

Rajesh Exports

 Bloomberg: **RJEX_IN**

Consumer Discretionary: Gold Jewellery Manufacturer

Target Price	Rs. 800.00
Current Price	Rs. 568.00
Upside Potential	40%

Q1FY2016 [ended June] Earnings Update

Market Cap.	Rs. 167,530mn \$ 2.5bn
Shares Outstanding	295mn
Free Float (FF %)	77mn / 26%
52 Week Range (Rs)	117.35 / 610.70
Avg. Daily Value	Rs. 557mn \$ 8.7mn
SENSEX Index Level	27,997
Insider Holding %	53%

Net Cash P/E	43% of market cap. 26x (FY03/2017E)
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Robust Q1, Topline Ramping Up

Rajesh Exports reported a strong set of results for the first quarter ended June which is a record quarter for the company. Revenues were up by 91% YoY to Rs 151,442 mn, while the net income was up by 100% YoY to Rs 2,371 Mn. The net profit margin grew by 100bps to 1.6%. The company reported an EPS of Rs 8.03 vs Rs 4.01 for the last comparable quarter, registering an increase of 100%. The order book position as on June 30, 2015 was Rs 114,500 million which are to be completed by Oct 2015. We spoke with the company's CMD Mr. Rajesh Mehta who noted that the strong outperformance was driven by export orders for designer jewelry from the Middle East which operates at higher margins than that of other export orders and a gradual increase in revenues from the retail business. Management has ambitious growth plans going forward which has been demonstrated through the recent acquisition of Valcambi, the world's largest refiner. Management also plans to strengthen its foothold in the retail space going forward. We believe there are multiple synergies from Valcambi's acquisition which if executed properly can result in a rapid growth in the company's profitability over time.

Increasing Estimates; Maintaining Rs 800 PT.

Following a robust set of results, we are increasing our FY03/2016 revenue estimate by 13.5% to Rs 615 bn and EPS estimate by 6.5% to Rs 26.71. Similarly, our FY03/2017 revenue estimate increases by 15% to Rs 676 bn and EPS estimate by 8.5% to Rs 30.76. Please note that we have not incorporated the acquisition of Valcambi in our estimates. We are maintaining our 12 month price target of Rs 800 on the stock and will review it upon full consolidation with Valcambi which is expected by the end of the current quarter. Our price target represents 40% upside from current levels.

Our price target is based on average P/E and DCF. We apply a 26x multiple on our FY03/2017 EPS estimate of Rs 30.76 which comes to INR800 per share. Our DCF based price is INR846 per

Risk: Above Average

Analyst:

 Prajwal Gote
prajwal@evaluateresearch.com
Client Servicing:

 Pooja Burgul
pooja@evaluateresearch.com

share which assumes 12.5% WACC and 2.5% terminal growth. See DCF details further in our report.

Growth Story Intact

Rajesh Exports has recently acquired a 100% stake in Valcambi, the world's largest gold refiner with a capacity to refine 2000 TPA of gold and other precious metals for a total value of \$400 million in an all cash deal. The company has plans to expand its footprints globally to emerge as the largest jewelry manufacturer in the world and to reach the market share of almost 30% of global gold business with the help of Valcambi's credibility and access to international markets. Rajesh Exports being the lowest cost manufacturer of gold in India plans to bring a revolution in the gold industry by venturing into an altogether new business line of 'e-Retail' of gold, wherein customer can buy the desired design and shape of jewelry through the internet. The acquisition opens up newer avenues for both the companies, wherein Rajesh Exports will become a globally recognized brand and a leading exporter of gold from India and Valcambi will be able to strengthen its margin in the coming years by way of using its spare capacity

Retail Growth

The company operates under the franchisee model in the retail space and has a strong competitive edge being the lowest cost gold producer and with over 30,000 designs in its repertoire. Rajesh Exports had plans to expand its Shubh Franchise in India. However, the plan was postponed for almost 2 years as management was tied up in finalizing the acquisition deal. Now that the acquisition is completed, management intends to refocus on expanding its retail business chain of gold in India and has recently stated in an analyst meet that it has approximately 1000 application pending for approval of franchise outlets. We expect the retail store count to increase from 83 currently to around 200 stores in the next couple of years. The retail business operates at a higher margin than that of the exports business and retail revenue currently account for almost 8% of total revenue. We expect retail revenue to grow to almost 20% of total revenue in the coming years and will have direct impact on margins as well

