SPECIAL REPORT UPDATE

5 STOCKS
POTENTIAL 5-BAGGERS IN 5 YEARS

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Saral Gyan

Investors guide providing insight to equity market

Saral Gyan Capital Services

FROM THE DESK OF OUR RESEARCH TEAM

Dear Member,

We are pleased to share our 4th Issue of Special Report - **5 Stocks – Potential 5-Baggers in 5 Years** report with our members. In this report, we have included the performance update of 5 companies which were recommended in our 3^{rd} Issue of this report published on 5^{th} June 2016. We have also evaluated results of last financial year of these companies and suggested necessary action with hold / sell / buy advise. Report also includes company's background, recent updates and developments, investment rationale along with our views and recommendations.

With major indices - Sensex and Nifty making all time high on 1^{st} Aug'17, delivering returns of 22.3% and 23.5% respectively since beginning of this year, we have witnessed correction of nearly 4% in the same month. We continue to believe that any significant correction in market going forward must be considered as buying opportunity by long term investors as it gives good entry point to add high quality companies with strong fundamentals at discounted price. Moreover, its wise to avoid timing the market and continue to invest in equities in a systematic way keeping a long term horizon.

You will agree that Investment decisions for long term can't be taken by timing the market movement. It is important to understand the Industry potential, company's fundamentals and valuations with a long term perspective. We evaluated these stocks with a long term view (2-5 years), we firmly believe that good quality businesses with strong earning visibility and strong fundamentals continue to command higher premium compared to peer group companies. Its always logical to invest in those businesses which deliver better returns than any other asset class.

In 3rd issue of special report **5 Stocks - Potential 5-Baggers in 5 Years (released on 5th June 2016)**, we suggested to hold 4 stocks to existing members (advised to add these stocks to new members) and switched from one stock to other which was offering better investment opportunity considering important valuation parameters and earning visibility over a period of next 2 to 5 years. Objective remains the same i.e. to achieve average annualized returns of 38% each year to achieve 5-Bagger returns in period of 5 years. As illustrated in table below, if all five companies generate returns on your investment @ 38% annually, your investment will be 5 fold in period of 5 years. Even if we take conservative scenario considering that only one out of five achieve CAGR of 38% and remaining four delivers CAGR of 20%, your investment will be trebled (3 times) in period of 5 years which is also good compared to returns from other asset classes or major indices - Sensex and Nifty.

Company Name	Market Cap	Investment Amount	Period (In Years)	Estimated CAGR (I)	Return on Investment	Estimated CAGR (II)	Return on Investment
XXXXX	< 5000 Crores	100000	5	38%	500490	38%	500490
XXXXX	< 5000 Crores	100000	5	38%	500490	20%	248832
XXXXX	< 5000 Crores	100000	5	38%	500490	20%	248832
XXXXX	< 5000 Crores	100000	5	38%	500490	20%	248832
XXXXX	< 5000 Crores	100000	5	38%	500490	20%	248832
Total Amount		500000	After 5 Years		2502450		1495818

However, we are confident enough to achieve 5 times returns in period of 5 years by monitoring performance of these companies on yearly basis and taking corrective measures in case any of them does not perform up to our expectations.

Few important parameters which have been looked by our equity analysts while finalizing the stock selection are as under:

1. *Market leader in the business / any one segment in which the company is operating in.*
2. *Scalable business with significant moat (sustainable competitive advantage)*
3. *Prudent Management with promoters increasing their shares holding in the company*
4. *Manageable debt on books with healthy cash flows.*
5. *CAGR of above 15% with increase in operating and net profit margins in last 5 years.*
6. *Consistent dividend payment with dividend yield above 1% in last 5 years*
7. *Increasing EPS, low PE ratio compared to peers with ROE and ROCE above 15% in last 5 years.*

Each parameter is equally important and plays a vital role to ensure that you get healthy returns on your investment with limited downside risk in long term. One of the important key to successful investing is to pick the right business at decent valuations. Once you buy shares, you own a part of company's business.

