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Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 800.00
Current Price	Rs. 460.00
Upside Potential	74%

Market Cap.	Rs.135 bn US\$ 1.81 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	441 / 781
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	44,180
Insider Holding %	54%



Risk: Above Average

Forecasting and Valuations

(INR mn except ratio)	FY 2021E	FY 2022E
Revenue	2,355,026	2,515,639
Net Income	9,505	14,053
EPS (Rs)	30.77	45.50
EPS Growth	-25%	48%
PE	14.9	10.1
EV/EBITDA	4.8	3.4
P/B	1.4	1.2

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Q2FY2021 [ended September] Earnings Update

Robust Growth in Revenues Despite Economic Headwinds

Rajesh Exports reported robust growth in revenues, much ahead of our expectations, on a YoY basis despite a global economic slowdown and a higher gold price. Revenues for the fiscal second quarter [ended September] came in at Rs.1022 bn, up 53% on a YoY basis. The rising price of gold in the international market was the primary reason for an increase in revenues in the second 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 and profitability growth in the longer term. The sustenance in order book also indicates that the company will show gradual recovery in profitability after FY03/2021 [ending December 2020] and beyond [more details below]. For the second quarter, EPS decreased by 45% to Rs.5.86 vs. Rs.10.69 in Q2 FY2020, while net profit also decreased by 45% from Rs.3.1 bn in Q2 FY2020 to Rs.1.73 bn in Q2 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 second 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 in revenue with a minimal impact on EPS as the global situation normalizes coupled with higher contribution from the gold refining business. The CEO also mentioned that the company's business witnessed a robust growth in the second 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 second 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 second quarter on a YoY basis and a triple digit growth on a sequential QoQ basis showing absolute resilience amidst a severe crisis situation. The record revenue number for the second quarter for Rajesh Exports was driven by its gold

refining business. Since the bulk of the business of the company comes from refining of gold, we expect revenue to show sustained growth while profitability is likely 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 third quarter.

Our FY03/2022 earnings forecast of Rs. 45.5 per share implies a growth of 48% 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.

Revise Estimates and Maintain Price Target Rs. 800: 74% Upside

We revise upwards our FY2022 earnings estimates from Rs.40.24 per share to Rs.45.50 per share on account of an expected rise in profitability once the global pandemic situation returns 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 FY2021. Our price target represents an upside of approximately 74% 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 17.6x on our FY03/2022 EPS estimate of Rs.45.50, and a P/E of 15.6x on our forward FY03/2023 estimate of Rs.51.45. 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 11.2x on FY03/2020 EPS, and a P/E of 14.9x 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 approximately 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.572 bn

At the end of the second quarter ended September, the order book was reported at Rs.572 bn. The maintenance in the order book 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.

Q2 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 0.29% in Q2 FY2021 from 0.70% in Q2 FY2020 due to the temporary impact on sales from the high margin business. The operating profit margin also contracted to 0.2% in Q2 FY2021 from 0.5% in Q2 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 second quarter of the current year. The recovery has already started in the third 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 for several months starting in 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. Gold imports, declined 47.42% to US\$9.28 billion during April-October due to fall in demand in the wake of the COVID-19 pandemic, according to data from the Commerce Ministry. Import of Gold metal stood at US\$17.64 billion in the corresponding period of 2019-20. The import of gold recorded a growth of about 36% in the month of October 2020.

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.

