would again not know, but the people who have the printers seem to definitely be using them. But the new printer sales, the pipeline seems to be a bit slower. So, like I said, I don't know what that's supposed to mean, but we are still expecting to make up in the second half of the year. Like I said, we are still at about 17% odd market share in the overall market and about 21% amongst the big four. So, we can still make up even through market share gains, even if the printer sales or the overall market growth is slightly slower.

**Saket Kapoor:** And Jaideep sir, your last comment on the employee benefit part, what is one-off there or for a quarterly basis, what should be the standalone number we should work on? This quarter it was 23 crore.

**Jaideep Barve:** What happens is that we normally have about 17% or 18% of the revenue as our employee costs. So, this particular quarter we made a provision because we are, internally management has taken a decision to make sure that critical employees or the high performers or senior employees who have contributed to the company's growth and who have stayed loyal to us, we need to recognize them. So, it's still an internal management decision. Overall, by the end of the year, it should just streamline because with the increase in the revenue, the ratios would definitely be on the same line. So, we would look up to probably about 18% or 19%, or 17%, 18% of our sales as the employee costs for the year-end figures.

**Saket Kapoor:** And for the other expenses, you did allude to it that a part of it, yes.

**Jaideep Barve:** But then other expense, yes, what we do is, it's more or less like as for the deeds of the business. So, there might be some quarters where it might be higher as compared to the sales, but we are normally, like our normal ratio is about 13% of the total sales. So, we would restrict to the same levels for the year ended 31st of March '25 as well.

**Saket Kapoor:** Sir, can you give me our annual profit number for the last three years and the total investment that has gone into these subsidiaries? Do we have them in handy?

**Jaideep Barve:** So, Saket, what I can do is that we can maybe connect later and then I would have you, I will send over the email to you.

**Saket Kapoor:** The total investment number you have, sir, how much till now, till date we have invested in these subsidiaries, the Markprint, the Codeology and the V-Shapes?

**Jaideep Barve:** Well, the total investment is about 75 crore.

**Saket Kapoor:** So, here, Shiva sir, I beg to disagree. 75 crore is our last year net profit number, sorry, PBT number. So, that's the substantial amount investment that has gone through. And you were mentioning that...

**Jaideep Barve:** So, this is the investment in equity as well as provision of loans.

**Saket Kapoor:** It is okay.

**Shiva Kabra:** Saketji, I had put on the last con call, like I said, my view is that even if we lose 28 crore in our packaging machinery business, that was the budget for them. Luckily, we only lost about eight crore in the first half. So, we are doing better than what we expected.

So, what I am saying is that in the end we are still in the investment phase, and I do believe that for the size of control print and for our long-term thing, if these are initiatives, I don't, like I said, look at 75 crore as I took it in one year. I look at this as these are things that we have been investing over for five years, along with the operating costs, along with the operating expense.

So, we are calculating everything, and we are also calculating what is our profitability growth. And honestly, the numbers will look even worse because even if you look at our standalone business, even in there, you must have lost crore because we are investing even in our standalone business because the track and trace comes under the standalone business.

The digital printing, a lot of the expenses and the investments and the R&D is coming in our standalone business. And even in the packaging business, there are a lot of people in India, like not a lot of people, there are a few people in India also besides who are also involved in that business, and they are expensive people.

So, what I am saying is that even if I take that out, then, like I said, the coding and marking business profit might increase, but the standalone came down as a result. And when I add the consolidation, it came down. But again, like I said, I am looking at what is our long-term story out here over the next decade, you know. So, that's obviously taking my responsibility, and I am well aware, I am not well aware, but I think, obviously, I have got a mandate from the Board that within this amount of risk or investment, what are the things I can or cannot do? And obviously, we have got some internal objective that we shared with the Board, and they are convinced that the plan is viable and should be executed and will create value for our customers, for our employees and also for our shareholders and in general for our society.