We at Saral Gyan suggest our members to invest in good businesses with long term view and any change in our stock views will be based on strong structural trend and not on any short term movement in stock price.

2 YEARS PERFORMANCE UPDATE AT A GLANCE

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1 CARE Ratings
Professional Risk Opinion

1st Year Return: -37%	HOLD
2nd Year Return: 48%	HOLD

2 Repco Home Finance

1st Year Return: 16%	HOLD
2nd Year Return: -4%	SWITCH

3 CAPITAL FIRST

1st Year Return: 42%	HOLD
2nd Year Return: 26%	HOLD

4 STYLAM

1st Year Return: 16%*	NA
2nd Year Return: 223%	SWITCH

5 CONTROL PRINT

1st Year Return: 94%	HOLD
2nd Year Return: 46%	HOLD

* Returns delivered by Somany Ceramics in 1st Year

1ST YEAR PERFORMANCE VS MAJOR INDICES

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S.NO	SPECIAL REPORT 5-BAGGER STOCKS	REITERATE BUY 03 MAY'15	BUY PRICE 03 MAY'15	PRICE ON 05 JUN'16	RETURN ON 05 JUN'16	SUGGESTED ACTION
1	CARE	BUY	1557	985	-36.7%	HOLD
2	REPCO HOMES	BUY	581	674	16.0%	HOLD
3	CAPITAL FIRST	BUY	399	567	42.0%	HOLD
4	SOMANY CERAMICS	BUY	419	487	16.1%	SWITCH
5	CONTROL PRINT*	BUY	139	270	94.4%	HOLD
1ST YEAR RETURNS =>		SENSEX: -0.6%	POTENTIAL 5-BAGGER STOCKS: 26.4%			

* Indicates Bonus/Split adjusted price

We are pleased to share that our Potential 5-Baggers stocks picks during 1st year (from 3rd May'15 to 5th Jun'16) have given returns of 26.4% compared to Sensex returns of -0.6% (27011 to 26843) and Nifty returns of 0.5% (8181 - 8220), outperformed Sensex and Nifty by 27% and 25.9% respectively.

As indicated in table above, we suggested our members to hold 4 out of 5 stocks last year (advised buy to members who were not holding these stocks). We suggested to exit from Somany Ceramics by booking profits to take exposure into our new stock pick – Stylam Industries. Also, despite giving negative returns, we advised our members to continue to hold CARE in their portfolio.

2ND YEAR PERFORMANCE VS MAJOR INDICES

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Investors guide providing insight to equity market

S.NO	SPECIAL REPORT 5-BAGGER STOCKS	PRICE ON 05 JUN'16	C.M.P 27 AUG'17	% RETURN AT C.M.P	% TOTAL RETURNS	SUGGESTED ACTION
1	CARE	985	1455	47.7%	-6.6%	HOLD
2	REPCO HOMES	674	649	-3.7%	11.7%	SWITCH
3	CAPITAL FIRST	567	714	25.9%	78.9%	HOLD
4	STYLAM IND.	240	775	222.9%	239.0%	SWITCH
5	CONTROL PRINT*	270	395	46.4%	184.4%	HOLD
2ND YEAR RETURNS =>		SENSEX: 17.7%	5-BAGGER STOCKS:	67.8%	101.5%	

* Indicates Bonus/Split adjusted price

We are glad to share that our Potential 5-Baggers stocks picks during last 15 months (from 5th Jun'16 to 27th Aug'17) have given returns of 67.8% compared to Sensex returns of 17.7% (26843 to 31596) and Nifty returns of 19.9% (8220 - 9857), outperformed Sensex and Nifty by 50.1% and 47.9% respectively. During last 2 years (since 3rd May'15), average returns delivered by our 5-Bagger stocks is 101.5%.

