

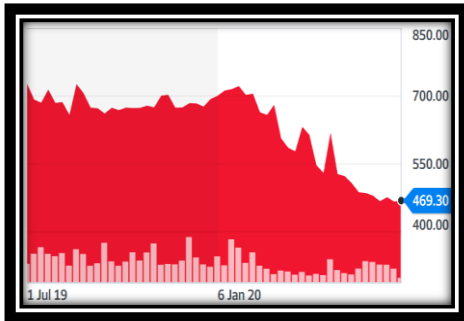
# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 800.00
Current Price	Rs. 470.00
Upside Potential	70%

Market Cap.	Rs.139 bn US\$ 1.86 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	68.9 mn / 23%
52 Week Range (Rs)	467 / 756
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	35,844
Insider Holding %	77%



Risk: Above Average

Forecasting and Valuations

(INR mn except ratio)	FY 2021E	FY 2022E
Revenue	1,760,402	1,936,442
Net Income	10,649	12,045
EPS (Rs)	36.07	40.80
EPS Growth	-12%	13%
PE	13.0	11.5
EV/EBITDA	4.4	3.9
P/B	1.4	1.2

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**Q4FY2020 [ended March] Earnings Update**
**Stellar Rise in Revenues Despite Economic Headwinds**

Rajesh Exports reported stellar growth in revenues on a QoQ and YoY basis despite a global economic slowdown and a higher gold price. Revenues for the fiscal fourth quarter [ended March] came in at Rs.476 bn, up 38% and 17% on a YoY and QoQ basis, respectively. The strategy to focus on the sale of high margin products by the company accelerated revenue growth for the company in the fourth quarter of FY03/2020. The rising price of gold in the international market also added to the increase in revenues, especially in the fourth quarter. The surging order book also indicates that the company will show sustained growth in revenues and profitability after FY03/2021 from FY03/2022 and beyond [more details below]. For the fourth quarter, EPS increased by 3.5% to Rs.9.20 vs. Rs.8.89 in Q4 FY2019, while net profit also increased by 3.5% from Rs.2.62 bn in Q4 FY2019 to Rs.2.71 bn in Q4 FY2020. The net profit growth was lower as compared to the significant rise in revenues on account of an increase in raw material costs as a percentage of sales leading to a reduction in gross margins on a YoY basis.

**Our conversations with the senior management and CEO Rajesh Mehta suggest that the business will post sustained growth YoY and QoQ in both revenue and EPS once the global situation normalizes on account of higher contribution from the gold refining business. The CEO also mentioned that the company's business witnessed a golden period in the fourth quarter of FY03/2020 as prices of gold have continued to remain strong making refining even more lucrative for its Switzerland-based subsidiary Valcambi, which is the largest refiner of gold in the world.**

The first quarter of FY03/2021 is expected to be impacted severely in terms of revenue and profitability on account of the lockdown in most of the countries due to the global pandemic situation. Once the economic situation comes back to normal, globally growth would gradually revive for Rajesh Exports. Since the bulk of the business of the company comes from refining of gold, we expect revenue and profitability to witness minimal impact as supply should begin to resume to ultimately reach full scale after the situation stabilizes completely. The demand for luxury goods, such as cars [both mass market as well as high-end], apartments and real estate, and gold/jewelry will however remain muted in the current year. The jewelry business of the company which has higher

margins but relatively lower volumes in comparison to the gold refining business would get impacted to a significant extent not only for the company but for the entire industry only to begin gradual recovery later.

Our FY03/2022 earnings forecast of Rs. 40.80 per share implies a growth of 13% over the FY03/2021 earnings. Barring the current situation, the USA end market remains robust with strong consumer spending expected once employment comes back to pre-covid levels. Europe has also shown an uptick as evidenced by the export orders executed by the company in Q3 and Q4 FY2020.

### **Reduce Estimates and Price Target Rs. 800: 70% Upside**

We reduce our FY2022 earnings estimates of Rs.50.64 per share to Rs.40.80 per share on account of an expected fall in revenues and profitability due to the ongoing global pandemic situation which would return to normalcy in FY03/2022. We revise our price target from Rs.900 to Rs.800 on the stock and expect business conditions to come back to pre-pandemic levels at the end of 2020. Our price target represents an upside of approximately 70% 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 is rapidly expanding 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. Over the last five years, the company has recorded a CAGR of 29% in EPS and 44% in revenues.