So, we are doing innovative things, like I said, and all the projects we have are not only for generating significant margins, but also that they have some areas where we have some key technologies and some variations, which means that it's a protectable niche, and it's something that we not only like it's a big sales market, but we also have some competitive advantages, and

some areas of differentiation, which makes it very difficult. In some cases, we even have outright patents. We have a whole bunch of patents across the track and trace and across the packaging machinery business where people will find it difficult to get into the same things or give the same types of solutions as us.

So, like I said, again, I think that we have asked for some patience. And like I said, I think what we will do is we will give some more definition on what's there in terms of the division wise numbers. But in the end, for me, this was part of the plan, and I am comfortable. I know that we have to invest sometimes to grow and definitely this is all those cases where I feel that so far we are okay, we are on track.

**Saket Kapoor:**

Sir, I also second your views as an investor. The only point was that your thought process and your endeavors should be well articulated to your investors also, so that they are also on the same path and the same thought process where you are. And also, there should be a clear narrative to the new set of investors who would be looking at our company as an investable line item. So, these are my reasons why I dwell on them throughout the call, that there should be that visibility, and the endeavor should be there in the mindset of our investors also.

Other than that, sir, I second your views that these are investments and in no way can be treated as losses or otherwise. So, we will never be changing our profile, and you will never go into that growth loop which you are trying to take the company forward. But on the sake of reputation also, that should be well-articulated to your investing communities also. Otherwise, we will be losing our mojo which is the confidence which we have developed over a period of time, and I am really thankful to you for spending the time and very patiently caring to me and answering all the questions. Best of luck to the team, sir, and Shubh Deepavali to everybody.

**Shiva Kabra:**

Absolutely appreciated, Saketji. Thank you.

**Moderator:**

Our next question is from the line of Saket, who is an individual investor. Please go ahead.

**Saket:**

So, my first question would be like in certain industries like diagnostics, companies, or equipment providers, they give their equipment's on rent and then they get revenue on consumer. So, what is our revenue model? Do we outright say is it an outright sale model of printers and then consumers follow, or we also give something on that annuity or say rental kind of a model for our printers?

**Jaideep Barve:**

So, we have got different revenue models. You have rightly picked up too. So, depending on the customer needs and depending upon how the requisitions happen, so either we sell it on an outright basis, or we have a lease model or we give it on the rentals. So, it varies upon customer to customer basis.

**Saket:**

And what would be the mix between, say, lease versus outright sale?

**Jaideep Barve:** Saketji, this is like a bit of confidential information. We don't.

**Saket:** So, coming to the, I think, something that has been discussed in the last couple of quarters like we are repurposing or relooking at how we are focusing on some of the key accounts. Now based on how key accounts are approached, typically that requires a very different kind of orientation, right? You look at, it's more like solution selling, technical selling. You look at the portfolio. It's also portfolio selling. So, vis-a-vis somebody who is just looking vis-a-vis sales profile of a feet on the street guy. Now when we repurposed or relooked at our strategy wherein we are focusing on those key accounts and trying to land and then expand, so did we hire new people, or we repurpose our existing sales force only to achieve the same objective of expanding or focusing on the key account?

**Shiva Kabra:** The last part of it is the existing base because they are already capable of doing it. What happens is that because they are servicing smaller customers, also they get distracted. So, they were already capable of handling a lot of the larger customers, but now their focus is 100% on that. And more importantly, when we are taking new people in and obviously we have an attrition level and there is a turnover that happens, then we are also getting more people with this basic mentality, which is, like you said, more in the solution selling space, more in representing the company at a different level.

So, I think that's also, it's a transition that is happening, but again what happens with a company like ours which has an existing base, which has an installation, these changes, we don't want them to be disruptive. We want them to be revolutionary but over a long term because in the end, we can't afford a disruption in the short-to-medium term because that will affect our business negatively, but more importantly, it affects the customer's production levels and other types of situations also. We are very conscious of that.

