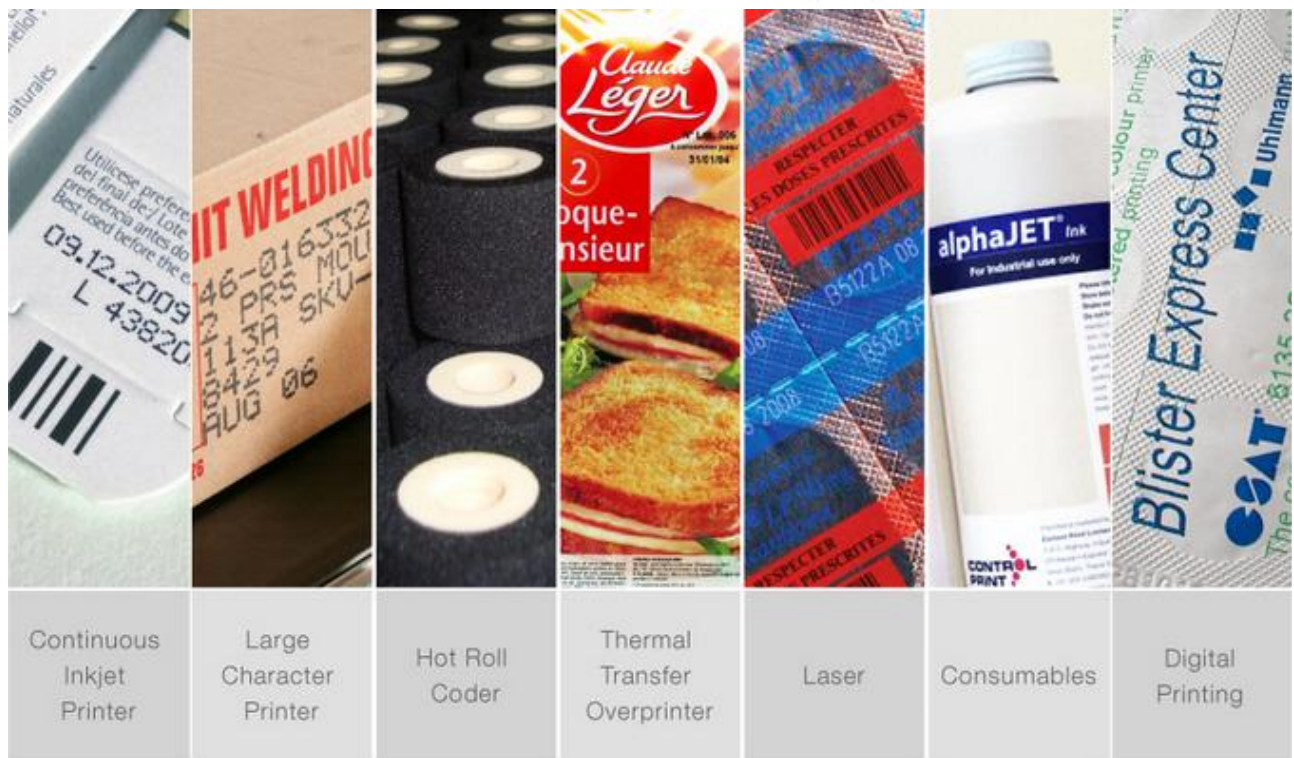


# CONTROL PRINT

An ISO 9001:2008 Company



**Control Print Ltd (BSE Code: 522295) – Alpha/Alpha + stock recommendation for May'14**

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## Company Snapshot (As on 21<sup>st</sup> May'14)

Current Market Price – Rs 70.05

Dividend yield – 2.86%

BSE Code – 522295

NSE Code – NA

Market capitalization – Rs 63.55 cr.

Total Equity shares – 0.907 cr.