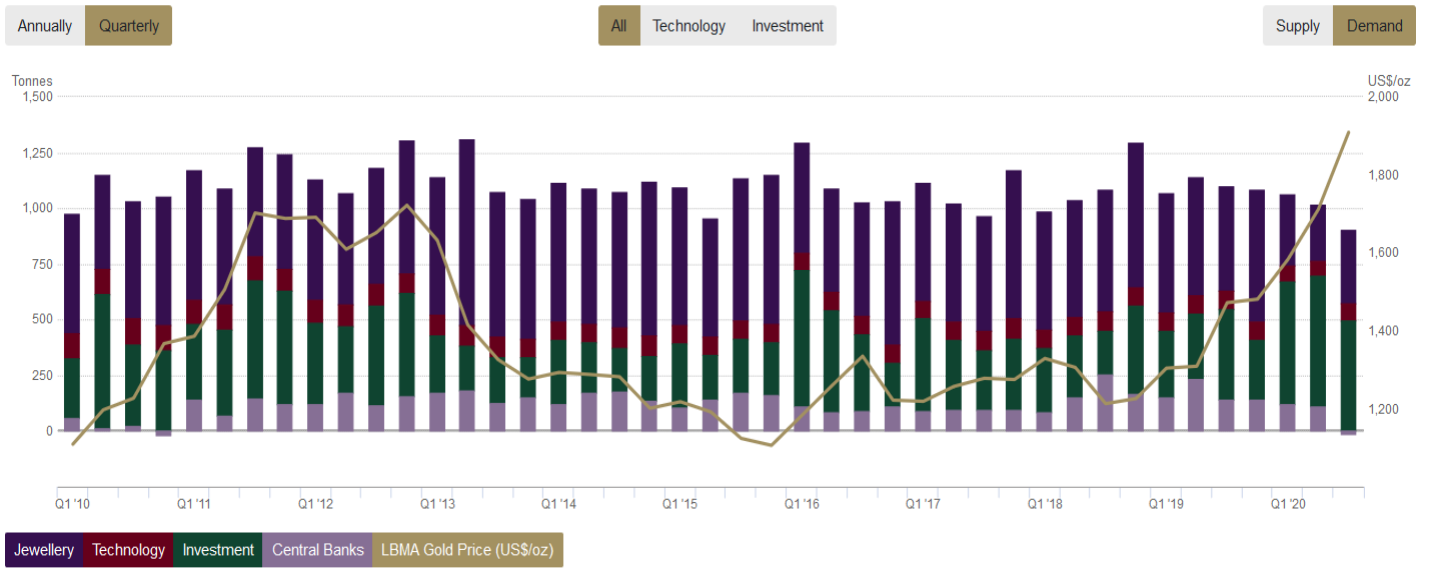
5-year Price Chart



Gold 5 Year Price Chart



Demand and Supply: Gold Statistics

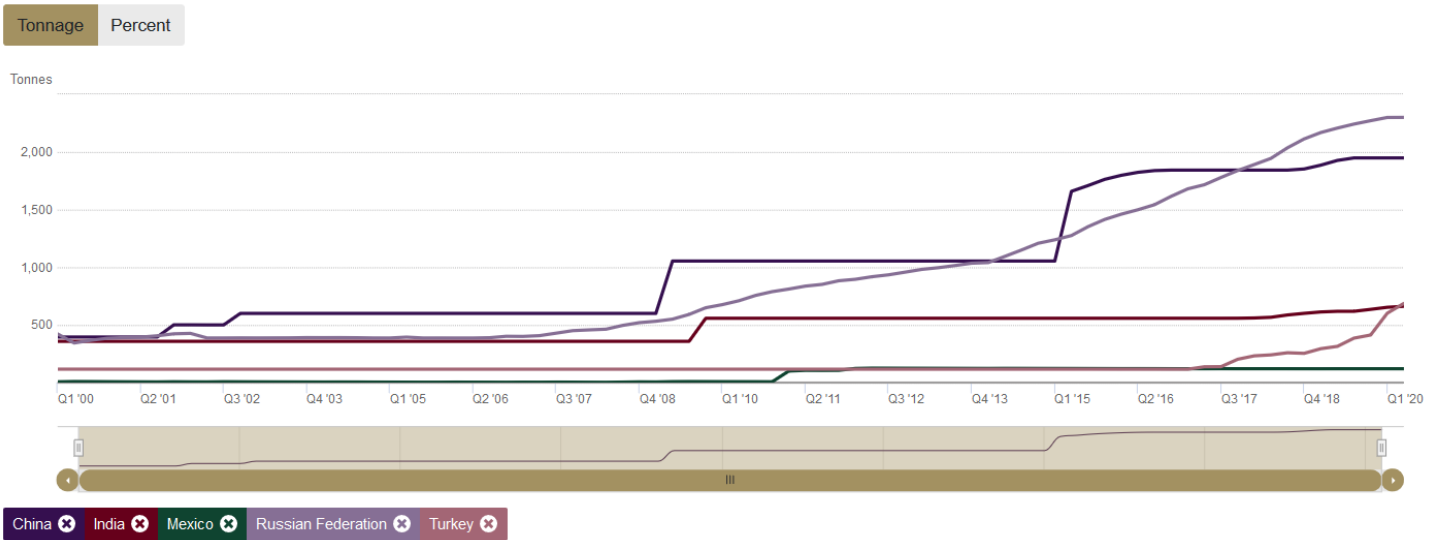


Data as of 30 September, 2020

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	Q2FY21
Revenue	406,190	668,274	406,011	475,527	460,543	1,021,498
<i>y/y</i>	-7.5%	25.2%	-7.8%	38.1%	13.4%	52.9%
<i>q/q</i>	17.9%	64.5%	-39.2%	17.1%	-3.2%	121.8%
Cost of Revenue	-401,828	-663,570	-401,367	-471,449	-457,866	-1,018,582
Gross Profit	4,362.0	4,703.2	4,644.2	4,077.1	2,676.3	2,916.0
<i>Gross margin (%)</i>	1.07%	0.70%	1.14%	0.86%	0.58%	0.29%
Other Operating Revenue	35	8	8	20	3	6
<i>as a % of sales</i>	0.01%	0.00%	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	-1,043.4
<i>as a % of sales</i>	0.30%	0.19%	0.33%	0.30%	0.22%	0.10%
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%
Operating Income	3,158.9	3,432.2	3,328.9	2,692.7	1,675.8	1,878.8
<i>y/y</i>	-43.5%	-24.1%	-24.4%	-19.6%	-46.9%	-45.3%
<i>q/q</i>	-5.7%	8.6%	-3.0%	-19.1%	-37.8%	12.1%
<i>Operating margin (%)</i>	0.8%	0.5%	0.8%	0.6%	0.4%	0.2%
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
Pretax Income (reported)	3,159	3,432	3,329	2,693	1,676	1,879
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%	-46.9%	-45.3%
Pretax Income (adjusted)	3,159	3,432	3,329	2,693	1,676	1,879
<i>y/y</i>	-23.4%	-0.9%	1.6%	3.8%	-46.9%	-45.3%
- Income Tax Expense	-139.7	-275.8	-164.3	23.9	-139.7	-148.7
<i>effective tax rate (%)</i>	4.4%	8.0%	4.9%	-0.9%	8.3%	7.9%
- Minority Interests	0	0	0	0	0	0
Income Before XO Items	3,019	3,156	3,165	2,717	1,536	1,730
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%	-45.2%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	3,019	3,156	3,165	2,717	1,536	1,730
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%	-45.2%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	3,019.2	3,156.3	3,164.6	2,716.6	1,536.1	1,730.1
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%	-45.2%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%	-43.5%	12.6%