So, these are things that when we are taking up, it is going to take 1, 2, 3, 4 years to optimize it to the 100% max. So, I don't think we have optimized this strategy to that level, Saketji, but we are working on it and we are improving upon it. And definitely, as, and when attrition happens, as and when people are there, new people are there, we are moving more and more towards this new line of thinking.

**Saket:** Now, given that I have worked in some similar industries in the past, so that requires a very strong Human Resource division. So, has investment been made because training or upgrading their skills and again, as you also talked about the solution selling part, and also they now will have to, say, engage with more senior folks, right? And not just retrospective, but they also maybe need to have a view on how the industry is evolving. Something like happens in IT, right? You need to engage constantly with the CCO to understand how are they looking at future investments so that you are not caught and aware. So, is that something that you are focused on and strengthening your Human Resource department or something, if you can share something on that?

**Shiva Kabra:**

No, no, absolutely. So, we have got a strong Human Resources department. We are definitely strengthening that further. We also have a very strong training program. Although what we do is we focus more on internal trainings within the company, which is more technical in nature and sales in nature, and then for a lot of the sales and negotiation skills, other types of things, normally we tend to use outside consultants where we have got a few good ones, and we tend to use some combination of outside consultants for maybe more of the softer skills, but we have got an extremely strong hard skill in terms of technical training on all our products for all the people who join.

And you can see like within six months, people are able to service printers independently and also understand all the different aspects of our printers, the technical differences versus competitors, various technologies, the operational costs and so on and so forth and offering to answer those questions. But yes, so we need to continuously upgrade that skill.

We also have a performance management system. So, we are making some changes in that because of some integration issues with our SAP. But that's something that we are also working on quite intensively. It's taking some more time to upgrade that. But yes, definitely, I totally understand what you are saying. We need to do that.

And as far as the C-suite and other stuff goes, I will say that in our business, unfortunately, at least at the coding and marking space, and there is also one difference in the track and trace and the digital printing, but especially with the packaging machinery where it happens at a higher level along the track and trace.

Frankly for the date code and batch code printer and that sort of thing, it's not like the CEO is concerned with what he is using, right? Like if I am the CEO of Britannia, for example, I am not really gonna be concerned about how I am printing the date code and batch code. So, there are some people that are there, but it's not normally at a very extremely senior level who look at this. They are aware of what's happening. And again, they are not that involved in the shortlisting and decision-making.

But yes, what happens is definitely there are many factories or many key production people or packaging, developing people and technical people, sometimes in purchase people. And we need to make sure that everyone is in sync when they go for a solution of ours so that it's effective.

**Saket:**

Thanks for the response. Now, one, another question that I had is, when we are looking at this over the emerging trends, like even pharma now is extensively now focusing on getting these barcodes done. So, now that is where I was coming from. It is also now becoming an important problem area for top leaders. Now I understand that everybody may not get engaged at some levels but given that you see news around on spurious drugs and all those things, and other traded food. So, that's where I was coming from. It is now catching the attention of senior folks as well. So, maybe the seniority profile goes up, but I agree that it may not necessarily require, say, a

Varun Berry or HUL CEO to intervene in that. So, that's where I was coming from that the profile definitely goes up if you bunch up or look at, say, a bigger size of the pie.

**Shiva Kabra:**

So, you are correct. But what I would say specifically, when you are talking about pharmaceutical, you are talking about spurious drugs and other things, those are done by a track and trace team. And then we have some high-strength anti-counterfeiting solutions integrated in that. So, when I say track and trace packaging machinery again, then we have to interact with senior teams. But when I am talking about just simple date code, batch code type of applications, MRP printing and so on, it's not necessarily at that level. So, when it becomes more for higher end solution, rather than just a piece of production equipment, then obviously the level changes of the interaction.

**Saket:**

And just one request, because I understand that they have already discussed this, but we are not really looking at guidance, but if you can outline some of the metrics where a lot of initiatives are taking place, and I think you patiently responded to them as well, like the investment going on. So, for example, if we just outline a number of large accounts, how we are defining our tier of accounts, how has been the movement, say, now we had 5 large accounts, it is now 10, then what's the realization per account?