Face Value – Rs 10.00

52 Weeks High/Low – Rs 88.00/Rs 44.00

Particulars (in cr.)	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Income from operations	38.75	37.87	46.07	57.97	66.54	79.82	91.06
Gross Profit	<b>16.07</b>	<b>13.17</b>	<b>16.03</b>	<b>23.15</b>	<b>32.46</b>	<b>45.66</b>	<b>55.69</b>
Gross Profit margin (%)	41.47%	34.78%	34.79%	39.93%	48.78%	57.20%	61.16%
Operating Profit	<b>4.21</b>	<b>2.03</b>	<b>2.52</b>	<b>4.97</b>	<b>9.15</b>	<b>15.3</b>	<b>20.40</b>
Operating Profit margin (%)	10.86%	5.36%	5.47%	8.57%	13.75%	19.17%	22.40%
Other Income	0.23	0.28	0.12	0.28	0.32	0.38	0.90
Depreciation	0.61	0.76	0.92	0.99	0.89	0.96	1.18
EBIT	3.83	1.55	1.72	4.26	8.58	14.72	20.12
EBIT Margin (%)	9.88%	4.09%	3.73%	7.35%	12.89%	18.44%	22.09%
Interest cost	0.13	0.48	0.81	1.23	1.34	0.28	0.75
Profit Before tax	<b>3.70</b>	<b>1.07</b>	<b>0.91</b>	<b>3.03</b>	<b>7.24</b>	<b>14.44</b>	<b>19.37</b>
Profit before tax margin (%)	9.55%	2.82%	1.97%	5.23%	10.88%	18.09%	21.27%
Profit on sale of investment/exceptional item	3.98	-0.23	1.35	4.65	3.78	0.62	0.08
Net Profit	6.19	0.25	2.03	5.88	8.41	12.44	14.11
Cash flows from operations before tax	8.92	-5.94	-5.78	-1.49	10.57	12.75	NA
Return on Avg. equity	9.52%	2.51%	2.04%	6.10%	12.78%	21.87%	24.73%

## Control Print Ltd – Introduction

Established in 1991 and listed on BSE in 1993, Control Print Limited is one of India's leading Industrial Coding & Marking Solutions provider and the only Indian manufacturer of Continuous Inkjet Printers (CIJ) and consumables under license of **KBA-Metronic AG, Germany** at its facility in Nalagarh, Himachal Pradesh.

Prior to Control Print's tie-up with KBA-Metronic AG, it was one of the largest distributors of Videojet CIJ printers in India and Nepal.

Besides CIJ Printers, the company also manufactures Large Character Printers, Electrograph Digital Printers, Thermal Transfer Over printers (TTO), Hot Ink Coders and their consumables in collaboration with respective technology leaders. The laser range of printers at Control Print is supported by **MACSA Lasers**. MACSA has over 90 years of experience and are market leaders for Laser Solutions internationally.



Control Print has now over 2 decades of experience in the Coding and Marking Industry and has partnered with leading global players technologically. The company provides the entire range of coding and marking solutions for the various manufacturing industries which include Automotive, Agro-Chemicals, Metals, FMCG, Pharmaceutical, Food & Beverage, Wire, Cable, & Pipe, Construction Materials, and Commercial Printing.

## Transition from Distribution to Manufacturing

**1991-2007: Remained a distributor** – Since inception in 1991, Control Print's been solely focused on coding and marking solutions.

In 1994, Control Print made an entry into Continuous Inkjet Printer and Large Character Drop-on-Demand Inkjet Printer market. However, at that time the company was acting as a distributor and had tie-ups with various world leaders in their respective fields of specialization.

Some of the prominent associations of the company included Marconi Data Systems USA, Markem Corporation USA for Coders, Ostling Germany for Metal marking systems and Video Jet Systems for Small Characters CIJ printers.

Between 1991 to 2004, Control Print expanded its product portfolio and included products like contact coders, touch dry coders, metal marking systems, ink jet printers, laser coders along with necessary consumables, spare parts, and service support all under one roof.

**2004: In house development of Coder** – In 2004, Control print on its own developed "CONPRINT HRC" a coder based on "Hot Melt Ink" technology to service the needs of those customers who found CIJ technology expensive and did not find Wet Ink Contact Coders meeting their requirements. At the same time, in order to complete the product line up, the company started taking steps towards in-house manufacturing of "Hot Melt Ink Rolls" under license.

Thus, year 2004 was the stepping stone towards indigenization of products and in order to start local manufacturing the company decided to put up facility in Himachal Pradesh to manufacture “CONPRINT HRC” and its consumables like Hot Ink rolls along with Contact Coders – “CONPRINT CC” and its consumables.

