

# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 1100.00
Current Price	Rs. 780.00
Upside Potential	41%

Market Cap.	Rs.232 bn US\$ 2.83 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	519 / 1030
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	61,055
Insider Holding %	54.05%


**Risk: Above Average**
**Forecasting and Valuations**

INR mn	FY03/2023e	FY03/2024e
Revenue	2,698,720	3,022,567
Net Income	15,754	23,970
EPS (Rs)	53.36	81.19
EPS Growth	56%	52%
PE	15	10
EV/EBITDA	8.8	5.7
P/B	1.7	1.4

**Analyst :**

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**Sales Soar +45% to Record High Level; March Qtr Strong Outlook**

Rajesh Exports reported stellar results, ahead of our expectations, both in terms of revenues as well as profits, for the fiscal third quarter [ended December]. The performance continues to beat expectations as growth in the previous quarter was also solid. Revenue increased significantly by 45% YoY to a record high level of Rs.945 bn vs. Rs.652 bn in Q3 FY2022. The demand for gold was propelled by hefty central bank-buying and persistently strong retail investment. This increased the demand for gold refining business of the company in the third quarter of FY 2022-23. The World Gold Council's latest Gold Demand Trends report reveals that annual gold demand (excluding OTC) in 2022 increased by 18% year-on-year, hitting 4,741 tons which is the highest annual total since 2011.

Net profit for the fiscal third quarter [ended December] came in at a record high level of Rs.4,216 mn, up 40% on a YoY and 13% on a QoQ basis. The sharp jump in net profit was due to 45% growth in revenues in the third quarter as compared to same period last year. We believe that the company can grow its revenues and profit in higher double digits in the last quarter of FY03/2023 [ending March].

Our conversations with the senior management and CEO Rajesh Mehta suggest that the business will post sustained growth YoY in revenue and net profit due to increased volumes in the gold refining business of the company. Since the bulk of the business of the company comes from refining of gold, we expect revenue and profitability to show significant growth due to global central bank buying amidst economic uncertainty. The jewelry business of the company, which has higher margins but relatively lower volumes in comparison to the gold refining business, continues to show significant recovery in the third quarter as well.

We expect operating efficiency to improve as revenue growth maintains similar momentum in the current March quarter. Rajesh Exports' export business from India will continue to show similar robust revenue growth in the coming quarters, especially as the festival season continues in India in FY2022-23. The growth is expected to be strong going forward given the demand for gold in the international market. While the results are ahead of our expectations, we are maintaining our full year estimates.

Our FY03/2023 earnings forecast of Rs. 53 per share implies a growth of 56% over the FY03/2022 earnings. The USA end market continues to be

holding up with still resilient consumer spending expected on healthy employment levels, although inflation and an economic slowdown are areas of concern.

### **Increased Gold Demand from Global Central Banks**

During a period of rising inflation and higher interest rates, currencies such as the US Dollar depreciate in purchasing-power value, leading to surging demand for gold as a stable and more tangible "store of value". The Fed will need to continue to raise interest rates in order to get them to a level high enough to bring inflation back down to the central bank's target rate according to Fed Governor Michelle Bowman.

According to the World Gold Council, annual central bank demand for gold has more than doubled to 1,136 tons in 2022, a new 55-year record high, up from 450 tons during the prior year. Purchases in Q4 2022 alone reached 417 tons, bringing the total for the second half of 2022 to more than 800 tons. Investment demand (excluding OTC) in 2022 was up 10% on the previous year. The increase was the result of two factors: a notable slowdown in ETF outflows and strong gold bar and coin demand. Gold bars and coins continued to hold favor with investors in several countries around the world, which helped to offset weakness in China. Total European gold bar and coin investment for 2022 surpassed 300 tons, aided by persistently robust German demand. There was also significant growth in the Middle East, where annual demand increased by 42% year-on-year. Total annual supply of gold in 2022 continued its upward trajectory, up by 2% YoY to 4,755 tons, remaining above pre-pandemic levels. Mining production increased to 3,612 tons which is at a four year high.

Global jewelry demand softened slightly in 2022, down 3% at 2,086 tons. This weakness was largely driven by the marked drop in Chinese annual jewelry demand, down 15% as consumer activity was curtailed by ongoing COVID-19 lockdowns for most of the year. The gold price rally in Q4 also contributed to the annual decline in jewelry demand.

### **Maintain Price Target to Rs. 1100; 41% Upside**

We maintain our price target of Rs.1,100 on account of continued growth momentum in revenues and net profit since Q3FY21 implying a P/E multiple of 20.6x on our FY03/2023 EPS estimate of Rs.53, and a P/E of 13.5x on our forward FY03/2024 estimate of Rs.81.19. We continue to remain positive on the margin growth story based on the company's strong execution history. As the company operates at a low absolute level of operating margins, a relatively small increase in margins will lead to a significant accretion to EPS.