Vertical Integration – Valcambi Acquisition

Newmont, which was the partial owner of Valcambi has gold refining contracts for refining gold produced in its mines for the next 5 years. The acquisition has helped Rajesh Exports to bring in line Mining, Refining and Manufacture of gold. With Valcambi's acquisition, REL will be the world's only, fully integrated gold company, with operations spread across the entire value chain of gold business

Industry Update

Developing Indian Hallmarking – A roadmap for future growth (Source: World Gold Council)

Gold plays a unique role in the Indian society. It is purchased for special occasions, frequently presented in the form of gifts and widely used as a means to preserve wealth. Gold's popularity has driven production and India is now a leading manufacturer and consumer of gold and artisan jewelry. Gold is purchased by rich and poor across India and it confers status upon those who own it and is thought of as a good luck charm by those who receive it. Despite the special relationship with gold, controls around quality and consumer protection have historically been relatively low. Across the value chain, the Indian gold industry has been dominated by small, often artisanal outlet, operating without license or accreditation. This had led to several adverse consequences. Jewelry has suffered from under – caratage and there has been a widespread concern over this issue of under-caratage by Indian consumers. This lack of trust has compromised the Indian gold export market and made gold less acceptable as collateral for other productive uses.

In recent years, attempts have been made to remedy the situation, particularly establishment of hallmarking standards by the Bureau of Indian Standard (BIS). This has driven considerable improvements. However, gold jewelry is still affected by under cartage of anywhere from 10% to 15%, on average, with widespread differences in purity. This means that when a consumer purchases jewelry and is told the gold content of Rs 10,000; it is, then on average worth Rs 8,500 to Rs 9,000. In other words, consumers are routinely cheated.