Our Rs.800 price target implies a P/E multiple of 19.6x on our FY03/2022 EPS estimate of Rs.40.80, and a P/E of 17.5x on our forward FY03/2023 estimate of Rs.45.72. We continue to remain positive on the margin growth story based on the company's strong execution seen over the last 18 months. While the company operates at a low level absolute of operating margins, a relatively small increase in margins can be highly accretive to the EPS.

**Currently, the stock is trading at a P/E multiple of just 11.5x on FY03/2020 EPS, and a P/E of 11.5x on our forward FY03/2022 estimate, which is at a significant 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 a trailing 26x P/E level.**

Also, the stock is trading at a Price/Sales ratio of just 0.07x on FY03/2020 revenue and a P/S of 0.07x on our forward FY03/2022 estimate, which is at a significant discount to the trailing P/S ratio of 2.0x for the NIFTY Index.

### **Order Book Swells by 5% QoQ to Rs.656 bn**

At the end of the fourth quarter ended March, the order book surged by Rs.32 bn to Rs.656 bn from Rs. 624 bn at the end of the third quarter ended December. The rise in the order book by 5% on a QoQ basis indicates growth in revenues will sustain in the coming quarters once the global pandemic situation comes back to normal. The company had introduced new designs in the international markets which constitute a new range of jewelry. The company expects further significant orders for this range of jewelry from the international markets.

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.

### **Q4 Operational Details**

The absolute reduction in finance costs to nil as compared to Rs.753 mn in Q4 FY2019 was one of the reason for marginal increase in profitability along with a 38% rise in revenues, despite the marginal decline in gross margins on a YoY basis. As a reminder, Rajesh Exports remains a zero debt company. The finance costs were reported as zero on account of an adjustment of the interest cost in the COGS.

The company's gross profit margin contracted to 0.86% in Q4 FY2020 from 1.28% in Q4 FY2019 but has not trended down from a low of 0.7% reached in Q2 FY2020. The operating profit margin also contracted to 0.6% in Q4 FY2020 from 0.97% in Q4 FY2019 but has not trended down from a low of 0.5% in Q2 FY2020. We believe most of this contraction is simply due to short-term working capital related finance costs [the company has no net debt] now being classified as COGS, rather than the prior classification as interest expense. The company will continue to focus on the sales of higher margin products which are expected to enhance profitability for the company going forward. So we believe both gross and operating margins should gradually increase from today's level in FY03/2022 and beyond.

### **Gold Demand Takes a Hit Globally**

The Government of India enforced a lockdown in India since the month of March 2020 which led to a drastic fall in the demand for the gems and jewelry sector resulting in a sharp fall in gold imports in the month of April and May. India's gold imports contracted for the fifth consecutive month in a row, falling by about 100% to US\$ 2.83 million in April due to the lockdowns imposed globally on account of coronavirus outbreak. The import of the yellow metal was at US\$ 3.97 billion in April 2019, according to the commerce ministry's data. The sharp fall in gold imports has helped in narrowing the country's trade deficit to US\$ 6.8 billion during the last month as against US\$ 15.33 billion a year ago. Gold imports have been recording negative growth since December last year. 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. Gems and jewelry exports declined 98.74% to US\$ 36 million in the month of April 2020. The country's gold imports have a

bearing on CAD, which is the difference between inflow and outflow of foreign exchange. Gold imports fell 14.23% to US\$ 28.2 billion during 2019-20 as against US\$ 32.91 billion in 2018-19.

The global COVID-19 pandemic fueled safe-haven investment demand for gold, with gold-backed ETFs attracting huge inflows to push global holdings in these products to a record high of 3,185 tons. Conversely, consumer-focused sectors of the market weakened sharply. Jewelry demand was hit hard by the effects of the outbreak and quarterly demand dropped 39% to a record low of 325.8 tons globally.

