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# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 610.00
Upside Potential	48%

Market Cap.	Rs.180 bn US\$ 2.57 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	441 / 658
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	55,578
Insider Holding %	54.05%


**Risk: Above Average**

### Forecasting and Valuations

(INR mn except ratio)	FY2022E	FY2023E
Revenue	2,609,963	3,000,307
Net Income	13,470	21,450
EPS (Rs)	45.62	72.65
EPS Growth	59%	59%
PE	13.3	8.4
EV/EBITDA	6.2	4.2
P/B	1.7	1.4

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## Q1FY2022 [ended June] Earnings Update

### **Robust Growth in Revenue and Net Profit; Sustained Recovery Since Q3FY21**

Rajesh Exports reported a healthy growth in revenue and net profit, ahead of our expectations, on a YoY basis, despite a global economic slowdown, indicating that business performance is surely recovering. Net profit for the fiscal first quarter [ended June] came in at Rs.2,784 mn, up 67% on a YoY basis. A double-digit growth in revenues to the tune of 10.5% on a YoY basis, along with rising gross margins were the primary reasons for an increase in the net profit in the first quarter due to sustenance in the Switzerland-based gold refining business. The stability in the price of gold in the international market continues to make the gold refining business more lucrative, thus leading to the strong increase in net profit. 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 gradual recovery in profitability in the FY03/2022 and beyond [more details below]. For the first quarter, revenue increased by 10.5% to Rs.509 bn vs. Rs.461 bn in Q1 FY2021. As international air freight and shipping services operations are recovering back to normal levels, Rajesh Exports' export business from India is also beginning to rebound. The growth is expected to be strong both on a sequential quarter on quarter and year on year basis, considering the low base of the previous quarters given that demand is expected to be strong going forward.

Our conversations with the senior management and CEO Rajesh Mehta suggest that the business will post sustained growth YoY in revenue and net profit as the global situation normalizes coupled with higher contribution from the gold refining business. International markets have started to open up and the logistics are also getting back to normalcy. The company is geared up to increase its global market share and also expand in the domestic market.

Rajesh Exports has delivered a double-digit growth in revenues as well as net profit for the first quarter on a YoY basis showing absolute resilience amidst a severe crisis situation. 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 the base effect 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 is also expected to recover in the current financial year. The jewelry business of the company, which has higher margins but relatively lower volumes in comparison to the gold refining business, has shown a significant recovery in the first quarter.

Our FY03/2023 earnings forecast of Rs. 72.65 per share implies a growth of 153% 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. 900; 48% Upside**

We maintain our FY03/2023 earnings estimates at Rs.72.65 per share on account of an expected rise in profitability as the global pandemic situation returns to normalcy in FY03/2022. We maintain our price target at Rs.900 on the stock and expect business conditions to come back to pre-pandemic levels at the end of FY2022 to achieve a robust growth in FY2023. Our price target represents an upside of approximately 48% 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 83 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.900 price target implies a P/E multiple of 12.3x on our FY03/2023 EPS estimate of Rs.72.65, and a P/E of 8.9x on our forward FY03/2024 estimate of Rs.100. We continue to remain positive on the margin growth story based on the company's strong execution history. 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 21.3x on FY03/2021 EPS, and a P/E of 8.4x on our forward FY03/2023 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 41x and a forward 28x estimated P/E levels.

Also, the stock is trading at a Price/Sales ratio of just 0.07x on FY03/2021 revenue and a P/S of 0.05x on our forward FY03/2023 estimate, which is at a significant discount to the trailing P/S ratio of 2.0x for the NIFTY Index.

