

Control Print (CONPRI)

On well charted growth trajectory...

- Control Print (CPL) reported a stellar Q1FY18 performance. Net sales for the quarter came in at ₹ 45.0 crore, up 28% YoY
- EBITDA in Q1FY18 was at ₹ 13.4 crore with corresponding EBITDA margins at 29.7%, up 330 bps YoY
- PAT for the quarter was at ₹ 8.6 crore vs. ₹ 5.0 crore in Q1FY17
- In Q1FY18, CPL realised efficiencies in terms of lower overheads largely lower employee and other expenses as a percentage of sales
- Q1FY18 was the first quarter wherein CPL has incorporated Ind-As. Hence, there is a substantial change in the reported depreciation. CPL has now clubbed the printers on its books (given out on lease to its customers largely in the cement sector; rental model) from inventory to gross block (₹ 17 crore) while at the same time marked to market them at fair value, which is in tandem with their useful life
- The management expects the growth momentum to sustain with double digit sales CAGR over FY17-19E (15-20%). This coupled with margin expansion on account of increasing share of consumables will ensure healthy 20%+ CAGR at the PAT level over FY17-19E
- With the commissioning of the new printer manufacturing facility in Guwahati (Assam), the capex cycle is behind CPL with potential to double revenues from the existing gross block over FY17-22E

Niche business model, prominent player in oligopolistic market

CPL is a leading coding & marking player domestically with manufacturing capability in printing machines, spare parts & associated consumables (ink). These are required to print essential real time product details like manufacturing date, expiry date, batch number, MRP, etc, on any manufacturing product. It is used across sectors like personal care, food & beverages, pharmaceuticals, construction materials (steel, cement), extruded products (cable, wire, pipes), etc. As of FY17, CPL has a market share of ~18% in the oligopolistic market (valued at ~₹ 900 crore). CPL realises 50% of its revenues from industrial customers with key clients being Tata Steel, UltraTech, Shree Cement, etc. CPL realises the balance 50% of sales from packaging sector with key clients being HUL, etc.

Margins on the rise; increasing share of consumables drive change

In FY12-16, sales grew at a CAGR of 18.9% while PAT grew at a CAGR of 33.2% in FY12-16 primarily on the back of 1300 bps expansion in EBITDA margin. Margin expansion in FY12-16 was primarily on account of a change in product mix in favour of consumables, which is a high margin product with growing base of installed printers. Share of consumables in FY12 gross sales was at 49% while the same in FY16 was at 76%. We expect the share of consumables to further increase to ~83% by FY19E, driving the expansion in margins from 26.4% in FY16 to 28.3% by FY19E.

Robust return ratios; well poised to grow; retain BUY!

Incorporating the robust Q1FY18 performance, both at the topline level as well as the EBITDA margin level, we upgrade our estimates. We now expect sales to grow at a CAGR of 17.3% in FY17-19E while EBITDA is expected to grow at a CAGR of 22.2% over FY17-19E largely incorporating 230 bps improvements in EBITDA margins primarily on account of increasing share of consumables and operational efficiencies. Consequent PAT is expected to grow at a CAGR of 22.6% to ₹ 39.2 crore in FY19E (₹ 26.1 crore in FY17). PAT estimates remain unchanged largely tracking increased depreciation charge in P&L. We value CPL at ₹ 500, i.e. 20x P/E on FY19E EPS of ₹ 25.0/share with a **BUY** rating on the stock. The key risk to our call is an elongated working capital cycle.