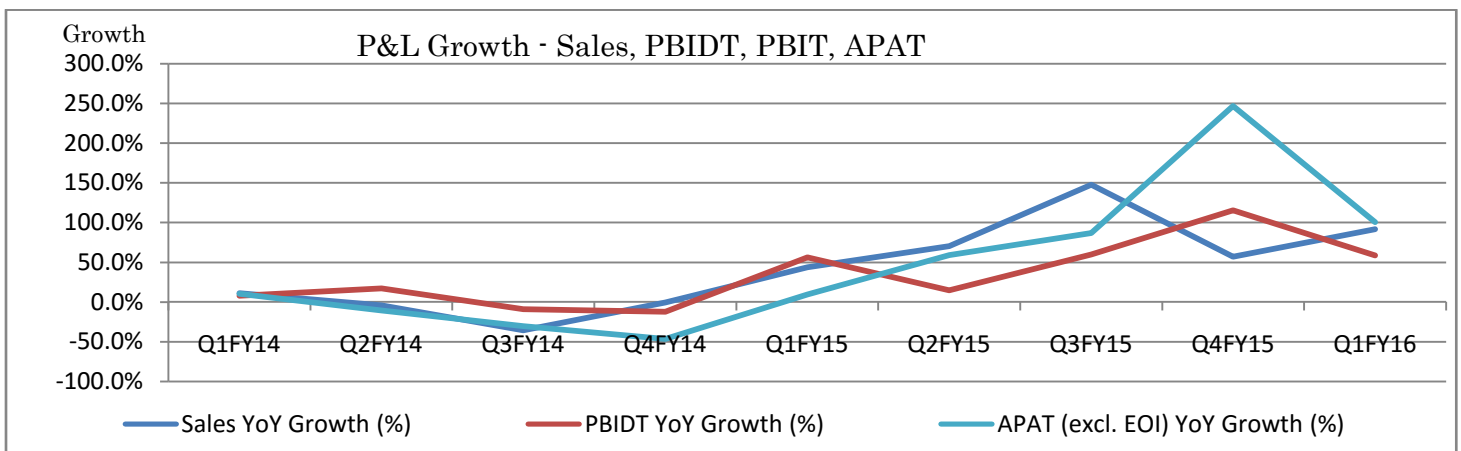
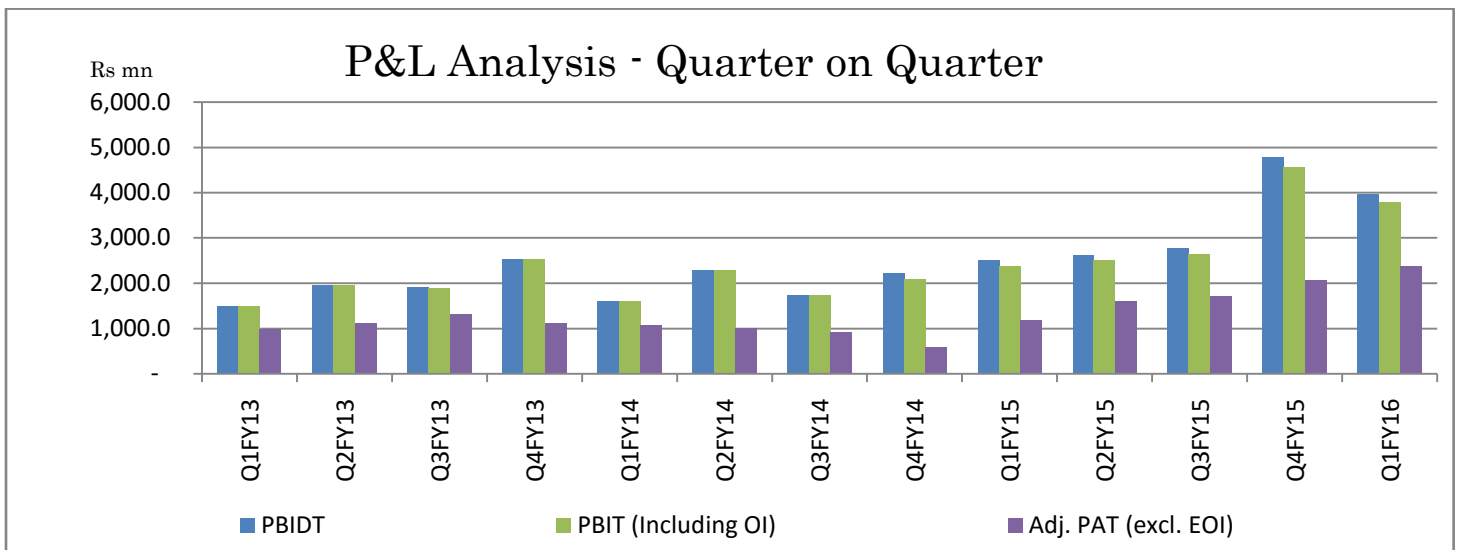
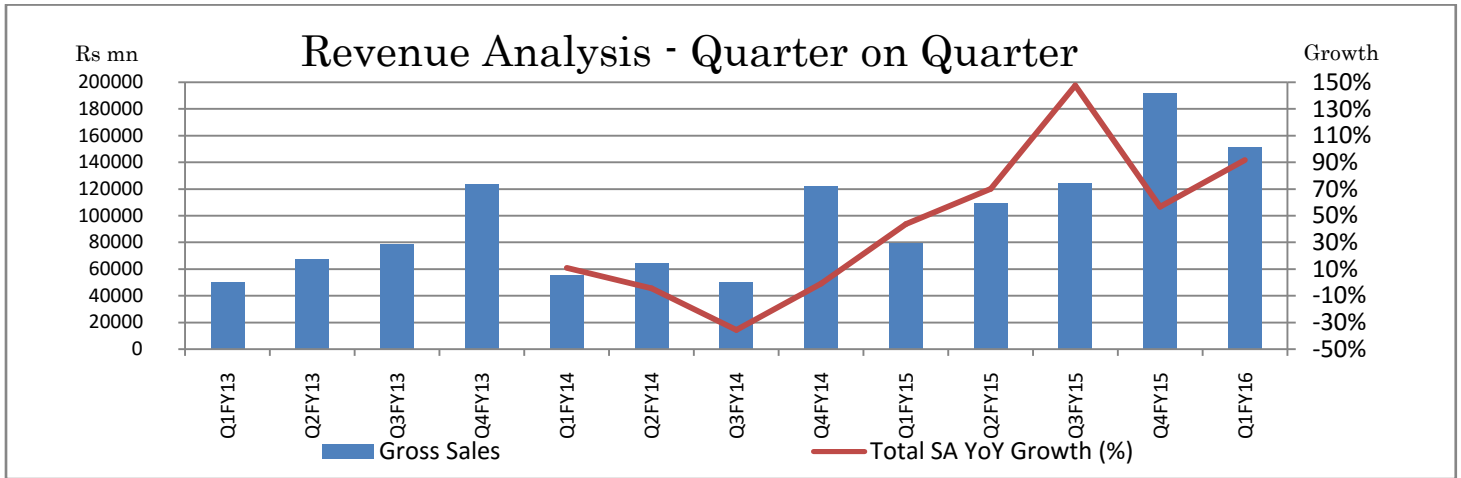
The Indian gold market would reap extensive and much needed benefits, if it is supported by fully functioning, credible and rigorous hallmarking system.

