CASTLEGATE CAPITAL

DISA Engineering- Investment Note

15th June 2007

Business:	Technical equipment. Complete foundry equipment. DISA India supplies complete foundry systems by integrating the DISA range of moldings machines and sand mixers with proper combination of sand plant equipments, surface treatment machineries, environmental control systems and conveying systems.
Business Trend:	Growing. As a provider of capital equipment, demand for companies products is expected to grow.
Company:	
Financials:	Equity of just 1.51 Cr. Sales of 66 Cr. 13.6 Cr. Profit is almost 10 times Equity. Zero debt. OPM of 29%. BV Rs. 235. RONW- 26.6. PE ratio 10.
Management:	Insufficient Information
Growth:	With almost 80% holding by foreigners, rise of demand for capital goods in Indian market, possibility of outsourcing of DISA work to India (A speculation). High growth rate of manufacturing sector and auto sector still in nascent stage, this company seems placed for decent growth
Future Plans:	No Information
Risks:	Cyclical company. Lack of demand may leave buyer holding shares for long time. However the financials of the company even current are so strong that downturn is limited and losses will be not be experienced till booked.
Conclusion:	Global company, small equity, majority holding foreign promoter, into Engineering of process systems, great earnings, fast growth expected in manufacturing environment, cyclical, major buying has happened around 27th April. Company had given buyback offer and reverse book building threw a price of 2900 company refused. Compared to expected growth rate, the PE is very low. Management is intent on buyout. We have begun buying. However this stock may experience temporary setbacks so buying will be in parts.