

Strong operational performance...

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

- CPL 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

Q3FY23 Results: Strong operational performance continues.

- Revenue increased 25.1% YoY & 9.1% QoQ to ₹ 78.0 crore. The 9MFY23 revenue growth was at 20.2% to ₹ 215.8 crore
- Gross margin contracted YoY but EBIDTA margin improved 169 bps YoY to 25.1% on positive operating leverage. QoQ, the margin remained largely flattish. The 9MFY23 EBIDTA margin was at 25.5% (+206 bps)
- Absolute EBIDTA came in at ₹ 19.6 crore, up 34.2% YoY (+10.4% QoQ). EBIDTA for 9MFY23 is up by 30.7% YoY to ₹ 55.1 crore on better revenue growth and margin improvement
- PAT increased 44.7% YoY (+18.0% QoQ) to ₹ 13.5 crore on a better operating performance

What should investors do? Strong installed base of 16500+ printers will augur well for growth in 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. 16x P/E on FY24E 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, demand from replacement market would also be the key growth drivers in the coming period

Alternate Stock Idea: 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 ₹ 385 i.e. (20x P/E on FY24E EPS)



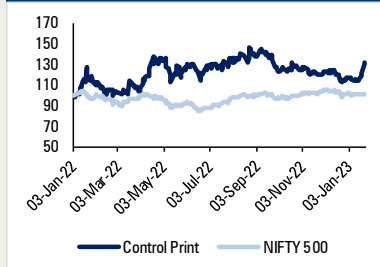
Particulars

Particular	Amount
Market Capitalization	₹ 743 crore
Total Debt (FY22)	₹ 0 crore
Cash and Inv (FY22)	₹ 67 crore
EV	₹ 723 crore
52 week H/L	522/335
Equity Capital	₹ 16.3
Face Value	₹ 10

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	51.8	51.8	51.8	57.8
FII	6.8	6.8	5.3	5.2
DII	7.6	7.6	5.8	5.8
Others	33.8	33.8	37.1	31.2

Price Chart



Recent event & key risks

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

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Key Financial Summary

(₹ crore)	FY20	FY21	FY22	3 year CAGR (FY19-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenue	197.4	220.2	256.2	13.7%	287.8	334.6	13.7%
EBITDA	48.5	66.2	59.3	14.2%	69.9	85.3	14.2%
EBITDA margin (%)	24.6	30.1	23.1		24.3	25.5	
Net Profit	29.0	45.6	40.4	10.6%	46.8	56.5	10.6%
EPS (₹)	17.8	27.9	24.7		28.7	34.6	
P/E (x)	25.6	16.3	18.4		15.9	13.1	
EV/EBITDA (x)	14.9	10.6	11.4		9.6	8.0	
RoCE (%)	20.4	25.9	22.3		23.1	23.3	
ROE (%)	16.2	20.3	14.6		15.3	16.3	

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Strong operational performance continues

- Revenue for the quarter came in at ₹ 78.0 crore, up 25.1% YoY & 9.1% QoQ. The 9MFY23 revenue growth was at 20.2% to ₹ 215.8 crore
- Gross margins contracted by 179 bps YoY to 58.5% as the total raw material cost increased 30.8% YoY. The gross margin for 9MFY23 remained largely flattish on YoY basis at 60.4%
- Though gross margins contracted YoY, EBIDTA margin improved 169 bps YoY to 25.1% on positive operating leverage. Sequentially, margin remained largely flattish. The 9MFY23 EBITDA margin was at 25.5% (+206 bps)
- Absolute EBIDTA came in at ₹ 19.6 crore, up 34.2% YoY (+10.4% QoQ). EBITDA for 9MFY23 was up 30.7% YoY to ₹ 55.1 crore on better revenue growth and margin improvement
- PAT increased 44.7% YoY (+18.0% QoQ) to ₹ 13.5 crore on a better operating performance

Q3FY23 Earnings Conference Call highlights

- Consumables business witnessed +30% growth while printers witnessed +20% growth during Q3FY23
- Share of consumables increased to 57% to total revenues during the quarter. Printer segment contributed 20% while services and spares contributed 14% and 8%, respectively
- The company has been unable to pass on the cost increase fully to customers during Q3FY23 but working on the passing on the cost increases
- Installed base of printers crossed 16,500 as of December 2022. It sold 800+ printers during Q3FY23 against 675+ printers in Q2FY23
- Gross margins were impacted by supply pressures witnessed in printer parts. Capacity utilisation has been impacted due to these supply side pressures and company expect it to improve, going ahead
- Sectors like pipes, FMCG, dairy and cement were major drivers during 9MFY23. The revenue contribution from food and pharma industry increased considerably. However, industrials remained the major sector for the company
- CPL has also achieved dominant market share in the plywood sector and continued to establish its position as a market leader in sugar sector
- The company is working on improving production efficiencies, which are expected to improve margins in the coming period. Also, optimal utilisation of sales force continued to be a focus area of company
- CPL has continued to focus on increasing its market share across multiple sectors for growth in printers and consumables

