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Rajesh Exports

Bloomberg: RJEX_IN

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 564.00
Upside Potential	60%

Q4FY03-2016 [ended March] Earnings Update

Market Cap.	Rs. 166,512mn \$ 2.52bn
Shares Outstanding	295mn
Free Float (FF %)	133mn / 44.9%
52 Week Range (Rs)	218 / 746
Avg. Daily Value	Rs. 560mn \$ 8.5mn
SENSEX Index Level	26,714
Insider Holding %	53%

Robust Q4FY16, Valcambi Acquisition Drives Top-line

Rajesh Exports reported strong fourth quarter [ended March] and full year FY2016 financial results where both revenues and earnings easily outpaced our estimates. On a quarterly basis, revenue and EPS surpassed our estimates by 2% and 24%, respectively. Moreover, the company's annual figure also exceeded our revenue and EPS projection by 1% and 4.7%, respectively.

P/E 22x (FY03/2017E)

In our call following the results with Rajesh Mehta, Chairman & MD of Rajesh Exports, he said "Valcambi's integration went better than expected as both the management and the employees were very supportive. Management remains optimistic about growing the business in the next few years".



For the fourth quarter, the company posted Rs 559.2 billion in revenues, up 192% YoY. Net profit for the quarter increased 20% to approximately Rs 2.5 billion against the same quarter last year. EPS for the reported quarter stood at Rs 8.37 as compared with Rs 6.96 in the comparable quarter last year.

Likewise, for fiscal 2016, the company witnessed 227% yearly growth in revenue mainly buoyed by the consolidation of Valcambi, which is 4 times the size of Rajesh Exports. Net profit for the period stood at Rs 10.7 billion, up 63% YoY. EPS for 2016 came at Rs 36.13 against Rs 22.18 in 2015. For FY2017, we expect revenue growth of 25% to Rs. 2,065 billion and EPS growth of 12% to Rs. 40.44.

Risk: Above Average

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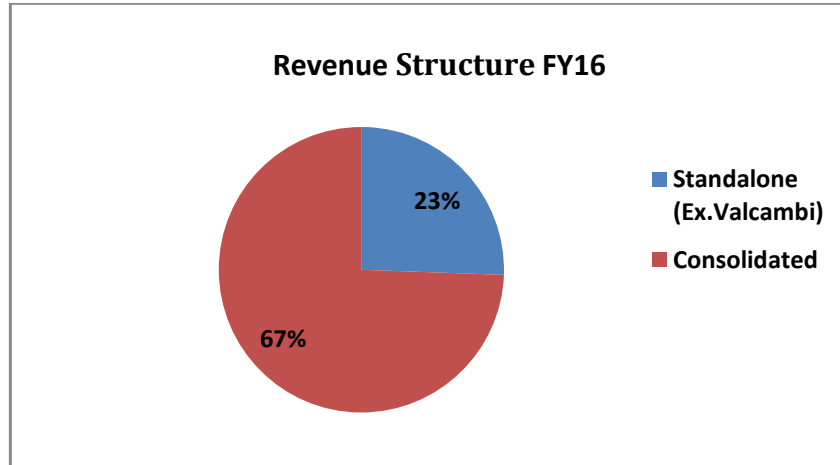
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On the standalone basis, revenues for fourth quarter 2016 declined 16.2% to Rs 104 billion. We believe that the declining gold price coupled with sluggish jewelry demand and the 43 days strike due to the Indian government's decision to levy 1% excise duty on non-silver jewelry manufacturing, may have impacted revenue growth. Net profit for the same period stood at Rs 766 million against Rs 29 million in the prior year quarter. EPS came at Rs 2.59 versus Rs 0.10 in the same quarter last year.

For FY2016, revenues edged up 1.8% as compared to last year while net profit for the reported period came at Rs 4.7 billion, up 81% as compared with 2015.

The order book position as on March 31, 2016 stood at Rs 345 billion; these orders are to be completed by Jul 2016.



