

Strong set of operational numbers...

About the stock: Control Print Ltd.(CPL) was founded in the year 1991. CPL is the pioneer in the manufacturing of coding and marking solutions in India. With over two decades of industry experience

- Control Print Ltd is involved in development, research, manufacturing, and marketing of printing machines, spare parts, consumables (fluids) and associated services.
- It provides services to various industries like Cement, metals, chemicals, glass, wood, rubber, plastic, pharmaceutical, FMCG, and food & beverage.

Q1FY23 Results: CPL reported robust Q1FY22 results.

- Revenue for the quarter came in at ₹ 65.1 crore, up 19.7% YoY
- EBITDA margins came in at 27.3% vs 21.7 Q1FY22 and absolute came in at ₹ 17.8 crore up 29.6% YoY
- Ensuing PAT came in at ₹ 11.7 crore as compared to ₹ 7.6 crore in Q1FY22 (as it has an exceptional loss of ₹ 3 crore).

What should investors do? Strong installed base of 15500 printers will augur well for growth in the high margin consumable business over the medium to long term.

- Build in revenue, EBIDTA, PAT CAGR of 14.3%, 19.9%, 18.3% respectively

Target Price and Valuation: We maintain our **BUY** rating and value CPL at ₹555 i.e. 17x P/E on FY24E EPS.

Key triggers for future price performance:

- Installed base of 15,000+ printers, continues to grow which augurs well for growth in consumable sales
- Continued to penetrate competitor accounts in key sectors like building materials, FMCG, Pharma & Dairy.

- Alternate Stock Idea:** Apart from CPL, in our capital goods coverage we also like Ador Welding.
- Ador Welding (AWL) is a leading player in the welding consumables (~19% market share), welding equipment, automation and projects business. But with a target price of ₹ 890 per share.



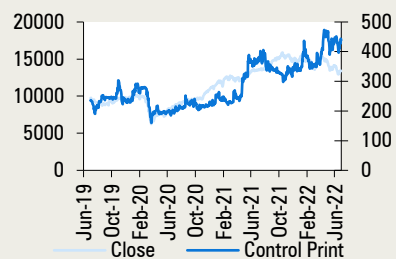
Particulars

Particular	Amount
Market Capitalization	₹ 730 crore
Total Debt (FY22)	₹ 0 crore
Cash and Inv (FY22)	₹ 21 crore
EV	₹ 710 crore
52 week H/L	293/494
Equity Capital	₹ 16.3
Face Value	₹ 10

Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	51.8%	51.8%	51.8%	51.8%
FII	7.0%	7.0%	6.8%	6.8%
DII	13.3%	13.4%	13.4%	13.4%
Others	28.0%	27.8%	28.0%	28.0%

Price Chart



Recent event & key risks

- Electronic Chip Shortage
- Key Risk:** (i) Growing IIP, (ii) Acquisition of new customers

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Yash Panwar
Yash.panwar@icicisecurities.com

Key Financial Summary

(₹ crore)	FY20	FY21	FY22	5 Year CAGR	FY23E	FY24E	CAGR (FY22-24E)
Revenue	197.4	220.2	256.2	12.0%	287.8	334.6	14.3%
EBITDA	48.5	66.2	59.3	9.2%	70.6	85.3	19.9%
EBITDA margin (%)	24.6	30.1	23.1		24.5	25.5	
Net Profit	29.0	45.6	40.4	9.1%	46.8	56.5	18.3%
EPS (₹)	17.8	27.9	24.7		28.6	34.6	
P/E (x)	25.2	16.0	18.1		15.6	12.9	
EV/EBITDA (x)	14.3	10.2	12.0		9.7	7.9	
RoCE (%)	21.2	26.8	17.9		21.4	23.4	
ROE (%)	15.1	19.2	13.8		15.3	16.3	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Strong set of operational numbers

- Control Print declared strong set of Q1FY23 results as the key highlight for the quarter was higher gross and EBIDTA margins YoY and QoQ on account of better product mix.
- On the financial performance front, revenues grew by 19.7% YoY to ₹ 65.1 crore (on a normative basis). Gross margins expanded QoQ by 440 bps to 63% vs. 58.7% on Q1FY22, which was mainly on account of higher share of consumables in the overall revenues.
- This also led to EBIDTA margins come in at 27.3% in Q1FY23 vs. 23.7% QoQ and 21.7% YoY.
- Consequently, the PAT came in at ₹ 11.7 crore, up 105% YoY (base quarter had an exceptional loss of ₹ 3 crore). The company as of FY22 has an installed base of more than 15000 printers.