See, something that you can share in the presentation going forward, then it also helps us tag along with you on that journey. I understand that these are difficult patterns, and some of the new initiatives that you are talking about, these are cutting edge. So, even the industry will take time before they absorb it properly. And I understand because I had a discussion with senior folks in pharma space. They are looking at these solutions, but even they are not sure how to go ahead with that. So, that's where I was coming from, that if you can articulate or share some metrics also as of how we are trending on them, and not necessarily guidance's, I understand guidance's have a very different connotation in our investing world, so then I think that would be really useful.

**Shiva Kabra:**

No, definitely maybe what we can do is we can check with a few customers whether we can utilize their names. Normally although we don't sign an NDA for each and everything, it is understood that all customers are confidential, especially when we are giving them our different solutions from the industry standard. Maybe it's something we can talk about once one or two projects get completed.

We also do track what you say closely as to how many people are in what sort of revenue bucket, or how many are 50 lakhs plus in terms of ink revenue per year, or how many are between 20 and 50, how many are in what level. So, yes, definitely we are seeing an upgrade of levels in terms of the big accounts increasing, but yes, it's something we have not disclosed. I don't know if it's confidential. Something we have not discussed internally, but I can't promise anything. Jaideep, if you can note this point down, we can discuss something we can look at disclosing in the future.

**Jaideep Barve:** Yes, we will try to explore something, yes, providing some kind of information in Q3.

**Shiva Kabra:** There is something very broad in nature in that.

**Jaideep Barve:** We could.

**Saket:** Yes, just a bunched up to get a trend. We are not looking at specifics here, just to get to the trend. I don't know. IT companies does all the time, right? These are million-dollar accounts. These are 500 ones. This is the number. This is the contribution. This is how it has trended or something on that front. I understand that confidentiality is of utmost importance, and we want you to maintain that. That's business hygiene. So, thanks and best wishes to the team for specifically answering all our questions.

**Moderator:** The next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

**Rohan Patel:** I just wanted to understand what is your capacity utilization factor for Q2 as well as H1?

**Jaideep Barve:** Yes, we are about 65% of the capacity utilization.

**Rohan Patel:** This stands for H1?

**Jaideep Barve:** Yes, for the coding and marking, yes, H1. We are on the same thing, about 63% to 65% is what we look out for.

**Rohan Patel:** And what I have seen in your presentation is that your overall capacity that you mentioned is more than 19,500 printers.

**Jaideep Barve:** Yes.

**Rohan Patel:** And what you have guided is that you wanted to end the year with 2,700 to 2,800 printers. So, that comes out to be very low capacity utilization. So, can you just help me understand?

**Jaideep Barve:** Yes, Shiva, would you like to take this?

**Shiva Kabra:** No, I understand. When we say it's 18,500 printers? I don't get it.

**Jaideep Barve:** No, we say the installed base is about 19,500.

**Shiva Kabra:** The installed base.

**Jaideep Barve:** Installed base. Yes.

**Shiva Kabra:** So, in customers which are working, that's what's defined as the installed base. And then what we sell annually is 2,800. And out of 18,500, I think that should be the working installed base if



I am correct. So, that 2,800 printers net to that base, so if we sell 2,800 printers, it would be 18,500 plus 2,800. We don't count upgrade printers in that. So, printers that we have upgraded or sort of refreshed is not counted in that. But so it will be like 18,500 plus 2,800 next year, so it will be like 21,300, out of which maybe 500-700 will also go into a non-working base and one-third would be....something like that.

**Jaideep Barve:** So, Rohan, there is a fixed retirement plan as well. So, some of the printers get retired as well.

**Rohan Patel:** Okay, I get that. I just wanted to, like, if you can give us a ballpark figure or some normal understanding like how, at what rate we can go over the next three to five years, like consolidate an entity given that you have made such an effort in subsidiaries as well as you are going to do that in standalone entities, so where would be the Control Print like, say, three year or four year down the line from current 360 crore top line to somewhere around 800, 900? Like if you can give us just broad understanding of direction if you can quantify so.

