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Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 800.00
Current Price	Rs. 455.00
Upside Potential	76%

Market Cap.	Rs.134 bn US\$ 1.82 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	68.9 mn / 23%
52 Week Range (Rs)	441 / 781
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	39,302
Insider Holding %	77%


Risk: Above Average
Forecasting and Valuations

(INR mn except ratio)	FY 2021E	FY 2022E
Revenue	1,977,518	2,224,707
Net Income	10,354	12,427
EPS (Rs)	33.52	40.24
EPS Growth	-18%	20%
PE	13.5	11.3
EV/EBITDA	4.3	3.7
P/B	1.4	1.2

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Q1FY2021 [ended June] Earnings Update
Resilient Growth in Revenues Despite Economic Headwinds

Rajesh Exports reported resilient growth in revenues, ahead of our expectations, on a YoY basis despite a global economic slowdown and a higher gold price. Revenues for the fiscal first quarter [ended June] came in at Rs.461 bn, up 14% on a YoY basis. The rising price of gold in the international market was the primary reason for an increase in revenues in the first quarter due to sustenance in the gold refining business. The increase in the price of gold in the international market more than made up for a decline in the volume of refined gold to ultimately show an increase in revenues. The company however continues to focus on the strategy of sale of high margin products to accelerate revenue growth in the longer term. The surging order book also indicates that the company will show sustained growth in revenues and profitability after FY03/2021 [ending September 2020] and beyond [more details below]. For the first quarter, EPS decreased by 50% to Rs.5.15 vs. Rs.10.23 in Q1 FY2020, while net profit also decreased by 50% from Rs.3 bn in Q1 FY2020 to Rs.1.52 bn in Q1 FY2021. The net profit declined drastically, but only temporarily, as compared to the significant rise in revenues on account of a severe impact on the high margin jewelry business due to the imposed lockdown in the first quarter of the current financial year.

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 first quarter of FY03/2021 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 was 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. However, Rajesh Exports has delivered a double digit growth in revenues for the first quarter showing absolute resilience amidst a severe crisis situation. The economic situation despite being far from normal, revenue growth has not been affected 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 going forward as supply seems to be back on track running at full scale as the situation continues to stabilize globally. 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 did get impacted to a significant extent not only for the company but for the entire industry only to begin gradual recovery in the second quarter.

Our FY03/2022 earnings forecast of Rs. 40.24 per share implies a growth of 20% over the FY03/2021 earnings. The USA end market continues to remain robust with strong consumer spending expected as employment has started to recover sharply.

Maintain Estimates and Price Target Rs. 800; 76% Upside

We maintain our FY2022 earnings estimates of Rs.40.24 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 maintain our price target at 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 76% 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 19.9x on our FY03/2022 EPS estimate of Rs.40.24, and a P/E of 17.6x on our forward FY03/2023 estimate of Rs.45.5. We continue to remain positive on the margin growth story based on the company's strong execution seen over the last 24 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 11.1x on FY03/2020 EPS, and a P/E of 11.3x 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 0.06x 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 Maintained at Rs.656 bn

At the end of the first quarter ended June, the order book was maintained at Rs.656 bn. The maintenance in the orderbook 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 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.