Manufacturing unit was planned for Himachal Pradesh for various tax benefits on Sales tax, Excise, Income tax, etc.

**2007-08: Beginning of local manufacturing** – Control Print’s Nalagarh (Himachal Pradesh) manufacturing unit came on stream in 2007 and the company commenced commercial production of “CONPRINT HRC” and its consumables like Hot Ink Rolls, etc in the 1st week of Jul’07.

Thus, FY 2008 was the first year with the contribution of own manufacturing to the overall sales of the company. In FY 2008, own manufacturing contributed only 1.89 crores to the sales of the company against 34.09 crores from distribution sales; nevertheless it marked the transition from distributor to distributor cum manufacturer.

**2008-09: Tie up with KBA Metronic, Germany for local manufacturing of CIJ printers** – Having set up the manufacturing unit, Control Print started exploring the option of manufacturing other kinds of printers and consumables besides the HRC Coder which it had developed in-house.

Thus, in 2008, Control Print entered into agreement with KBA Metronic, Germany (leader in Coding, Marking and Printing) for transfer of Continuous Ink Jet Printer technology and the company started the commercial production of KBA-Metronic’s brand **alphaJET™** under license at its Nalagarh plant in Dec’08. With this tie-up, Control Print also became the first Indian manufacturer of Industrial Inkjet Printers in India.

# KBA ties up with Mumbai company for India debut

P B Jayakumar | Mumbai February 8, 2008 Last Updated at 00:00 IST

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KBA-Metronic, a part of the German printing solutions major Koenig and Bauer (KBA), is entering the Indian market through a strategic manufacturing and technical collaboration with Control Print India, a Mumbai-based company dealing with coding and marking solutions.

The \$2.4 billion KBA group is a world leader in printing press technologies and employs over 8,000 people at various manufacturing locations worldwide.

The alliance is to manufacture coding and marking products of KBA-Metronic in India and initial focus will be to offer digital inkjet printing solutions, an emerging technology in the field of printing, said Shiv Kabra, managing director, Control Print India.

Coding and marking solutions are for printing barcodes, batch numbers, MRP and other basic details in packaging of various products.

Control Print India has started a production facility for ink coders and consumable ink rolls at Nalagarh in Himachal Pradesh and the facility will be enlarged with assembling and component manufacturing facilities to manufacture products from the Metronic stable, he said.

*Basic details on KBA-Metronic – KBA-Metronic GmbH is a company based in southern Germany with a clear focus on the development, design, manufacturing, global marketing and servicing of marking and coding technologies. The company was founded in 1972 and is a subsidiary of Euro 2.7 billion Koenig & Bauer AG (KBA), the world's third largest print equipment manufacturer.*

*KBA-Metronic provides its technologies in more than 40 countries and the entire company has been certified to DIN EN ISO 9001:2000.*

**Other tie-ups** – Besides the tie-up with KBA Metronic, the company entered into agreements for technology transfer for manufacturing Ink Jet Consumables in India. It also

entered into agreement with Open Date Limited of UK for manufacturing Thermal Transfer Overprinters in India and with Codeology Limited, UK for manufacturing large character Inkjet Printers in India.

Thus in 2008-09, Control Print started Local manufacturing of CIJ, TTO, HRC, LCP & Fluids at Nalagarh.

**2011: Extension of agreement with KBA Metronic by 10 years** – Having enjoyed a good association since 2008, both Control Print and KBA Metronic willingly extended the agreement by 10 years in 2011.

Further, the new 10 year agreement also included the technology transfer for future generations of the alphaJET™.



To meet KBA-Metronic's high demand for quality, Control Print achieved DIN EN ISO 9001:2000 certification.

### **New initiatives by the company**

Having tasted success with own manufacturing, Control Print is now implementing growth plans to enhance its production in a phased manner. The Company is setting up a manufacturing unit at Guwahati, Assam in order to expand its business operations and as



per the latest update the construction has commenced and the plant is expected to commence production in Dec'14.



Control Print Limited, a Company listed on the Bombay Stock Exchange having all India network, is a leading Company in the field of Product Identification (Coding & Marking), having wide product range that includes Industrial Ink-jet Printers, Thermal Ink Coders, Thermal Transfer Overprinters, Digital Printers, Laser Markers, Metal Marking Systems etc and consumables thereof. (visit [www.controlprint.com](http://www.controlprint.com)).