Source: Annual Report

One-Year Price Target of Rs 900

Our one-year price target on Rajesh Exports is Rs 900, driven by strong fundamentals and increased visibility of earnings. This indicates 60% upside potential from current levels. We expect Rs 16.5 billion in operating income in FY03/2017 and Rs 18 billion in FY03/2018. Rajesh Exports is the leading refiner and manufacturer of gold and gold ornaments, servicing around 40% of the world's gold refining demand. The company has reported robust results in 2016 and we expect the momentum to continue going forward driven by strong tailwinds which are likely to unfold in the coming period. Our 12-month price target on the stock is based on P/E and backed by DCF methodology. Our DCF based price is Rs 1,084 which assumes 12.4% WACC and 2% terminal growth rate. We apply a 22x on our FY17 EPS estimate of Rs 40.44 which comes to Rs 900.

Our Call with the Management

Following the Q4FY16 earnings release, we spoke with the CEO who noted that the robust results on a consolidated level were mainly driven by the successful integration of Valcambi. Management also expects positive synergies from complete integration of Valcambi in the next few years. Management appears to be open to another acquisition in the near future, and has publicly disclosed that there will be a board meeting on June 13th to discuss a possible deal.

Order Book Summary

1. Rajesh Exports has won an export order worth Rs 10.5 billion of a designer range of gold and diamond studded jewelry and medallions from UAE. The order is to be completed by August 2016.
2. Rajesh Exports struck an export contract worth Rs 7.8 billion of a designer range of gold diamond studded jewelry and medallions from Singapore. This order is to be completed by July 2016
3. Rajesh Exports has secured an export order worth Rs 11.9 billion of a designer range of gold diamond studded jewelry and medallions from UAE. This order is to be completed by June 2016.
4. Rajesh Exports has bagged an export order worth Rs 10.5 billion of a designer range of gold and diamond studded jewelry and medallions from Singapore. The order is to be completed by May 2016.
5. Rajesh Exports won an export order worth Rs 8.4 billion of designer range of gold and diamond studded jewelry and medallions from UAE. The order is to be completed by April 2016.

The order book position as of March 2016 of the company was Rs 345.6 billion. These orders are to be completed by July 2016.

Growth Drivers

The Indian Meteorological department has projected an above-average monsoon which we believe will further drive rural incomes, thereby creating strong demand for gold jewelry over the coming quarters.

The recent decline in global gold prices is likely to trigger demand for jewelry sales in India. Moreover, favorable demographics [young population] coupled with the government's plan to increase custom duty (15% from 10%) on imported imitation ornaments will further reduce competition and boost demand for domestic gold jewelry.

During declining gold prices, unlike other gold jewelry manufacturers, Rajesh Exports can sustain similar margins as it does not maintain excess gold inventory.

As per Research and Markets, Indian jewelry market is estimated to grow at a Compound Annual Growth Rate (CAGR) of 15.95% in 2014-2019 periods.

The acquisition of Valcambi coupled with strong order pipelines will continue to act as strong catalysts for Rajesh Exports going forward. Moreover, a strong cash position and minimal debt obligations will further support the company's future acquisition goals. The company has also maintained a strong dividend history.

Risks

Implementation of 1% excise duty on non-silver jewelry manufacturing will hurt the domestic jewelry business going forward.

Strikes and labor issues may impede future growth for the company. The recent 43-days strike is believed to have generated losses of more than Rs 500 bn for the Indian jewelry industry.

The company's retail stores are located only in Karnataka. Despite being late to enter the retail arena, it lacks an aggressive growth strategy, which might result in lower-than-expected growth in the retail business.

The company's plan to venture into the gold loan business seems to be a risky proposition at this juncture given the yellow metal's volatile nature at current levels.

The company has an annual refining capacity of 2,400 tons out of which it utilized 1,100 tons. Likewise, it has a yearly manufacturing capacity of 350 tons of which it utilized 165 tons. Hence, the company's refinery and manufacturing unit is operating less than 50% to its capacity.

Latest Update on Gems & Jewelry Industry

As per the World Gold Council, the overall demand for gold in the first quarter of 2016 improved 21% year over year to 1,290 tonnes mainly driven by 122% year over year growth in investment. Likewise, during the same period, gold supply inched up 5% year over year buoyed by 8% growth in mine supply. However, on an annual basis global demand for gold jewelry fell 19%, mainly affected by muted demand across both India and China which accounted for nearly 65% of the global jewelry demand in 2015. During the same comparable period, jewelry demand for both the countries declined 41% and 17%, respectively.