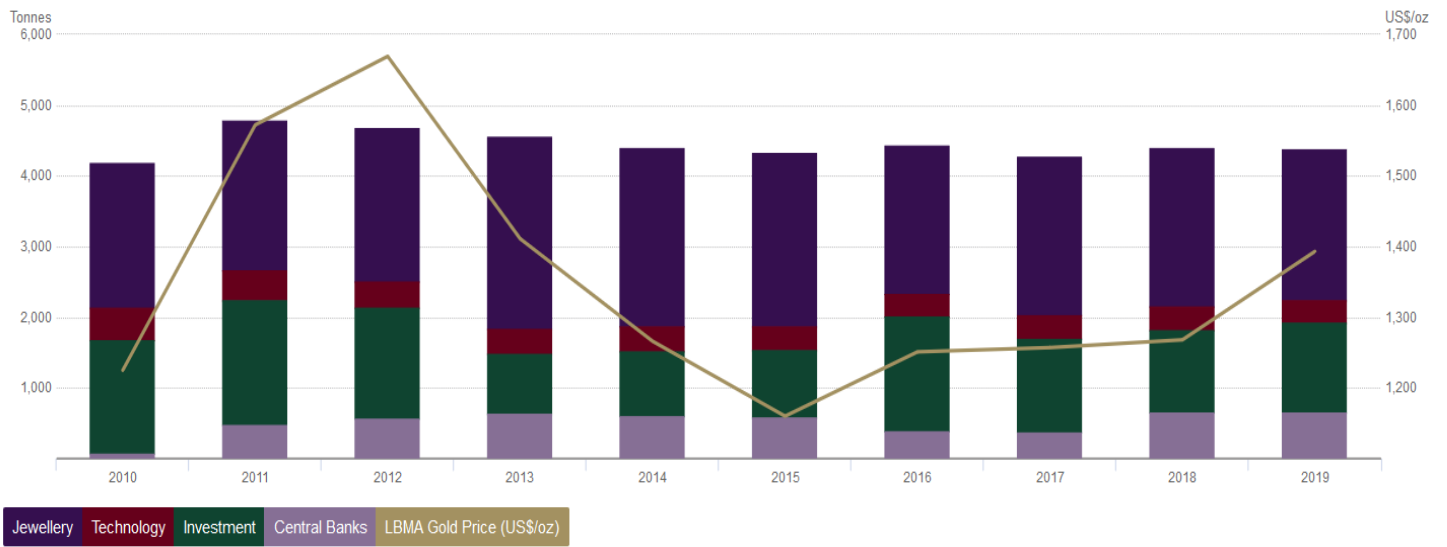
## 5-year Price Chart



## Gold 5 Year Price Chart



## Demand and Supply: Gold Statistics

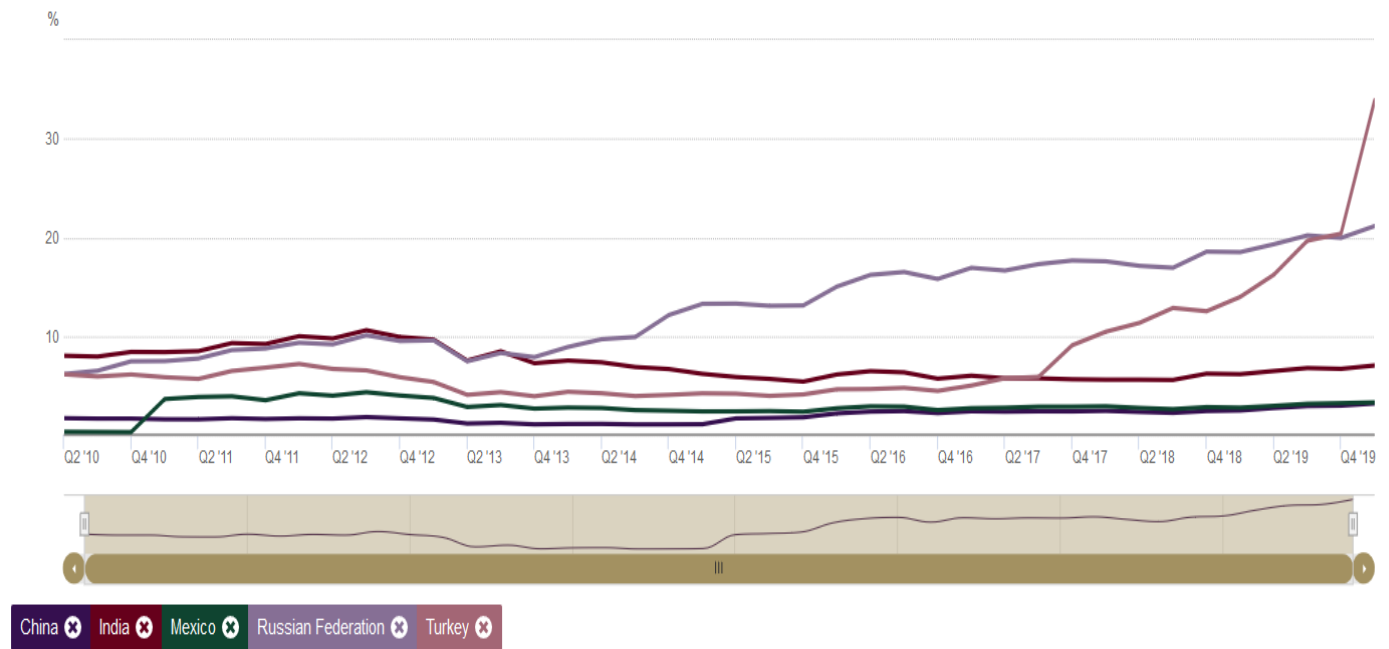


Data as of 31 March, 2020

Sources: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council; Disclaimer

Source: World Gold Council

## Quarterly official gold reserves by Country



Source: World Gold Council

Income Statement (INR million)	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Revenue</b>	<b>406,190</b>	<b>668,274</b>	<b>406,011</b>	<b>475,527</b>
<i>y/y</i>	-7.5%	25.2%	-7.8%	38.1%
<i>q/q</i>	17.9%	64.5%	-39.2%	17.1%
Cost of Revenue	-401,828	-663,570	-401,367	-471,449
<b>Gross Profit</b>	<b>4,362.0</b>	<b>4,703.2</b>	<b>4,644.2</b>	<b>4,077.1</b>
<i>Gross margin (%)</i>	1.07%	0.70%	1.14%	0.86%
Other Operating Revenue	35	8	8	20
<i>as a % of sales</i>	0.01%	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-1,238.0	-1,279.4	-1,322.8	-1,404.2
<i>as a % of sales</i>	0.30%	0.19%	0.33%	0.30%
Other Operating expenses	0.0	0.0	0.0	0.0
<i>as a % of sales</i>	0.0%	0.0%	0.0%	0.0%
<b>Operating Income</b>	<b>3,158.9</b>	<b>3,432.2</b>	<b>3,328.9</b>	<b>2,692.7</b>
<i>y/y</i>	-43.5%	-24.1%	-24.4%	-19.6%
<i>q/q</i>	-5.7%	8.6%	-3.0%	-19.1%
<i>Operating margin (%)</i>	0.8%	0.5%	0.8%	0.6%
Interest Expense	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.0
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0
