

Steady growth continues...

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

- Control Print 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

Q4FY23 Results: Steady growth in revenue continues.

- Revenue from operations in Q4FY23 increased 15.4% YoY (up 13.4% QoQ) to ₹ 88.5 crore
- Gross margin was at 59% (improved 116 bps YoY, 50 bps QoQ). EBIDTA margin improved 127 bps YoY to 23.6%. Sequentially, margins contracted 144 bps due to higher other cost. FY23 EBIDTA margin was at 25.0% (up 184 bps)
- EBIDTA came in at ₹ 20.9 crore in Q4FY23, up 21.9% YoY, 6.8% QoQ. EBIDTA for FY23 was up 28.2% YoY to ₹ 76.0 crore on strong revenue growth and margin improvement
- PAT increased 29.7% YoY (up 18.7% QoQ) to ₹ 16.0 crore. FY23 PAT was up 30.9% YoY to ₹ 52.9 crore

What should investors do? Strong installed base of 17000+ printers will augur well for growth in the high margin consumable business in the medium to long term.

- Build in revenue, EBIDTA, PAT CAGR of 14.7%, 15.6%, 19%, respectively

Target Price and Valuation: We maintain our **BUY** rating and value CPL at ₹ 690 i.e. 15x P/E on FY25E EPS.

Key triggers for future price performance:

- Increase in share of revenue from consumables and focus on capturing larger market share with increasing installed set of printers
- New launches and demand from the replacement market would also be key growth drivers in the coming period

Alternate Stock Idea: Apart from CPL, we also like Action Construction Equipment in our capital goods space.

- ACE continues to tread on its growth path. Upcoming government & private capex are providing fillip to the sector. BUY with a target price of ₹ 435 i.e. (18x P/E on FY25E EPS)



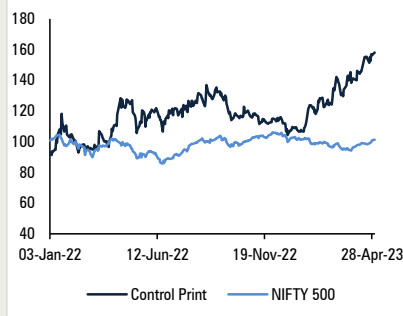
Particulars

Particular	Amount
Market Capitalization	₹ 934 crore
Total Debt (FY23)	₹ 1 crore
Cash and Inv (FY23)	₹ 69 crore
EV	₹ 867 crore
52 week H/L	590/376
Equity Capital	₹ 16.3
Face Value	₹ 10

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	51.8	51.8	51.8	51.8
FII	6.8	5.3	5.2	5.3
DII	7.6	5.8	5.8	9.8
Others	33.8	37.1	37.2	33.1

Price Chart



Key risks

- Supply chain issues, Increasing competition in printer industry

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Key Financial Summary

(₹ crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenue	197.4	220.2	256.2	304.3	15.5%	348.6	400.4	14.7%
EBITDA	48.5	66.2	59.3	76.0	16.2%	87.8	101.5	15.6%
EBITDA margin (%)	24.6	30.1	23.1	25.0		25.2	25.4	
Net Profit	29.0	45.6	40.4	52.9	22.2%	64.0	74.9	19.0%
EPS (₹)	17.8	27.9	24.7	32.4		39.2	45.9	
P/E (x)	32.2	20.5	23.1	17.7		14.6	12.5	
EV/EBITDA (x)	18.9	13.6	14.8	11.4		9.5	7.9	
RoCE (%)	20.4	25.3	21.7	26.8		28.4	30.7	
ROE (%)	16.2	20.3	14.6	17.9		17.8	17.9	

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: Steady growth in revenues; EBITDA margin impacted QoQ on higher others cost

- Revenue from operations in Q4FY23 increased 15.4% YoY (+13.4% QoQ) to ₹ 88.5 crore. For full year FY23, revenue was up 18.8% YoY to ₹ 304.3 crore
- Gross margin was at 59% (improved 116 bps YoY, 50 bps QoQ). FY23 gross margin remained largely flattish at 60.2%
- EBITDA margin improved 127 bps YoY to 23.6% on account of better gross margins and lower employees cost. Sequentially, margins contracted 144 bps due to higher other cost (that increased to 19.2% of sales compared to 16.1% in Q3FY23). FY23 EBITDA margin was at 25.0% (+184 bps)
- EBITDA came in at ₹ 20.9 crore in Q4FY23, up 21.9% YoY (+6.8% QoQ). EBITDA for FY23 was up 28.2% YoY to ₹ 76.0 crore on strong revenue growth and margin improvement
- PAT increased 29.7% YoY (+18.7% QoQ) to ₹ 16.0 crore. FY23 PAT was up 30.9% YoY to ₹ 52.9 crore
- The company has also recommended a final dividend of ₹ 5 per equity share, which takes the total dividend for FY23 to ₹ 9 per share