Our price target represents an upside of approximately 41% from the current levels. Our 12-month price target on the stock is based on DCF methodology and backed by traditional P/E multiples as well. Please see detailed earnings and valuation model attached.

Rajesh Exports is the world's largest refiner of gold and largest exporter of gold jewelry with a 40% market share in India. With over 30 years of operating history, the company is a low-cost manufacturer due to economies of scale, and it derives 90% of its revenues from exports. The company hopes

to eventually expand its retail stores in India as well, with 82 stores presently. The company is a prime beneficiary of secular growth in Indian and Asian gold and jewelry demand.

Currently, the stock is trading at a P/E of 10x on our forward FY03/2024 EPS estimate, which is at a discount to its 5-year average P/E of 20x, as well as the overall Indian stock market where the benchmark NIFTY Index is trading at approximately a trailing 22x and a forward 19x estimated P/E levels.

Also, the stock is trading at a Price/Sales ratio of just 0.09x on FY03/2022 revenue and a P/S of 0.08x on our forward FY03/2024 estimate, which is at a significant discount to the trailing P/S ratio of 2.0x for the NIFTY Index.

### **Order Book of Rs.784 bn at the end of Q3FY23**

The order book position of the company stood at Rs.784 bn at the end of Q3FY2023, with a growth of 10% on a sequential QoQ basis. The order book had grown by a strong 48% in the previous quarter on a sequential basis. Growth in the order book has continued to accelerate in the third quarter as the global economic situation gradually returns to normalcy along with a slight increase in the price of gold. The company had introduced new designs in the international markets which constitute a new range of jewelry.

The company will be executing orders from its own manufacturing facility, which is the world's largest jewelry manufacturing facility. This facility has a processing capacity of 250 tons of jewelry and gold products per annum. The company is confident of executing its orders well within the time frame on the back of its expertise, skilled craftsmen, artisans & its exceptionally strong backward integrated infrastructure but only after the global pandemic situation comes back to normal. The company continues to focus on the strategy of sale of high margin products to accelerate revenue and profitability growth in the longer term. The growth in order book also indicates that the company will continue to show recovery in profitability in FY03/2023 and beyond.

### **Q3 Operational Details**

Rajesh Exports remains a zero-debt company. The company's gross profit margin was at 0.58% in Q3 FY2023 as compared to 0.62% in Q3 FY2022 due to lower margins from the gold refining business. The operating profit margin was flat at 0.4% in Q3 FY2023 as compared to 0.5% in Q3 FY2022 indicating stability in operational performance. We believe gross and operating margins have already bottomed out and will only recover going forward as revenue from sale of high margin products is expected to show renewed growth. The recovery has already started in the third quarter of last year, with higher growth in the second and third quarter this year. So, we believe both gross and operating margins, should gradually continue to increase from today's level in FY03/2024 and beyond.

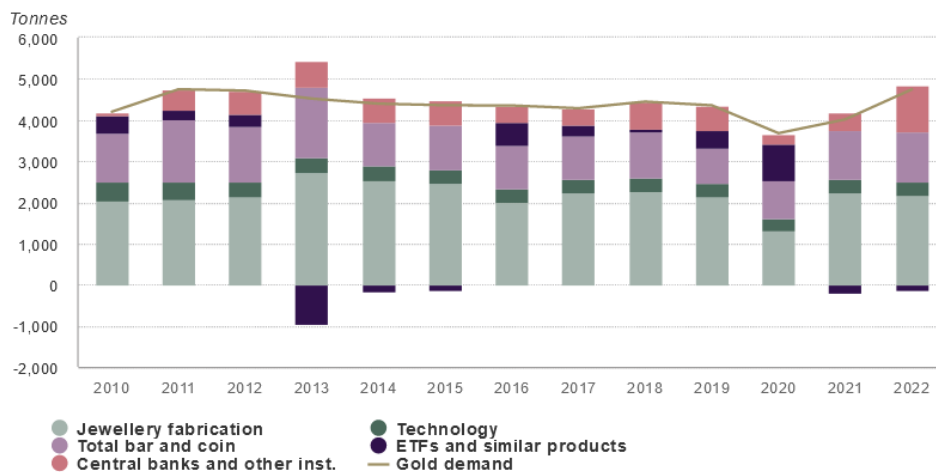
### **Gold Demand Continues to Recover in India as well**

Demand for gold jewelry in India is estimated to grow at around 11% during the financial year 2022-23, almost 40% higher than the pre-COVID-19 levels seen in FY20, according to a research report published by ICRA. The jewelry retail sector is estimated to have grown at a robust 26% in FY22, driven by the strong demand recovery witnessed post the adverse impact of the second wave faced in the first quarter of the fiscal year.

Within the jewelry retail industry, revenues of organized retailers are likely to grow at a higher pace by around 14%, aided by their aggressive store expansion plans and a gradual shift from the unorganized segment towards the organized one, the report says.