Exhibit 1: Variance Analysis

Year	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ(%)	Comments
Revenue	78.0	62.4	25.1	71.5	9.1	Better printer volumes helped sequential revenue growth. Consumables share continued to increase
Other Income	1.0	0.3	205.3	1.0	(2.0)	
Total Income	79.0	62.7	26.1	72.6	8.9	
Raw Material cost	32.4	24.7	30.8	28.2	15.0	
Employee cost	13.6	12.1	11.7	13.8	(1.8)	
Other expenses	12.5	10.9	15.2	11.9	5.8	
Total Expenditure	58.5	47.8	22.4	53.8	8.7	
EBITDA	19.6	14.6	34.2	17.7	10.4	
EBITDA Margin (%)	25.1	23.4	169 bps	24.8	30 bps	Despite contraction in gross margin on YoY basis, EBITDA margin improved on positive operating leverage
Depreciation	3.8	3.8	(0.0)	3.7	2.8	
Interest	0.5	0.3	69.8	0.3	58.0	
Exceptional item	(0.0)	(0.2)		(0.0)		
PBT	16.2	11.0	47.5	14.7	10.2	
Taxes	2.8	1.7	62.6	3.3	(16.7)	
PAT	13.5	9.3	44.7	11.4	18.0	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: 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	113.3	130.5
Employee Expenses	43.3	51.0	56.7	64.6
Other Operating Expense	32.1	43.3	47.9	54.2
Total Operating Expenditure	154.0	196.9	217.9	249.2
EBITDA	49.7	59.3	69.9	85.3
Growth (%)	2.5	19.3	17.9	22.0
Depreciation	12.3	14.8	14.5	17.4
Interest	1.2	1.1	1.2	1.2
Other Income	0.5	2.3	2.7	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	16.0	20.7
EPS (₹)	17.8	24.7	28.7	34.6

Source: Company, ICICI Direct Research

Exhibit 3: 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	-7.1	-9.9	-36.4	-47.2
Inc/(dec) in CL and Provisions	9.4	10.2	2.9	4.2
Others	1.2	1.1	1.2	1.2
CF from operating activities	44.8	56.4	29.1	32.1
(Inc)/dec in Investments	-11.5	-21.4	0.0	0.0
(Inc)/dec in Fixed Assets	-25.6	-14.9	0.0	0.0
Others	1.4	1.2	-0.1	0.0
CF from investing activities	-35.7	-35.1	-0.1	0.0
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	-15.9	-7.3	1.3	-15.6
CF from financing activities	-30.6	-22.0	-13.4	-30.3
Net Cash flow	10.6	4.2	5.6	-8.2
Opening Cash	4.9	15.5	19.7	25.4
Closing Cash	15.5	19.7	25.4	17.2

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	16.3	16.3	16.3	16.3
Reserve and Surplus	216.4	240.7	287.7	329.6
Total Shareholders funds	232.7	257.0	304.1	345.9
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	10.0	9.6	9.6	9.6
Minority Interest / Others	8.6	10.1	10.0	10.0
Total Liabilities	251.3	276.7	323.6	365.5
Assets				
Gross Block	167.8	187.6	207.1	229.5
Less: Acc Depreciation	62.5	77.2	91.8	109.2
Net Block	105.3	110.3	115.3	120.3
Capital WIP	8.1	3.2	6.0	8.0
Total Fixed Assets	113.4	113.5	121.3	128.3
Liquid Investments	25.5	46.9	46.9	46.9
Other Investments	0.0	0.0	0.0	0.0
Inventory	66.9	66.1	78.9	93.5
Debtors	56.3	62.8	66.7	88.9
Loans and Advances	10.8	11.9	28.8	33.5
Other Current Assets	8.3	11.5	14.4	20.1
Cash	15.5	19.7	25.4	17.2
Total Current Assets	157.8	172.0	214.1	253.1
Creditors	12.7	16.7	19.7	23.8
Provisions	9.3	11.3	11.3	11.3
Current Liabilities	48.0	58.2	61.1	65.3
Net Current Assets	109.8	113.8	153.0	187.8
Others Assets	2.7	2.5	2.5	2.5
Application of Funds	251.3	276.7	323.7	365.5

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	17.8	24.7	28.7	34.6
Cash EPS	25.3	33.8	37.6	45.3
BV	142.5	157.4	186.2	211.8
DPS	7.5	7.5	7.5	7.5
Cash Per Share (Incl Invst)	9.5	12.1	15.5	10.5
Operating Ratios (%)				
EBITDA Margin	24.4	23.1	24.3	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	100.0	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	20.3	14.6	15.3	16.3
RoCE	25.9	22.3	23.1	23.3
RoIC	23.9	22.9	20.3	21.1
Valuation Ratios (x)				
P/E	16.3	18.4	15.9	13.1
EV / EBITDA	10.6	11.4	9.6	8.0
EV / Net Sales	3.2	2.6	2.3	2.0
Market Cap / Sales	3.4	2.9	2.6	2.2
Price to Book Value	3.1	2.8	2.3	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	6.5	5.4	6.1	6.7
Quick Ratio	3.4	3.1	3.5	4.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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