Other recurring (expenses)/income	0.0	0.0	0.0	0.0
Amortization of intangibles	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.0	0.0	0.0
<b>Pretax Income (reported)</b>	<b>3,159</b>	<b>3,432</b>	<b>3,329</b>	<b>2,693</b>
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%
<b>Pretax Income (adjusted)</b>	<b>3,159</b>	<b>3,432</b>	<b>3,329</b>	<b>2,693</b>
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%
- Income Tax Expense	-139.7	-275.8	-164.3	23.9
<i>effective tax rate (%)</i>	4.4%	8.0%	4.9%	-0.9%
- Minority Interests	0	0	0	0
<b>Income Before XO Items</b>	<b>3,019</b>	<b>3,156</b>	<b>3,165</b>	<b>2,717</b>
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0
<b>Net Income (reported)</b>	<b>3,019</b>	<b>3,156</b>	<b>3,165</b>	<b>2,717</b>
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%
Exceptional (L)G	0.00	0.00	0.00	0.00
<b>Net Income (adjusted)</b>	<b>3,019.2</b>	<b>3,156.3</b>	<b>3,164.6</b>	<b>2,716.6</b>
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%
Basic EPS (reported)	10.23	10.69	10.72	9.20
Basic EPS (adjusted)	10.23	10.69	10.72	9.20
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25
<b>Diluted EPS (reported)</b>	<b>10.23</b>	<b>10.69</b>	<b>10.72</b>	<b>9.20</b>
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%
<b>Diluted EPS (adjusted)</b>	<b>10.23</b>	<b>10.69</b>	<b>10.72</b>	<b>9.20</b>
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25