- 1) Under-caratage would be reduced, to the benefit of consumers.
- 2) Trust in gold as collateral would be enhanced, making gold more productive with the Indian economy.
- 3) Indian jewelry would be more highly valued, thereby boosting exports.
- 4) A strengthened market would sustain growth in the gold jewelry sector, thereby creating significant employment opportunities

Conclusion

The World Gold Council estimates that exports could increase to at least US\$ 40 bn and up to 2.5 million jobs could be created

by 2020, if local consumers, overseas buyers and financial markets could place their trust in the quality and purity of Indian gold



5-year Price Chart



Income Statement (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016E	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	CAGR (2016-20)
Revenue	200,452	250,621	304,251	285,141	504,628	615,646	675,979	741,549	817,929	899,722	12%
y/y		25.0%	21.4%	-6.3%	77.0%	22.0%	9.8%	9.7%	10.3%	10.0%	
Cost of Revenue	-203,254	-246,823	-308,150	-280,732	-495,804	-604,565	-663,812	-728,202	-803,206	-883,527	
Gross Profit	-2,802.6	3,798.0	-3,898.6	4,409.0	8,824.0	11,081.6	12,167.6	13,347.9	14,722.7	16,195.0	
Gross margin (%)	-1.4%	1.5%	-1.3%	1.5%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	
Other Operating Revenue	4,886	5,918	7,719	6,645	6,645	6,772	7,436	8,157	8,997	9,897	
as a % of sales	2.4%	2.4%	2.5%	2.3%	1.3%	1.1%	1.1%	1.1%	1.1%	1.1%	
Selling, General & Admin Expense	-314.6	-424.3	-272.2	-2,436.1	-2,805.0	-3,693.9	-4,055.9	-4,449.3	-4,907.6	-5,398.3	
as a % of sales	0.2%	0.2%	0.1%	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
Other Operating expenses	1,695.5	-3,243.8	4,026.6	-1,131.1	-622.2	-615.6	-676.0	-741.5	-817.9	-899.7	
as a % of sales	-0.8%	1.3%	-1.3%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
Operating Income	3,464.2	6,047.4	7,574.5	7,486.4	12,041.4	13,544.2	14,871.5	16,314.1	17,994.4	19,793.9	10%
y/y		74.6%	25.3%	-1.2%	60.8%	12.5%	9.8%	9.7%	10.3%	10.0%	
Operating margin (%)	1.7%	2.4%	2.5%	2.6%	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	
Interest Expense	-1,666.8	-3,693.5	-2,995.1	-3,634.7	-4,782.7	-4,780.9	-4,780.9	-4,780.9	-4,780.9	-4,780.9	
Interest income	684.6	1,948.7	289.8	186.8	0.0	0.0	0.0	0.0	0.0	0.0	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	25.1	15.9	26.8	-6.3	1.1	0.0	0.0	0.0	0.0	0.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	181.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	2,688	4,319	4,896	4,038	7,260	8,763	10,091	11,533	13,214	15,013	16%
y/y		60.6%	13.4%	-17.5%	79.8%	20.7%	15.1%	14.3%	14.6%	13.6%	
Pretax Income (adjusted)	2,507	4,319	4,896	4,037	7,260	8,763	10,091	11,533	13,214	15,013	16%
y/y		72.2%	13.4%	-17.5%	79.8%	20.7%	15.1%	14.3%	14.6%	13.6%	
- Income Tax Expense	-208.1	-194.5	-370.1	-462.8	-711.3	-876.3	-1,009.1	-1,153.3	-1,321.4	-1,501.3	
effective tax rate (%)	7.7%	4.5%	7.6%	11.5%	9.8%	10.0%	10.0%	10.0%	10.0%	10.0%	
- Minority Interests	0	0	0	0	0	0	0	0	0	0	
Income Before XO Items	2,480	4,124	4,526	3,575	6,548	7,887	9,082	10,380	11,892	13,512	16%
y/y		66.3%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	2,480	4,124	4,526	3,575	6,548	7,887	9,082	10,380	11,892	13,512	16%
y/y		66.3%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	2,299.1	4,124.0	4,525.9	3,574.7	6,548.4	7,887.0	9,081.6	10,379.9	11,892.2	13,511.7	16%
y/y		79.4%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%	
Basic EPS (reported)	8.4	14.0	15.3	12.1	22.2	26.7	30.8	35.2	40.3	45.8	
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	26.7	30.8	35.2	40.3	45.8	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
Diluted EPS (reported)	8.40	13.97	15.33	12.11	22.18	26.71	30.76	35.16	40.28	45.76	16%
y/y		66.3%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%	
Diluted EPS (adjusted)	7.79	13.97	15.33	12.11	22.18	26.71	30.76	35.16	40.28	45.76	16%
y/y		79.4%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%	
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	