### **Order Book Grows Significantly to Rs.484 bn**

At the end of the first quarter ended June, the order book was reported at Rs.484 bn. A growth of 7% in the order book to the tune of Rs.31 bn (Rs.453 bn at the end of previous quarter) indicates growth in revenues will sustain in the coming quarters as the global pandemic situation gradually returns to normalcy. 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 was higher at 0.73% in Q1 FY2022 as compared to 0.63% in Q4 FY2021 due to higher margins from the gold refining business. The operating profit margin was flat at 0.5% in Q1 FY2022 as compared to Q4 FY2021. We believe gross and operating margins will continue to recover going forward as revenue from sale of high margin products is expected to show sustained growth. The recovery has already started in the third quarter of last year, with higher gross margin and flat operating margin in the first quarter. So, we believe both gross and operating margins, which have already bottomed out, should gradually continue to increase from today's level in FY03/2022 and beyond.

### **Gold Demand Recovery Seen**

India's overall gems and jewelry exports surged by 92.37% in June to Rs.20,851 mn (\$2,863.76 mn) compared to the same month of 2020 according to the Gem and Jewellery Export Promotion Council (GJEPC). The total export of gold jewelry surged by 399% to Rs.41,851 mn (\$ 570 mn) in June compared to Rs.8,392 mn (\$110 mn) in June 2020. The overall gems and jewelry exports witnessed 254.75% growth during the April-June quarter of this financial year at Rs.6,72,656 mn (\$9,182 mn) as compared to Rs.1,89,616 mn (\$2,504 mn) in the same quarter of FY21.

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. The global COVID-19 pandemic had 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.