Income Statement (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E	CAGR (2019-24)
<b>Revenue</b>	<b>1,652,114</b>	<b>2,421,320</b>	<b>1,876,855</b>	<b>1,757,631</b>	<b>1,956,002</b>	<b>1,760,402</b>	<b>1,936,442</b>	<b>2,110,721</b>	<b>2,272,192</b>	5.3%
y/y	227.4%	46.6%	-22.5%	-6.4%	11.3%	-10.0%	10.0%	9.0%	7.7%	
q/q										
Cost of Revenue	-1,631,510	-2,400,793	-1,854,173	-1,735,225	-1,938,215	-1,744,558	-1,918,665	-2,090,957	-2,250,490	
<b>Gross Profit</b>	<b>20,604.1</b>	<b>20,526.9</b>	<b>22,681.2</b>	<b>22,406</b>	<b>17,786.4</b>	<b>15,843.6</b>	<b>17,776.5</b>	<b>19,764.0</b>	<b>21,701.4</b>	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	0.91%	0.90%	0.92%	0.94%	0.96%	
Other Operating Revenue	90	471	620	675	71	64	70	76	82	
as a % of sales	0.01%	0.02%	0.03%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	
Selling, General & Admin Expense	-3,796.0	-3,665.3	-4,518.0	-5206.84	-5,244.4	-4,767.1	-5,243.8	-5,715.8	-6,153.0	
as a % of sales	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
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>16,898.2</b>	<b>17,333.0</b>	<b>18,783.2</b>	<b>17,874.5</b>	<b>12,612.7</b>	<b>11,140.0</b>	<b>12,602.6</b>	<b>14,124.4</b>	<b>15,630.4</b>	-2.6%
y/y	40.3%	2.6%	8.4%	-4.8%	-29.4%	-11.7%	13.1%	12.1%	10.7%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	0.6%	0.6%	0.7%	0.7%	0.7%	
Interest Expense	-5,776.7	-4,302.7	-5,366.8	-4,416.7	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>11,122</b>	<b>13,030</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>11,140</b>	<b>12,603</b>	<b>14,124</b>	<b>15,630</b>	3.0%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-11.7%	13.1%	12.1%	10.7%	
<b>Pretax Income (adjusted)</b>	<b>11,122</b>	<b>13,030</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>11,140</b>	<b>12,603</b>	<b>14,124</b>	<b>15,630</b>	3.0%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-11.7%	13.1%	12.1%	10.7%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-556.0	-491.1	-555.6	-622.7	-689.1	
effective tax rate (%)	3.9%	4.4%	5.7%	4.0%	4.4%	4.4%	4.4%	4.4%	4.4%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>10,690</b>	<b>12,459</b>	<b>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>10,649</b>	<b>12,047</b>	<b>13,502</b>	<b>14,941</b>	2.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%	
- 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>10,690</b>	<b>12,459</b>	<b>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>10,649</b>	<b>12,047</b>	<b>13,502</b>	<b>14,941</b>	2.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.00	4.00	
<b>Net Income (adjusted)</b>	<b>10,690.3</b>	<b>12,459.0</b>	<b>12,657.9</b>	<b>12,924.0</b>	<b>12,056.7</b>	<b>10,647.9</b>	<b>12,045.0</b>	<b>13,498.7</b>	<b>14,937.3</b>	2.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	40.84	36.07	40.80	45.73	50.61	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	36.06	40.80	45.72	50.59	
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>36.21</b>	<b>42.20</b>	<b>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>36.07</b>	<b>40.80</b>	<b>45.73</b>	<b>50.61</b>	2.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%	
<b>Diluted EPS (adjusted)</b>	<b>36.21</b>	<b>42.20</b>	<b>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>36.06</b>	<b>40.80</b>	<b>45.72</b>	<b>50.59</b>	2.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%	
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)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Assets</b>									
+ Cash & Near Cash Items	123,755	148,402	144,696	148,688	142,936	150,701	162,626	174,500	187,450
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	46,962	42,266	46,493	50,677	54,554
+ Inventories	9,926	11,628	17,220	46,000	15,077	13,571	14,925	16,266	17,507
+ Other Current Assets	4,336	8,606	9,762	10,916	10,916	10,916	10,916	10,916	10,916
<b>Total Current Assets</b>	<b>186,913</b>	<b>218,834</b>	<b>211,603</b>	<b>260,455</b>	<b>215,892</b>	<b>217,454</b>	<b>234,960</b>	<b>252,359</b>	<b>270,427</b>
+ Long-Term Investments	9,003	9,191	10,198	10,876	10,876	10,876	10,876	10,876	10,876
+ Gross Fixed Assets	8,774	9,127	9,886	10,597	11,388	12,099	12,882	13,736	14,655
- Accumulated Depreciation	-1,765	-2,415	-3,094	-3,838	-4,910	-6,036	-7,218	-7,218	-7,218
+ Net Fixed Assets	7,009	6,712	6,792	6,759	6,477	6,063	5,664	6,518	7,437
+ Other Long-Term Assets	8	424	605	605	605	605	605	605	605
+ Goodwill & other Intangible Assets	6,479	6,156	6,387	6,613	6,613	6,613	6,613	6,613	6,613
<b>Total Long-Term Assets</b>	<b>22,499.1</b>	<b>22,483.5</b>	<b>23,982.5</b>	<b>24,853.2</b>	<b>24,571.9</b>	<b>24,157.9</b>	<b>23,758.8</b>	<b>24,612.3</b>	<b>25,531.1</b>
<b>Total Assets</b>	<b>209,412.5</b>	<b>241,317.6</b>	<b>235,585</b>	<b>285,307.9</b>	<b>240,463.7</b>	<b>241,611.8</b>	<b>258,718.8</b>	<b>276,971</b>	<b>295,958.0</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	108,533	121,519	71,699	134,665	78,060	68,855	74,212	79,259	83,600
+ Short-Term Borrowings	45,940	55,522	87,172	61,984	61,984	61,984	61,984	61,984	61,984
+ Other Short-Term Liabilities	2,005	657	1,419	968	968	968	968	968	968
<b>Total Current Liabilities</b>	<b>156,478.2</b>	<b>177,699.1</b>	<b>160,289.5</b>	<b>197,617.4</b>	<b>141,011.7</b>	<b>131,807.2</b>	<b>137,164.4</b>	<b>142,211.0</b>	<b>146,552.0</b>
+ Long-Term Borrowings	0.0	3,497.8	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7
+ Other Long-Term Liabilities	5,102.5	3,745.7	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6
<b>Total Liabilities</b>	<b>161,580.7</b>	<b>184,942.6</b>	<b>166,665.9</b>	<b>203,993.8</b>	<b>147,388.1</b>	<b>138,183.5</b>	<b>143,540.8</b>	<b>148,587.3</b>	<b>152,928.4</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	47,537	56,080	68,390	81,019	92,780	103,133	114,883	128,086	142,728
<b>Total Shareholders' Equity</b>	<b>47,832.2</b>	<b>56,375.0</b>	<b>68,685.4</b>	<b>81,314.2</b>	<b>93,075.6</b>	<b>103,428.3</b>	<b>115,178.0</b>	<b>128,381.5</b>	<b>143,023.6</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>209,412.9</b>	<b>241,317.6</b>	<b>235,585</b>	<b>285,307.9</b>	<b>240,463.7</b>	<b>241,611.8</b>	<b>258,718.8</b>	<b>276,971</b>	<b>295,958.0</b>