Q1FY23 Earnings Conference Call highlights

- Consumable goods saw good traction during the quarter while Building material, Pharma and Bearings also expanded their base.
- Company suffered a bit due to chip shortage and supply chain issues but things will get back to normal in coming 1-2 quarters.
- Dairy, Healthcare, Packaged Food, Cable and FMCG also provided good contribution for business.
- Company is now focusing to develop a software for customers so they can provide customized support to them.
- Tele calling is also helping company in acquiring new customers.
- Total imports in Raw Material consists of 25-27% imported material.
- Company has sold around 756 printers in out of which CIJ printers is dominating with the quantity with over 55-65% of total share.
- Company is enjoying higher installed base for printers as during covid printers' sales were good. Current installed base of company is around 15000 printers.
- Company offers 7 different types of printers out of which CIJ & TIJ are most common.
- Higher percentage of consumable in revenue resulted in higher Gross and EBITDA margins.
- Current utilization level stands at 55-60%, Company can clock revenue is range of ₹ 360-370 crore with this capacity and if need arises capacity can be ramped up.

Exhibit 1: Variance Analysis

Year	Q1FY23	Q4FY22	Q1FY22	YoY (%)	QoQ(%)	Comments
Net Sales	66.2	76.7	54.4	21.7	-13.6	
Income from Operation	66.2	76.7	54.4	21.7	-13.6	
Cost of materials consumed	19.5	22.9	19.2	1.7	-14.7	
Purchase of stock-in-trade	4.2	6.4	3.7			
Changes in inventory	0.7	3.1	-2.0			
Employee cost	12.0	15.3	11.6	3.9	-21.3	
Other expenses	11.9	11.9	10.2	17.4	0.2	
EBITDA	17.8	17.1	11.8	51.0	4.1	
EBITDA Margin (%)	0.27	0.22	0.22	5 bps	5 bps	EBITDA margins improved due to higher contribution from consumables segment
Other Income	0.2	1.6	0.2	-29.4	-89.8	
Depreciation	3.6	3.7	3.4	8.2	-1.6	
Interest	0.2	0.4	0.1	25.4	-56.5	
PBT	14.4	14.7	11.7	22.5	-2.3	
Taxes	2.4	2.4	2.8	-14.1	3.5	
PAT	11.9	12.3	8.9	34.3	-3.4	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

		Actual	Actual	FY23E	FY24E
₹ crore	FY20	FY21	FY22	New	New
Revenue	197.4	220.2	256.2	287.8	334.6
EBITDA	48.5	66.2	59.3	70.6	85.3
EBITDA Margin	24.6	30.1	23.1	24.5	25.5
PAT	29.0	45.6	40.4	46.8	56.5
EPS (₹)	17.8	27.9	24.7	28.6	34.6

Source: ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Net Sales	203.7	256.2	287.8	334.6
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	203.7	256.2	287.8	334.6
Growth (%)	3.2	25.8	12.3	16.2
Raw Material Expenses	78.6	102.6	113.0	130.5
Employee Expenses	43.3	51.0	56.5	64.6
Other Operating Expense	32.1	43.3	47.8	54.2
Total Operating Expenditure	154.0	196.9	217.3	249.2
EBITDA	49.7	59.3	70.6	85.3
Growth (%)	2.5	19.3	19.0	20.9
Depreciation	12.3	14.8	14.5	17.4
Interest	1.2	1.1	1.1	1.2
Other Income	0.5	2.3	1.8	2.3
PBT	36.7	45.7	56.9	68.9
Exceptional Item	1.8	-3.4	-0.2	0.0
Total Tax	5.9	8.8	10.2	12.4
PAT	29.1	40.4	46.8	56.5
Growth (%)	0.2	39.0	15.9	20.8
EPS (₹)	17.8	24.7	28.6	34.6

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	29.1	40.4	46.8	56.5
Add: Depreciation	12.3	14.8	14.5	17.4
(Inc)/dec in Current Assets	-22.2	-29.4	-6.2	-43.3
Inc/(dec) in CL and Provisions	8.6	7.9	-7.1	7.3
Others	1.2	1.1	1.1	1.2
CF from operating activities	28.9	34.7	49.1	39.2
(Inc)/dec in Investments	-0.1	-0.4	0.0	0.0
(Inc)/dec in Fixed Assets	-26.4	-15.4	0.0	0.0
Others	-0.6	-0.7	0.0	0.3
CF from investing activities	-27.2	-16.5	0.0	0.3
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-14.7	-14.7	-14.7	-14.7
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-1.2	-1.1	-1.1	-1.2
CF from financing activities	-15.9	-15.8	-15.8	-15.9
Net Cash flow	-14.2	2.4	33.3	23.6
Opening Cash	16.2	2.0	4.4	37.7
Closing Cash	2.0	4.4	37.7	61.3