Basic EPS (reported)	10.23	10.69	10.72	9.20	5.20	5.86
Basic EPS (adjusted)	10.23	10.69	10.72	9.20	5.20	5.86
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25
Diluted EPS (reported)	10.23	10.69	10.72	9.20	5.20	5.86
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%	-45.2%
Diluted EPS (adjusted)	10.23	10.69	10.72	9.20	5.20	5.86
<i>y/y</i>	-24.4%	0.2%	0.2%	3.5%	-49.1%	-45.2%
<i>q/q</i>	15.1%	4.5%	0.3%	-14.2%	-43.5%	12.6%
Diluted Weighted Avg Shares	295.25	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	2,355,026	2,515,639	2,769,718	3,007,499	11.4%
y/y	227.4%	46.6%	-22.5%	-6.4%	11.3%	20.4%	6.8%	10.1%	8.6%	
q/q										
Cost of Revenue	-1,631,510	-2,400,793	-1,854,173	-1,735,225	-1,938,215	-2,340,896	-2,496,646	-2,748,389	-2,983,875	
Gross Profit	20,604.1	20,526.9	22,681.2	22,406	17,786.4	14,130.2	18,993.1	21,329.6	23,624.0	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	0.91%	0.60%	0.76%	0.77%	0.79%	
Other Operating Revenue	90	471	620	675	71	85	91	100	109	
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	-4,710.1	-5,031.3	-5,539.4	-6,015.0	
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	9,505.1	14,052.6	15,890.1	17,717.5	8.9%
y/y	40.3%	2.6%	8.4%	-4.8%	-29.4%	-24.6%	47.8%	13.1%	11.5%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	0.6%	0.4%	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	9,505	14,053	15,890	17,718	8.9%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-24.6%	47.8%	13.1%	11.5%	
Pretax Income (adjusted)	11,122	13,030	13,416	13,458	12,613	9,505	14,053	15,890	17,718	8.9%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-24.6%	47.8%	13.1%	11.5%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-556.0	-419.0	-619.5	-700.5	-781.1	
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	