Reference Items	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016E	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
EBITDA	3,484	6,068	7,595	7,651	12,663	14,160	15,548	17,056	18,812	20,694
Dividends per Share	0.60	0.60	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Dividend payout ratio	7.7%	4.3%	6.5%	8.3%	4.5%	3.7%	3.3%	2.8%	2.5%	2.2%
Dep & Amor.	20	21	21	164	622	616	676	742	818	900
as a % of sales	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Balance Sheet (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016E	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Assets										
+ Cash & Near Cash Items	78,150	78,548	98,458	72,142	109,318	124,434	134,278	145,026	157,150	170,078
+ Short-Term Investments	-	-	-	-	12,555	12,555	12,555	12,555	12,555	12,555
+ Accounts & Notes Receivable	15,888	26,018	23,291	24,152	21,949	23,614	31,484	34,538	38,095	41,905
+ Inventories	3,773	6,344	7,753	5,713	6,752	8,282	9,093	9,975	11,003	12,103
+ Other Current Assets	6,863	8,058	8,161	8,129	7,009	7,009	7,009	7,009	7,009	7,009
Total Current Assets	104,674	118,969	137,662	110,135	157,582	175,894	194,419	209,103	225,812	243,649
+ Long-Term Investments	374	374	374	503	369	369	369	369	369	369
+ Gross Fixed Assets	524	542	549	1,673	2,248	3,480	4,156	4,897	5,715	6,615
- Accumulated Depreciation	-150	-170	-191	-354	-976	-1,592	-2,268	-3,010	-3,827	-4,727
+ Net Fixed Assets	374	372	358	1,319	1,272	1,888	1,888	1,888	1,888	1,888
+ Other Long-Term Assets	14	14	7	423	298	298	298	298	298	298
+ Goodwill & other Intangible Assets	-	-	-	-	-	-	-	-	-	-
Total Long-Term Assets	762.3	759.6	738.8	2,245.8	1,939.1	2,554.7	2,554.7	2,554.7	2,554.7	2,554.7
Total Assets	105,435.9	119,728.3	138,401.2	112,381.2	159,521.2	178,448.3	196,973.9	211,658.0	228,366.3	246,204.0
Liabilities & Shareholders' Equity										
+ Accounts Payable	59,062	62,522	80,499	52,155	88,045	99,380	109,120	113,719	118,831	123,452
+ Short-Term Borrowings	25,342	32,567	27,286	31,176	36,776	36,776	36,776	36,776	36,776	36,776
+ Other Short-Term Liabilities	5,008	4,662	6,384	1,539	501	501	501	501	501	501
Total Current Liabilities	89,412.1	99,751.0	114,168.9	84,870.6	125,322.4	136,657.7	146,397.0	150,996.4	156,107.8	160,729.0
+ Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Long-Term Liabilities	56.1	91.2	86.7	85.7	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	89,468.2	99,842.1	114,255.6	84,956.3	125,322.4	136,657.7	146,397.0	150,996.4	156,107.8	160,729.0
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	295	295	295	295	295	295	295	295	295	295
+ Retained Earnings & Other Equity	15,672	19,591	23,850	27,130	33,904	41,495	50,282	60,366	71,963	85,180
Total Shareholders' Equity	15,967.7	19,886.1	24,145.7	27,424.9	34,198.8	41,790.6	50,576.9	60,661.6	72,258.5	85,475.0
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	105,435.9	119,728.3	138,401.2	112,381.2	159,521.2	178,448.3	196,973.9	211,658.0	228,366.3	246,204.0