The Company is having manufacturing facilities at Nalagarh in Himachal Pradesh in technical collaboration with manufacturers who are technology leaders in their respective fields.

To continue our rapid growth, expansion & diversification, we are setting up manufacturing facility at Palasbari, near Guwahati and need

**LIAISONING ARCHITECT**

Architect with 15+ years relevant experience in handling Projects right from start-up. Responsibilities include, advising and providing Management with all applicable rules, regulations and statutory norms, review design / drawings, prepare CAD drawings, obtain all statutory permissions and approvals. Experience in Interiors will be an added advantage.

**CIVIL CONTRACTOR**

Civil Contractors with 15+ years relevant experience in setting up SME size plant and construction of RCC buildings, Industrial M.S sheds, Retaining wall, land filling, internal roads, tanks, switch yards etc. Total area of construction would be approx 30,000 sq.ft, and site development needs to be completed in 4 months.

Interested parties to send in their detailed profile giving information of their capability in terms of technical, financial, machinery and human resources to [guwahatiproject@controlprint.com](mailto:guwahatiproject@controlprint.com)

The proposed unit shall be entitled to tax benefits under Income Tax Act.

**SAP ERP and CRM implementation** – Another important initiative by the company is the implementation of SAP – Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software and the same are expected to go live in Aug-Sep'14.

Both the packages, if implemented correctly, are likely to benefit the company immensely in streamlining its business processes and operations and in the long run improve the cash flows and operational returns for the organization.

## Why Coding and Marking?

Today every packaged product needs to be coded with variable data such as Batch No., Mfg. Date, Best before Date, MRP, Serial No., etc. Traditionally this was done with older “off-line” techniques which were slower, inaccurate and inefficient.

With growing production volumes, greater quality awareness and global competition, more and more manufacturers are adopting the ‘on-line’ coding and marking solutions and the obvious advantages are faster operations, superior prints and economical running cost. Coding and marking is essential and beneficial in many ways. Some of the key benefits are:

**Regulatory Compliance** – Various laws related to packaging make it mandatory for Coding and marking on different products. Moreover the Govt. notifications make it mandatory for all perishable packaged food items to be printed with “Best before date”.

**Product freshness** – Consumers today insist on information about the freshness of the product they are buying. Easy to read coding of data like Mfg. Date, Best Before date, etc, help win consumers confidence and post a quality conscious brand image.

**Product Identification** – Data like Batch no, Serial no, Mfg Date, etc is essential for tracking products in the event of tampering or recall. Besides, such identification measures are also essential while implementing various quality standards such as ISO, UL, etc. for any manufacturer.

**Inventory Control** – As manufacturing becomes increasingly automated, coded information can guide products through different production processes as well as distribution channels thereby reducing the overall cost of logistics with accurate inventory control.

**Aesthetics and Promotion** – As the awareness about the aesthetics of packaging has been growing, the clean, clear and consistent coding and marking have become the integral part of modern package design. These on-line coding machines also allow for printing of

seasonal promotional messages directly on to the individual packages thus adding to the marketing value.

**Product Security** – The alphanumeric codes or logos printed using modern ink Jet printers at specific location on the product surface are virtually impossible to duplicate, and thus serve as an effective measure against the threats of tampering, duplication, etc.