Domestic Market

Recently, the Indian jewelry business touched its 7-year low. A sudden increase in the local gold price during the quarter coupled with the government's plan to charge 1% excise duty on non-silver jewelry manufacturing resulted in a huge slump in demand. Following the government's proposal, the entire industry went on a 43 days strike, which further deteriorated the demand during the quarter. As per Sanjiv Agarwal, CEO, Gitanjali Exports, the strike has resulted in losses of Rs 500 bn to 600 bn for the overall jewelry industry.

Even, the Gems and Jewelry Export Promotion Council (GJEPC) believes that the strike has caused a loss of around Rs.700 bn to the Indian jewelry business. Both, Gitanjali and Titan witnessed monthly losses in the band of 15% to 20% and 7% to 8%, respectively.

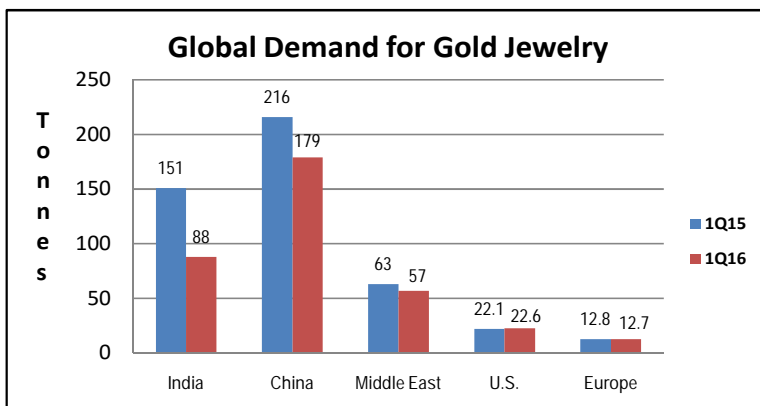
However, giving some respite for the jewelry business, recently the government has rolled back its decision of charging 1% tax collection at source (TCS) on cash purchase of gold jewelry of Rs. 200,000 and above and raised the threshold to the earlier Rs. 500,000 with effect from June 1. This may boost the demand for jewelry in India.

Global Market

Sluggish economic growth coupled with soaring gold prices in the first quarter of 2016 was a prime cause of the slowdown in gold jewelry demand for China. China’s gold jewelry market was further affected by a supply crisis where the government rolled out a new national standard for hallmarking of gold jewelry known as the National Gold Standard Mark. As per the rule, all gold jewelry of 99% purity needs to be hallmarked as Chuk Kam. During March, retailers nationwide were busy adjusting their inventories with the new requirements, in time for the early May deadline.

Meanwhile, easing of economic sanctions on Iran helped gold jewelry demand in the country to grow 10% in the first quarter of 2016 against the last year period. However, the rest of Middle East nations witnessed a 10% decline in demand in the same period mainly affected by geo-political issues and tepid tourism growth.

On the brighter side, gold jewelry demand in the U.S. grew 2% on an annual basis. Except Spain and UK which gained 3% and 1%, respectively, the rest of Europe witnessed a slight fall of 1% during the same comparable period.