India is the largest importer of gold, which mainly caters to the demand of jewelry industry. In volume terms, the country imports 800-900 tons of gold annually. The country's gold imports have a bearing on the country's current account deficit, which is the difference between inflow and outflow of foreign exchange.

Urban consumers were the engine of Indian demand in Q4 of 2022, encouraged by a return to pre-COVID levels of economic activity. Jewelry consumption continued to rebound and is now back to pre-pandemic levels, reaching 523 tons which is 10% higher compared to Q3 2021. Much of this growth was spearheaded by India's urban consumers who drove up the demand by 17% YoY to 146 tons. Similarly impressive growth was also seen in much of the Middle East, with Saudi Arabian jewelry consumption up 20% since Q3 2021, and United Arab Emirates up 30% for the same period.



Sources: Metals Focus, Refinitiv GFMS, World Gold Council; [Disclaimer](#)

Data to 31 December 2022.

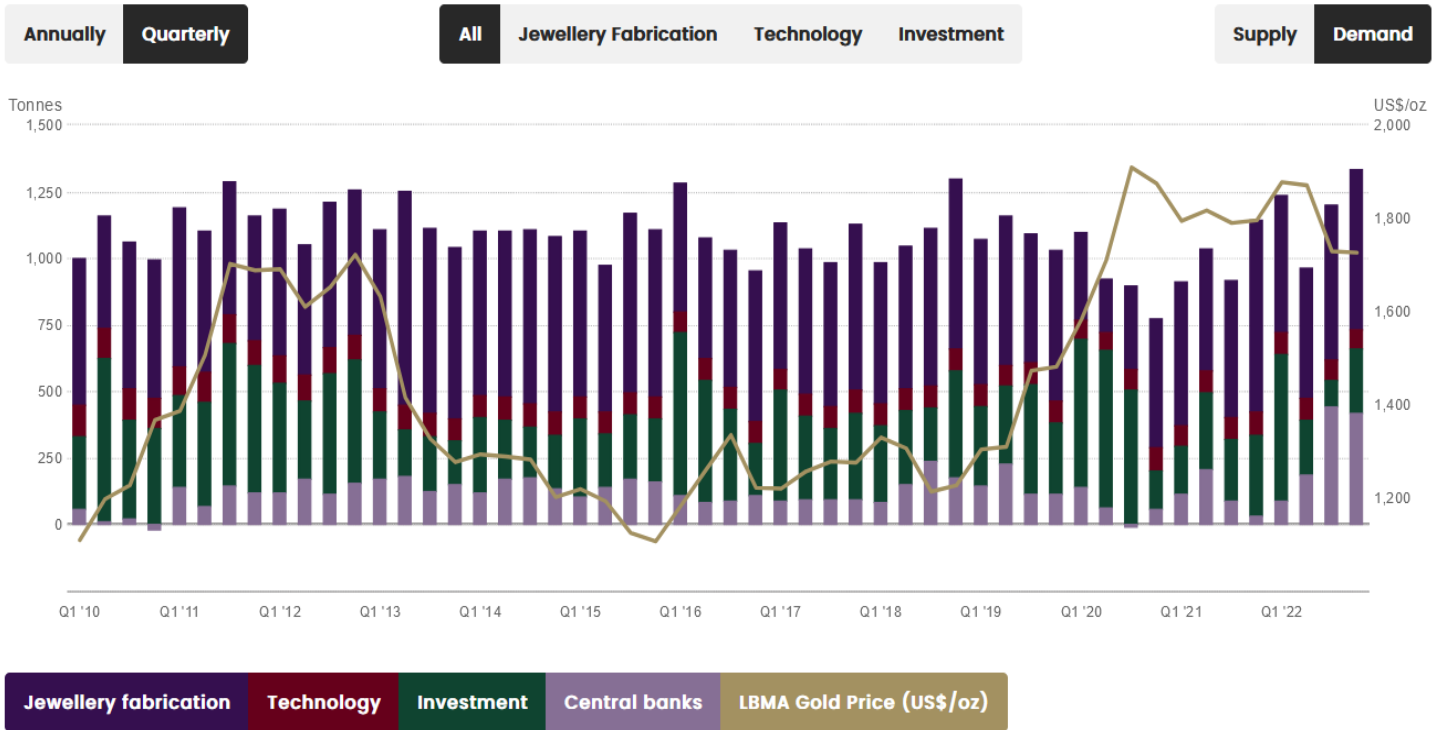
## 5-year Price Chart



## Gold 5 Year Price Chart



## Demand and Supply: Gold Statistics



Data as of 31 December, 2022

Sources: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council; [Disclaimer](#)