Cash Flow (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016E	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
+ Net Income	2,688.0	4,318.8	4,896.2	4,037.3	6,548.4	7,887.0	9,081.6	10,379.9	11,892.2	13,511.7
+ Depreciation & Amortization	19.6	20.7	20.6	164.1	622.0	615.6	676.0	741.5	817.9	899.7
+ Other Non-Cash Adjustments	1,661.3	3,691.4	2,141.4	3,011.5	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	2,437.2	-10,941.7	21,427.6	-32,235.9	37,136.0	8,140.6	1,057.5	663.4	526.5	-288.6
Cash From Operating Activities	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	16,643.3	10,815.1	11,784.8	13,236.7	14,122.8
+ Disposal of Fixed Assets	0.0	0.2	0.0	0.2						
+ Capital Expenditures	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-1,231.3	-676.0	-741.5	-817.9	-899.7
+ Increase in Investments	0.0	0.0	0.0	-100.0	259.5	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	15.0	0.0	0.0	0.0						
+ Other Investing Activities	0.6	2.2	1.6	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash From Investing Activities	-11.1	-16.0	-5.5	-1,253.6	-749.7	-1,231.3	-676.0	-741.5	-817.9	-899.7
+ Dividends Paid	-226.5	-205.9	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	4,441.0	7,224.6	-5,280.4	3,890.0	5,599.8	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	0.0	0.0	0.0						
+ Increase in Capital Stocks	2,272.3	0.0	0.0	0.0						
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0						
+ Other Financing Activities	-1,666.9	-3,693.5	-2,995.1	-3,634.8						
Cash from Financing Activities	4,819.9	3,325.2	-8,570.8	-40.0	5,304.6	-295.3	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	11,614.8	398.3	19,909.4	-26,316.5	48,861.2	15,116.7	9,843.9	10,748.0	12,123.5	12,927.8

Ratio Analysis	FY 03/2011	FY 03/2012	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016E	FY 03/2017E	FY 03/2018E	FY 03/2019E	FY 03/2020E
Growth Ratios %										
Revenue		25.0%	21.4%	-6.3%	77.0%	22.0%	9.8%	9.7%	10.3%	10.0%
EBITDA		74.2%	25.2%	0.7%	65.5%	11.8%	9.8%	9.7%	10.3%	10.0%
Operating Income		74.6%	25.3%	-1.2%	60.8%	12.5%	9.8%	9.7%	10.3%	10.0%
Net income reported		66.3%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%
Net income adjusted		79.4%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%
Diluted EPS reported		66.3%	9.7%	-21.0%	83.2%	20.4%	15.1%	14.3%	14.6%	13.6%
Diluted EPS adjusted		79%	10%	-21%	83%	20%	15%	14%	15%	14%
Dividend per share		0.00%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts Receivables		63.8%	-10.5%	3.7%	-9.1%	7.6%	33.3%	9.7%	10.3%	10.0%
Inventory		68.1%	22.2%	-26.3%	18.2%	22.7%	9.8%	9.7%	10.3%	10.0%
Fixed Assets		-0.3%	-2.7%	204.0%	-13.7%	31.7%	0.0%	0.0%	0.0%	0.0%
Total Assets		13.6%	15.6%	-18.8%	41.9%	11.9%	10.4%	7.5%	7.9%	7.8%
Working Capital		-28.7%	78.1%	-67.1%	236.5%	15.4%	1.7%	1.1%	0.8%	-0.5%
Accounts Payable		5.9%	28.8%	-35.2%	68.8%	12.9%	9.8%	4.2%	4.5%	3.9%
Short Term Debt		28.5%	-16.2%	14.3%	18.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long Term Debt										
Total Equity		24.5%	21.4%	13.6%	24.7%	22.2%	21.0%	19.9%	19.1%	18.3%
Cash From Operations		-142.8%	-1078.6%	-187.8%	-277.1%	-62.4%	-35.0%	9.0%	12.3%	6.7%
Capital Expenditure		31.1%	61.4%	-16142.5%	12.6%	-22.0%	45.1%	-9.7%	-10.3%	-10.0%
Free Cash Flow		-143.2%	-1072.2%	-191.9%	-265.4%	-64.4%	-34.2%	8.9%	12.5%	6.5%