Source: World Gold Council

5-year Price Chart



Income Statement (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	CAGR (2016-20)
Revenue	200,452	250,621	304,251	285,141	504,628	1,652,114	2,065,143	2,147,748	2,244,397	2,349,884	36%
y/y		25.0%	21.4%	-6.3%	77.0%	225.0%	25.0%	4.0%	4.5%	4.7%	
Cost of Revenue	-203,254	-246,823	-308,150	-280,732	-495,804	-1,638,897	-2,047,795	-2,129,492	-2,224,422	-2,328,265	
Gross Profit	-2,802.6	3,798.0	-3,898.6	4,409.0	8,824.0	13,216.9	17,347.2	18,255.9	19,975.1	21,618.9	
Gross margin (%)	-1.4%	1.5%	-1.3%	1.5%	1.7%	0.8%	0.8%	0.9%	0.9%	0.9%	
Other Operating Revenue	4,886	5,918	7,719	6,645	6,645	8,261	11,565	12,242	12,793	13,394	
as a % of sales	2.4%	2.4%	2.5%	2.3%	1.3%	0.5%	0.6%	0.6%	0.6%	0.6%	
Selling, General & Admin Expense	-314.6	-424.3	-272.2	-2,436.1	-2,805.0	-6,554.9	-11,571.3	-11,605.4	-12,054.0	-12,395.6	
as a % of sales	0.2%	0.2%	0.1%	0.9%	0.6%	0.4%	0.3%	0.3%	0.3%	0.3%	
Other Operating expenses	1,695.5	-3,243.8	4,026.6	-1,131.1	-622.2	-660.8	-867.4	-923.5	-1,010.0	-1,057.4	
as a % of sales	-0.8%	1.3%	-1.3%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
Operating Income	3,464.2	6,047.4	7,574.5	7,486.4	12,041.4	14,261.7	16,473.3	17,969.1	19,704.3	21,560.2	12%
y/y		74.6%	25.3%	-1.2%	60.8%	18.4%	15.5%	9.1%	9.7%	9.4%	
Operating margin (%)	1.7%	2.4%	2.5%	2.6%	2.4%	0.9%	0.8%	0.8%	0.9%	0.9%	
Interest Expense	-1,666.8	-3,693.5	-2,995.1	-3,634.7	-4,782.7	-2,408.8	-3,208.2	-3,422.1	-3,422.1	-3,422.1	
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	11,853	13,265	14,547	16,282	18,138	20%
y/y		60.6%	13.4%	-17.5%	79.8%	63.3%	11.9%	9.7%	11.9%	11.4%	
Pretax Income (adjusted)	2,507	4,319	4,896	4,037	7,260	11,853	13,265	14,547	16,282	18,138	20%
y/y		72.2%	13.4%	-17.5%	79.8%	63.3%	11.9%	9.7%	11.9%	11.4%	
- Income Tax Expense	-208.1	-194.5	-370.1	-462.8	-711.3	-1,185.3	-1,326.5	-1,454.7	-1,628.2	-1,813.8	
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	10,668	11,939	13,092	14,654	16,324	20%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%	
- 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	10,668	11,939	13,092	14,654	16,324	20%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%	
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	10,667.6	11,938.6	13,092.3	14,654.0	16,324.3	20%
y/y		79.4%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%	
Basic EPS (reported)	8.4	14.0	15.3	12.1	22.2	36.1	40.4	44.3	49.6	55.3	
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.4	44.3	49.6	55.3	
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	36.13	40.44	44.34	49.63	55.29	20%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%	
Diluted EPS (adjusted)	7.79	13.97	15.33	12.11	22.18	36.13	40.44	44.34	49.63	55.29	20%
y/y		79.4%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%	
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	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
EBITDA	3,484	6,068	7,595	7,651	12,663	15,050	17,322	18,883	20,695	22,632
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%	2.8%	2.5%	2.3%	2.0%	1.8%
Dep & Amor.	20	21	21	164	622	788	848	914	990	1,072
as a % of sales	0.0%	0.0%	0.0%	0.1%	0.1%	0.05%	0.04%	0.04%	0.04%	0.05%
Balance Sheet (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Assets										
+ Cash & Near Cash Items	78,150	78,548	98,458	72,142	109,318	126,437	163,129	204,058	224,922	248,098
+ 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	99,579	124,474	117,685	122,981	128,761
+ Inventories	3,773	6,344	7,753	5,713	6,752	26,941	44,883	46,674	48,754	51,030
+ 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	272,521	352,050	387,980	416,221	447,453
+ Long-Term Investments	374	374	374	503	369	8,369	8,369	8,369	8,369	8,369
+ Gross Fixed Assets	524	542	549	1,673	2,248	6,213	6,420	6,613	6,726	6,820
- Accumulated Depreciation	-150	-170	-191	-354	-976	-1,765	-2,613	-3,527	-4,517	-5,590
+ Net Fixed Assets	374	372	358	1,319	1,272	4,449	3,807	3,086	2,208	1,230
+ Other Long-Term Assets	14	14	7	423	298	298	298	298	298	298
+ Goodwill & other Intangible Assets	-	-	-	-	-	5,267	5,267	5,267	5,267	5,267
Total Long-Term Assets	762.3	759.6	738.8	2,245.8	1,939.1	18,383.0	17,741.0	17,020.3	16,142.1	15,163.8
Total Assets	105,435.9	119,728.3	138,401.2	112,381.2	159,521.2	290,904.2	369,790.9	405,000.1	432,362.8	462,616.9
Liabilities & Shareholders' Equity										
+ Accounts Payable	59,062	62,522	80,499	52,155	88,045	202,056	269,299	291,711	304,715	318,940
+ 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	1,501	1,501	1,501	1,501	1,501
Total Current Liabilities	89,412.1	99,751.0	114,168.9	84,870.6	125,322.4	240,333.1	307,576.4	329,988.5	342,992.6	357,217.6
+ Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
+ 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	246,333.1	313,576.4	335,988.5	348,992.6	363,217.6
+ 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	44,276	55,919	68,716	83,075	99,104
Total Shareholders' Equity	15,967.7	19,886.1	24,145.7	27,424.9	34,198.8	44,571.2	56,214.5	69,011.6	83,370.3	99,399.3
+ 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	290,904.2	369,790.9	405,000.1	432,362.9	462,617.0