Q4FY23 Earnings Conference Call highlights

- The installed base of printers is currently at 17000+ against 16000+ as of December 2022. The company sold 950+ printers during Q4FY23 against 800+ printers in Q3FY23 and 675+ printers in Q2FY23
- The company's printer sales in FY23 were at 4200+ with market share largely maintained at ~18.5%
- Consumables segment contributes 55-60% of sales while the printers segment contributes 15-20% of sales and the balance is contributed by the services & spares segment
- Printer sales are witnessing ~10% YoY growth while consumables segment sales has been better than printer sales and are seeing increase in overall share. Capacity utilisation for consumables segment is currently at ~60%
- Overall coding & marking industry growth in India is expected at ~10% CAGR over the coming periods led by demand from industrial and consumer goods sectors
- Sectors like foods, chemicals, beverages, healthcare, construction & building materials & automobile are major demand drivers for coding & marking printers. The company continued to witness an improvement in share of building products segment like plywood, cement, laminates, pipes, cables, etc
- The company has introduced new products for both industrial and non-industrial sectors. The newly launched product called Track & Trace system printers is witnessing a pick-up in sales mainly led by industries like pharma
- New government regulations for pharma and food & beverages (regarding sharing of more information on products) is expected to be one of the big triggers for growth from these segments
- The company is working on improving production efficiencies, which are expected to improve margins in the coming period. Also, CPL has continued to focus on increasing its market share across multiple sectors for growth in printers and consumables

Exhibit 1: Variance Analysis

Year	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ(%)	Comments
Revenue	88.5	76.7	15.4	78.0	13.4	Revenue growth primarily led by steady growth in printers and consumables
Other Income	1.7	1.6	8.2	1.0	71.5	
Total Income	90.2	78.2	15.3	79.0	14.1	
Raw Material cost	36.3	32.3	12.2	32.4	12.0	
Employee cost	14.3	15.3	(6.4)	13.6	5.6	
Other expenses	17.0	11.9	42.7	12.5	35.4	
Total Expenditure	67.6	59.5	13.5	58.5	15.5	
EBITDA	20.9	17.1	21.9	19.6	6.8	
EBITDA Margin (%)	23.6	22.4	127 bps	25.1	-144 bps	EBITDA margin contracted QoQ on higher others cost
Depreciation	3.9	3.7	5.5	3.8	1.3	
Interest	0.5	0.4	30.2	0.5	0.1	
Exceptional item	(0.0)	(0.1)		(0.0)		
PBT	18.2	14.7	24.0	16.2	12.3	
Taxes	2.2	2.4	(6.0)	2.8	(19.4)	
PAT	16.0	12.3	29.7	13.5	18.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY23E	FY24E		% Change	FY25E
	Actual	Old	New		New
Revenue	304.3	334.6	348.6	4.2	400.4
EBITDA	76.0	85.3	87.8	3.0	101.5
EBITDA Margin (%)	25.0	24.3	25.2	90 bps	25.4
PAT	52.9	56.5	64.0	13.3	74.9
EPS (₹)	32.4	34.6	39.2	13.3	45.9

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Net Sales	256.2	304.3	348.6	400.4
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	256.2	304.3	348.6	400.4
Growth (%)	25.8	18.8	14.6	14.9
Raw Material Expenses	102.6	121.2	141.4	162.2
Employee Expenses	51.0	53.8	59.1	66.2
Other Operating Expense	43.3	53.3	60.3	70.5
Total Operating Expenditure	196.9	228.3	260.7	298.9
EBITDA	59.3	76.0	87.8	101.5
Growth (%)	19.3	28.2	15.5	15.6
Depreciation	14.8	15.1	16.7	18.3
Interest	1.1	1.4	1.5	1.5
Other Income	2.3	3.9	7.5	8.5
PBT	45.7	63.4	77.2	90.2
Exceptional Item	-3.4	-0.2	0.0	0.0
Total Tax	8.8	10.7	13.1	15.3
PAT	40.4	52.9	64.0	74.9
Growth (%)	39.0	30.9	21.2	16.9
EPS (₹)	24.7	32.4	39.2	45.9