Q1 Operational Details

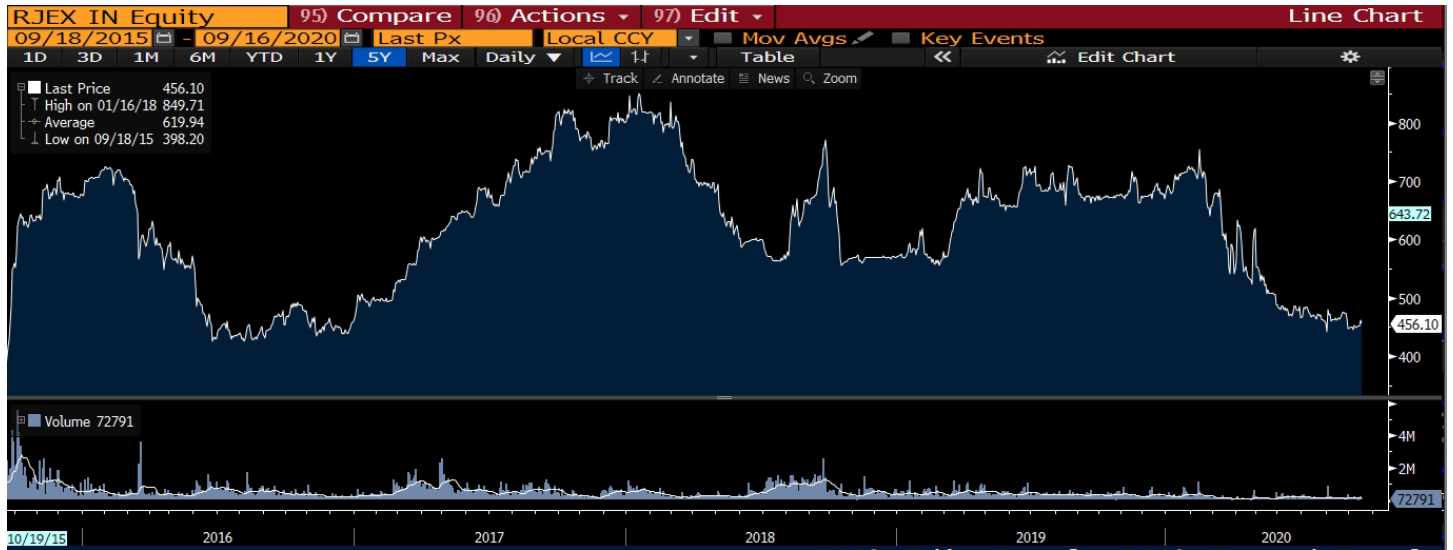
Rajesh Exports remains a zero debt company. The finance costs were reported as zero on account of an adjustment of the interest cost in the COGS. The company's gross profit margin contracted to 0.58% in Q1 FY2021 from 1.07% in Q1 FY2020 due to temporary impact on sales from the high margin business. The operating profit margin also contracted to 0.4% in Q1 FY2021 from 0.8% in Q1 FY2020. We believe most of this contraction is simply due to the short-term impact on the revenue from sale of high margin products in the first quarter of the current year. The recovery has already started in the second quarter and things are expected to get back to pre-covid levels at the end of 2020. The company will continue to focus on the sale of higher margin products which are expected to enhance profitability for the company going forward. So we believe both gross and operating margins, which have bottomed out, should gradually increase from today's level in FY03/2022 and beyond.

Gold Demand Recovery Seen

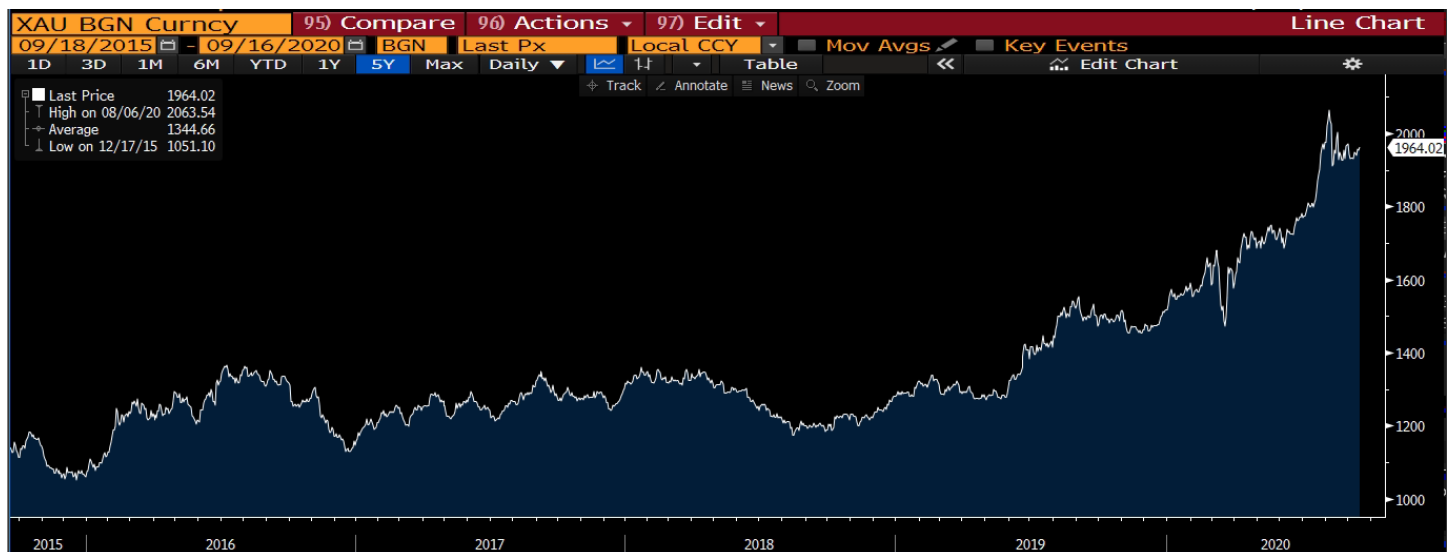
The Government of India had enforced a lockdown in India since the month of March 2020 which led to a drastic fall in the demand for the gems and jewelry sector resulting in a sharp fall in gold imports in the month of April and May. During the April-August period, gold exports declined by 27% to US\$98 billion, while imports fell 44% to US\$118 billion. However, in the month of August, gold imports jumped to US\$3.7 billion as against US\$1.36 billion in August 2019 suggesting a recovery in demand first time after the lockdown. 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 CAD, which is the difference between inflow and outflow of foreign exchange.