Cash Flow (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
+ Net Income	11,080.5	12,459.0	12,657.9	12,924.0	12,056.7	10,647.9	12,045.0	13,498.7	14,937.3
+ Depreciation & Amortization	790.0	650.0	679.9	743.5	1,072.2	1,125.8	1,182.1	0.0	0.0
+ Other Non-Cash Adjustments	10,339.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	-1,510.6	4,364.8	-45,534.4	17,656.6	-17,795.1	-3,001.8	-223.8	-478.0	-776.8
<b>Cash From Operating Activities</b>	<b>20,699.0</b>	<b>17,473.8</b>	<b>-32,196.6</b>	<b>31,324.0</b>	<b>-4,666.2</b>	<b>8,771.9</b>	<b>13,003.4</b>	<b>13,020.7</b>	<b>14,160.6</b>
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Capital Expenditures	-11,636.6	-242.1	-758.9	-710.7	-790.9	-711.8	-783.0	-853.5	-918.8
+ Increase in Investments	-7,802.9	-603.5	-1,188.8	-678.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.9	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Other Investing Activities	0.0	322.3	-231.2	-225.4	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-19,438.6</b>	<b>-523.3</b>	<b>-2,179.0</b>	<b>-1,614.1</b>	<b>-790.9</b>	<b>-711.8</b>	<b>-783.0</b>	<b>-851.5</b>	<b>-914.8</b>
+ Dividends Paid	-355.4	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	6,034.3	9,582.5	31,649.6	-25,187.7	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	3,497.8	-1,056.1	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	1,480.7	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	-5,776.7	0.0	136.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>1,382.9</b>	<b>12,785.0</b>	<b>30,435.1</b>	<b>-25,483.0</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>
<b>Net Changes in Cash</b>	<b>2,643.3</b>	<b>29,735.5</b>	<b>-3,940.6</b>	<b>4,227.0</b>	<b>-5,752.4</b>	<b>7,764.8</b>	<b>11,925.1</b>	<b>11,873.9</b>	<b>12,950.5</b>
Opening cash			148,402.0	144,461.4	148,688.4	142,936.0	150,700.8	162,625.9	174,499.8
Closing cash			144,461.4	148,688.4	142,936.0	150,700.8	162,625.9	174,499.8	187,450.4