Cash Flow (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	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	10,667.6	11,938.6	13,092.3	14,654.0	16,324.3
+ Depreciation & Amortization	19.6	20.7	20.6	164.1	622.0	788.1	848.5	914.0	990.4	1,072.2
+ 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	17,191.2	24,406.0	27,411.1	5,627.6	6,169.0
Cash From Operating Activities	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	28,647.0	37,193.1	41,417.4	21,272.0	23,565.5
+ Disposal of Fixed Assets	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-3,965.1	-206.5	-193.3	-112.2	-94.0
+ Increase in Investments	0.0	0.0	0.0	-100.0	259.5	-8,000.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	0.6	2.2	1.6	1.0	0.0	-5,267.0	0.0	0.0	0.0	0.0
Cash From Investing Activities	-11.1	-16.0	-5.5	-1,253.6	-749.7	-17,232.1	-206.5	-193.3	-112.2	-94.0
+ 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	6,000.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	2,272.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	-1,666.9	-3,693.5	-2,995.1	-3,634.8	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	4,819.9	3,325.2	-8,570.8	-40.0	5,304.6	5,704.8	-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	17,119.7	36,691.4	40,928.9	20,864.5	23,176.2

Ratio Analysis	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Growth Ratios %										
Revenue		25.0%	21.4%	-6.3%	77.0%	225.0%	25.0%	4.0%	4.5%	4.7%
EBITDA		74.2%	25.2%	0.7%	65.5%	18.8%	15.1%	9.0%	9.6%	9.4%
Operating Income		74.6%	25.3%	-1.2%	60.8%	18.4%	15.5%	9.1%	9.7%	9.4%
Net income reported		66.3%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%
Net income adjusted		79.4%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%
Diluted EPS reported		66.3%	9.7%	-21.0%	83.2%	62.9%	11.9%	9.7%	11.9%	11.4%
Diluted EPS adjusted		79%	10%	-21%	83%	63%	12%	10%	12%	11%
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%	353.7%	25.0%	-5.5%	4.5%	4.7%
Inventory		68.1%	22.2%	-26.3%	18.2%	299.0%	66.6%	4.0%	4.5%	4.7%
Fixed Assets		-0.3%	-2.7%	204.0%	-13.7%	848.0%	-3.5%	-4.1%	-5.2%	-6.1%
Total Assets		13.6%	15.6%	-18.8%	41.9%	82.4%	27.1%	9.5%	6.8%	7.0%
Working Capital		-28.7%	78.1%	-67.1%	236.5%	32.5%	34.9%	29.0%	4.6%	4.8%
Accounts Payable		5.9%	28.8%	-35.2%	68.8%	129.5%	33.3%	8.3%	4.5%	4.7%
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%	30.3%	26.1%	22.8%	20.8%	19.2%
Cash From Operations		-142.8%	-1078.6%	-187.8%	-277.1%	-35.3%	29.8%	11.4%	-48.6%	10.8%
Capital Expenditure		31.1%	61.4%	-16142.5%	12.6%	-292.9%	94.8%	6.4%	41.9%	16.2%
Free Cash Flow		-143.2%	-1072.2%	-191.9%	-265.4%	-43.0%	49.9%	11.5%	-48.7%	10.9%