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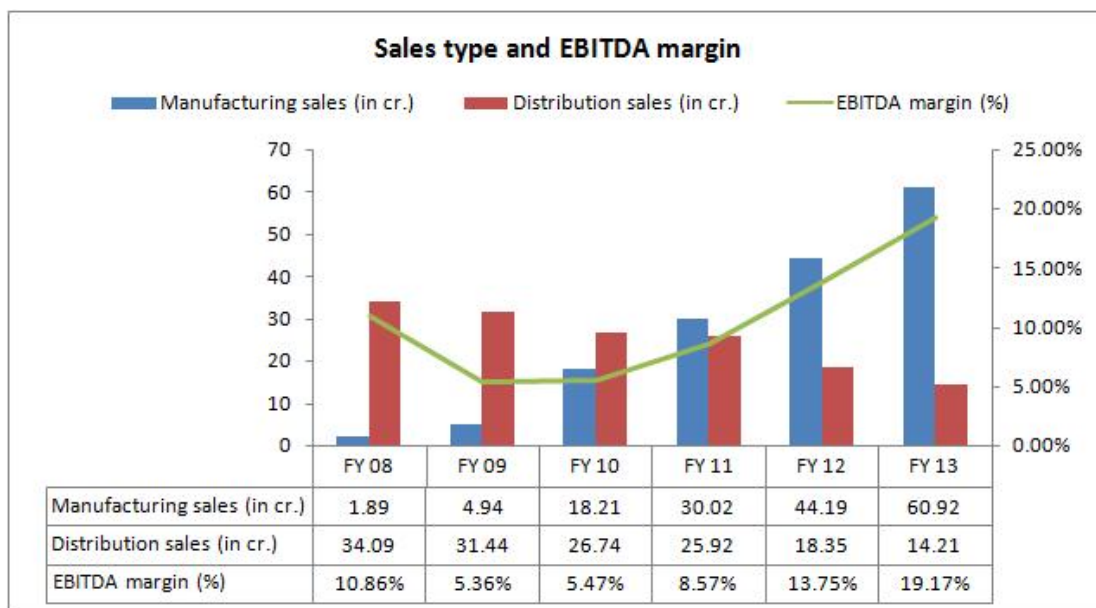
## Control Print – Performance Snapshot

Particulars (in cr.)	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
<b>Income from operations</b>	38.75	37.87	46.07	57.97	66.54	79.82	91.06
<b>Gross Profit</b>	<b>16.07</b>	<b>13.17</b>	<b>16.03</b>	<b>23.15</b>	<b>32.46</b>	<b>45.66</b>	<b>55.69</b>
<b>Gross Profit margin (%)</b>	41.47%	34.78%	34.79%	39.93%	48.78%	57.20%	61.16%
<b>Operating Profit</b>	<b>4.21</b>	<b>2.03</b>	<b>2.52</b>	<b>4.97</b>	<b>9.15</b>	<b>15.3</b>	<b>20.40</b>
<b>Operating Profit margin (%)</b>	10.86%	5.36%	5.47%	8.57%	13.75%	19.17%	22.40%
Other Income	0.23	0.28	0.12	0.28	0.32	0.38	0.90
Depreciation	0.61	0.76	0.92	0.99	0.89	0.96	1.18
<b>EBIT</b>	<b>3.83</b>	<b>1.55</b>	<b>1.72</b>	<b>4.26</b>	<b>8.58</b>	<b>14.72</b>	<b>20.12</b>
<b>EBIT Margin (%)</b>	9.88%	4.09%	3.73%	7.35%	12.89%	18.44%	22.09%
Interest cost	0.13	0.48	0.81	1.23	1.34	0.28	0.75
<b>Profit Before tax</b>	<b>3.70</b>	<b>1.07</b>	<b>0.91</b>	<b>3.03</b>	<b>7.24</b>	<b>14.44</b>	<b>19.37</b>
Profit before tax margin (%)	9.55%	2.82%	1.97%	5.23%	10.88%	18.09%	21.27%
Profit on sale of investment/exceptional item	3.98	-0.23	1.35	4.65	3.78	0.62	0.08
<b>Net Profit</b>	<b>6.19</b>	<b>0.25</b>	<b>2.03</b>	<b>5.88</b>	<b>8.41</b>	<b>12.44</b>	<b>14.11</b>
<b>Cash flows from operations before tax</b>	<b>8.92</b>	<b>-5.94</b>	<b>-5.78</b>	<b>-1.49</b>	<b>10.57</b>	<b>12.75</b>	<b>NA</b>
<b>Return on Avg. net worth</b>	<b>9.52%</b>	<b>2.51%</b>	<b>2.04%</b>	<b>6.10%</b>	<b>12.78%</b>	<b>21.87%</b>	<b>24.73%</b>

We already know that Control Print started manufacturing in 2008; however, after starting manufacturing in 2008, Control Print initially faced some issues in terms of higher operating expenses, slower scale up and thereby lesser profits. Also, being a net importer, sudden currency depreciation in FY 09 further aggravated the issue of escalating cost.