**Shiva Kabra:** No, so I think what we have said is that on the standalone coding and marking business, our core business, the market growth rate is about 1.5x GDP. That's about 10% to 12%. And we said that we are confident that we can work the market rate or better, and that's the only guidance we have given, unfortunately, Rohan. So, you have to make your own calculations beyond that about every other thing.

**Rohan Patel:** And like we can expect the current margins to be the base and can we see the margin improvement from here on?

**Shiva Kabra:** So, again, like I said, there have been some margin improvements in my own calculations. It's partly that there have been some investments in some other business. I don't know if you were there in the earlier part of the call or not, but we have invested in some of our growth initiatives, both on a standalone basis and surely on a consolidated basis also. So, I think, as a result, some of the expenses of the employees and other expenses and some margins also look lower as a result. So, I think if I look at our core coding business, it's going better, but yes, it's also being used to pull along certain other businesses, which are not at that independent business profitability or majority stage as yet. And right now, yes, that's what the situation is.

So, on a consolidated basis, it's very difficult to understand or to predict anything because the other three businesses are still relatively young. And like I said, we are expecting the things, we believe things are going relatively well. And in some time, which was my thing was like, this is six months out of that two-year period that we said that we need two years to get back to investors with some sort of a clear picture ahead. So, I know that that's not the answer that anyone wants, but that's the situation that's there right now, but obviously we are working towards something better.

**Moderator:** Our next question is from the line of Ralph Kruger from Arcstone Capital. Please go ahead.

**Ralph Kruger:**

Regarding the packaging machine market and your expectations for that, again, I know that this is just the original or the initial foray into the area, but are you thinking, well, when you are thinking about the packaging market and the addressable market, I have a few questions. One is, you have patent protections on both machines and the sachets, and the first question is are you comfortable with the degree of protection that you have from possible competition with those two protection patent areas? That's the first one.

**Shiva Kabra:**

So, now looking at the patent, because you asked very specific question, we have about four core patterns around the technology of the packaging machinery. You cannot patent a material theoretically. You cannot patent the structure. That's the way the patent rules work. What we have is that a patent on the machinery and the way the machinery is used. So, what we have done is we have put a RF, like we have locked our machine to the system. First thing we did with after we purchased this customer, like we started CPL Italy and we purchased the intellectual property in CPL Italy.

The first thing we have done is we have implemented a sort of protection similar to what we do in our ink business. I don't know if you are aware that we lock our printers and our cartridges. So, there is a lock, and technically we are entitled to do that because it's a patented machine of ours. So, although there is, you know, we cannot patent the structure. So, we cannot patent the structure of the material.

Obviously, there is some very specifics that go in that material or it won't work in the machine. So, I am going to be very clear. There is also a technical bar out here, but what's happening is that we have some four key patents around the machine and we are very clear to customers that we have tetra-pack style, so to say, lock the machine with our, how should we put it, like with our RFID. So, if they purchase the machine, they will also purchase the packaging material at a predefined cost from us.

So, that's the model that's there. It is a tetra-pack type model of the patents. I can tell you, I mean, primarily around the machine because certain types of packaging structures are not allowed to be patented or in terms of, you know, if it's just a structure. But yes, there is a locking, as an investor, if you buy the machine, you have to buy the materials from us. There is no way to get around that.

**Ralph Kruger:**

Which is very similar to your coding and marking machines as well.

**Shiva Kabra:**

Exactly that. We use some of the same technology out there. A similar RFID implementation is there. So, every time you buy a roll, it comes with an RFID tag which is embedded and it gives you a certain amount of credit.

**Ralph Kruger:**

So, now that you have decided to purchase V-Shapes, I assume that the margins on the machines and the margins on the packaging material are going to be somewhat higher than your core business.