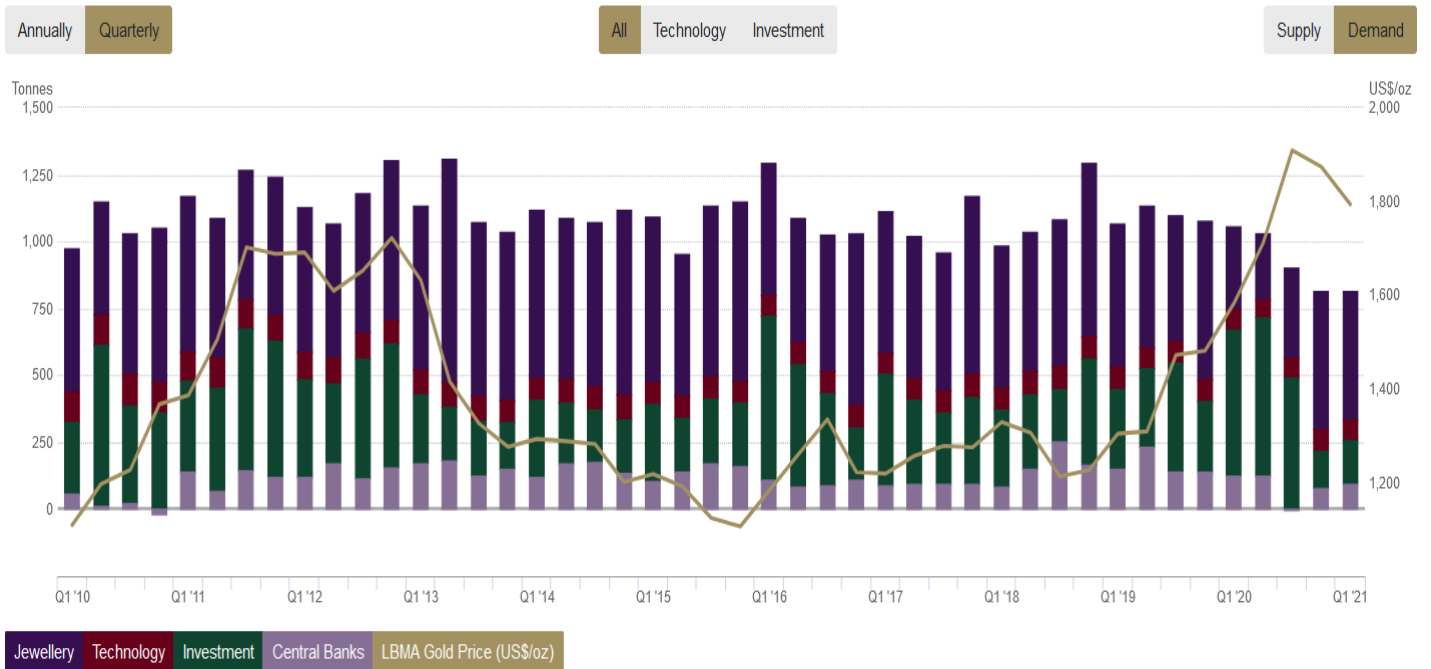
## 5-year Price Chart



## Gold 5 Year Price Chart



## Demand and Supply: Gold Statistics



Data as of 31 March, 2021

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

Income Statement (INR million)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Revenue</b>	<b>460,543</b>	<b>1,021,498</b>	<b>455,864</b>	<b>645,226</b>	<b>508,970</b>
y/y	13.4%	52.9%	12.3%	35.7%	10.5%
q/q	-3.2%	121.8%	-55.4%	41.5%	-21.1%
Cost of Revenue	-457,866	-1,018,582	-452,373	-641,131	-505,239
<b>Gross Profit</b>	<b>2,676.3</b>	<b>2,916.0</b>	<b>3,491.3</b>	<b>4,095.4</b>	<b>3,731.1</b>
Gross margin (%)	0.58%	0.29%	0.77%	0.63%	0.73%
Other Operating Revenue	3	6	9	7	3
as a % of sales	0.00%	0.00%	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-1,003.3	-1,043.4	-1,160.4	-1,057.6	-936.1
as a % of sales	0.22%	0.10%	0.25%	0.16%	0.18%
Other Operating expenses	0.0	0.0	0.0	0.0	0.0
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Operating Income</b>	<b>1,675.8</b>	<b>1,878.8</b>	<b>2,340.5</b>	<b>3,044.9</b>	<b>2,797.9</b>
y/y	-46.9%	-45.3%	-29.7%	13.1%	67.0%
q/q	-37.8%	12.1%	24.6%	30.1%	-8.1%
Operating margin (%)	0.4%	0.2%	0.5%	0.5%	0.5%
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
<b>Pretax Income (reported)</b>	<b>1,676</b>	<b>1,879</b>	<b>2,340</b>	<b>3,045</b>	<b>2,798</b>
y/y	-46.9%	-45.3%	-29.7%	13.1%	67.0%
<b>Pretax Income (adjusted)</b>	<b>1,676</b>	<b>1,879</b>	<b>2,340</b>	<b>3,045</b>	<b>2,798</b>
y/y	-46.9%	-45.3%	-29.7%	13.1%	67.0%
- Income Tax Expense	-154.5	-148.7	-64.0	-117.3	-13.6
effective tax rate (%)	9.2%	7.9%	2.7%	3.9%	0.5%
- Minority Interests	0	0	0	0	0
<b>Income Before XO Items</b>	<b>1,521</b>	<b>1,730</b>	<b>2,276</b>	<b>2,928</b>	<b>2,784</b>
y/y	-49.6%	-45.2%	-28.1%	7.8%	83.0%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0
<b>Net Income (reported)</b>	<b>1,521</b>	<b>1,730</b>	<b>2,276</b>	<b>2,928</b>	<b>2,784</b>
y/y	-49.6%	-45.2%	-28.1%	7.8%	83.0%
Exceptional (L)G	0.00	0.00	0.00	3.48	0.00
<b>Net Income (adjusted)</b>	<b>1,521.3</b>	<b>1,730.1</b>	<b>2,276.4</b>	<b>2,931.1</b>	<b>2,784.3</b>
y/y	-49.6%	-45.2%	-28.1%	7.9%	83.0%
q/q	-44.0%	13.7%	31.6%	28.8%	-5.0%
Basic EPS (reported)	5.15	5.86	7.71	9.92	9.43
Basic EPS (adjusted)	5.15	5.86	7.71	9.93	9.43
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25
<b>Diluted EPS (reported)</b>	<b>5.15</b>	<b>5.86</b>	<b>7.71</b>	<b>9.92</b>	<b>9.43</b>
y/y	-49.6%	-45.2%	-28.1%	7.8%	83.0%
<b>Diluted EPS (adjusted)</b>	<b>5.15</b>	<b>5.86</b>	<b>7.71</b>	<b>9.93</b>	<b>9.43</b>
y/y	-49.6%	-45.2%	-28.1%	7.9%	83.0%
q/q	-44.0%	13.7%	31.6%	28.8%	-5.0%
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	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E	CAGR (2020-24)
<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>2,583,131.3</b>	<b>2,608,963</b>	<b>3,000,307</b>	<b>3,300,338</b>	14.0%
y/y	227.4%	46.6%	-22.5%	-6.4%	11.3%	32.1%	1.0%	15.0%	10.0%	
q/q										
Cost of Revenue	-1,631,510	-2,400,793	-1,854,173	-1,735,225	-1,938,215	-2,569,952	-2,590,439	-2,972,704	-3,262,384	
<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>13,179.0</b>	<b>18,523.6</b>	<b>27,602.8</b>	<b>37,953.9</b>	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	0.91%	0.51%	0.71%	0.92%	1.15%	
Other Operating Revenue	90	471	620	675	71	26	26	30	33	
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	-4,264.6	-4,307.3	-4,953.4	-6,600.7	
as a % of sales	0.2%	0.2%	0.2%	0.3%	0.3%	0.17%	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>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>8,940.0</b>	<b>14,242.2</b>	<b>22,679.2</b>	<b>31,386.0</b>	25.6%