The global COVID-19 pandemic has 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.

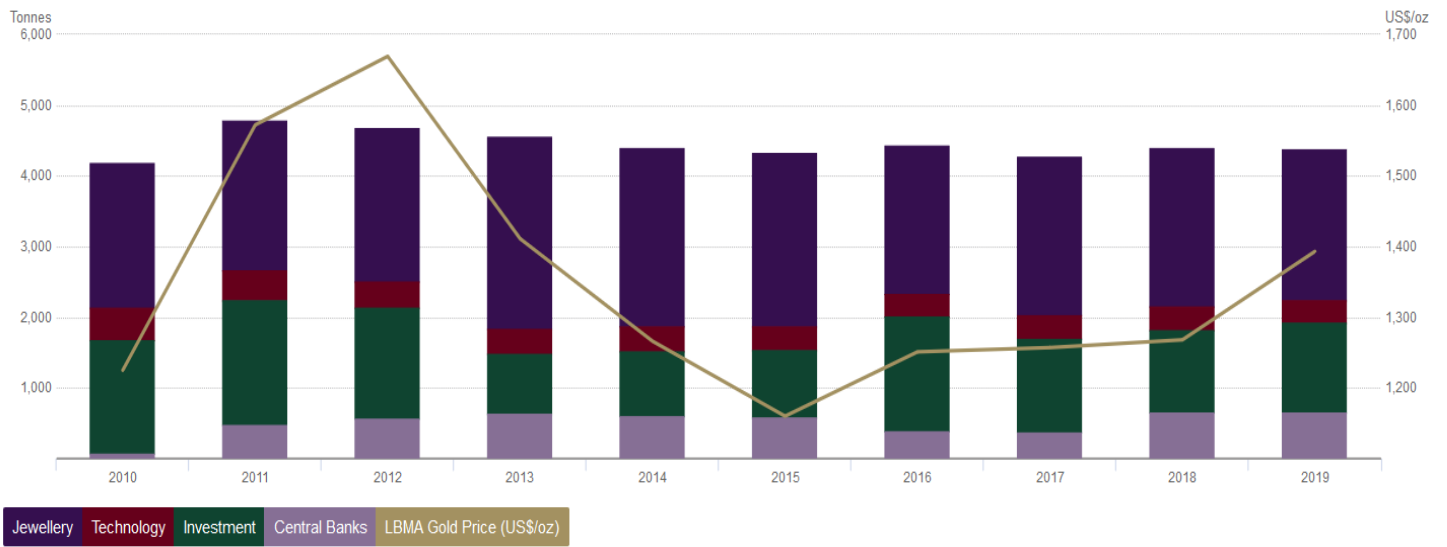
5-year Price Chart



Gold 5 Year Price Chart



Demand and Supply: Gold Statistics

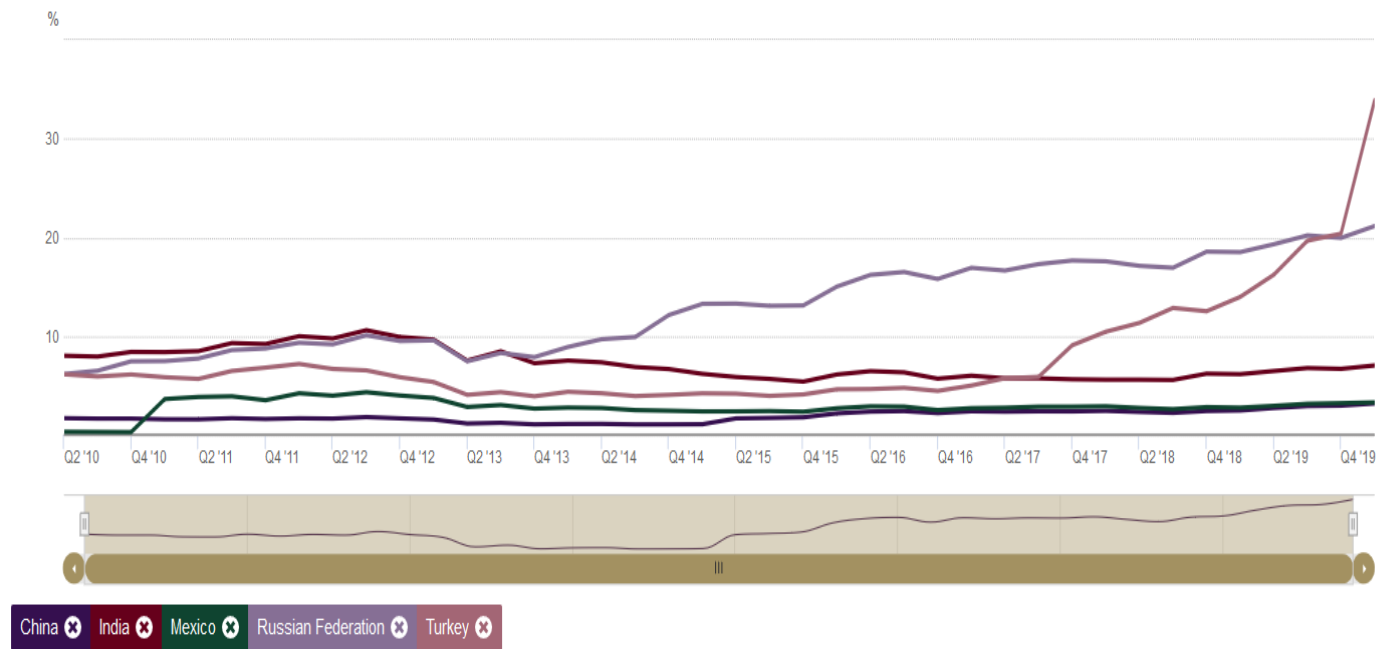


Data as of 31 March, 2020

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	Q1FY21
Revenue	406,190	668,274	406,011	475,527	460,543
<i>y/y</i>	-7.5%	25.2%	-7.8%	38.1%	13.4%
<i>q/q</i>	17.9%	64.5%	-39.2%	17.1%	-3.2%
Cost of Revenue	-401,828	-663,570	-401,367	-471,449	-457,866
Gross Profit	4,362.0	4,703.2	4,644.2	4,077.1	2,676.3
<i>Gross margin (%)</i>	1.07%	0.70%	1.14%	0.86%	0.58%
Other Operating Revenue	35	8	8	20	3
<i>as a % of sales</i>	0.01%	0.00%	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-1,238.0	-1,279.4	-1,322.8	-1,404.2	-1,003.3
<i>as a % of sales</i>	0.30%	0.19%	0.33%	0.30%	0.22%
Other Operating expenses	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%
Operating Income	3,158.9	3,432.2	3,328.9	2,692.7	1,675.8
<i>y/y</i>	-43.5%	-24.1%	-24.4%	-19.6%	-46.9%
<i>q/q</i>	-5.7%	8.6%	-3.0%	-19.1%	-37.8%
<i>Operating margin (%)</i>	0.8%	0.5%	0.8%	0.6%	0.4%
Interest Expense	0.0	0.0	0.0	0.0	0.0
Interest income	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
Other recurring (expenses)/income	0.0	0.0	0.0	0.0	0.0
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	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
Pretax Income (reported)	3,159	3,432	3,329	2,693	1,676
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%	-46.9%
Pretax Income (adjusted)	3,159	3,432	3,329	2,693	1,676
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%	-46.9%
- Income Tax Expense	-139.7	-275.8	-164.3	23.9	-139.7
<i>effective tax rate (%)</i>	4.4%	8.0%	4.9%	-0.9%	8.3%
- Minority Interests	0	0	0	0	0
Income Before XO Items	3,019	3,156	3,165	2,717	1,536
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	3,019	3,156	3,165	2,717	1,536
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%
Net Income (adjusted)	3,019.2	3,156.3	3,164.6	2,716.6	1,536.1
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%	-43.5%
Basic EPS (reported)	10.23	10.69	10.72	9.20	5.20
Basic EPS (adjusted)	10.23	10.69	10.72	9.20	5.20