Income Statement (INR million)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Revenue</b>	<b>412,451</b>	<b>651,794</b>	<b>858,064</b>	<b>494,971</b>	<b>802,701</b>	<b>944,743</b>
<i>y/y</i>	-59.6%	43.0%	33.0%	-2.8%	94.6%	44.9%
<i>q/q</i>	-19.0%	28.1%	108.0%	-42.3%	62.2%	17.7%
Cost of Revenue	-408,577	-647,783	-854,459	-491,124	-797,679	-939,278
<b>Gross Profit</b>	<b>3,874.5</b>	<b>4,010.8</b>	<b>3,604.8</b>	<b>3,847.1</b>	<b>5,021.7</b>	<b>5,465.1</b>
<i>Gross margin (%)</i>	0.94%	0.62%	0.42%	0.78%	0.63%	0.58%
Other Operating Revenue	13	3	384	11	11	10
<i>as a % of sales</i>	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-910.7	-969.4	-2,423.2	-1,022.9	-1,084.3	-1,243.3
<i>as a % of sales</i>	0.22%	0.15%	0.28%	0.21%	0.14%	0.13%
Other Operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
<i>as a % of sales</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Operating Income</b>	<b>2,977.0</b>	<b>3,044.2</b>	<b>1,565.5</b>	<b>2,834.8</b>	<b>3,948.3</b>	<b>4,231.4</b>
<i>y/y</i>	58.5%	30.1%	-48.6%	1.3%	32.6%	39.0%
<i>q/q</i>	6.4%	8.8%	-47.4%	81.1%	39.3%	7.2%
<i>Operating margin (%)</i>	0.7%	0.5%	0.2%	0.6%	0.5%	0.4%
Interest Expense	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Equity in (losses)income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0
Other recurring (expenses)/income	0.0	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
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax Income (reported)</b>	<b>2,977</b>	<b>3,044</b>	<b>1,565</b>	<b>2,835</b>	<b>3,948</b>	<b>4,231</b>
<i>y/y</i>	58.5%	30.1%	-48.6%	1.3%	32.6%	39.0%
<b>Pretax Income (adjusted)</b>	<b>2,977</b>	<b>3,044</b>	<b>1,565</b>	<b>2,835</b>	<b>3,948</b>	<b>4,231</b>
<i>y/y</i>	58.5%	30.1%	-48.6%	1.3%	32.6%	39.0%
- Income Tax Expense	-62.7	-42.4	-180.2	-117.4	-218.8	-15.8
<i>effective tax rate (%)</i>	2.1%	1.4%	11.5%	4.1%	5.5%	0.4%
- Minority Interests	0	0	0	0	0	0
<b>Income Before XO Items</b>	<b>2,914</b>	<b>3,002</b>	<b>1,385</b>	<b>2,717</b>	<b>3,730</b>	<b>4,216</b>
<i>y/y</i>	68.5%	31.9%	-52.7%	-2.4%	28.0%	40.4%
- Extraordinary Loss Net of Tax	0.0	0.0	1.9	0.0	0.0	0.0
<b>Net Income (reported)</b>	<b>2,914</b>	<b>3,002</b>	<b>1,387</b>	<b>2,717</b>	<b>3,730</b>	<b>4,216</b>
<i>y/y</i>	68.5%	31.9%	-52.6%	-2.4%	28.0%	40.4%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Income (adjusted)</b>	<b>2,914.3</b>	<b>3,001.7</b>	<b>1,385.3</b>	<b>2,717.4</b>	<b>3,729.5</b>	<b>4,215.6</b>
<i>y/y</i>	68.5%	31.9%	-52.7%	-2.4%	28.0%	40.4%
<i>q/q</i>	4.7%	7.8%	-52.5%	96.2%	37.2%	13.0%
Basic EPS (reported)	9.87	10.17	4.70	9.20	12.63	14.28
Basic EPS (adjusted)	9.87	10.17	4.69	9.20	12.63	14.28
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25
<b>Diluted EPS (reported)</b>	<b>9.87</b>	<b>10.17</b>	<b>4.70</b>	<b>9.20</b>	<b>12.63</b>	<b>14.28</b>
<i>y/y</i>	68.5%	31.9%	-52.6%	-2.4%	28.0%	40.4%
<b>Diluted EPS (adjusted)</b>	<b>9.87</b>	<b>10.17</b>	<b>4.69</b>	<b>9.20</b>	<b>12.63</b>	<b>14.28</b>
<i>y/y</i>	68.5%	31.9%	-52.7%	-2.4%	28.0%	40.4%
<i>q/q</i>	4.7%	7.8%	-52.5%	96.2%	37.2%	13.0%
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25