As indicated in table above, this year we suggest our members to continue to hold 3 out of 5 stocks (members who are not holding these stocks can accumulate on dips). We suggest to exit from 2 stocks i.e. Repco Homes and Stylam Industries to take exposure into 2 new stocks this year which we believe offer better investment opportunity considering robust growth outlook and reasonable valuations.

SUGGESTED CHANGES – EXIT / ENTRY (I)

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SELL

Repco Home Finance

Repco Home Finance performance over last few quarters was impacted mainly on account of registration issue in Tamil Nadu which contributes around 62% to its loan book. The company's performance may pick up in coming quarters considering company's focus on underserved housing finance markets, mainly the self employed in Tier II and Tier III cities.

Stock is currently trading at price to book value of 3.6 and looks reasonably price, however asset quality is deteriorated with GNPAs slipping to 4% in Jun'17 quarter from 2.6% in Mar'17 quarter. The company has also faced intense competition from commercial banks on balance transfer with pre closure of 22-24% for the quarter.

As we find better investment opportunity compared to Repco Home Finance, we decided to book complete profits in Repco homes to take exposure in another stock. Hence, we advise our members to exit completely from Repco Home Finance around 670 - 700 levels.

BUY

NOCIL

NOCIL is a part of Arvind Mafatlal group companies and is India's largest rubber chemicals company offering a range of products including accelerators and anti- oxidants. It has two plants in Navi Mumbai and Dahej with installed capacity of 55,000 MT. Tyre industry accounts for over 65% of rubber chemicals demand and NOCIL's major customers include Apollo Tyres, Ceat, MRF etc

In Jun'17 quarter, net profit of NOCIL rose 46.08% to Rs 34.62 crore as against Rs 23.70 crore during the previous quarter ended June 2016. Sales rose 11.44% to Rs 214.81 crore in the quarter ended June 2017 as against Rs 192.76 crore during the previous quarter ended June 2016.

Currently, NOCIL is trading at trailing 12 months price to earning multiple of 16.9 and offer good investment opportunity considering positive developments like anti-dumping duty protection in place, ramp up in capacity of company's Dahej & Mumbai plant and robust growth outlook of rubber chemicals with rise in tyre demands in domestic as well as international markets. We advise our members to Buy on NOCIL Ltd at CMP of Rs. 135.90 with initial portfolio allocation of 2% which can be increased gradually to 4-5% in case stock price falls by 10% to 15% during market correction.

SUGGESTED CHANGES – EXIT / ENTRY (II)

SELL

STYLAM

We suggested to switch from Somany Ceramics to Stylam Industries in our Special Report update released last year on 5th Jun'16. We are pleased to inform you that Stylam Industries has delivered whopping returns of 222.9%. However, we decided to book complete profits in Stylam at current market price of Rs. 775 as current valuations are no more attractive.

Net profit of Stylam Industries declined 3.42% to Rs 4.80 crore in the quarter ended June 2017 as against Rs 4.97 crore during the previous quarter ended June 2016. Sales rose 7.23% to Rs 75.09 crore in the quarter ended June 2017 as against Rs 70.03 crore during the previous quarter ended June 2016. Operating profit margins for Jun'17 quarter was flat at 15.2% as against 15.25% in Jun'16 quarter.

Stylam is currently trading at trailing twelve month price to earning multiple of 34.7 and looks fairly valued. As we find better investment opportunity from building material segment with reasonable valuation and robust growth outlook, we advise our members to book complete profits in Stylam Industries at CMP of Rs. 775 and switch to another stock.

BUY

VISAKA

Visaka Industries is engaged in manufacturing of cement asbestos products and fibre cement boards (V-boards and V-Panels) and synthetic yarn. In FY17, it derived 82% of its revenue from building products and remaining 18% from textiles. The company has pan-India presence and also exports its products to more than 15 countries.