Per Share Data (INR)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.4	44.3	49.6	55.3
Diluted EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.4	44.3	49.6	55.3
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	133.1	172.6	215.9	264.5	318.8
Margins (%)										
Gross Margin	-1.4%	1.5%	-1.3%	1.5%	1.7%	0.8%	0.8%	0.9%	0.9%	0.9%
Operating Margin	1.7%	2.4%	2.5%	2.6%	2.4%	0.9%	0.8%	0.8%	0.9%	0.9%
EBITDA Margin	1.7%	2.4%	2.5%	2.7%	2.5%	0.9%	0.8%	0.9%	0.9%	1.0%
Pre-Tax Margin (adjusted)	1.3%	1.7%	1.6%	1.4%	1.4%	0.7%	0.6%	0.7%	0.7%	0.8%
Net Income Margin (adjusted)	1.1%	1.6%	1.5%	1.3%	1.3%	0.6%	0.6%	0.6%	0.7%	0.7%
Return Ratios										
Dupont ROE (%)	14.4%	20.7%	18.7%	13.0%	19.1%	23.9%	21.2%	19.0%	17.6%	16.4%
Margin (%)	1.1%	1.6%	1.5%	1.3%	1.3%	0.6%	0.6%	0.6%	0.7%	0.7%
Turnover (x)	1.9	2.1	2.2	2.5	3.2	5.7	5.6	5.3	5.2	5.1
Leverage (x)	6.6	6.0	5.7	4.1	4.7	6.5	6.6	5.9	5.2	4.7
Return on Assets	2.2%	3.4%	3.3%	3.2%	4.1%	3.7%	3.2%	3.2%	3.4%	3.5%
Return on Capital Employed	21.6%	30.3%	31.3%	27.2%	35.2%	28.2%	26.5%	24.0%	22.0%	20.5%
Return on Invested Capital	5.6%	7.9%	8.8%	6.1%	9.2%	12.2%	12.1%	11.7%	11.6%	11.5%
FCF Calculation										
Op. cash	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	28,647.0	37,193.1	41,417.4	21,272.0	23,565.5
capex	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-3,965.1	-206.5	-193.3	-112.2	-94.0
FCF (INR million)	6,779.3	-2,929.3	28,478.6	-26,177.8	43,297.1	24,681.9	36,986.6	41,224.1	21,159.7	23,471.5
FCF margin (%)	3.4%	-1.2%	9.4%	-9.2%	8.6%	1.5%	1.8%	1.9%	0.9%	1.0%
FCF per share	22.96	-9.92	96.46	-88.66	146.65	83.60	125.27	139.62	71.67	79.50
Price/FCF per share	31.36	-72.57	7.46	-8.12	4.91	8.61	5.75	5.16	10.05	9.06
FCF Yield	3.2%	-1.4%	13.4%	-12.3%	20.4%	11.6%	17.4%	19.4%	10.0%	11.0%
Net Cash calculation										
Cash + short term investments	78,150.0	78,548.3	98,457.6	72,141.6	121,872.4	138,992.1	175,683.4	216,612.3	237,476.8	260,653.0
Less: long term debt + ST debt	-25,342.1	-32,566.7	-27,286.1	-31,176.1	-36,775.9	-42,775.9	-42,775.9	-42,775.9	-42,775.9	-42,775.9
Net Cash	52,807.9	45,981.7	71,171.5	40,965.5	85,096.5	96,216.1	132,907.5	173,836.4	194,700.9	217,877.1
Net cash per share	178.9	155.7	241.1	138.7	288.2	325.9	450.2	588.8	659.4	737.9
Valuation ratio's										
P/B	1.96	1.91	1.47	0.94	1.69	5.41	4.17	3.33	2.72	2.26
P/E	13.60	9.21	7.84	7.24	8.82	19.93	17.81	16.24	14.51	13.02
P/S	0.16	0.15	0.12	0.09	0.11	0.13	0.10	0.10	0.09	0.09
EV/sales	-0.11	-0.03	-0.12	-0.05	-0.05	0.08	0.06	0.06	0.06	0.05
EV/EBITDA	-6.18	-1.32	-4.70	-1.97	-2.16	8.47	7.36	6.75	6.16	5.63
EV/EBIT	-6.22	-1.32	-4.71	-2.01	-2.27	8.94	7.74	7.09	6.47	5.91
EV/FCF	-3.18	2.73	-1.25	0.58	-0.63	5.17	3.45	3.09	6.02	5.43
Dividend Yield (%)	0.08%	0.08%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
Div payout on FCF	2.6%	-6.0%	1.0%	-1.1%	0.7%	1.2%	0.8%	0.7%	1.4%	1.3%