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	16.3	16.3	16.3	16.3
Reserve and Surplus	229.9	255.6	287.7	329.5
Total Shareholders funds	246.2	271.9	304.0	345.8
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	10.0	9.6	9.6	9.6
Minority Interest / Others	1.6	1.5	1.5	1.8
Total Liabilities	257.8	283.0	315.1	357.2
Assets				
Gross Block	166.2	147.3	206.0	228.4
Less: Acc Depreciation	62.5	77.2	91.7	109.1
Net Block	103.7	70.0	114.2	119.2
Capital WIP	8.1	3.2	6.0	8.0
Total Fixed Assets	111.8	73.2	120.2	127.2
Liquid Investments	2.3	2.7	2.7	2.7
Other Investments	0.3	0.5	0.5	0.5
Inventory	66.9	66.1	82.8	93.5
Debtors	56.3	62.8	66.7	88.9
Loans and Advances	25.5	46.9	28.8	33.5
Other Current Assets	0.0	0.0	0.0	0.0
Cash	52.3	18.2	41.5	55.1
Total Current Assets	201.0	194.0	219.8	270.9
Creditors	12.7	16.7	19.7	23.8
Provisions	4.9	5.6	6.9	10.0
Current Liabilities & Prov	3.1	4.8	20.1	27.4
Net Current Assets	197.9	189.2	199.7	243.5
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	312.3	265.6	323.1	373.9

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	17.8	24.7	28.6	34.6
Cash EPS	25.3	33.8	37.5	45.3
BV	150.8	166.5	186.2	211.8
DPS	7.5	7.5	7.5	7.5
Cash Per Share (Incl Invst)	32.0	11.1	25.4	33.7
Operating Ratios (%)				
EBITDA Margin	24.4	23.1	24.5	25.5
PBT / Total Op. income	18.0	17.8	19.8	20.6
PAT Margin	14.3	15.8	16.3	16.9
Inventory days	110.8	94.2	105.0	102.0
Debtor days	93.4	89.4	84.6	97.0
Creditor days	21.1	23.8	24.9	26.0
Return Ratios (%)				
RoE	19.2	13.8	15.3	16.3
RoCE	26.8	17.9	21.4	23.4
RoIC	22.2	19.0	20.0	21.1
Valuation Ratios (x)				
P/E	16.0	18.1	15.6	12.9
EV / EBITDA	10.2	12.0	9.7	7.9
EV / Net Sales	3.1	2.8	2.4	2.0
Market Cap / Sales	3.3	2.8	2.5	2.2
Price to Book Value	2.8	2.6	2.3	2.0
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	8.9	8.3	7.3	7.0
Quick Ratio	5.1	5.4	4.1	4.2

Source: Company, ICICI Direct Research

Exhibit 7: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
L&T (LARTOU)	1780	1,930	Buy	249770	50.2	65.5	72.9	35.5	27.2	24.4	8.0	10.2	11.1	10.8	12.9	13.2
Siemens Ltd	2716	2,900	Buy	96722	29.5	36.6	48.2	92.1	74.1	56.4	13.9	15.7	18.4	10.1	11.6	13.7
AIA Engineering (AIAENG)	2352	2,570	Buy	22184	64.6	79.6	85.7	36.4	29.6	27.5	16.5	17.8	17.0	13.2	14.2	13.6
Thermax (THERMA)	2091	2,390	Buy	24916	26.2	42.4	53.1	79.7	49.3	39.4	11.3	16.7	18.7	9.0	13.0	14.4
KEC International (KECIN)	458	381	Hold	11775	12.7	13.0	25.4	36.1	35.3	18.0	12.3	12.0	17.2	10.7	9.2	15.8
Greaves Cotton (GREAVE)	161	179	Buy	3722	0.7	2.6	3.3	227.5	61.1	48.8	2.5	8.9	10.2	1.3	6.3	7.3
Elgi Equipment (ELGEQU)	367	390	Buy	11631	5.7	6.6	8.7	64.3	55.7	42.2	18.9	17.8	20.2	18.7	18.5	20.3
Bharat Electronics (BHAELE)	270	315	Buy	65788	9.6	11.3	12.6	28.0	23.9	21.4	26.2	28.5	28.6	19.6	21.3	21.4
Cochin Shipyard (COCSHI)	326	340	Hold	4288	42.9	38.6	42.3	7.6	8.4	7.7	10.9	12.5	12.7	12.7	10.8	11.1
SKF (SKFIND)	4030	3,720	Buy	19923	77.0	89.6	103.5	52.3	45.0	38.9	26.0	26.5	27.1	20.6	20.0	20.1
Timken India (TIMIND)	2900	2,810	Buy	21813	43.5	54.8	62.5	92.6	73.5	64.5	25.3	32.3	36.8	19.7	24.9	28.4
NRB Bearing (NRBBEA)	138	220	Buy	1338	7.8	9.2	12.1	20.6	17.3	17.3	15.0	15.3	19.2	12.6	12.6	14.8
Action Construction (ACTCON)	232	230	Buy	2763	9.8	11.5	13.6	23.7	20.2	17.1	22.5	20.9	21.3	15.1	14.5	14.7
Data Patterns (DATPAT)	738	870	Buy	3829	18.1	21.7	27.2	40.7	34.0	27.2	23.8	24.4	25.8	16.4	18.1	19.1
HAL (HINAER)	1902	2,200	Buy	63601	151.9	123.6	137.4	12.5	15.4	13.8	27.4	29.7	30.5	26.3	22.5	23.2

Source: Bloomberg, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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