Net profit of Visaka Industries rose 37.65% to Rs 22.96 crore in the quarter ended June 2017 as against Rs 16.68 crore during the previous quarter ended June 2016. Sales rose 0.18% to Rs 340.72 crore in the quarter ended June 2017 as against Rs 340.10 crore during the previous quarter ended June 2016.

Currently, the company is trading at trailing 12 months price to earning multiple of 18 and looks attractive considering positive outlook of construction industry and increasing demand of its products. With higher revenue contribution from building material segment and capacity expansion of fibre cement board by March 2018 to meet growing demand, we expect company to deliver robust growth in the upcoming years. We advise our members to Buy Visaka Industries with portfolio allocation of 2% and add more on dips with maximum portfolio allocation of 5%.

1. CARE LTD

HOLD

RETURNS: -7%

CMP: 1455	MARKET CAP: 4282 CRORES	SECTOR: FINANCIAL SERVICES

COMPANY BACKGROUND

CARE is the second largest service rating company in India in terms of domestic rating income with market capital of Rs. 4282 crores. At the end of March 2017, CRISIL has share of 31 percent, CARE has 29 percent, ICRA has 21 percent while India ratings has 11 percent - totalling 92 percent. The rest is with smaller rating agencies.

The company is engaged in providing financial services other than securities dealing activities. The company's segments includes Ratings and related services. CARE has commenced operations in April 1993 and established itself as the second largest credit rating agency in India in terms of rating income. The company has rated a large volume of debt of around Rs. 78.8 lakh crores and has completed 46,881 assignments since its inception to FY16.

In the last few years, the company has begun expanding internationally also and is providing technical assistance services to countries like Maldives, Hong Kong, Nepal and Maldives

RECENT UPDATES & DEVELOPMENTS

FY17 PAT margin stood at 48.4% as against 43% mainly due to growth in operating income as well as other income realized on maturity of various FMPs and cost control. FY17 operating profit margins stood at 65.4% against 63.5% in FY16 due to increase in rating income from new business as well as surveillances.

CARE has launched the new credit rating system for infrastructure projects, developed in consultation with Ministry of Finance and other stakeholders. CARE also incorporated CARE Advistory Research and Training Ltd (CART), wholly owned subsidiary of CARE. CART has been formed with the objective of rendering financial and management advisory services, undertaking diligence studies and appraisals of all types of projects and other related research.

CREDIT ANALYSIS & RESEARCH LTD

INVESTMENT RATIONALE	The Indian economy is expected to progress at faster pace in coming years. Factors like normal monsoon, GST and other structural reforms like stable monetary policy, bad loan resolutions etc with boost the economic growth which in turn would need higher levels of funding that would provide a boost to the debt and credit markets. This will augur well for the rating companies with more business opportunities. Moreover, the SME rating is one of the fastest growing elements in the credit rating space. CARE is still at a nascent stage as very negligible revenue come from SME business, company has been building infrastructure for gaining market share in this segment. The rating industry has a lucrative business model as it is asset light, cash rich and has strong return ratios of 30-50%. The attractive nature of the rating business lies in its upfront collection mechanism. The upfront payment received before assigning the rating ensures that the agency is free of bias on financial interests while assigning the rating. On the expenses side, the business is asset light in nature as it mainly involves providing services. The Returns Ratios (ROE and ROCE) of the company are robust at 32.6% and 42.1% respectively. As the business model does not require big capex, the company can distribute its profits to shareholders in the form of dividend. The dividend payout ratio of the company is 56%, which makes it lucrative for investment.

SARAL GYAN VIEWS & RECOMMENDATION	Among the Rating companies, CARE remains margin leader with EBITDA margin at 63.5% in FY17, the company has sustained same margins in past also. Management of the company is optimistic on economic improvement in coming quarters leading to revenue improvement. CARE is currently trading at 12 months trailing PE multiple of 26.4 and is reasonably priced. CARE offers attractive investment opportunity considering nature of business and improvement in economic growth. We suggest our members to continue to hold CARE, members who are not holding can add CARE in their portfolio at current levels with portfolio allocation of 3% which can be increased gradually to 5% in case of fall in stock price by 12-15% or more.