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25
Diluted EPS (reported)	10.23	10.69	10.72	9.20	5.20
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%
Diluted EPS (adjusted)	10.23	10.69	10.72	9.20	5.20
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%	-43.5%
Diluted Weighted Avg Shares	295.25	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 (2020-24)
Revenue	1,652,114	2,421,320	1,876,855	1,757,631	1,956,002	1,977,518	2,224,707	2,449,403	2,659,684	8.0%
y/y	227.4%	46.6%	-22.5%	-6.4%	11.3%	1.1%	12.5%	10.1%	8.6%	
q/q										
Cost of Revenue	-1,631,510	-2,400,793	-1,854,173	-1,735,225	-1,938,215	-1,963,280	-2,207,911	-2,430,540	-2,638,792	
Gross Profit	20,604.1	20,526.9	22,681.2	22,406	17,786.4	14,238.1	16,796.5	18,862.9	20,891.9	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	0.91%	0.72%	0.76%	0.77%	0.79%	
Other Operating Revenue	90	471	620	675	71	71	80	88	96	
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	-3,955.0	-4,449.4	-4,898.8	-5,319.4	
as a % of sales	0.2%	0.2%	0.2%	0.3%	0.3%	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%	
Operating Income	16,898.2	17,333.0	18,783.2	17,874.5	12,612.7	10,354.5	12,427.4	14,052.5	15,668.5	5.6%
y/y	40.3%	2.6%	8.4%	-4.8%	-29.4%	-17.9%	20.0%	13.1%	11.5%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	0.6%	0.5%	0.6%	0.6%	0.6%	
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	
Pretax Income (reported)	11,122	13,030	13,416	13,458	12,613	10,354	12,427	14,052	15,669	5.6%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-17.9%	20.0%	13.1%	11.5%	
Pretax Income (adjusted)	11,122	13,030	13,416	13,458	12,613	10,354	12,427	14,052	15,669	5.6%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-17.9%	20.0%	13.1%	11.5%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-556.0	-456.5	-547.9	-619.5	-690.7	
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	
Income Before XO Items	10,690	12,459	12,658	12,924	12,057	9,898	11,880	13,433	14,978	5.6%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	10,690	12,459	12,658	12,924	12,057	9,898	11,880	13,433	14,978	5.6%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.00	4.00	