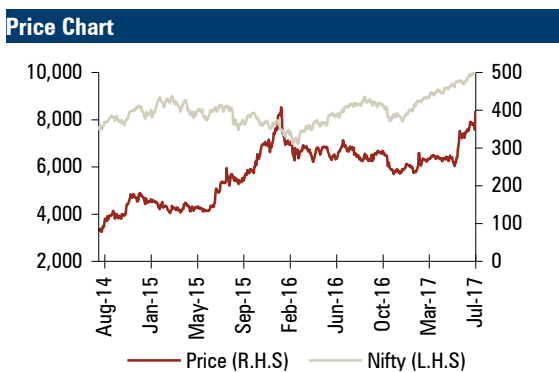
Rating matrix	
Rating	Buy
Target	₹ 500
Target Period	12-18 months
Potential Upside	22%

What's changed?	
Target	Changed from ₹ 375 to ₹ 500
EPS FY18E	Changed from ₹ 20.4 to ₹ 20.6
EPS FY19E	Unchanged at ₹ 25.0
Rating	Unchanged

Key financials				
₹ crore	FY16	FY17	FY18E	FY19E
Net Sales	133.0	145.2	170.5	199.8
EBITDA	35.5	38.3	47.8	57.1
Net Profit	26.4	26.1	32.3	39.2
EPS (₹)	16.9	16.6	20.6	25.0

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	24.3	24.6	19.9	16.4
Target P/E	29.6	30.0	24.2	20.0
EV / EBITDA	18.2	16.9	13.2	10.9
P/BV	5.3	4.7	4.1	3.6
RoNW	20.2	19.1	20.7	21.8
RoCE	23.6	22.3	26.0	30.7
ROIC	26.5	25.0	27.4	31.0

Stock data	
Stock Data	
Market Capitalization	₹ 643 crore
Total Debt (FY17)	₹ 15 crore
Cash and Cash Equivalent (FY17)	₹ 12 crore
EV	₹ 645 crore
52 week H/L	415 / 225
Equity Capital	15.7
Face Value	₹ 10
MF Holding (%)	1.2
FII Holding (%)	10.0



Research Analyst	
Chirag J Shah	shah.chirag@icicisecurities.com
Shashank Kanodia, CFA	shashank.kanodia@icicisecurities.com