Working Capital Ratios	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Receivable days (DSO)	14	31	30	30	17	22	22	20	20	20
Inventory days (DIO)	3	7	8	9	5	6	8	8	8	8
Payables days (DPO)	53	90	85	86	52	45	48	50	50	50
Current ratio	1.2	1.2	1.2	1.3	1.3	1.1	1.1	1.2	1.2	1.3
Quick ratio	1.1	1.1	1.1	1.2	1.2	1.0	1.0	1.0	1.1	1.1
Working capital	-37546	-26764	-47678	-15701	-52837	-70028	-94434	-121845	-127473	-133642
Cash conversion cycle	-35	-52	-47	-47	-30	-17	-18	-22	-22	-22
Leverage Ratios										
Debt / equity	159%	164%	113%	114%	108%	96%	76%	62%	51%	43%
Net cash (debt) / equity	331%	231%	295%	149%	249%	216%	236%	252%	234%	219%
Net cash (debt) / mkt cap	169%	121%	201%	158%	147%	45%	63%	82%	92%	102%
Net cash (debt) / capital	128%	88%	138%	70%	120%	110%	134%	156%	154%	153%
Coverage Ratios										
Interest coverage [EBIT]	3.5	3.5	2.8	2.2	2.5	5.9	5.1	5.3	5.8	6.3
Interest coverage [Opt. CF]	6.9	-1.7	10.5	-7.3	9.3	11.9	11.6	12.1	6.2	6.9
Earnings Quality Ratios										
Net operating assets/liab [NOA]	-36840	-26096	-47026	-13541	-50898	-51645	-76693	-104825	-111331	-118478
Average NOA		-31468	-36561	-30283	-32219	-51271	-64169	-90759	-108078	-114904
B/S accrual ratio		-0.34	0.57	-1.11	1.16	0.01	0.39	0.31	0.06	0.06
CF accrual ratio		-0.22	0.66	-0.99	1.15	0.01	0.39	0.31	0.06	0.06
Enterprise Value Calculation										
Market Cap.	31,261	37,981	35,471	25,893	57,766	212,580				
+ 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	127,484				

DCF model	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(in INR million)															
EBIT	3,464	6,047	7,575	7,486	12,041	14,262	16,473	17,969	19,704	21,560	22,484	26,890	28,411	29,706	31,028
% growth	0%	75%	25%	-1%	61%	18%	16%	9%	10%	9%	4%	20%	6%	5%	4%
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	12,836	14,826	16,172	17,734	19,404	20,235	24,201	25,569	26,735	27,925
% growth	0%	81%	21%	-5%	64%	18%	16%	9%	10%	9%	4%	20%	6%	5%	4%
+ D&A	20	21	21	164	622	788	848	914	990	1,072	789	818	849	879	910
- Capital expenditures	-27	-18	-7	-1,155	-1,009	-3,965	-207	-193	-112	-94	-98	-101	-105	-109	-1,128
- Change in net WC	2,437	-10,942	21,428	-32,236	37,136	17,191	24,406	27,411	5,628	6,169	5,660	-2,317	-2,823	-3,346	-3,884
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	47,610	26,850	39,874	44,304	24,240	26,551	26,586	22,601	23,490	24,159	23,823
FCY y/y growth		-192%	-651%	-194%	-279%	-44%	49%	11%	-45%	10%	0%	-15%	4%	3%	-1%

Value per Share

Terminal Growth	Cost of capital				
	10.5%	11.5%	12.5%	13.5%	14.5%
1.5%	1,228	1,145	1,077	1,019	971
1.8%	1,241	1,155	1,084	1,025	975
2.0%	1,250	1,161	1,089	1,029	978
2.3%	1,264	1,172	1,097	1,035	983
2.5%	1,274	1,179	1,103	1,039	986

WACC		12.5%
PV of Free Cash Flow		164,539
PV of Terminal Value		71,915
Add: Net Cash		85,096
Total Equity Value		321,550
Shares outstanding		295.25
DCF value		1,089

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