Income Before XO Items	10,690	12,459	12,658	12,924	12,057	9,086	13,433	15,190	16,936	8.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	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	9,086	13,433	15,190	16,936	8.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	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	9,085.1	13,431.1	15,186.6	16,932.5	8.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	13.1%	11.5%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	40.84	30.77	45.50	51.45	57.36	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	30.77	45.49	51.44	57.35	
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	30.77	45.50	51.45	57.36	8.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	13.1%	11.5%	
Diluted EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	30.77	45.49	51.44	57.35	8.9%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	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	153,519	165,928	179,254	193,802
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	46,962	56,543	60,399	66,499	72,208
+ Inventories	9,926	11,628	17,220	46,000	15,077	18,210	19,421	21,380	23,212
+ 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	239,187	256,664	278,049	300,138
+ 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	12,340	13,357	14,477	15,693
- 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	6,304	6,139	7,259	8,475
+ 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	24,398.3	24,233.4	25,353.4	26,569.5
Total Assets	209,412.5	241,317.6	235,585	285,307.9	240,463.7	263,585.6	280,897.9	303,402.3	326,707.7
Liabilities & Shareholders' Equity									
+ Accounts Payable	108,533	121,519	71,699	134,665	78,060	92,392	96,568	104,179	110,843
+ 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	155,343.7	159,520.2	167,131.3	173,795.4
+ 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	161,720.1	165,896.5	173,507.6	180,171.7
+ 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	101,570	114,706	129,597	146,235
Total Shareholders' Equity	47,832.2	56,375.0	68,685.4	81,314.2	93,075.6	101,865.4	115,001.3	129,892.7	146,529.9
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	209,412.9	241,317.6	235,585	285,307.9	240,463.7	263,585.5	280,897.8	303,402.3	326,707.7