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Net Sales	133.0	145.2	170.5	199.8	
Other Operating Income	1.5	2.2	1.9	2.1	
Total Operating Income	134.5	147.4	172.4	201.9	
Growth (%)	19.2	9.5	17.0	17.1	
Raw Material Expenses	45.4	52.0	60.7	70.7	
Employee Expenses	26.3	27.8	30.8	35.3	
Other Operating Expense	27.4	29.3	33.2	38.8	
Total Operating Expenditure	99.1	109.1	124.6	144.7	
EBITDA	35.5	38.3	47.8	57.1	
Growth (%)	29.7	7.9	24.8	19.6	
Depreciation	2.7	3.8	7.4	7.8	
Interest	1.6	1.1	0.9	0.5	
Other Income	0.6	0.7	1.0	1.5	
PBT	31.8	34.1	40.5	50.3	
Exceptional Item	-2.3	0.0	0.0	0.0	
Total Tax	7.7	8.0	8.2	11.1	
PAT	26.4	26.1	32.3	39.2	
Growth (%)	38.0	-1.4	24.0	21.3	
EPS (₹)	16.9	16.6	20.6	25.0	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit after Tax	26.4	26.1	32.3	39.2	
Add: Depreciation	2.7	3.8	7.4	7.8	
(Inc)/dec in Current Assets	-16.3	-17.0	-14.8	-23.2	
Inc/(dec) in CL and Provisions	-1.8	7.1	3.1	5.8	
Others	1.6	1.1	0.9	0.5	
CF from operating activities	12.7	21.1	28.9	30.2	
(Inc)/dec in Investments	2.7	-3.1	-6.0	-7.0	
(Inc)/dec in Fixed Assets	-11.9	-8.5	-2.0	-2.0	
Others	0.4	0.5	0.0	0.0	
CF from investing activities	-8.8	-11.1	-8.0	-9.0	
Issue/(Buy back) of Equity	5.8	0.0	0.0	0.0	
Inc/(dec) in loan funds	4.9	1.6	-5.0	-5.0	
Dividend paid & dividend tax	-8.8	-11.3	-13.2	-15.0	
Inc/(dec) in Share Cap	-0.8	0.0	0.0	0.0	
Others	-4.1	-1.0	-1.0	-0.5	
CF from financing activities	-3.0	-10.7	-19.1	-20.6	
Net Cash flow	0.9	-0.7	1.8	0.6	
Opening Cash	1.1	2.0	1.3	3.1	
Closing Cash	2.0	1.3	3.1	3.7	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Liabilities					
Equity Capital	15.7	15.7	15.7	15.7	
Reserve and Surplus	106.3	121.2	140.3	164.5	
Total Shareholders funds	122.0	136.9	156.0	180.2	
Total Debt	13.1	14.7	9.7	4.7	
Deferred Tax Liability	2.9	3.4	3.4	3.4	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	138.0	155.0	169.1	188.3	
Assets					
Gross Block	51.0	59.4	64.4	66.4	
Less: Acc Depreciation	12.8	16.6	24.0	31.8	
Net Block	38.2	42.8	40.4	34.5	
Capital WIP	4.9	5.0	2.0	2.0	
Total Fixed Assets	43.1	47.8	42.4	36.5	
Liquid Investments	7.6	10.7	16.7	23.7	
Other Investments	5.5	5.5	5.5	5.5	
Inventory	62.4	67.0	77.1	90.3	
Debtors	36.4	40.0	44.4	52.0	
Loans and Advances	4.5	13.3	13.6	16.0	
Other Current Assets	0.0	0.0	0.0	0.0	
Cash	2.0	1.3	3.1	3.7	
Total Current Assets	105.3	121.6	138.2	162.0	
Creditors	13.0	19.9	21.0	24.6	
Provisions	10.4	10.7	12.6	14.8	
Current Liabilities & Prov	23.4	30.5	33.6	39.4	
Net Current Assets	81.9	91.1	104.5	122.6	
Others Assets	0.0	0.0	0.0	0.0	
Application of Funds	138.0	155.0	169.1	188.3	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
EPS	16.9	16.6	20.6	25.0	
Cash EPS	18.6	19.0	25.4	30.0	
BV	77.8	87.3	99.5	114.9	
DPS	4.7	6.0	7.0	8.0	
Cash Per Share (Incl Invst)	1.3	0.8	2.0	2.3	
Operating Ratios (%)					
EBITDA Margin	26.4	26.0	27.7	28.3	
PBT / Total Op. income	23.6	23.1	23.5	24.9	
PAT Margin	19.7	17.7	18.8	19.4	
Inventory days	171.2	168.4	165.0	165.0	
Debtor days	99.9	100.5	95.0	95.0	
Creditor days	35.7	50.0	45.0	45.0	
Return Ratios (%)					
RoE	20.2	19.1	20.7	21.8	
RoCE	23.6	22.3	26.0	30.7	
RoIC	26.5	25.0	27.4	31.0	
Valuation Ratios (x)					
P/E	24.3	24.6	19.9	16.4	
EV / EBITDA	18.2	16.9	13.2	10.9	
EV / Net Sales	4.9	4.4	3.7	3.1	
Market Cap / Sales	4.8	4.4	3.8	3.2	
Price to Book Value	5.3	4.7	4.1	3.6	
Solvency Ratios					
Debt/EBITDA	0.4	0.4	0.2	0.1	
Debt / Equity	0.1	0.1	0.1	0.0	
Current Ratio	4.4	3.9	4.0	4.0	
Quick Ratio	1.7	1.7	1.7	1.7	

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

We /I, Chirag Shah PGDBM; Shashank Kanodia CFA MBA (Capital Markets), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Chirag Shah PGDBM; Shashank Kanodia CFA MBA (Capital Markets) Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Chirag Shah PGDBM; Shashank Kanodia CFA MBA (Capital Markets), Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.