y/y	40.3%	2.6%	8.4%	-4.8%	-29.4%	-29.1%	59.3%	59.2%	38.4%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	0.6%	0.3%	0.5%	0.8%	1.0%	
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>8,940</b>	<b>14,242</b>	<b>22,679</b>	<b>31,386</b>	25.6%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-29.1%	59.3%	59.2%	38.4%	
<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>8,940</b>	<b>14,242</b>	<b>22,679</b>	<b>31,386</b>	25.6%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-29.1%	59.3%	59.2%	38.4%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-556.0	-484.6	-772.0	-1,229.3	-1,701.3	
effective tax rate (%)	3.9%	4.4%	5.7%	4.0%	4.4%	5.4%	5.4%	5.4%	5.4%	
- 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>8,455</b>	<b>13,470</b>	<b>21,450</b>	<b>29,685</b>	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.9%	59.3%	59.2%	38.4%	
- 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>8,455</b>	<b>13,470</b>	<b>21,450</b>	<b>29,685</b>	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.9%	59.3%	59.2%	38.4%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	3.48	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>8,458.9</b>	<b>13,468.2</b>	<b>21,446.9</b>	<b>29,680.7</b>	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.8%	59.2%	59.2%	38.4%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	40.84	28.64	45.62	72.65	100.54	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	28.65	45.62	72.64	100.53	
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>28.64</b>	<b>45.62</b>	<b>72.65</b>	<b>100.54</b>	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.9%	59.3%	59.2%	38.4%	
<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>28.65</b>	<b>45.62</b>	<b>72.64</b>	<b>100.53</b>	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.8%	59.2%	59.2%	38.4%	
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	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
<b>Assets</b>									
+ Cash & Near Cash Items	123,755	148,402	144,696	148,688	142,936	154,582	165,866	185,923	213,028
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	46,962	62,020	62,640	72,036	79,239
+ Inventories	9,926	11,628	17,220	46,000	15,077	19,992	20,151	23,125	25,378
+ 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>247,509</b>	<b>259,573</b>	<b>292,000</b>	<b>328,562</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	12,432	13,487	14,700	16,035
- 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	6,396	6,269	7,482	8,817
+ 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>24,490.6</b>	<b>24,363.4</b>	<b>25,576.6</b>	<b>26,911.1</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>271,999.9</b>	<b>283,936.6</b>	<b>317,576.3</b>	<b>355,473.0</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	108,533	121,519	71,699	134,665	78,060	101,432	100,196	112,682	121,189
+ 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>164,384.2</b>	<b>163,148.0</b>	<b>175,634.1</b>	<b>184,141.3</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>170,760.6</b>	<b>169,524.4</b>	<b>182,010.4</b>	<b>190,517.6</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	100,944	114,117	135,269	164,654
<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>101,239.2</b>	<b>114,412.2</b>	<b>135,563.9</b>	<b>164,949.3</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>235,351.3</b>	<b>285,307.9</b>	<b>240,463.7</b>	<b>271,999.8</b>	<b>283,936.6</b>	<b>317,576.3</b>	<b>355,473.0</b>