However, since FY 11, as the sales from own manufacturing have scaled up, there's been vast improvement in both the sales and profitability of the company.

Also, despite the scale up in overall revenue from 39 crores (in FY 08) to 80 crores (in FY 13), Control Print's expenditure on import of raw materials/finished goods has remained stable at around 12 crores and therefore reduced dependence on imports and indigenization of product portfolio has helped the company improve margins and combat currency depreciation.



The impact of improving share of own manufacturing and reduced dependence on imports can be gauged from improvement in gross margins of the company from 40% to current levels of 60% and the same has trickled down to the operating and PBT margins of the company as well.

**Improvement in return ratios** – In the performance snapshot, we have used PBT for return on avg. net worth in order to depict the improvement in return ratios from the operating business of the company and nullify the effect of extraordinary items such as profits on sale of investments which are not consistent across the years.

Thus, even on post-tax basis, in the last few years the return ratios have improved to around 17-20%. It's important to note here that of the total capital employed by the company, more than 10% is invested directly in equities and on excluding the gains and capital employed in equities; the return on net worth is in excess of 20% for the last 2 years.

**Consistency in revenue** – There's something good about the revenue profile of the company and that is the consistency of revenue from the sales of consumables such as inkjet fluids, ribbons, ink-rolls, etc and spares for the coding and marking systems

(printers). Also, sale of services through annual maintenance contracts also contributes 6-7% to the overall operating revenue of the company.

Revenue Segregation (in cr.)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Coding and marking systems (M)	0.39	1.34	3.15	9.02	14.85	17.62	18.21
Coding and marking systems (T)	10.21	6.97	7.85	3.93	4.47	1.65	1.33
<b>Total</b>	<b>10.60</b>	<b>8.31</b>	<b>11.00</b>	<b>12.95</b>	<b>19.32</b>	<b>19.27</b>	<b>19.54</b>
Consumables, spares and others (M)	0	0.55	1.78	9.18	14.71	26.56	42.71
Consumables, spares and others (T)	28.89	29.89	25.09	22.81	21.41	16.7	12.87
<b>Total</b>	<b>28.89</b>	<b>30.44</b>	<b>26.87</b>	<b>31.99</b>	<b>36.12</b>	<b>43.26</b>	<b>55.58</b>
<b>Sale of services</b>	<b>1.92</b>	<b>2.77</b>	<b>1.49</b>	<b>1.12</b>	<b>2.52</b>	<b>4.55</b>	<b>5.9</b>
M - denotes sales from Manufacturing T - denotes sales from distribution							

It's important to note here that sales of consumables such as inkjet fluids, ink rolls, etc depends on both the new sales of printers and the printers already installed by the company and is a more stable source of revenue for the company.

**Export sales** – In FY 13 Control Print generated sales worth 1.64 crores from exports. Though it was just 2% of the overall sales of the company, looking back at the last few years' numbers, increasing contribution from exports cannot be ruled out.

Particulars	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Export sales (in cr.)	0.03	0.17	0.51	0.76	0.82	1.11	1.64

There are obvious cost benefits of manufacturing in India and with Control Print's upcoming Guwahati unit and association with KBA Metronic and other UK based companies; it can act as an export hub in future.

We believe, starting own manufacturing was an important landmark in the history of the company as the same has not only catapulted it into a league of select few manufacturers of coding and marking solutions, but has enabled it technologically and also helped the company tremendously in scaling up its sales and profits.

On the back of upcoming new manufacturing unit, we expect Control Print to maintain 15-20% growth in sales and sustain the current level of good performance on various financial parameters over the next few years.

### Shareholding pattern

	Mar'14	Dec'13	Sep'13	Jun'13	Mar'13
<b>Promoter and Promoter Group</b>	<b>49.08%</b>	<b>49.08%</b>	<b>49.08%</b>	<b>48.99%</b>	<b>48.99%</b>
India	49.08%	49.08%	49.08%	48.99%	48.99%
Foreign					
<b>Public</b>	<b>50.92%</b>	<b>50.92%</b>	<b>50.92%</b>	<b>51.01%</b>	<b>51.01%</b>
Institutions	14.41%	14.41%	14.41%	13.33%	13.04%
FII	10.66%	10.66%	10.66%	9.58%	9.29%
DII	3.75%	3.75%	3.75%	3.75%	3.75%
Non-Institutions	36.51%	36.51%	36.51%	37.68%	37.97%
Bodies Corporate	6.18%	6.21%	6.06%	7.18%	7.68%
Custodians					
<b>Total</b>	<b>90,73,248</b>	<b>90,73,248</b>	<b>90,73,248</b>	<b>90,73,248</b>	<b>90,73,248</b>

From a passive investor's perspective it's important for the ones running the company to have high ownership as it aligns their interest in line with those of minority shareholders and in the case of Control Print the promoters own 49.08% equity stake.