2. NOCIL LTD

BUY

RETURNS: NA

CMP: 136	MARKET CAP: 2226 CRORES	SECTOR: SPECIALTY CHEMICALS

COMPANY BACKGROUND	NOCIL is India's largest manufacturer and supplier of rubber chemicals. The company is a part of Arvind Mafatlal Group of Industries, a well-known business house in India with diversified business interests. The company has 2 manufacturing units, one at Navi Mumbai and another one at Dahej. Navi Mumbai Plant was set up in 1976, it is located in Trans-Thane Creek industrial area at Navi Mumbai, Thane - Belapur's industrial zone designated for the chemical Industry. Dahej Plant commercialized its operation in 2013, a fully automated continuous process plant developed completely with in-house technology. NOCIL currently has an installed capacity of 55000 MT. The current capacity utilization is around 90%. Domestic sales accounts for ~70% of its revenue and the balance is from exports. The company generates 70% of its revenue from tyre industry where it has a 50-55% market share and remaining balance from the non-tyre segment.

RECENT UPDATES & DEVELOPMENTS	The company has embarked upon a brownfield expansion plan. The board at a meeting held on 16 March 2017, approved expansion of capacities of rubber chemicals and their intermediates at the company's plants situated at Navi Mumbai and Dahej. The total capital expenditure envisaged is about Rs 170 crore. The expansion project is likely to be commissioned by the end of Q2 of FY2019. The capital expenditure will be financed largely through internal accruals. As per management, expansion will significantly augment and complete the current product portfolio. Additional capacity expansion will have revenue potential of ~Rs 300 crore at peak utilisation and intended RoCE of more than 20%.

NOCIL LTD

INVESTMENT RATIONALE	The tyre industry in India is growing at a robust rate of 10-11% taking into account the increase in the automobiles on road as well as the replacement of tyres due to wear & tear and various other reasons. Due to robust growth in tyre industry, the demand for rubber chemicals is also expected to grow which gives a good opportunity for NOCIL to grow since 70% of its revenues come from tyre industry. Globally, the rubber chemicals market is estimated to be US $3.5 billion by sales out of which China accounts for 40-45% of the global consumption of rubber chemicals. Developments like the levy of anti-dumping duty on Chinese and Korean manufacturers and unit closures in China due to environmental concerns have resulted in a reduction in supply from Chinese manufacturers which has augured well for the company. The anti dumping duty is levied until FY19 and NOCIL will be the key beneficiary. The company's wide product range, global presence and technical know-how make it the most strategic alternative to its Chinese counterparts. Key customers of the company are MRF, JK Tyres, Birla Tyres, Michelin, Bridgestone and Continental, among others. The company's Dahej plant is a zero wastage plant, resulting in significant cost reduction. The company has developed strong process and product R&D capabilities which has helped to change its revenue mix from generic to high-value added products. Moreover, there is significant scope of multiple expansion at Dahej plant.

SARAL GYAN VIEWS & RECOMMENDATION	As per our estimates, NOCIL is expected to deliver PAT of Rs. 137.8 crores in FY17-18 and Rs. 155.6 crores in FY18-19 with annualized EPS of Rs. 8.4 and Rs. 9.5 respectively. At current price of 135.90, stock is available at forward P/E multiple of 14.3X based on FY18-19 earnings which makes NOCIL a good investment opportunity considering better earning visibility and reasonable valuations compared to other companies operating in chemical sector. Considering rise in tyre demands in domestic as well as international markets, expected continuous improvement in operating margins with rise in revenues from value added products and reasonable valuations of the company with debt free status, we advise our members to invest in NOCIL with initial portfolio allocation of 2% and add more on dips with maximum portfolio allocation of 5%.