Net Income (adjusted)	10,690.3	12,459.0	12,657.9	12,924.0	12,056.7	9,897.0	11,877.6	13,430.0	14,973.8	5.6%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	40.84	33.52	40.24	45.50	50.73	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	33.52	40.23	45.49	50.72	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
Diluted EPS (reported)	36.21	42.20	42.87	43.77	40.84	33.52	40.24	45.50	50.73	5.6%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%	
Diluted EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	33.52	40.23	45.49	50.72	5.6%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%	
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
Assets									
+ Cash & Near Cash Items	123,755	148,402	144,696	148,688	142,936	151,580	163,520	175,270	188,102
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	46,962	47,479	53,414	58,809	63,858
+ Inventories	9,926	11,628	17,220	46,000	15,077	15,272	17,175	18,907	20,527
+ Other Current Assets	4,336	8,606	9,762	10,916	10,916	10,916	10,916	10,916	10,916
Total Current Assets	186,913	218,834	211,603	260,455	215,892	225,248	245,025	263,902	283,403
+ 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	12,187	13,087	14,077	15,153
- 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	6,151	5,869	6,859	7,935
+ 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
Total Long-Term Assets	22,499.1	22,483.5	23,982.5	24,853.2	24,571.9	24,245.7	23,963.1	24,953.6	26,029.1
Total Assets	209,412.5	241,317.6	235,585	285,307.9	240,463.7	249,493.5	268,988.2	288,855.8	309,431.8
Liabilities & Shareholders' Equity									
+ Accounts Payable	108,533	121,519	71,699	134,665	78,060	77,488	85,400	92,131	98,024
+ 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
Total Current Liabilities	156,478.2	177,699.1	160,289.5	197,617.4	141,011.7	140,439.8	148,352.2	155,083.0	160,976.4
+ 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
Total Liabilities	161,580.7	184,942.6	166,665.9	203,993.8	147,388.1	146,816.2	154,728.5	161,459.4	167,352.8
+ 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	102,382	113,964	127,099	141,778
Total Shareholders' Equity	47,832.2	56,375.0	68,685.4	81,314.2	93,075.6	102,677.3	114,259.7	127,394.4	142,072.9
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	209,412.5	241,317.6	235,585	285,307.9	240,463.7	249,493.5	268,988.2	288,855.8	309,431.8