In the last 6 years the promoters have increased their stake in the company from 38.20% in Mar'08 to 49.08% in Mar'14, however they have done so by allotting themselves convertible warrants and have therefore diluted equity in the process. Though increasing stake in the company is a good sign, however we don't like the route chosen by the company and considering the current financial soundness of the company, we hope they don't issue any more convertible warrants to themselves.

The father-son duo of Basant Kabra and Shiva Kabra are the Promoters and the executive directors of the company.

**Mr. Basant Kabra** is the Founder, Promoter and Managing Director of Control Print. He is a Chemical Engineer with managerial experience of more than three decades.

**Mr. Shiva Kabra** is Wholetime Director of Control Print Ltd. He is a graduate in Economics and Mathematics from the Grinnell College, USA and has done MBA Programme from INSEAD, Singapore & France.

As on 31<sup>st</sup> Mar'14, the details of the major shareholders of the company and their stakes are as below:

Name of the shareholder	Category	% stake in Control Print
Mr. Basant Kabra and PAC	Promoter	49.08%
India Max Investment Fund	Public	8.92%
United India Insurance Company	Public	3.75%
Marytime TrimpeX Pvt Ltd	Public	2.65%
Grovsnor Investment Fund Ltd	Public	1.72%
Rohini Himatsingka	Public	1.10%
Sangeetha S	Public	1.14%

### Dividend Policy

Dividend Payout ratio						
	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Dividend Payout ratio	--	--	--	20.24%	14.05%	15.97%

Control Print started paying dividend in FY 02 and paid the same regularly till FY 08. From FY 09 to FY 11 it witnessed a bad period in terms of decline in profitability, negative cash flows from operations and therefore stopped the payout for the 3 years.

As indicated in the performance snapshot section, the profitability and cash flows have both improved since FY 12 and the company has resumed dividend payout in the range of 15-20%.

For FY 14 the company has announced a dividend of Rs 2.5/- per share and the dividend yield around current price is 3%



## Valuations

STATEMENT OF ASSETS AND LIABILITIES				
( ₹ in lakhs )				
AUDITED				
Particulars	Standalone		Consolidated	
	31-03-14	31-03-13	31-03-14	31-03-13
<b>A EQUITY AND LIABILITIES</b>				
<b>1 Shareholders' funds</b>				
(a) Share capital	907.32	907.32	907.32	907.32
(b) Reserves and surplus	7,376.68	6,241.83	7,270.70	6,168.90
(c) Money received against share warrants	183.33	50.25	183.33	50.25
<b>Sub-total - Shareholders' funds</b>	<b>8,467.33</b>	<b>7,199.41</b>	<b>8,361.35</b>	<b>7,126.47</b>
<b>2 Share application money pending allotment</b>	-	-	-	-
<b>3 Minority interest *</b>	-	-	-	-
<b>4 Non-current liabilities</b>				
(a) Long-term borrowings	3.03	5.48	3.03	5.48
(b) Deferred tax liabilities (net)	269.20	269.10	269.31	269.22
(c) Other long-term liabilities	-	-	67.53	67.53
(d) Long-term provisions	78.34	63.10	78.34	63.10
<b>Sub-total - Non-current liabilities</b>	<b>350.56</b>	<b>337.69</b>	<b>418.22</b>	<b>405.34</b>
<b>5 Current liabilities</b>				
(a) Short-term borrowings	521.79	290.65	521.79	290.65
(b) Trade payables	865.76	697.63	866.96	697.63
(c) Other current liabilities	828.40	706.32	828.45	706.88
(d) Short-term provisions	458.96	399.64	458.96	399.64
<b>Sub-total - Current liabilities</b>	<b>2,674.91</b>	<b>2,094.23</b>	<b>2,676.16</b>	<b>2,094.79</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>11,492.81</b>	<b>9,631.32</b>	<b>11,455.72</b>	<b>9,626.60</b>
<b>B ASSETS</b>				
<b>1 Non-current assets</b>				
(a) Fixed assets	2,257.85	1,670.36	2,550.16	1,962.67
(b) Goodwill on consolidation	-	-	156.45	178.80
(c) Non-current investments	1,852.17	1,069.44	1,301.01	1,518.28
(d) Deferred tax assets (net)	-	-	-	-
(e) Long-term loans and advances	122.63	242.44	195.13	315.51
(f) Other non-current assets	140.53	238.91	140.77	239.15
<b>Sub-total - Non-current assets</b>	<b>4,373.18</b>	<b>4,221.15</b>	<b>4,343.52</b>	<b>4,214.41</b>
<b>2 Current assets</b>				
(a) Current investments	3.04	7.83	3.04	7.83
(b) Inventories	4,615.11	3,218.71	4,615.11	3,218.71
(c) Trade receivables	2,349.63	2,048.45	2,349.63	2,048.45
(d) Cash and cash equivalents	5.94	57.15	77.50	54.16
(e) Short-term loans and advances	74.55	72.29	65.55	72.29
(f) Other current assets	1.31	10.75	1.37	10.75
<b>Sub-total - Current assets</b>	<b>7,119.63</b>	<b>5,410.18</b>	<b>7,112.20</b>	<b>5,412.19</b>