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	9,085.1	13,431.1	15,186.6	16,932.5
+ 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	1,619.2	-891.4	-447.5	-876.7
Cash From Operating Activities	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	11,830.1	13,721.9	14,739.1	16,055.8
+ 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	-952.3	-1,017.2	-1,120.0	-1,216.1
+ 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	-952.3	-1,017.2	-1,118.0	-1,212.1
+ 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	10,582.6	12,409.4	13,325.9	14,548.4
Opening cash			148,402.0	144,461.4	148,688.4	142,936.0	153,518.6	165,928.0	179,253.8
Closing cash			144,461.4	148,688.4	142,936.0	153,518.6	165,928.0	179,253.8	193,802.2

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%	20.4%	6.8%	10.1%	8.6%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-24.6%	47.8%	13.1%	11.5%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-24.6%	47.8%	13.1%	11.5%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-25%	48%	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	30.8	45.5	51.4	57.3
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	30.8	45.5	51.4	57.3
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	322.6	367.1	417.5	473.9
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%	0.60%	0.76%	0.77%	0.79%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.40%	0.56%	0.57%	0.59%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.45%	0.61%	0.57%	0.59%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.40%	0.56%	0.57%	0.59%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.39%	0.53%	0.55%	0.56%
Return Ratios									
Dupont ROE (%)	22.3%	22.1%	18.4%	15.9%	13.0%	8.9%	11.7%	11.7%	11.6%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.4%	0.5%	0.5%	0.6%
Turnover (x)	7.9	10.0	8.0	6.2	8.1	8.9	9.0	9.1	9.2
Leverage (x)	4.4	4.3	3.4	3.5	2.6	2.6	2.4	2.3	2.2
Return on Assets	5.1%	5.2%	5.4%	4.5%	5.0%	3.4%	4.8%	5.0%	5.2%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	12.7%	8.8%	11.6%	11.7%	11.6%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	7.7%	5.5%	7.5%	7.8%	8.0%
FCF Calculation									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	11,830.1	13,721.9	14,739.1	16,055.8
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-952.3	-1,017.2	-1,120.0	-1,216.1
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-5,457.2	10,877.8	12,704.6	13,619.1	14,839.6
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	36.84	43.03	46.13	50.26
Price/FCF per share	14.99	7.88	-4.12	4.44	-24.89	12.49	10.69	9.97	9.15
FCF Yield	6.7%	12.7%	-24.3%	22.5%	-4.0%	8.0%	9.4%	10.0%	10.9%
Net Cash calculation									
Cash + short term investments	123,754.9	148,402.0	144,695.5	148,688.4	142,936.0	153,518.6	165,928.0	179,253.8	193,802.2
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	89,092.6	101,502.0	114,827.9	129,376.3
Net cash per share	263.6	302.7	186.6	285.4	265.9	301.8	343.8	388.9	438.2

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	1.82	1.57	1.43	1.25	1.10	0.97
P/E	16.68	14.36	17.26	10.51	11.26	14.95	10.11	8.94	8.02
P/S	0.11	0.07	0.12	0.08	0.07	0.06	0.05	0.05	0.05
EV/sales	0.06	0.04	0.09	0.03	0.03	0.02	0.02	0.02	0.02
EV/EBITDA	5.68	4.98	8.40	2.77	3.77	4.85	3.38	3.24	2.91
EV/EBIT	5.95	5.17	8.70	2.88	4.09	5.42	3.67	3.24	2.91
EV/FCF	11.09	5.20	-4.96	1.68	-9.45	4.74	4.06	3.79	3.47
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%	2.7%	2.3%	2.2%	2.0%
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	1.5	1.6	1.7	1.7
Quick ratio	1.1	1.2	1.2	1.1	1.4	1.4	1.5	1.5	1.6
Working capital	-47380	-51745	-6210	-23867	-6072	-7691	-6799	-6352	-5475
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%	50%	44%
Net cash (debt) / equity	163%	159%	80%	104%	84%	87%	88%	88%	88%
Net cash (debt) / mkt cap	57%	66%	41%	62%	58%	66%	75%	85%	95%
Net cash (debt) / capital	83%	77%	35%	58%	50%	54%	57%	59%	61%
Earnings Quality Ratios									
Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	14566	12773	13499	15067	17160
Average NOA	-37643	-31495	-9585	5445	5809	13669	13136	14283	16113
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	3.02	-0.13	0.06	0.11	0.13
CF accrual ratio	-0.25	0.14	-4.91	-3.08	3.02	-0.13	0.06	0.11	0.13
Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current					
Market Cap.	178,331	178,922	218,485	135,815					
+ 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	51,553					

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	9,505	14,053	15,890	17,718	17,086	17,855	18,578
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-25%	48%	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	9,086	13,433	15,190	16,936	16,182	16,721	17,163
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-25%	48%	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	-952	-1,017	-1,120	-1,216	-1,470	-1,536	-1,598
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-17,795	1,619	-891	-448	-877	-775	-667	-570
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	10,879	12,707	13,622	14,844	15,319	15,962	16,497
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-116%	-299%	17%	7%	9%	3%	4%	3%

Value per Share

Terminal Growth	Cost of capital				
	11.0%	12.0%	13.0%	14.0%	15.0%
2.5%	723	667	622	584	553
2.8%	734	675	628	589	557
3.0%	741	680	632	592	559
3.3%	753	689	638	597	563
3.5%	762	695	643	601	566

WACC		13.0%
PV of Free Cash Flow		74,529
PV of Terminal Value		56,928
Add: Net Cash		55,082
Total Equity Value		186,539
Shares outstanding		295.25
DCF value		632

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