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	9,897.0	11,877.6	13,430.0	14,973.8
+ 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	-1,283.5	74.5	-395.8	-775.3
Cash From Operating Activities	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	9,739.3	13,134.2	13,034.2	14,198.5
+ 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	-799.6	-899.6	-990.4	-1,075.5
+ 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
Cash From Investing Activities	-19,438.6	-523.3	-2,179.0	-1,614.1	-790.9	-799.6	-899.6	-988.4	-1,071.5
+ 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
Cash from Financing Activities	1,382.9	12,785.0	30,435.1	-25,483.0	-295.3	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	2,643.3	29,735.5	-3,940.6	4,227.0	-5,752.4	8,644.5	11,939.4	11,750.5	12,831.7
Opening cash			148,402.0	144,461.4	148,688.4	142,936.0	151,580.4	163,519.8	175,270.3
Closing cash			144,461.4	148,688.4	142,936.0	151,580.4	163,519.8	175,270.3	188,102.0

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Growth Ratios % (YoY)									
Revenue	227.4%	46.6%	-22.5%	-6.4%	11.3%	1.1%	12.5%	10.1%	8.6%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-17.9%	20.0%	13.1%	11.5%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-17.9%	20.0%	13.1%	11.5%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-18%	20%	13%	11%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Per Share Data (INR)									
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	33.5	40.2	45.5	50.7
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	33.5	40.2	45.5	50.7
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	325.4	364.6	409.1	458.8
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%	0.72%	0.76%	0.77%	0.79%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.52%	0.56%	0.57%	0.59%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.58%	0.61%	0.57%	0.59%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.52%	0.56%	0.57%	0.59%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.50%	0.53%	0.55%	0.56%
Return Ratios									
Dupont ROE (%)	22.3%	22.1%	18.4%	15.9%	13.0%	9.6%	10.4%	10.5%	10.5%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.6%
Turnover (x)	7.9	10.0	8.0	6.2	8.1	7.9	8.3	8.5	8.6
Leverage (x)	4.4	4.3	3.4	3.5	2.6	2.4	2.4	2.3	2.2
Return on Assets	5.1%	5.2%	5.4%	4.5%	5.0%	4.0%	4.4%	4.6%	4.8%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	12.7%	9.5%	10.3%	10.5%	10.6%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	7.7%	5.9%	6.6%	7.0%	7.3%
FCF Calculation									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	9,739.3	13,134.2	13,034.2	14,198.5
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-799.6	-899.6	-990.4	-1,075.5
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-5,457.2	8,939.7	12,234.6	12,043.8	13,123.0
FCF margin (%)	0.5%	0.7%	-1.8%	1.7%	-0.3%	0.5%	0.5%	0.5%	0.5%
FCF per share	30.69	58.36	-111.62	103.69	-18.48	30.28	41.44	40.79	44.45
Price/FCF per share	14.82	7.80	-4.08	4.39	-24.62	15.03	10.98	11.15	10.24
FCF Yield	6.7%	12.8%	-24.5%	22.8%	-4.1%	6.7%	9.1%	9.0%	9.8%
Net Cash calculation									
Cash + short term investments	123,754.9	148,402.0	144,695.5	148,688.4	142,936.0	151,580.4	163,519.8	175,270.3	188,102.0
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
Net Cash	77,815.0	89,381.8	55,081.8	84,262.4	78,510.0	87,154.4	99,093.8	110,844.3	123,676.1
Net cash per share	263.6	302.7	186.6	285.4	265.9	295.2	335.6	375.4	418.9