Income Statement (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E	CAGR (2022-26)
<b>Revenue</b>	<b>1,876,855</b>	<b>1,757,631</b>	<b>1,956,002</b>	<b>2,583,131.3</b>	<b>2,431,279</b>	<b>2,698,720</b>	<b>3,022,567</b>	<b>3,324,823</b>	<b>3,624,057</b>	10.5%
y/y	-22.5%	-6.4%	11.3%	32.1%	-5.9%	11.0%	12.0%	10.0%	9.0%	
q/q										
Cost of Revenue	-1,854,173	-1,735,225	-1,938,215	-2,569,952	-2,416,058	-2,677,130	-2,992,341	-3,288,250	-3,582,381	
<b>Gross Profit</b>	<b>22,681.2</b>	<b>22,406</b>	<b>17,786.4</b>	<b>13,179.0</b>	<b>15,221.3</b>	<b>21,589.8</b>	<b>30,225.7</b>	<b>36,573.1</b>	<b>41,676.7</b>	
Gross margin (%)	1.21%	1.27%	0.91%	0.51%	0.63%	0.80%	1.00%	1.10%	1.15%	
Other Operating Revenue	620	675	71	26	403	447	500	551	600	
as a % of sales	0.03%	0.04%	0.00%	0.00%	0.02%	0.02%	0.02%	0.02%	0.02%	
Selling, General & Admin Expense	-4,518.0	-5,206.84	-5,244.4	-4,264.6	-5,239.3	-5,815.6	-6,045.1	-6,649.6	-7,248.1	
as a % of sales	0.2%	0.3%	0.3%	0.17%	0.22%	0.2%	0.2%	0.2%	0.2%	
Other Operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Operating Income</b>	<b>18,783.2</b>	<b>17,874.5</b>	<b>12,612.7</b>	<b>8,940.0</b>	<b>10,384.6</b>	<b>16,221.0</b>	<b>24,681.0</b>	<b>30,473.9</b>	<b>35,028.6</b>	35.5%
y/y	8.4%	-4.8%	-29.4%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
q/q										
Operating margin (%)	1.00%	1.0%	0.6%	0.3%	0.4%	0.6%	0.8%	0.9%	1.0%	
Interest Expense	-5,366.8	-4,416.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	0.0	0.0	0.0	0.0	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	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Pretax Income (reported)</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>8,940</b>	<b>10,385</b>	<b>16,221</b>	<b>24,681</b>	<b>30,474</b>	<b>35,029</b>	35.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
<b>Pretax Income (adjusted)</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>8,940</b>	<b>10,385</b>	<b>16,221</b>	<b>24,681</b>	<b>30,474</b>	<b>35,029</b>	35.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
- Income Tax Expense	-758.6	-533.9	-556.0	-484.6	-299.0	-467.0	-710.5	-877.3	-1,008.4	
effective tax rate (%)	5.7%	4.0%	4.4%	5.4%	2.9%	2.9%	2.9%	2.9%	2.9%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>8,455</b>	<b>10,086</b>	<b>15,754</b>	<b>23,970</b>	<b>29,597</b>	<b>34,020</b>	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Net Income (reported)</b>	<b>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>8,455</b>	<b>10,086</b>	<b>15,754</b>	<b>23,970</b>	<b>29,597</b>	<b>34,020</b>	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
Exceptional (L)G	0.00	0.00	0.00	3.48	0.00	0.00	4.00	5.00	6.00	
<b>Net Income (adjusted)</b>	<b>12,657.9</b>	<b>12,924.0</b>	<b>12,056.7</b>	<b>8,458.9</b>	<b>10,085.6</b>	<b>15,754.0</b>	<b>23,966.5</b>	<b>29,591.6</b>	<b>34,014.2</b>	35.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%	
q/q										
Basic EPS (reported)	42.87	43.77	40.84	28.64	34.16	53.36	81.19	100.24	115.23	
Basic EPS (adjusted)	42.87	43.77	40.84	28.65	34.16	53.36	81.17	100.23	115.20	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
<b>Diluted EPS (reported)</b>	<b>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>28.64</b>	<b>34.16</b>	<b>53.36</b>	<b>81.19</b>	<b>100.24</b>	<b>115.23</b>	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
<b>Diluted EPS (adjusted)</b>	<b>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>28.65</b>	<b>34.16</b>	<b>53.36</b>	<b>81.17</b>	<b>100.23</b>	<b>115.20</b>	35.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%	
q/q										
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	



