VALUE PICKS

SPECIAL REPORT

6 VALUE PICKS STOCKS TO BUY / ACCUMULATE

DATE – 02ND OCTOBER 2018

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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 have seen severe correction in broader indices since beginning of this year. Mid Cap Index is down by -19% from its high made January this year. Steep fall in small and mid cap stocks this year have shaken investors sentiments and created panic for many retail investors who invested in stocks last year or during this year. Such steep corrections do test our patience and conviction. We should not get worried by listening to negative news flows. Rising crude prices, global trader war, weakening rupee, debt crisis will not impact earnings of all companies.

We keep on suggesting our members to avoid timing the market and follow a discipline approach while investing in equities and consider such steep corrections as buying opportunities to add good quality stocks at lower levels. Also, keeping a long term view is equally important. Patience always pays! Many investors get panic while watching stocks prices falling by 15%, 20%, 30% in couple of days or weeks, but if company's fundamentals are strong with high earning visibility and valuations are reasonable, same stock can deliver 2x – 3x returns or even more within period of 2 to 5 years.

Its important to know, whether you would be able to hold on your nerves and stay calm in case of panic sell off in markets. Bad sentiments will not last for ever, if economy is growing, the companies in which we have invested are making higher profits, we will see buying interest in those companies from investors sooner or later. Its time for long term investors (2-3 years) to start accumulating good quality stocks on dips which are becoming available at discounted price.

FROM THE DESK OF OUR RESEARCH TEAM

Considering recent correction in mid cap stocks, we have reviewed our past recommended Value Picks and short-listed 6 Value Picks stocks which offer good long term investment opportunity and have potential to give excellent returns on your investment during next 2 – 3 years. While short listing these 6 stocks, we evaluated each company on the basis of I-B-M-V-E-D parameters (Industry, Business, Management, Valuations, Earnings & Debt Management) and rated every parameter using a rating scale – E,V,G,F,P (Excellent, Very Good, Good, Fair & Poor)

One of the important key to successful investing is to pick the right business at decent valuations. We finalized these 6 stocks with a long term view (2-3 years) and find them superior over other Value Picks stocks in terms of recent developments, valuations, earning visibility, debt management (Loan book growth, NPAs, Capital Adequacy & Other Imp Financial Ratio's in case of NBFC / HFC) and integrity of promoters towards their business and interest of minority share holders.

These 6 Value Picks stocks have a market capital between 500 crore to 5000 crores and seen a price correction between 40% to 48% from their 52 week high without any major changes in business fundamentals. We believe these stocks will outperform giving much better returns compared to broader indices in medium to long term. Our members can add these stocks in their portfolio with long term view (2 to 3 years). We suggest our members to start investing in these 6 Value Picks stocks with initial allocation of 2% and increase allocation gradually to 4-5% in staggered way only in case stock prices of these companies falls by another 10% to 20% or more during ongoing market correction.

Team – Saral Gyan

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Important parameters which we looked into while finalizing stocks are as under:

1. Industry – Operating in Industry / sector which is expected to grow > 10% CAGR during next 3 years
2. Business – Leadership position in the business or one of its business segment in certain geography
3. Management – Prudent & trustworthy management keeping interest of minority share holders
4. Valuations – Reasonable / attractive valuations compared to peer group companies
5. Earnings – Consistent past performance & strong earning visibility with planned / recent expansion
6. Debt Management – Company is able to generate cash flows with no or low debt on books (Loan book growth, NPAs, Capital Adequacy & Other Imp Financial Ratio’s in case of NBFC / HFC)