3. CAPITAL FIRST LTD

HOLD

RETURNS: +79%

CMP: 714	MARKET CAP: 6961 CRORES	SECTOR: FINANCE - GENERAL

COMPANY BACKGROUND	Capital First Limited was formed in 2012 as a result of a Management Buyout of an existing NBFC. The promoter of the company is the highly reputed Global Private Equity Fund, Warburg Pincus, United States of America, with Capital of USD 45 billion. In Sept'12, Warburg Pincus acquired 70% stake in the company for Rs. 810 Crores, including fresh investment of Rs. 100 Crores into the company which was the largest FDI in India in financial services in 2012-13. Since then, company has transformed to a retail focused NBFC. Mr. V. Vaidyanathan is the Chairman and Managing Director of Capital First Limited. Prior to his role he was the MD and CEO of ICICI Prudential Life Insurance Company and Executive Director on the Board of ICICI Bank. In order to take an entrepreneurial role, he acquired a stake in an existing NBFC, and later got a 150 m$ equity backing from Warburg Pincus and formed Capital First Ltd in 2012.

RECENT UPDATES & DEVELOPMENTS	Recently, Warburg Pincus, promoter of the company has sold 25% stake of Capital First to a clutch of investors including GIC Singapore, HDFC Mutual Fund, Jupiter and Nomura. Post this deal, Warburg Pincus share in Capital First have fallen to 36% where as GIC's stake is increased from 5% to 14%. During the first quarter of 2018 fiscal, Capital First clocked decent performance. The company reported profit after tax of Rs. 60.3 crore, increased by 33% on year to year basis. This was driven by sustained momentum on the revenue front, which increased by more than 45% YoY.

CAPITAL FIRST LTD

INVESTMENT RATIONALE	Capital First's asset quality is among one of the best in the Indian financial services industry, even during difficult macro-economic periods. During the first quarter of 2018, Capital First transitioned to 90 days per due (dpd) non-performing assets recognition norms, consequently GNPAs rose on quarter to quarter basis. On like-to-like basis asset quality was broadly stable with GNPAs- on 90dpd stood at 1.72% versus 1.65% in 2017. The company's strong asset quality position vindicates its sound under-writing skills and collection efficiency given robust business analytics, cutting-edge technology and competent score cards. Capital First has emerged as one of the fastest growing NBFCs by increasing focus on retail segment. Capital First retail lending business has clocked a commendable growth, from AUM of Rs 3,500 crore in FY 2012 to Rs 19,900 crore currently. Within the retail book as well, the company has built a granular book with incremental focus on high-growth high-yield segments such as consumer durable, 2-wheeler loans etc. Capital First's strong growth momentum is expected to continue over next 2 to 3 years. We believe the company will post 27% AUM CAGR over next 3 years by expanding its footprint to capture untapped credit demand.

SARAL GYAN VIEWS & RECOMMENDATION	Considering company as one of the fastest growing NBFC with its focus on MSME/retail segment, strong track record with sound fundamentals, we believe Capital First offers excellent investment opportunity to long term investors and is one of the best pick from cyclicals. Capital First is trading at trailing PE multiple of 27.1 with price to book value of 3, stock valuation seems reasonable at current price of Rs. 714. We suggest our members to continue to hold, members not holding the stock can start accumulating Capital First at lower levels with maximum portfolio allocation of 5%.