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Growth Ratios % (YoY)</b>									
Revenue	227.4%	46.6%	-22.5%	-6.4%	11.3%	-10.0%	10.0%	9.0%	7.7%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-11.7%	13.1%	12.1%	10.7%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-11.7%	13.1%	12.1%	10.7%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-12%	13%	12%	11%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Per Share Data (INR)</b>									
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	36.1	40.8	45.7	50.6
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	36.1	40.8	45.7	50.6
Dividend per share (DPS)	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	253.0	292.8	327.9	367.7	412.4	462.0
Margins (%)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Gross Margin	1.25%	0.85%	1.21%	1.27%	0.91%	0.90%	0.92%	0.94%	0.96%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.63%	0.65%	0.67%	0.69%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.70%	0.71%	0.67%	0.69%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.63%	0.65%	0.67%	0.69%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.60%	0.62%	0.64%	0.66%
<b>Return Ratios</b>									
<b>Dupont ROE (%)</b>	<b>22.3%</b>	<b>22.1%</b>	<b>18.4%</b>	<b>15.9%</b>	<b>13.0%</b>	<b>10.3%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.4%</b>
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.7%
Turnover (x)	7.9	10.0	8.0	6.2	8.1	7.3	7.5	7.6	7.7
Leverage (x)	4.4	4.3	3.4	3.5	2.6	2.3	2.2	2.2	2.1
Return on Assets	5.1%	5.2%	5.4%	4.5%	5.0%	4.4%	4.7%	4.9%	5.0%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	12.7%	10.1%	10.4%	10.5%	10.5%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	7.7%	6.3%	6.7%	7.0%	7.2%
<b>FCF Calculation</b>									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	8,771.9	13,003.4	13,020.7	14,160.6
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-711.8	-783.0	-853.5	-918.8
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-5,457.2	8,060.1	12,220.3	12,167.2	13,241.8
FCF margin (%)	0.5%	0.7%	-1.8%	1.7%	-0.3%	0.5%	0.6%	0.6%	0.6%
FCF per share	30.69	58.36	-111.62	103.69	-18.48	27.30	41.39	41.21	44.85
Price/FCF per share	15.31	8.05	-4.21	4.53	-25.43	17.22	11.36	11.41	10.48
FCF Yield	6.5%	12.4%	-23.7%	22.1%	-3.9%	5.8%	8.8%	8.8%	9.5%
<b>Net Cash calculation</b>									
Cash + short term investments	123,754.9	148,402.0	144,695.5	148,688.4	142,936.0	150,700.8	162,625.9	174,499.8	187,450.4
Less: long term debt + ST debt	-45,939.9	-59,020.2	-89,613.7	-64,426.0	-64,426.0	-64,426.0	-64,426.0	-64,426.0	-64,426.0
<b>Net Cash</b>	<b>77,815.0</b>	<b>89,381.8</b>	<b>55,081.8</b>	<b>84,262.4</b>	<b>78,510.0</b>	<b>86,274.8</b>	<b>98,199.9</b>	<b>110,073.8</b>	<b>123,024.4</b>
Net cash per share	263.6	302.7	186.6	285.4	265.9	292.2	332.6	372.8	416.7