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	1.80	1.55	1.40	1.25	1.11	0.99
P/E	16.68	14.36	17.26	10.39	11.14	13.57	11.31	10.00	8.97
P/S	0.11	0.07	0.12	0.08	0.07	0.07	0.06	0.05	0.05
EV/sales	0.06	0.04	0.09	0.03	0.03	0.03	0.02	0.02	0.02
EV/EBITDA	5.68	4.98	8.40	2.69	3.66	4.36	3.68	3.56	3.20
EV/EBIT	5.95	5.17	8.70	2.80	3.97	4.84	4.03	3.56	3.20
EV/FCF	11.09	5.20	-4.96	1.64	-9.18	5.60	4.09	4.16	3.82
Dividend Yield (%)	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	-5.4%	3.3%	2.4%	2.5%	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	1.7	1.8
Quick ratio	1.1	1.2	1.2	1.1	1.4	1.5	1.5	1.6	1.6
Working capital	-47380	-51745	-6210	-23867	-6072	-4788	-4863	-4467	-3692
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%	63%	56%	51%	45%
Net cash (debt) / equity	163%	159%	80%	104%	84%	85%	87%	87%	87%
Net cash (debt) / mkt cap	58%	67%	41%	63%	58%	65%	74%	83%	92%
Net cash (debt) / capital	83%	77%	35%	58%	50%	52%	55%	58%	60%
Earnings Quality Ratios									
Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	14566	15523	15166	16552	18403
Average NOA	-37643	-31495	-9585	5445	5809	15044	15344	15859	17478
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	3.02	0.06	-0.02	0.09	0.11
CF accrual ratio	-0.25	0.14	-4.91	-3.08	3.02	0.06	-0.02	0.09	0.11
Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current					
Market Cap.	178,331	178,922	218,485	134,339					
+ 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					
Enterprise Value	100,516	89,540	163,403	50,076					

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	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	10,354	12,427	14,052	15,669	15,110	15,790	16,430
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-18%	20%	13%	12%	-4%	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	9,898	11,880	13,433	14,978	14,311	14,788	15,178
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-18%	20%	13%	12%	-4%	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	-800	-900	-990	-1,075	-1,300	-1,358	-1,413
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-17,795	-1,284	74	-396	-775	-554	-477	-408
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-27,892	34,855	-5,457	8,941	12,237	12,047	13,127	13,838	14,396	14,859
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-116%	-264%	37%	-2%	9%	5%	4%	3%

Value per Share

Terminal Growth	Cost of capital				
	11.0%	12.0%	13.0%	14.0%	15.0%
2.5%	678	627	586	553	524
2.8%	688	634	592	557	528
3.0%	694	639	595	560	530
3.3%	705	647	601	564	534
3.5%	713	653	606	567	536

WACC		13.0%
PV of Free Cash Flow		69,446
PV of Terminal Value		51,277
Add: Net Cash		55,082
Total Equity Value		175,804
Shares outstanding		295.25
DCF value		595

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