



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

Ajcon's Xpress Idea

Control Print Ltd. – Strong play on Indian Coding & Marking Industry - "BUY" 15th Apr. 2015

CMP: 232 | Target: Rs. 360 | Upside: 55% | Market Capitalisation: Rs. 211cr. | FV: Rs. 10

About the Company

Control Print Ltd. (CPL) has close to two decades of experience in the Coding & Marking Industry, and provides products and solutions for the entire range of manufacturing industries which include Automotive, Agro-Chemicals, Metals, FMCG, Pharmaceutical, Food & Beverage, Wire & Cable, Pipe, Construction Materials and Commercial Printing.

Product Portfolio

CPL sells printers for printing variable information and thereafter their consumables, preventive & breakdown services, filters, spare parts, etc. Your Company's product portfolio includes Continuous Inkjet Printers (CIJ), Drop-on-Demand Valvejet Printers (LCP), Thermal Transfer Overprinters (TTO), Laser Coders, Thermal Ink Coders, Piezo High Resolution Drop-on-Demand Inkjet Printers (HR), and related consumables and spares.

Industry Structure

The industry of Coding and Marking is driven by:

- 1) Legal requirements to provide product information to customers, printing specifications, ISI logo and Company logo;
- 2) Inventory control by reduction in wastage of packaging material and printing on the production line;
- 3) Traceability of products by date of manufacture, batch numbers, shift numbers, and real time-date and ensuring quality control, counterfeit prevention, marketing promotion by printing variable information and logos.
- 4) Overall the industry growth is closely co-related to packaging industry growth and the manufacturing sector growth as a whole. The Indian Coding & Marking industry has reached a level of maturity and acceptance across applications and is dominated value-wise by 4 players with CPL being amongst them.
- 5) CPL is a pre-eminent Company in the Coding & Marking Industry in India with a strong management team, significant financial resources and investments, unsurpassed infrastructure, good reputation, comprehensive reach and huge network of skilled and experienced manpower.

Manufacturing facilities

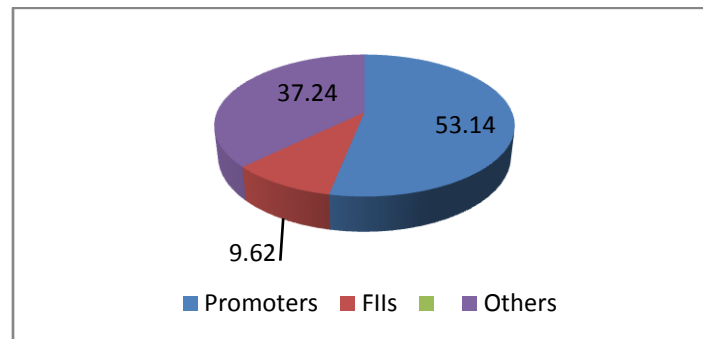
The Company has modern production facilities located at Vasai, Maharashtra and Nalagarh, Himachal Pradesh while the manufacturing unit at Guwahati has been commissioned in Q3FY15.

Performance For 9MFY15, the Company reported yoy growth of 24% topline and an impressive PAT growth of 37%. In FY14, the Company witnessed a yoy growth of 14 % to touch Rs. 91.05 crores. PAT



too witnessed a decent performance, yoy growth of 13.4% to touch Rs. 14.11 crores translating into a PAT margin of 15.5%.

Shareholding Pattern as on Dec. 2014 (%)



Source: BSE

Outlook & Valuation

The Company focuses on streamlining sales and manufacturing activities and consolidating sales and profitability gains made in the past 2-3 years. This strategy has been successfully executed. Last year the Company has delivered reasonable sales growth in a slightly sluggish environment. In FY15, Company plans to have increased sales growth during the year under review with a strong range of products across all Coding Technologies. CPL aims to mark its presence in all possible segments with upgraded model.

With a strong foundation, the Company plans for robust growth going ahead. CPL has existing manufacturing units at Vasai, Thane and Nalagarh, Himachal Pradesh. In order to increase business operations, enhance growth aspects and better serve the clients, the Company planned to set up manufacturing Unit at Guwahati – Assam for which the necessary statutory approvals for commencement of construction of Manufacturing Unit at Guwahati have been received and the construction work is in process. The plant has started production in Q3FY15.

CPL also intends to have global presence with its competitive products and innovative technology. With resident engineers already present in Sri Lanka, Sri Lankan market was identified to begin with expansion plans and mark a presence across South Asia where CPL can leverage and extend its existing experience and infrastructure. The Company has already opened Branch Office at Sri Lanka and very soon it will be functional.

In addition to geographical expansion to Sri Lanka (and hopefully soon the entire South Asian region) CPL continues to strengthen and expand its range of offerings for the Coding & Marking market. FY15 witnessed introduction of Piezo Drop-on-Demand Inkjet technology, used for printing of variable data, barcodes, & graphics on corrugated shipper cartons and also the introduction of Thermal Inkjet Technology based products used primarily for printing variable information and datamatrix barcodes for Track & Trace applications in the pharmaceutical industry which has resulted in improved operating margins.

In the past years, Company has seen reasonable sales and profit growth and the management is confident that it can maintain steady growth in the future as well. At CMP, the stock is trading at a P/E of 11x at 9M FY15 Annualized Rs. 21.64 and 15x FY14 EPS of Rs. 14.32. With due consideration to



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factors like a) leadership position in coding and marking space, b) strong operating profit margins in 9MFY15 and trend to continue in future as well, e) virtually debt free Company, f) positive operating cashflow, h) small equity capital base of Rs. 9.84 crore which would enjoy scarcity premium, we recommend a "BUY" on the stock with a price target of Rs. 360 (15 x at estimated FY16 estimated EPS of Rs.24) an upside of 55%, over a period of 3 months.



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Stock Holding Disclosure under SEBI regulations:

- a) **Analyst holding: No**
- b) **Company holding: No**
- c) **Directors holding: No**
- d) **Group/Associates Position: No**
- e) **Relationship with management: No**

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