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	40.4	52.9	64.0	74.9
Add: Depreciation	14.8	15.1	16.7	18.3
(Inc)/dec in Current Assets	-9.9	-21.7	-34.0	-30.6
Inc/(dec) in CL and Provisions	9.3	12.2	1.7	10.4
Others	1.1	1.4	1.5	1.5
CF from operating activities	55.6	59.9	49.9	74.5
(Inc)/dec in Investments	-21.4	-5.1	-28.0	-34.0
(Inc)/dec in Fixed Assets	-15.4	0.0	0.0	0.0
Others	0.5	-12.3	0.0	0.0
CF from investing activities	-36.3	-17.5	-28.0	-34.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	1.3	0.0	0.0
Dividend paid & dividend tax	-14.7	-14.7	-16.3	-18.0
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-2.3	-1.6	16.2	-1.5
CF from financing activities	-17.0	-15.0	-0.1	-19.5
Net Cash flow	2.3	8.4	1.8	1.0
Opening Cash	6.2	8.4	16.8	18.6
Closing Cash	8.4	16.8	18.6	19.6

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	16.3	16.3	16.3	16.3
Reserve and Surplus	240.8	278.8	344.2	401.1
Total Shareholders funds	257.1	295.1	360.5	417.4
Total Debt	0.0	1.4	1.4	1.4
Deferred Tax Liability	9.6	8.3	8.3	8.3
Minority Interest / Others	4.4	4.4	4.4	4.4
Total Liabilities	271.1	309.2	374.6	431.5
Assets				
Gross Block	174.4	189.6	208.7	228.7
Less: Acc Depreciation	65.2	80.3	97.0	115.3
Net Block	109.2	109.3	111.7	113.4
Capital WIP	3.2	7.1	8.0	8.0
Total Fixed Assets	112.4	116.4	119.7	121.4
Liquid Investments	46.9	52.0	80.0	114.0
Other Investments	1.1	11.7	11.7	11.7
Inventory	66.1	76.7	90.7	104.2
Debtors	62.8	74.6	87.9	100.9
Loans and Advances	11.9	9.7	14.8	16.1
Other Current Assets	11.5	13.0	14.6	17.3
Cash	8.4	16.8	18.6	19.6
Total Current Assets	160.7	190.8	226.6	258.2
Creditors	16.7	21.5	24.8	28.5
Provisions	11.3	14.3	17.1	19.3
Current Liabilities	52.4	64.6	66.3	76.7
Net Current Assets	108.3	126.1	160.2	181.5
Others Assets	2.5	3.0	3.0	3.0
Application of Funds	271.1	309.2	374.6	431.5

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	24.7	32.4	39.2	45.9
Cash EPS	33.8	41.6	49.4	57.1
BV	157.5	180.7	220.8	255.6
DPS	9.0	9.0	10.0	11.0
Cash Per Share (Incl Invest)	5.2	10.3	11.4	12.0
Operating Ratios (%)				
EBITDA Margin	23.1	25.0	25.2	25.4
PBT / Total Op. income	17.8	20.8	22.1	22.5
PAT Margin	15.8	17.4	18.4	18.7
Inventory days	94.2	92.0	95.0	95.0
Debtor days	89.4	89.5	92.0	92.0
Creditor days	23.8	25.8	26.0	26.0
Return Ratios (%)				
RoE	14.6	17.9	17.8	17.9
RoCE	21.7	26.8	28.4	30.7
RoIC	19.0	24.5	25.5	27.2
Valuation Ratios (x)				
P/E	23.1	17.7	14.6	12.5
EV / EBITDA	14.8	11.4	9.5	7.9
EV / Net Sales	3.4	2.8	2.4	2.0
Market Cap / Sales	3.6	3.1	2.7	2.3
Price to Book Value	3.5	3.0	2.5	2.1
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	5.4	4.9	5.0	5.0
Quick Ratio	3.1	2.7	2.8	2.8

Source: Company, ICICI Direct Research

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