4. VISAKA INDUSTRIES LTD

BUY

RETURNS: NA

CMP: 542	MARKET CAP: 862 CRORES	SECTOR: BUILDING MATERIALS

COMPANY BACKGROUND	Visaka is a pan-india company (11 manufacturing locations) headquartered out of Hyderabad. The company is engaged into 2 businesses: i) Building Products Division: Cement asbestos products and fibre cement boards (V-Boards & V-Panels), ii) Textile Division: Synthetic yarns The company's building products facility possesses an annual aggregate production capacity of 802000 tonnes of cement asbestos sheets and 129750 tonnes of fiber cement flat board products and its yarn spinning plant comprises an annual production capacity of 2752 twin air-jet spinning positions equivalent to 82560 spindles. The company's manufacturing units are supported by 13 marketing offices across India. Visaka's products are available pan-India through a distribution channel that comprises more than 6000 dealer outlets in multiple cities, districts and villages. Nearly 90 percent of the company's cement asbestos product revenues are derived from semi-urban and rural India, and 100 percent of its V-Next Products (V-Boards and V-Panels) revenues are derived from urban markets, making the building products presence pan-India.

RECENT UPDATES & DEVELOPMENTS	Visaka is taking its fibre cement board business ahead through an expansion in V-Boards and panel capacity with an investment of Rs 75 crores in FY18 via a greenfield expansion in Northern India. The markets for V-Boards and V-Panels had thus far been limited to urban region. The company through its strategic marketing initiatives has been able to raise awareness and foster nationwide acceptance for these products. The company has also expanded its textile business capacity from 2176 twin air-jet spinning positions to 2752 spinning positions (26 percent growth) for a capital outlay of Rs 70 crores. The company commissioned this capacity by 1 November 2016 and the full impact of the expansion is expected to be visible during current financial year.

VISAKA INDUSTRIES LTD

INVESTMENT RATIONALE	Visaka Industries is the second-largest cement asbestos sheet brand in the nation with a market share of 18%. The decrease in rural inflation and sales contraction of steel sheets are expected to catalyze the offtake of asbestos products. Visaka's flagship business is the manufacture and marketing of asbestos sheets. During the last few years, this business was affected by a combination of weak monsoons and rural inflation, which affected disposable incomes and the onslaught of colour coated steel sheets consequent to a drastic fall in steel prices. However, with favourable monsoon and increase in steel prices, company's asbestos business is expected to perform better in coming quarters. The company is focusing strongly on V-Next product business for the future. Fibre Cement Boards have seen strong acceptance in International market and now gaining market share in domestic market over conventional products. The strong portfolio of advantages make the product widely endorsed and appreciated by architects and customers worldwide, many of them are replacing plywood which is a 20,000 crore industry. This provides a great long term opportunity to V-Next products (V-Board, V-Designer Board, V-Plank, V-Premium, V-Panel). We believe the recent expansion in yarn business and planned expansion in cement fibre board will drive volume growth over next two to three years with improvement in margins.

SARAL GYAN VIEWS & RECOMMENDATION	As per our estimates, Visaka Industries is expected to deliver PAT of Rs. 53.7 crores in FY17-18 and Rs. 68.4 crores in FY18-19 with annualized EPS of Rs. 33.8 and Rs. 43.1 respectively. At current price of 542, stock is available at forward P/E multiple of 12.6X based on FY18-19 earnings which makes it reasonably valued compared to other players in the Industry. Considering robust growth prospects of fibre cement board business, company's goal to grow revenue by 15% CAGR over next 3 years to achieve revenue of Rs. 1500 crores by 2020 with 50% contribution from its new businesses, we advise our members to invest in Visaka Industries with initial allocation of 2% which can be increased gradually to 5% in case of fall in stock price by 12-15% during market correction.

5. CONTROL PRINT LTD

HOLD

RETURNS: +184%

CMP: 395	MARKET CAP: 617 CRORES	SECTOR: CONTAINER & PACKAGING

COMPANY BACKGROUND	Control Print provides industrial grade coding and marking solutions to various industries such as pharmaceuticals, personal care, food and beverages, metal, agrochemical and extrusion products, such as pipes and wires. The company specializes in providing solutions for printing variable information such as batch numbers, manufacturing and expiry dates, maximum retail price, serial number, special markings, logos, company/brand name, and barcodes. Control Print has over 2 decades of experience in the Coding and Marking Industry and has partnered with leading global players technologically. Coding and marking business is very technology-intensive, and specialised. There are only about 12-13 companies in the world that make such printers and inks. Sales of the company can be broadly classified into three main segments i.e. printers (coders and markers), consumables (associated ink) and services. The share of consumables is on the rise with the percentage share increasing from 49% in FY12 to 76% in FY16.