**Shiva Kabra:** No, the gross margins and packaging materials are definitely lower. The gross margins of the machines are good. They are similar to our existing overall gross margins. But the net margins in that business is pretty good because the cost, so each person ends up or each, the amount of revenue that we drive in terms of the SG&A is significantly lower as a percentage of sales. So, on an overall operating basis, assuming the business scales up, then it would be both at a similar level of coding and marking. And coding and marking is actually higher than what it seems. But the gross margins will be lower, the net margins will be same or higher.

**Ralph Kruger:** So, just let me repeat what you said to see if I get it. So, you are saying that the machine profitability, the margins on the machines will be higher. However, the packaging material will be somewhat lower, possibly, and net net, you are going to have the same or possibly a little higher margins for the entire packaging business.

**Shiva Kabra:** Yes, as compared to the existing coding and marking business, yes. So, on an overall basis, we would expect the net margins to be similar, at least. We would expect the gross margins for the machines to be the same or higher. We would expect the gross margins for the materials to be lower. And that's because, obviously, everyone's very conscious of the cost of the packaging material because in the end, that's a critical decision-making aspect. We don't want to price ourselves out of the market. Of course, if we are sending to certain people like pharmaceutical companies and so on, the margins might be quite high in those types of cases because they have certain structures which require more complexity, and then we can charge more. But when we started to get into the volume market like food and cosmetics, then the margins will definitely not be that high. I think your understanding is correct right there.

**Ralph Kruger:** So, to further this thought, the coding machine is at the end of the assembly line and amounts to a very small percentage of the cost of going through the entire assembly line for the product or whatever you are coding at the end of the production. However, when you are doing the packaging, that is a much higher relative cost. And to your point, you have to be careful how you price it. So, you don't price yourself out of the market because it's a much larger piece of the production than you are used to in the coding and marking, correct?

**Shiva Kabra:** That's absolutely correct.

**Ralph Kruger:** So, now the V-Shapes...

**Shiva Kabra:** I just want to be clear. So, when we talk about the market, of course, what we are doing is we are competing against other single-use technologies. So, it could be significantly more expensive technologies like single-use glass jars or containers or tubes. It could be things which are more expensive than what our packaging is, which could be something like a thermoform.

So, something like a thermoform would be technically more expensive on a per-piece basis, depending on the type of barriers, depending on the combination of materials we are using. The moment you go to an aluminum barrier, of course, the material is going to be significantly more

expensive. And then if you go to a sachet, compared to a mono dose solution, then the sachet will be cheaper on a per-packet basis. And of course, these are some of the single-use technologies, but there are others.

Just to give you an idea, so what's happening is, it depends obviously on each. What I am saying is if you are making a high-end sketch, you are going to be very conscious of the cost. And if you are making some kind of expensive serum in cosmetics or some sort of a pharmaceutical product, you might not be that conscious of the cost per pack. But you get what I am saying, the high-volume guys will be more conscious.

**Ralph Kruger:**

So, the last question is, so when I am thinking about V-Shapes, the first thought I had was, it's a natural product for the lower-income countries because people buy much smaller quantities, single usage at the very low end of the quantity, than higher-income countries.

However, the second thought I had was that if you are using a very expensive product, maybe an expensive cosmetic, the V-Shapes might be marketed in a higher-income country similarly as it would be in a lower-income country for a basic soap or Purcell hand cleaner. Is that correct thinking or am I off?

**Shiva Kabra:**

So, right now, the restriction on us, to be honest, is mainly that our sales and marketing effort is quite pathetic, to be honest, which is obviously one of the things I am building out. So, the main limitation is that we have not reached 99.73% of the market, frankly, or whatever, something like that. So, the awareness of the solution, the comparison with the existing single-use solutions is not in place. And of course, there are many things which could work out.

So, even if you have something like honey or something, now you got in a glass bottle or a cough syrup. now I don't know how many of you used it. But every time you open it, there is like half the honey or half the cough syrup which runs down the side, or if you use something like black bean paste, so you can even convert something like that into a single use or a Miso Paste because some people will not cook the entire 200 grams, and they maybe only need 15 grams for a single portion, and there is no point me buying a huge bottle of something if I don't need it.