S. NO	VALUE PICK STOCK	NSE CODE	MARKET CAPITAL	C.M.P 02-OCT-18	CORRECTION 52 WK HIGH	P/E RATIO (TTM)	I-B-M-V-E-D MATRIX
1	CAPITAL FIRST	CAPF	4992 CR	503.95	-44.1%	13.8	E-V-E-G-V-G
2	BALAJI AMINES	BALAMINES	1502 CR	463.7	-40.6%	12.1	V-V-G-E-V-G
3	V2 RETAIL	V2RETAIL	1005 CR	294.8	-46.9%	29.9	E-E-E-G-G-G
4	WIM PLAST	526586	973 CR	810.95	-45.7%	21.5	V-V-E-G-V-E
5	VISAKA INDUSTRIES	VISAKAIND	695 CR	437.55	-47.9%	9.4	G-V-V-E-G-V
6	SOM DITILLERIES	SDBL	560 CR	179.6	-44.3%	21.4	V-E-G-V-E-G

Rating Scale: E=Excellent, V=Very Good, G=Good, F=Fair, P=Poor

1. CAPITAL FIRST

VALUE PICKS

C.M.P: 503.95 BUY **MARKET CAP: 4992 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of Capital First rose 55.30% to Rs 101.52 crore in the quarter ended June 2018 as against Rs 65.37 crore during the previous quarter ended June 2017. ▪ Sales rose 38.12% to Rs 1045.41 crore in the quarter ended June 2018 as against Rs 756.90 crore during the previous quarter ended June 2017.
CURRENT VALUATIONS & EXPECTED EARNINGS	▪ Despite significant growth in company's loan book, the company continued to maintain high Asset Quality. Capital First has not taken dispensation of RBI on NPA recognition for MSME and loan book remain intact with no large issues. ▪ Merger of Capital First with IDFC Bank is expected to conclude by Dec'18, we believe company will continue to build strong loan book and improve its return ratios gradually.
SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ We expects the NIMs to increase marginally going forward as incremental cost of funds are expected to rise by 5-10bps, due to rising bond yields. ▪ At CMP of Rs. 503.95, the stock is trading at 1.9x of its Book Value of Rs. 264. Capital First offers good long term investment opportunity with expected returns of 45-60% in period of 12 to 24 months, hence suggest buy at CMP with portfolio allocation of 3-4%.

2. BALAJI AMINES

VALUE PICKS

C.M.P: 463.70 BUY **MARKET CAP: 1502 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of Balaji Amines rose 48.66% to Rs 33.82 crore in the quarter ended June 2018 as against Rs 22.75 crore during the previous quarter ended June 2017. ▪ Sales rose 30.05% to Rs 260.19 crore in the quarter ended June 2018 as against Rs 200.07 crore during the previous quarter ended June 2017.

CURRENT VALUATIONS & EXPECTED EARNINGS	▪ Continuous supply shortage from China and rising demand are likely to drive volume growth of 20% CAGR over next 2 years. This will be supported by capacity expansion in DMA HCL, Morpholine and Acetonitrile. ▪ We expect Balaji Amines to deliver EPS of Rs. 46 for FY19-20, at current price of Rs. 463.70, the stock is trading at forward PE multiple of 10.1 and looks attractive considering strong return ratios and healthy cash flows.

SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ Overall performance of the company in FY17-18 remained steady, the company is all-set to allocate its free cash flow towards value-accretive capex opportunities which include investment in Balaji Specialty Chemicals and the Mega project in MIDC, Solapur. ▪ We suggest our members to invest in Balaji Amines with initial allocation of 2% at CMP and increase allocation to 3-4% in case of correction in stock price by another 10%-20% or more in near term.