Cash Flow (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
+ Net Income	11,080.5	12,459.0	12,657.9	12,924.0	12,056.7	8,458.9	13,468.2	21,446.9	29,680.7
+ 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	3,401.2	-2,015.8	116.4	-949.8
<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>12,985.9</b>	<b>12,634.6</b>	<b>21,563.3</b>	<b>28,730.9</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	-1,044.5	-1,055.0	-1,213.2	-1,334.5
+ 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
<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>-1,044.5</b>	<b>-1,055.0</b>	<b>-1,211.2</b>	<b>-1,330.5</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>11,646.2</b>	<b>11,284.3</b>	<b>20,056.9</b>	<b>27,105.1</b>
Opening cash			148,402.0	144,461.4	148,688.4	142,936.0	154,582.1	165,866.5	185,923.4
Closing cash			144,461.4	148,688.4	142,936.0	154,582.1	165,866.5	185,923.4	213,028.5

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
<b>Growth Ratios % (YoY)</b>									
Revenue	227.4%	46.6%	-22.5%	-6.4%	11.3%	32.1%	1.0%	15.0%	10.0%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-29.1%	59.3%	59.2%	38.4%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.8%	59.2%	59.2%	38.4%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-30%	59%	59%	38%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	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	28.6	45.6	72.6	100.5
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	28.6	45.6	72.6	100.5
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	320.5	365.1	436.8	536.3
Margins (%)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
Gross Margin	1.25%	0.85%	1.21%	1.27%	0.91%	0.51%	0.71%	0.92%	1.15%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.35%	0.55%	0.76%	0.95%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.39%	0.59%	0.76%	0.95%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.35%	0.55%	0.76%	0.95%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.33%	0.52%	0.71%	0.90%
<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>8.4%</b>	<b>11.8%</b>	<b>15.8%</b>	<b>18.0%</b>
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.3%	0.5%	0.7%	0.9%
Turnover (x)	7.9	10.0	8.0	6.2	8.1	9.5	9.2	9.4	9.3
Leverage (x)	4.4	4.3	3.4	3.5	2.6	2.7	2.5	2.3	2.2
Return on Assets	5.1%	5.2%	5.4%	4.5%	5.0%	3.1%	4.7%	6.8%	8.3%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	12.7%	8.3%	11.8%	16.0%	18.3%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	7.7%	5.1%	7.5%	10.7%	12.9%
<b>FCF Calculation</b>									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-4,666.2	12,985.9	12,634.6	21,563.3	28,730.9
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-1,044.5	-1,055.0	-1,213.2	-1,334.5
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-5,457.2	11,941.4	11,579.6	20,350.1	27,396.4
FCF margin (%)	0.5%	0.7%	-1.8%	1.7%	-0.3%	0.5%	0.4%	0.7%	0.8%
FCF per share	30.69	58.36	-111.62	103.69	-18.48	40.45	39.22	68.93	92.79
Price/FCF per share	19.87	10.45	-5.47	5.88	-33.00	15.08	15.55	8.85	6.57
FCF Yield	5.0%	9.6%	-18.3%	17.0%	-3.0%	6.6%	6.4%	11.3%	15.2%
<b>Net Cash calculation</b>									
Cash + short term investments	123,754.9	148,402.0	144,695.5	148,688.4	142,936.0	154,582.1	165,866.5	185,923.4	213,028.5
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>90,156.1</b>	<b>101,440.5</b>	<b>121,497.4</b>	<b>148,602.5</b>
Net cash per share	263.6	302.7	186.6	285.4	265.9	305.4	343.6	411.5	503.3