So, there are of course many combinations here. There are many people who are interested, for example, right now in certain things like serums because they might have a 30 ml glass bottle of serum. The first thing is when I open the bottle, the barriers, it's obviously exposed to the air. So, even if it's packed in glass, which is beautiful container, it's very into, the moment I open it, it's exposed to the air, so has lost its barrier properties, which means a lot of these serums start losing a lot of efficiency very fast because of the oxidization. And that means you have to add a whole bunch more chemicals, some of which customers don't like to protect it against that.

But then there is no easy way to have a 1 ml dispensing. So, suppose I have got a, just for example, Rs. 2,000 serum. It might make more sense that I pack in 30 individual used packs

from our side and charge Rs. 70 per pack, and that might be better and more practical for the customer rather than one Rs. 2,000 bottle. So, even those types of situations can happen.

But what we are seeing is there is, so far we have been focusing more on the pharmaceutical market and the OTC because we are still getting all our materials from Italy. They are quite expensive, and as a result, we were then focusing on the high margin customers who pay us quite a lot of money.

Now we are also working on some, and the second problem we are having is that the pharmaceutical customers have no restriction on what material they use. So, they can afford to go for non-recyclable packages.

In the food and cosmetics industry, the feedback has been quite clear that unless there is no choice, they will not go for a non-recyclable package going forward. So, we have developed a recyclable package in the process of scaling it up.

It's also going to be significantly cheaper with a high barrier, and that's something we are also looking at making ourselves locally in India, and that's something which we feel will get the cost down by almost like 40%-50% from where it is right now and really help us get into that cosmetic but especially the food sector where the volumes could be significantly higher.

So, right now the two bottlenecks are the cost per piece and the second is the non-recyclability. It's something I want to be quite transparent about and the pharmaceutical in those types of customers don't have any restrictions. In fact, they don't really care what happens. They want an aluminum barrier come what may.

But the Food and the Cosmetic sector is very sensitized as of right now, and they definitely in their new packaging, I don't know how true it is, but they definitely seem like recyclability, a fully recyclable option is a must. So, we have developed a solution. There was a lot of fine-tuning involved. It's ready now, and it's been tested. And that's something we have been working on, or scaling up in a big way.

**Ralph Kruger:**

So, are you anticipating, well, no, sorry, let me ask one last question. At what timeframe would you be disappointed if you didn't sell one machine?

**Shiva Kabra:**

No, no, I think I would be very disappointed if I didn't sell one machine. And I can't comment right now on the existing pipeline. We have an existing pipeline. We might have sold machines, or we might have some existing prospects. I can't disclose this to you, maybe towards the end of the year, but like I said, each machine, if we sell a machine, it's going to take six months before we can execute it, because I need to do a whole bunch of packaging tests to validate the material, to validate the aging test. And in a pharmaceutical environment, there is a six-month aging that takes place.



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So, in the Food and the Cosmetic sector, we can do an accelerated aging to accept it, but for the pharmaceutical, they are required to create that information. And for that, they need to store the materials for six months and test them again, and test them again so that they have it for their dossier, and then only can they use it in their packaging. So, even on the OTC product, if it's sold under doctor's prescription, the same rules apply.

**Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.

**Jaideep Barve:** Thank you, everybody, for joining the call, and wish you and your families a Happy Diwali.

**Shiva Kabra:** And absolutely the same Happy Diwali to everyone. Thanks for taking the time out. It's really appreciated from our side. I think a lot of great questions. I understand that there is some short-term concerns, but like I said, we are still comfortable mentally, and we feel the opportunities are large, and we will definitely keep people posted during this journey if we feel anything adverse happens. And hopefully, we will try to give some great pointers also pointed by, I don't know, Mr. Saket and other people. And we will definitely try to incorporate some of those suggestions internally. We don't like to sometimes disclose too much, but we will get back to everyone and see to the maximum level if we can improve the amount we disclose. Thank you everyone.

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