Valuation ratio's	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
P/B	4.31	3.56	3.51	1.86	1.60	1.43	1.28	1.14	1.02
P/E	16.68	14.36	17.26	10.74	11.51	13.03	11.52	10.28	9.29
P/S	0.11	0.07	0.12	0.08	0.07	0.08	0.07	0.07	0.06
EV/sales	0.06	0.04	0.09	0.03	0.03	0.03	0.03	0.03	0.02
EV/EBITDA	5.68	4.98	8.40	2.93	3.98	4.44	3.95	3.86	3.49
EV/EBIT	5.95	5.17	8.70	3.05	4.32	4.89	4.32	3.86	3.49
EV/FCF	11.09	5.20	-4.96	1.78	-9.99	6.76	4.46	4.48	4.12
Dividend Yield (%)	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	-5.4%	3.7%	2.4%	2.4%	2.2%
Working Capital Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Receivable days (DSO)	9	7	9	9	9	9	9	9	9
Inventory days (DIO)	2	2	3	3	3	3	3	3	3
Payables days (DPO)	22	17	19	15	15	14	14	14	14
Current ratio	1.2	1.2	1.3	1.3	1.5	1.6	1.7	1.8	1.8
Quick ratio	1.1	1.2	1.2	1.1	1.4	1.5	1.6	1.7	1.7
Working capital	-47380	-51745	-6210	-23867	-6072	-3070	-2846	-2368	-1591
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2
Leverage Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Debt / equity	96%	105%	130%	79%	69%	62%	56%	50%	45%
Net cash (debt) / equity	163%	159%	80%	104%	84%	83%	85%	86%	86%
Net cash (debt) / mkt cap	56%	64%	40%	61%	57%	62%	71%	79%	89%
Net cash (debt) / capital	83%	77%	35%	58%	50%	51%	55%	57%	59%
Earnings Quality Ratios									
Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	14566	17153	16978	18310	20005
Average NOA	-37643	-31495	-9585	5445	5809	15860	17066	17644	19157
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	3.02	0.16	-0.01	0.08	0.09
CF accrual ratio	-0.25	0.14	-4.91	-3.08	3.02	0.16	-0.01	0.08	0.09
Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current					
Market Cap.	178,331	178,922	218,485	138,768					
+ Minority Interest	0	0	0	0					
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	64,426					
- Cash & Equivalents	123,755	148,402	144,696	148,688					
<b>Enterprise Value</b>	<b>100,516</b>	<b>89,540</b>	<b>163,403</b>	<b>54,505</b>					

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	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	11,140	12,603	14,124	15,630	15,323	16,013	16,661
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-12%	13%	12%	11%	-2%	4%	4%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.7%	4.0%	4.4%	4.4%	4.4%	4.4%	4.4%	5.3%	6.3%	7.6%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	12,057	10,649	12,047	13,502	14,941	14,512	14,996	15,392
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-12%	13%	12%	11%	-3%	3%	3%
+ D&A	20	21	21	164	622	788	650	680	743	1,072	1,126	1,182	0	0	1,381	1,444	1,502
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-759	-711	-791	-712	-783	-853	-919	-1,132	-1,182	-1,230
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-17,795	-3,002	-224	-478	-777	-324	-279	-239
<b>Free Cash Flow to Firm</b>	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-27,892	34,855	-5,457	8,061	12,222	12,170	13,246	14,438	14,978	15,425
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-116%	-248%	52%	0%	9%	9%	4%	3%

#### Value per Share

Terminal Growth	Cost of capital				
	11.0%	12.0%	13.0%	14.0%	15.0%
2.5%	688	635	593	558	529
2.8%	698	643	599	563	533
3.0%	705	648	<b>603</b>	566	535
3.3%	716	656	609	570	539
3.5%	724	662	613	574	541

WACC		13.0%
PV of Free Cash Flow		69,615
PV of Terminal Value		53,231
Add: Net Cash		55,082
Total Equity Value		177,928
Shares outstanding		295.25
<b>DCF value</b>		<b>603</b>

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