Balance Sheet (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
<b>Assets</b>									
+ Cash & Near Cash Items	144,696	150,634	127,876	20,529	18,087	128,954	150,855	177,798	208,678
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	39,926	61,480	93,197	103,490	107,556	64,795	72,570	79,827	87,012
+ Inventories	17,220	39,371	47,744	74,074	76,690	20,825	23,277	25,579	27,867
+ Other Current Assets	9,870	10,916	11,214	11,067	10,567	10,567	10,567	10,567	10,567
<b>Total Current Assets</b>	<b>211,710</b>	<b>262,401</b>	<b>280,031</b>	<b>209,160</b>	<b>212,901</b>	<b>225,141</b>	<b>257,270</b>	<b>293,771</b>	<b>334,124</b>
+ Long-Term Investments	10,198	10,876	11,415	10,411	11,127	11,127	11,127	11,127	11,127
+ Gross Fixed Assets	9,886	10,597	11,388	12,432	13,415	14,507	15,729	17,073	18,539
- Accumulated Depreciation	-3,094	-3,838	-4,910	-6,036	-7,218	-7,218	-7,218	-7,218	-7,218
+ Net Fixed Assets	6,557	7,929	8,030	7,299	6,802	7,288	8,511	9,855	11,321
+ Other Long-Term Assets	498	596	609	572	576	576	576	576	576
+ Goodwill & other Intangible Assets	6,387	6,613	7,282	7,286	7,750	7,750	7,750	7,750	7,750
<b>Total Long-Term Assets</b>	<b>23,640.8</b>	<b>26,013.7</b>	<b>27,336.2</b>	<b>25,567.7</b>	<b>26,255.1</b>	<b>26,741.4</b>	<b>27,963.7</b>	<b>29,308.1</b>	<b>30,773.5</b>
<b>Total Assets</b>	<b>235,351</b>	<b>288,414.6</b>	<b>307,367.0</b>	<b>234,727.9</b>	<b>239,155.9</b>	<b>251,882.8</b>	<b>285,233.7</b>	<b>323,079.4</b>	<b>364,897.7</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	71,699	134,665	186,868	110,176	104,210	101,478	111,158	119,707	127,806
+ Short-Term Borrowings	87,172	61,984	12,781	10,210	8,134	8,134	8,134	8,134	8,134
+ Other Short-Term Liabilities	1,419	1,164	1,220	1,213	1,553	1,553	1,553	1,553	1,553
<b>Total Current Liabilities</b>	<b>160,289.5</b>	<b>197,813.3</b>	<b>200,869.4</b>	<b>121,598.0</b>	<b>113,896.3</b>	<b>111,164.3</b>	<b>120,844.0</b>	<b>129,393.3</b>	<b>137,492.7</b>
+ Long-Term Borrowings	2,441.7	1,319.2	64.7	66.3	63.2	63.2	63.2	63.2	63.2
+ Other Long-Term Liabilities	3,934.6	881.6	1,003.3	849.9	745.2	745.2	745.2	745.2	745.2
<b>Total Liabilities</b>	<b>166,665.9</b>	<b>200,014.1</b>	<b>201,937.4</b>	<b>122,514.1</b>	<b>114,704.6</b>	<b>111,972.7</b>	<b>121,652.4</b>	<b>130,201.6</b>	<b>138,301.0</b>
+ Total Preferred Equity	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
+ Retained Earnings & Other Equity	68,390	88,105	105,044	111,919	124,156	139,615	163,286	192,582	226,301
<b>Total Shareholders' Equity</b>	<b>68,685.4</b>	<b>88,400.5</b>	<b>105,338.9</b>	<b>112,213.8</b>	<b>124,451.3</b>	<b>139,910.1</b>	<b>163,581.3</b>	<b>192,877.7</b>	<b>226,596.6</b>
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities &amp; Equity</b>	<b>235,351.3</b>	<b>288,414.6</b>	<b>307,276.3</b>	<b>234,727.9</b>	<b>239,155.9</b>	<b>251,882.7</b>	<b>285,233.7</b>	<b>323,079.3</b>	<b>364,897.7</b>

Cash Flow (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
+ Net Income	12,657.9	12,924.0	12,056.7	8,458.9	10,085.6	15,754.0	23,966.5	29,591.6	34,014.2
+ Depreciation & Amortization	679.9	743.5	1,072.2	1,125.8	1,182.1	0.0	0.0	0.0	0.0
+ Other Non-Cash Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	-45,642.1	17,960.0	11,870.9	-113,175.9	-11,808.5	106,124.2	-551.7	-1,015.6	-1,381.1
<b>Cash From Operating Activities</b>	<b>-32,304.3</b>	<b>31,627.5</b>	<b>24,999.8</b>	<b>-103,591.2</b>	<b>-540.7</b>	<b>121,878.3</b>	<b>23,414.8</b>	<b>28,576.0</b>	<b>32,633.1</b>
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0
+ Capital Expenditures	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,091.3	-1,222.2	-1,344.4	-1,465.4
+ Increase in Investments	-1,081.2	-776.4	-552.2	1,041.3	-719.7	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0
+ Other Investing Activities	-231.2	-225.4	-668.8	-4.3	-464.1	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-2,071.4</b>	<b>-1,712.5</b>	<b>-2,011.9</b>	<b>-7.6</b>	<b>-2,166.9</b>	<b>-1,089.3</b>	<b>-1,218.2</b>	<b>-1,338.4</b>	<b>-1,457.4</b>
+ Dividends Paid	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	31,649.6	-25,187.7	-49,202.8	-2,571.9	-2,076.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	-1,056.1	-1,122.6	-1,254.5	1.6	-3.1	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
+ Increase in Capital Stocks	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
+ Other Financing Activities	136.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>30,435.1</b>	<b>-26,605.5</b>	<b>-50,752.5</b>	<b>-2,865.5</b>	<b>-2,374.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>
<b>Net Changes in Cash</b>	<b>-3,940.6</b>	<b>3,309.5</b>	<b>-27,764.6</b>	<b>-106,464.2</b>	<b>-5,082.0</b>	<b>120,493.8</b>	<b>21,901.3</b>	<b>26,942.3</b>	<b>30,880.4</b>
Opening cash	148,402.0	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	128,953.9	150,855.2	177,797.5
Closing cash	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	128,953.9	150,855.2	177,797.5	208,677.9