	FY 03/2011	FY 03/2012	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016E	FY 03/2017E	FY 03/2018E	FY 03/2019E	FY 03/2020E
Per Share Data (INR)										
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	26.7	30.8	35.2	40.3	45.8
Diluted EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	26.7	30.8	35.2	40.3	45.8
Dividend per share (DPS)	0.6	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Book Value per share (BVPS)	54.1	67.4	81.8	92.9	115.8	141.5	171.3	205.5	244.7	289.5
Margins (%)										
Gross Margin	-1.4%	1.5%	-1.3%	1.5%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Operating Margin	1.7%	2.4%	2.5%	2.6%	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%
EBITDA Margin	1.7%	2.4%	2.5%	2.7%	2.5%	2.3%	2.3%	2.3%	2.3%	2.3%
Pre-Tax Margin (adjusted)	1.3%	1.7%	1.6%	1.4%	1.4%	1.4%	1.5%	1.6%	1.6%	1.7%
Net Income Margin (adjusted)	1.1%	1.6%	1.5%	1.3%	1.3%	1.3%	1.3%	1.4%	1.5%	1.5%
Return Ratios										
Dupont ROE (%)	14.4%	20.7%	18.7%	13.0%	19.1%	18.9%	18.0%	17.1%	16.5%	15.8%
Margin (%)	1.1%	1.6%	1.5%	1.3%	1.3%	1.3%	1.3%	1.4%	1.5%	1.5%
Turnover (x)	1.9	2.1	2.2	2.5	3.2	3.4	3.4	3.5	3.6	3.7
Leverage (x)	6.6	6.0	5.7	4.1	4.7	4.3	3.9	3.5	3.2	2.9
Return on Assets	2.2%	3.4%	3.3%	3.2%	4.1%	4.4%	4.6%	4.9%	5.2%	5.5%
Return on Capital Employed	21.6%	30.3%	31.3%	27.2%	35.2%	32.4%	29.4%	26.9%	24.9%	23.2%
Return on Invested Capital	5.6%	7.9%	8.8%	6.1%	9.2%	10.0%	10.4%	10.7%	10.9%	11.1%
FCF Calculation										
Op. cash	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	16,643.3	10,815.1	11,784.8	13,236.7	14,122.8
capex	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-1,231.3	-676.0	-741.5	-817.9	-899.7
FCF (INR million)	6,779.3	-2,929.3	28,478.6	-26,177.8	43,297.1	15,412.0	10,139.1	11,043.3	12,418.7	13,223.1
FCF margin (%)	3.4%	-1.2%	9.4%	-9.2%	8.6%	2.5%	1.5%	1.5%	1.5%	1.5%
FCF per share	22.96	-9.92	96.46	-88.66	146.65	52.20	34.34	37.40	42.06	44.79
Price/FCF per share	24.89	-57.60	5.92	-6.45	3.90	10.95	16.64	15.28	13.59	12.76
FCF Yield	4.0%	-1.7%	16.9%	-15.5%	25.7%	9.1%	6.0%	6.5%	7.4%	7.8%
Net Cash calculation										
Cash + short term investments	78,150.0	78,548.3	98,457.6	72,141.6	121,872.4	136,989.1	146,833.0	157,581.1	169,704.5	182,632.4
Less: long term debt + ST debt	-25,342.1	-32,566.7	-27,286.1	-31,176.1	-36,775.9	-36,775.9	-36,775.9	-36,775.9	-36,775.9	-36,775.9
Net Cash	52,807.9	45,981.7	71,171.5	40,965.5	85,096.5	100,213.2	110,057.1	120,805.1	132,928.6	145,856.4
Net cash per share	178.9	155.7	241.1	138.7	288.2	339.4	372.8	409.2	450.2	494.0
Valuation ratio's										
P/B	1.96	1.91	1.47	0.94	1.69	4.04	3.34	2.78	2.34	1.97
P/E	13.60	9.21	7.84	7.24	8.82	21.39	18.58	16.26	14.19	12.49
P/S	0.16	0.15	0.12	0.09	0.11	0.27	0.25	0.23	0.21	0.19
EV/sales	-0.11	-0.03	-0.12	-0.05	-0.05	0.14	0.12	0.11	0.10	0.09
EV/EBITDA	-6.18	-1.32	-4.70	-1.97	-2.16	5.91	5.38	4.90	4.45	4.04
EV/EBIT	-6.22	-1.32	-4.71	-2.01	-2.27	6.18	5.62	5.13	4.65	4.23
EV/FCF	-3.18	2.73	-1.25	0.58	-0.63	5.43	8.25	7.57	6.73	6.33
Dividend Yield (%)	0.10%	0.10%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Div payout on FCF	2.6%	-6.0%	1.0%	-1.1%	0.7%	1.9%	2.9%	2.7%	2.4%	2.2%