Valuation ratio's	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
P/B	4.31	3.56	3.51	2.41	2.08	1.90	1.67	1.40	1.14
P/E	16.68	14.36	17.26	13.94	14.94	21.29	13.37	8.40	6.07
P/S	0.11	0.07	0.12	0.10	0.09	0.07	0.07	0.06	0.05
EV/sales	0.06	0.04	0.09	0.05	0.05	0.04	0.04	0.03	0.03
EV/EBITDA	5.68	4.98	8.40	5.15	7.00	9.52	6.21	4.23	3.05
EV/EBIT	5.95	5.17	8.70	5.36	7.60	10.72	6.73	4.23	3.05
EV/FCF	11.09	5.20	-4.96	3.13	-17.56	8.03	8.28	4.71	3.50
Dividend Yield (%)	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	-5.4%	2.5%	2.5%	1.5%	1.1%

Working Capital Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	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	1.8
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	-9473	-7457	-7573	-6624
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2

Leverage Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
Debt / equity	96%	105%	130%	79%	69%	64%	56%	48%	39%
Net cash (debt) / equity	163%	159%	80%	104%	84%	89%	89%	90%	90%
Net cash (debt) / mkt cap	43%	50%	31%	47%	44%	50%	56%	67%	83%
Net cash (debt) / capital	83%	77%	35%	58%	50%	54%	57%	61%	65%

Earnings Quality Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022E	FY03/2023E	FY03/2024E
Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	14566	11083	12972	14069	16353
Average NOA	-37643	-31495	-9585	5445	5809	12824	12027	13520	15211
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	3.02	-0.27	0.16	0.08	0.15
CF accrual ratio	-0.25	0.14	-4.91	-3.08	3.02	-0.27	0.16	0.08	0.15

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	178,331	178,922	218,485	180,103
+ 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>95,840</b>

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	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	8,940	14,242	22,679	31,386	33,614	35,127	36,550
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-29%	59%	59%	38%	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%	5.4%	5.4%	5.4%	6.5%	7.8%	9.4%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	12,057	8,455	13,470	21,450	29,685	31,428	32,385	33,126
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-30%	59%	59%	38%	6%	3%	2%
+ D&A	20	21	21	164	622	788	650	680	743	1,072	1,126	1,182	0	0	1,570	1,641	1,707
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-759	-711	-791	-1,045	-1,055	-1,213	-1,335	-1,733	-1,811	-1,884
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-17,795	3,401	-2,016	116	-950	-966	-832	-711
<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	11,938	11,582	20,353	27,400	30,299	31,384	32,239
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-116%	-319%	-3%	76%	35%	11%	4%	3%

#### Value per Share

Terminal Growth	Cost of capital				
	11.0%	12.0%	13.0%	14.0%	15.0%
2.5%	1,081	974	888	818	759
2.8%	1,102	989	900	827	767
3.0%	1,116	1,000	908	833	771
3.3%	1,140	1,017	921	843	779
3.5%	1,156	1,029	930	850	784

WACC		13.0%
PV of Free Cash Flow		101,728
PV of Terminal Value		111,254
Add: Net Cash		55,082
Total Equity Value		268,064
Shares outstanding		295.25
<b>DCF value</b>		<b>908</b>

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