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
<b>Growth Ratios % (YoY)</b>											
Revenue	227.4%	46.6%	-22.5%	-6.4%	11.3%	32.1%	-5.9%	11.0%	12.0%	10.0%	9.0%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-30%	19%	56%	52%	23%	15%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
<b>Per Share Data (INR)</b>											
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	28.6	34.2	53.4	81.2	100.2	115.2
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	28.6	34.2	53.4	81.2	100.2	115.2
Dividend per share (DPS)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Book Value per share (BVPS)	140.1	170.1	211.0	277.0	332.1	355.4	395.3	447.6	527.8	627.0	741.2
Margins (%)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Gross Margin	1.25%	0.85%	1.21%	1.27%	0.91%	0.51%	0.63%	0.80%	1.00%	1.10%	1.15%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.35%	0.43%	0.60%	0.82%	0.92%	0.97%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.39%	0.48%	0.60%	0.82%	0.92%	0.97%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.35%	0.43%	0.60%	0.82%	0.92%	0.97%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.33%	0.41%	0.58%	0.79%	0.89%	0.94%
<b>Return Ratios</b>											
Dupont ROE (%)	22.3%	22.1%	18.4%	14.6%	11.4%	7.5%	8.1%	11.3%	14.7%	15.3%	15.0%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.3%	0.4%	0.6%	0.8%	0.9%	0.9%
Turnover (x)	7.9	10.0	8.0	6.1	6.4	11.0	10.2	10.7	10.6	10.3	9.9
Leverage (x)	4.4	4.3	3.4	3.3	2.9	2.1	1.9	1.8	1.7	1.7	1.6
Return on Assets	5.1%	5.2%	5.4%	4.5%	3.9%	3.6%	4.2%	6.3%	8.4%	9.2%	9.3%
Return on Capital Employed	31.9%	27.2%	25.0%	19.7%	11.8%	7.9%	8.3%	11.5%	15.0%	15.7%	15.4%
Return on Invested Capital	11.4%	10.8%	8.0%	8.5%	10.2%	6.9%	7.6%	10.6%	14.0%	14.7%	14.5%
<b>FCF Calculation</b>											
Op. cash	20,699.0	17,473.8	-32,304.3	31,627.5	24,999.8	-103,591.2	-540.7	121,878.3	23,414.8	28,576.0	32,633.1
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,091.3	-1,222.2	-1,344.4	-1,465.4
FCF (INR million)	9,062.4	17,231.7	-33,063.2	30,916.8	24,208.9	-104,635.7	-1,523.8	120,787.0	22,192.6	27,231.6	31,167.7
FCF margin (%)	0.5%	0.7%	-1.8%	1.8%	1.2%	-4.1%	-0.1%	4.5%	0.7%	0.8%	0.9%
FCF per share	30.69	58.36	-111.98	104.71	81.99	-354.40	-5.16	409.10	75.17	92.23	105.56
Price/FCF per share	25.41	13.36	-6.97	7.45	9.51	-2.20	-151.13	1.91	10.38	8.46	7.39
FCF Yield	3.9%	7.5%	-14.4%	13.4%	10.5%	-45.4%	-0.7%	52.4%	9.6%	11.8%	13.5%
<b>Net Cash calculation</b>											
Cash + short term investments	123,754.9	148,402.0	144,695.5	150,634.4	127,876.3	20,529.5	18,087.3	128,953.9	150,855.2	177,797.5	208,677.9
Less: long term debt + ST debt	-45,939.9	-59,020.2	-89,613.7	-63,303.4	-12,846.2	-10,275.9	-8,196.8	-8,196.8	-8,196.8	-8,196.8	-8,196.8
<b>Net Cash</b>	<b>77,815.0</b>	<b>89,381.8</b>	<b>55,081.8</b>	<b>87,331.0</b>	<b>115,030.1</b>	<b>10,253.6</b>	<b>9,890.5</b>	<b>120,757.0</b>	<b>142,658.3</b>	<b>169,600.7</b>	<b>200,481.1</b>
Net cash per share	263.6	302.7	186.6	295.8	389.6	34.7	33.5	409.0	483.2	574.4	679.0