3. V2 RETAIL

VALUE PICKS

C.M.P: 294.80 BUY **MARKET CAP: 1005 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of V2 Retail rose 29.38% to Rs 11.23 crore in the quarter ended June 2018 as against Rs 8.68 crore during the previous quarter ended June 2017. ▪ Sales rose 31.98% to Rs 187.75 crore in the quarter ended June 2018 as against Rs 142.26 crore during the previous quarter ended June 2017.
CURRENT VALUATIONS & EXPECTED EARNINGS	▪ The company is expected to continue stringent control on costs to tackle competition. The management has given guidance of achieving an operating margin of 10% during this financial year and aims to improve it to 11% over next 2 years. ▪ As per our estimates, V2 Retail can deliver PAT of 71.6 crores for full financial year 2019-20 with annualized EPS of Rs. 21.1. At current price of Rs. 294.80, stock is available at forward P/E multiple of 14X based on FY19-20 earnings which makes it attractively valued compared to other retail players in the Industry.
SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ Looking at the company's aggressive expansion plan, increasing preference of branded clothing in young middle class population living in smaller town and cities, we expect company to sustain its revenue growth over next 2 to 3 years. Considering attractive valuations of the company compared to other retail players in the Industry, we recommend Buy on V2 Retail with initial allocation of 2% and increase it to 3-4% gradually in case of further correction in stock price.

4. WIM PLAST

VALUE PICKS

C.M.P: 810.95 BUY **MARKET CAP: 973 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of Wim Plast rose 6.64% to Rs 9.96 crore in the quarter ended June 2018 as against Rs 9.34 crore during the previous quarter ended June 2017. ▪ Sales rose 2.37% to Rs 92.45 crore in the quarter ended June 2018 as against Rs 90.31 crore during the previous quarter ended June 2017.
CURRENT VALUATIONS & EXPECTED EARNINGS	▪ As the crude oil prices are rising, players like Wim Plast have seen margin compression both on operating and net profit levels. Wim Plast consumes Polypropylene as the major raw material for its products manufactured. Polypropylene, being a crude derivative witnessed a increase in the price in past. ▪ As per our estimates, company can post EPS of Rs. 45 for FY19-20, the stock is currently quoting at around 18 times FY19-20E earnings and we find valuations of the company reasonable around current levels considering its strong brand moat of Cello.
SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ With the brand Cello to leverage on growth opportunities, strong distribution network and healthy cash flow from operations, we expect company will continue to find new avenues to invest to achieve revenue growth and maintain its operating margins. ▪ We suggest to invest in Wim Plast at current market price of Rs. 810.95 with initial allocation of 2% and continue to accumulate stock if stock price falls by 10-20% or more with max. allocation of 4-5% keeping a long term view.

5. VISAKA INDUSTRIES

VALUE PICKS

C.M.P: 437.55 BUY **MARKET CAP: 695 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of Visaka Industries rose 32.14% to Rs 30.34 crore in the quarter ended June 2018 as against Rs 22.96 crore during the previous quarter ended June 2017. ▪ Sales rose 11.79% to Rs 345.69 crore in the quarter ended June 2018 as against Rs 309.23 crore during the previous quarter ended June 2017.
CURRENT VALUATIONS & EXPECTED EARNINGS	▪ Visaka with its capacity expansion, large product portfolio and wide distribution reach is likely be the biggest beneficiary. As per recent update, Visaka has started commercial production of Atum, its solar panel roofs. ▪ Visaka Industries is currently trading at trailing PE multiple of 9.4 and looks attractive considering earning growth visibility over next 12 months. The company is expected to deliver EPS of Rs. 58 in FY18-19 and currently available at forward PE multiple of 7.5 based on FY18-19 earnings.
SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ Cement Boards and Panels market is growing at an average rate of 17-18% annually on account of increasing awareness level and its faster nationwide acceptance. Visaka with its enhanced capacity, target to increase its revenue share from 33% to 50% from this segment over next 3 years. ▪ We recommend Buy in Visaka Industries at CMP of Rs. 437.55 with initial allocation of 2-3% and increase allocation to 4-5% gradually in case of further correction in stock price.