Debt free on a net basis with surplus Cash and Cash equivalents (investments in various mutual fund schemes) of ~8 crores

Before discussing valuations, let's recall all that we have learnt about Control Print in the above sections:

- Since 1991 solely focused on Coding and Marking solutions and amongst the leading companies in India in Coding and Marking industry.
- From 1991 to 2007, the company was the distributor of several leading companies and some of its associations included Marconi Data systems, Markem Corporation, Ostling, Video Jet, etc.
- In FY 08 started own manufacturing based on in-house development of HRC Coder and also tied up with KBA-Metronic of Germany for CIJ Printers, Open Date of UK for Thermal Transfer Over printers and Codeology of UK for large character inkjet printers.
- Extended agreement with KBA Metronic by another 10 years in 2011.
- After initial teething problems, own manufacturing is paying rich dividends to the company and having tasted success, it is now coming up with another manufacturing unit at Guwahati.
- In order to keep a check on inventory and improve cash flows, company is implementing SAP ERP which is likely to go live by Aug-Sep'14.
- Strong revival in the performance in the last 3 years with improvement across all the financial parameters of growth, margins, returns on equity, cash flow generation.
- Debt free with surplus cash to the tune of ~10% of the current market cap.
- Experienced promoters with their interests directly aligned with those of minority shareholders.

Despite all the above, at around current price of 70 the stock is still available at 4-4.5 times FY 14E earnings and offers dividend yield of ~3%.

We believe that if the company is able to maintain 15-20% growth rate and is able to sustain the current level of profitability, then it can get re-rated to 7-8 times earnings.

## Risks & Concerns

**Foreign Exchange fluctuation:** The Company is still dependent on imports for raw materials and finished goods and also has to make royalty payments and is therefore exposed to Foreign exchange fluctuation risk. Basically, depreciation of rupee against the dollar and euro will impact the profitability of the company.

**Low liquidity in the stock:** At the moment the liquidity in the stock is very low with average daily volume of just about 3000 shares.

**Frequent equity dilution:** Since the last few years the promoters have been increasing stake in the company by issuing convertible warrants to themselves. Though promoters are increasing stake in the company, we don't like the route chosen by them especially since the company is debt free on net-basis.

**Direct exposure to equities:** The company has around 13-14 crore investment in stocks of various listed companies. Though in the past they have booked decent profits on their investments, we believe surplus funds should be invested in various low-risk interest earning instruments through mutual funds against direct exposure to equities.

## Katalyst Wealth – Alpha/Alpha + service



Katalyst Wealth's Alpha/Alpha + services are focused on sharing our philosophy of value investing and making every individual an informed investor through un-biased and in-depth research, analysis and follow up on the stocks under our coverage.

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