Valuation ratio's	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
P/B	4.31	3.56	3.51	2.82	2.35	2.19	1.97	1.74	1.48	1.24	1.05
P/E	16.68	14.36	17.26	17.82	19.10	27.23	22.83	14.62	9.61	7.78	6.77
P/S	0.11	0.07	0.12	0.13	0.12	0.09	0.09	0.09	0.08	0.07	0.06
EV/sales	0.06	0.04	0.09	0.08	0.07	0.06	0.06	0.05	0.05	0.04	0.04
EV/EBITDA	5.68	4.98	8.40	7.68	10.45	14.20	12.36	8.81	5.79	4.69	4.08
EV/EBIT	5.95	5.17	8.70	8.00	11.33	15.99	13.77	8.81	5.79	4.69	4.08
EV/FCF	11.09	5.20	-4.94	4.62	5.91	-1.37	-93.82	1.18	6.44	5.25	4.59
Dividend Yield (%)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	1.2%	-0.3%	-19.4%	0.2%	1.3%	1.1%	0.9%

Working Capital Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Receivable days (DSO)	9	7	9	9	9	9	9	9	9	9	9
Inventory days (DIO)	2	2	3	3	3	3	3	3	3	3	3
Payables days (DPO)	22	17	19	15	15	14	14	14	14	13	13
Current ratio	1.2	1.2	1.3	1.3	1.4	1.7	1.9	2.0	2.1	2.3	2.4
Quick ratio	1.1	1.2	1.2	1.1	1.2	1.1	1.2	1.8	1.9	2.1	2.2
Working capital	-47380	-51745	-6103	-24063	-35934	77242	89051	-6843	-6296	-5286	-3913
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2	-2	-1

Leverage Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Debt / equity	96%	105%	130%	72%	12%	9%	7%	6%	5%	4%	4%
Net cash (debt) / equity	163%	159%	80%	99%	109%	9%	8%	86%	87%	88%	88%
Net cash (debt) / mkt cap	34%	39%	24%	38%	50%	4%	4%	52%	62%	74%	87%
Net cash (debt) / capital	83%	77%	35%	58%	97%	8%	7%	82%	83%	84%	85%

Earnings Quality Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Net operating assets/liab [NOA]	-29983	-33007	13604	1070	-9601	101960	114561	19153	20923	23277	26116
Average NOA	-37643	-31495	-9702	7337	-4266	46180	108261	66857	20038	22100	24696
B/S accrual ratio	-0.41	0.10	-4.80	-1.71	2.50	2.42	0.12	-1.43	0.09	0.11	0.11
CF accrual ratio	-0.25	0.14	-4.85	-2.32	2.56	2.43	0.12	-1.57	0.09	0.11	0.11

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	178,331	178,922	218,485	230,295
+ Minority Interest	0	0	0	0
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	63,303
- Cash & Equivalents	123,755	148,402	144,696	150,634
<b>Enterprise Value</b>	<b>100,516</b>	<b>89,540</b>	<b>163,403</b>	<b>142,964</b>

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
(in INR million)																	
EBIT	3,464	6,047	7,575	7,486	12,043	16,898	17,333	18,783	17,875	12,613	8,940	10,385	16,221	24,681	26,433	27,623	28,742
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-29%	16%	56%	52%	7%	4%	4%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.7%	4.0%	4.4%	5.4%	2.9%	2.9%	2.9%	3.5%	4.1%	5.0%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	12,057	8,455	10,086	15,754	23,970	25,520	26,478	27,312
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-30%	19%	56%	52%	6%	4%	3%
+ D&A	20	21	21	164	622	788	650	680	743	1,072	1,126	1,182	0	0	1,543	1,613	1,678
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-759	-711	-791	-1,045	-983	-1,091	-1,222	-1,587	-1,658	-1,725
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,642	17,960	11,871	-113,176	-11,808	106,124	-552	11,337	9,761	8,339
<b>Free Cash Flow to Firm</b>	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-28,000	35,158	24,209	-104,639	-1,524	120,787	22,197	36,813	36,193	35,603
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-226%	-31%	-532%	-99%	-8027%	-82%	66%	-2%	-2%

#### Value per Share

Terminal Growth	Cost of capital				
	9.5%	10.5%	11.5%	12.5%	13.5%
2.5%	1,464	1,291	1,158	1,052	966
2.8%	1,501	1,318	1,177	1,066	977
3.0%	1,528	1,336	1,191	1,077	985
3.3%	1,572	1,367	1,213	1,093	997
3.5%	1,603	1,388	1,228	1,104	1,006

WACC		11.5%
PV of Free Cash Flow		101,933
PV of Terminal Value		162,328
Add: Net Cash		87,331
Total Equity Value		351,592
Shares outstanding		295.25
<b>DCF value</b>		<b>1,191</b>

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