6. SOM DISTILLERIES

VALUE PICKS

C.M.P: 179.60 BUY **MARKET CAP: 560 CR**

QUARTERLY RESULTS ANALYSIS	▪ Net profit of Som Distilleries & Breweries rose 10.66% to Rs 11.21 crore in the quarter ended June 2018 as against Rs 10.13 crore during the previous quarter ended June 2017. ▪ Sales rose 10.36% to Rs 124.90 crore in the quarter ended June 2018 as against Rs 113.17 crore during the previous quarter ended June 2017.
CURRENT VALUATIONS & EXPECTED EARNINGS	▪ Directors of the company continuously increasing their stake in the company through open market purchase of shares indicates confident of management towards future growth prospects of the company. ▪ As per our estimates, Som Distilleries is expected to deliver PAT of Rs. 36.6 crores in FY18-19 with annualized EPS of Rs. 13.3. At current price of 179.60, stock is available at forward P/E multiple of 13.5X based on FY18-19 earnings and looks attractively valued with high earning visibility over next 2 to 3 years.
SARAL GYAN RECOMMENDATION & BUYING STRATEGY	▪ Recent developments of the company towards raising funds, increasing capacity through acquisitions, commencing operations in newer states and hiring best talent in sales and marketing to fuel future growth is expected to augur well over next 2 – 3 years. ▪ We suggest to buy Som Distilleries at CMP and to add more on dips with maximum allocation of 4-5% keeping investment view of 2 to 3 years.

ABOUT SARAL GYAN CAPITAL SERVICES

Saral Gyan Capital Services is an independent equity research firm. We publish unbiased thoroughly researched reports that enhance the visibility of innovative public companies in micro, small & mid cap space. Our reports, **Hidden Gems** & **Value Picks**, are distributed to our subscribers through our website.

Hidden Gems & Value Picks are highly detailed reports that is written to be easily understood by the financial community. We also circulate articles via free email & mobile subscription which works as a guide and provide insights to equity market.

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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Our research reports are written by a team of equity analysts who recognize investor's desire to understand a business in a way that supports an educated investment decision based on facts. Our reports contain meticulously researched facts on companies, their fundamentals, and their industries, validating a company's prospects and enabling the reader to objectively evaluate the company's value.

At **Saral Gyan**, research is taken as a creative work by team of professionals on systematic basis in order to increase the wealth of knowledge. We believe that research is a necessity and forms the basic foundation upon which advice is made with reference to particular stocks with recommendations on buy or sell or hold.

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SARAL GYAN SUBSCRIPTION SERVICES

SERVICE	INVESTMENT HORIZON	MARKET CAP / INDEX	NUMBER OF RECOMMEND-ATIONS	SELECTION CRITERIA	SUGGESTED ALLOCATION *	1 YEAR SUBSCRIPTION PLAN
HIDDEN GEMS Know More | Sample	1 - 3 Yrs	Small / Micro Cap (BSE Small Cap)	12 per year	Growth / Value (Mkt Cap < Rs. 500 Crs)	10% - 25%	Rs. 10,000 ($180) SUBSCRIBE!
VALUE PICKS Know More | Sample	1 - 3 Yrs	Mid Cap (BSE Mid Cap)	12 per year	Growth / Value (Mkt Cap: Rs. 1,000 - 10,000 Crs)	20% - 40%	Rs. 6,000 ($110) SUBSCRIBE!
15% @ 90 DAYS Know More | Sample	3 Months	Mid Cap (BSE - 500)	12 per year	Technical Analysis / Recent Developments	Not Applicable	Rs. 4,000 ($75) SUBSCRIBE!
WEALTH-BUILDER An Offline Portfolio Management Service Know More | Sample	3 - 7 Yrs	Across Market Caps	12 - 18 Portfolio Updates per year	Long Term Wealth Creation	10 - 15 Stocks	Rs. 20,000 ($360) SUBSCRIBE!

• Suggested allocation - This is the percentage of funds that you could allocate (out of your total equity portfolio) to each category of stocks. Please note that these allocations are purely indicative.

Looking for guidance on which service to opt for? Or have any other query?

Please write to us, we will be delighted to assist you!

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