	FY 03/2011	FY 03/2012	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016E	FY 03/2017E	FY 03/2018E	FY 03/2019E	FY 03/2020E
Working Capital Ratios										
Receivable days (DSO)	14	31	30	30	17	14	17	17	17	17
Inventory days (DIO)	3	7	8	9	5	5	5	5	5	5
Payables days (DPO)	53	90	85	86	52	60	60	57	54	51
Current ratio	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.5
Quick ratio	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.4	1.4
Working capital	-37546	-26764	-47678	-15701	-52837	-60977	-62035	-62698	-63225	-62936
Cash conversion cycle	-35	-52	-47	-47	-30	-41	-38	-35	-32	-29
Leverage Ratios										
Debt / equity	159%	164%	113%	114%	108%	88%	73%	61%	51%	43%
Net cash (debt) / equity	331%	231%	295%	149%	249%	240%	218%	199%	184%	171%
Net cash (debt) / mkt cap	169%	121%	201%	158%	147%	59%	65%	72%	79%	86%
Net cash (debt) / capital	128%	88%	138%	70%	120%	128%	126%	124%	122%	119%
Coverage Ratios										
Interest coverage [EBIT]	3.5	3.5	2.8	2.2	2.5	2.8	3.1	3.4	3.8	4.1
Interest coverage [Opt. CF]	6.9	-1.7	10.5	-7.3	9.3	3.5	2.3	2.5	2.8	3.0
Earnings Quality Ratios										
Net operating assets/liab [NOA]	-36840	-26096	-47026	-13541	-50898	-58423	-59480	-60144	-60670	-60381
Average NOA		-31468	-36561	-30283	-32219	-54660	-58951	-59812	-60407	-60526
B/S accrual ratio		-0.34	0.57	-1.11	1.16	0.14	0.02	0.01	0.01	0.00
CF accrual ratio		-0.22	0.66	-0.99	1.15	0.14	0.02	0.01	0.01	0.00
Enterprise Value Calculation										
Market Cap.	31,261	37,981	35,471	25,893	57,766	168,735				
+ Minority Interest	0	0	0	0	0	0				
+Total Debt (ST & LT Debt)	25,342	32,567	27,286	31,176	36,776	36,776				
- Cash & Equivalents	78,150	78,548	98,458	72,142	121,872	121,872				
Enterprise Value	-21,547	-8,001	-35,700	-15,072	-27,331	83,639				

DCF model	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(in INR million)															
EBIT	3,464	6,047	7,575	7,486	12,041	13,544	14,872	16,314	17,994	19,794	24,068	25,752	27,555	29,208	30,961
% growth	0%	75%	25%	-1%	61%	12%	10%	10%	10%	10%	22%	7%	7%	6%	6%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIAT	3,196	5,775	7,002	6,628	10,862	12,190	13,384	14,683	16,195	17,814	21,661	23,177	24,799	26,287	27,865
% growth	0%	81%	21%	-5%	64%	12%	10%	10%	10%	10%	22%	7%	7%	6%	6%
+ D&A	20	21	21	164	622	616	676	742	818	900	963	1,030	1,102	1,168	1,238
- Capital expenditures	-27	-18	-7	-1,155	-1,009	-1,231	-676	-742	-818	-900	-3,851	-4,120	-4,409	-4,673	-4,954
- Change in net WC	2,437	-10,942	21,428	-32,236	37,136	8,141	1,058	663	527	-289	-1,323	-1,868	-2,431	-2,403	-2,897
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	47,610	19,715	14,442	15,346	16,722	17,526	17,449	18,219	19,062	20,380	21,252
FCY y/y growth		-192%	-651%	-194%	-279%	-59%	-27%	6%	9%	5%	0%	4%	5%	7%	4%

Value per Share

Terminal Growth	Cost of capital				
	10.5%	11.5%	12.5%	13.5%	14.5%
2.0%	966	893	834	785	744
2.3%	979	902	841	790	748
2.5%	988	909	846	794	751
2.8%	1,002	919	853	800	756
3.0%	1,012	926	859	804	759

WACC		12.5%
PV of Free Cash Flow		97,508
PV of Terminal Value		67,081
Add: Net Cash		85,096
Total Equity Value		249,685
Shares outstanding		295.25
DCF value		846

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Evaluate Research Ltd.

30/F Singapore Land Tower
50 Raffles Place
SINGAPORE

Sai Capital Bldg – Suite 402
Opp. JW Marriott Hotel
SB RD, Pune 411 016
INDIA

Analyst:

Prajwal Gote
prajwal@evaluateresearch.com

Client Servicing:

Pooja Burgul
pooja@evaluateresearch.com

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