RECENT UPDATES & DEVELOPMENTS	The company has recently commissioned a new manufacturing facility in Guwahati wherein it intends to manufacture high margin consumables & new age printers. The working capital cycle is elongated largely on account of high inventory days due to indigenous manufacturing of printers domestically. The improvement in EBITDA margins is expected largely on the back of improving product mix in favour of high margin consumables and operating leverage benefits that kick in as the capacity utilisation of the current asset base increases going forward.

CONTROL PRINT LTD

INVESTMENT RATIONALE	Overall coding and marking Industry growth is closely co-related to packaging industry growth and the manufacturing sector growth as a whole. With government focus to accelerate manufacturing industry with recent initiatives like "Make in India" campaign, company like Control Print will be the direct beneficiary. As manufacturing becomes increasingly computerised, coded information can guide products through distribution channels and thereby reduce costs. Control Print is present in a lucrative opportunity landscape, which is bound to grow given the stringent legal requirements on display of essential product details, better inventory control & counterfeit prevention. The company is also focusing on increasing the application of coders and markers domestically and is witnessing good demand traction in new segments like dairy & sugar. Control Print has a sound balance sheet with nearly nil debt on its books and robust return ratios (ROE & ROCE in excess of 20%) The company is having market share of 18% at present, management aims to garner 25% of the market in the next 4-5 years. Control Print has a lean balance sheet with negligible debt and strong double digit return ratios and is expected to outpace the industry growth rate of 12-13% CAGR over next 2 to 3 years.

SARAL GYAN VIEWS & RECOMMENDATION	Control Print has a lean balance sheet & strong return ratios. With good demand drivers in place & increasing penetration of coders and markers domestically, we expect company's sales & PAT to grow at 15% and 22% respectively over next 2 years. Stock is currently trading at trailing PE multiple of 22 and looks reasonably priced considering robust growth outlook of the company over next 2 years. We suggest our members to continue to hold the stock, members who have not invested can consider to Buy Control Print with initial portfolio allocation of 2% which can be increased gradually to 4% in case of fall in stock price by 15% or more keeping investment horizon of 2 years.

As a sector, we believe financial services – particularly NBFC and proxy plays from construction sector will continue to do well in medium to long term considering lower interest rates and increase in housing demand and consumption going forward. While determining which stocks to consider as a long term investment opportunity for generating 5-Bagger returns, we looked into below 5 value drivers:

i) Does the company offer a product or service that has broad acceptability in a large, growing market?
ii) Does the company have healthy margins, and are they sustainable over a longer period of time?
iii) Can company generate significant amounts of cash without resorting to expensive debt?
iv) Can company return the cash generated to its shareholders by declaring generous dividends?
v) Is the company's management honest and competent, with hunger to grow business at a faster pace?

We suggest our members to continue holding these stocks, members not holding these stocks can invest with initial allocation of 2-3% which can be increased gradually to maximum 4-5% in case of correction in stock prices (by 12% - 20%) from current levels.

We also take this as an opportunity to say "Thank You" to all our paid members for subscribing to our services and showing trust and faith on us. The journey of success was not possible without your support and appreciation. We will keep trying our level best to ensure that you continue to get rewarded in medium to long term by investing in fundamentally strong small and mid cap companies recommended by our equity analysts.

Wish you happy & Safe Investing!
Team – Saral Gyan.

ABOUT SARAL GYAN CAPITAL SERVICES

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We also offer **15% @ 90 Days**, which works on buy to sell and gain strategy for short term profits. The stocks under 15% @ 90 DAYS are selected on the basis of technical analysis done by our equity analysts.

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