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Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 1100.00
Current Price	Rs. 800.00
Upside Potential	38%

Market Cap.	Rs.235 bn US\$ 3.17 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	470 / 994
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	57,720
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	17.7	11.0
EV/EBITDA	9.9	6.7
P/B	2.2	1.8

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Q3FY2022 [ended December] Earnings Update
Stellar Growth in Revenues and Net Profit: Sustained Recovery Since Q3FY21

Rajesh Exports reported a stellar growth in revenues and net profit, ahead of our expectations, on a YoY and QoQ basis, despite a global economic slowdown, indicating that demand for their products is showing sustained improvement.

For the third quarter, revenue increased by 43% to Rs.652 bn vs. Rs.456 bn in Q3 FY2021. The revenue growth has picked up pace on a year-on-year basis due to economic recovery in the festival season along with a lower base witnessed in the previous year quarter. As international air freight and shipping services operations are recovering back to normal levels, Rajesh Exports' export business from India will continue to recover. 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.

Net profit for the fiscal third quarter [ended December] came in at Rs.3,044 mn, up 30% on a YoY and 9% on a QoQ basis. The rise in revenues was the primary reason for an increase in the net profit in the third quarter due to sustenance in the Switzerland-based gold refining business. As the company operates at a low-level of absolute gross and operating profit margins, a relatively small increase in margins will contribute to a sharp accretion in EPS in the upcoming quarters, as business conditions continue to normalize. 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 FY03/2022 and beyond [more details below].

We met with CMD Rajesh Mehta, and other senior management and at their headquarters in Bangalore, a couple of months back. According to the CMD, "The uncertain period of the pandemic seems to be coming to an end. The company has been conservative and cautious during the

pandemic period and is likely to take aggressive measures during the next financial year to continue with its pre-pandemic growth plans.” Our discussion reiterates our confidence in the growth prospects that the business will post sustained growth YoY in revenue and net profit. The gross and net profit margins are also expected to improve significantly with increased contribution from the high margin jewelry 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 and net profit for the third quarter on a YoY basis showing absolute resilience amidst the ongoing 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 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 third 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.

Revise Price Target to Rs. 1100: 38% Upside

We increase our price target to Rs.1100 from the earlier Rs.900 on account of sustained recovery in revenues and net profit since Q3FY21 implying a P/E multiple of 15.1x on our FY03/2023 EPS estimate of Rs.72.65, and a P/E of 11x 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 is seen to be highly accretive to the EPS.

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 revise our price target to Rs.1100 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 38% 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.

Currently, the stock is trading at a P/E multiple of 28.1x on FY03/2021 EPS, and a P/E of 11.0x 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 0.09x on FY03/2021 revenue and a P/S of 0.08x 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.684 bn

At the end of the third quarter ended December, the order book was reported at Rs.684 bn. A growth of 2% in the order book to the tune of Rs.13 bn (Rs.671 bn at the end of previous quarter) indicates that 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.

Q3 Operational Details

Rajesh Exports remains a zero-debt company. The company's gross profit margin was at 0.62% in Q3 FY2022 as compared to 0.77% in Q2 FY2022 due to higher margins from the gold refining business. The operating profit margin was stable at to 0.5% in Q3 FY2022 and Q2 FY2022 indicating stability in operational performance. We believe gross and operating margins will continue to recover going forward as revenue from sale of high margin products is expected to show renewed growth. The recovery has already started in the third quarter of last year, with stable gross and operating margin in the third quarter this year. 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 Rebounds

India's gem and jewellery exports during December 2021 grew 29.49% to \$3,041 million as compared to \$2,348 million in December 2019 (the pre-pandemic year), the Gem and Jewellery Export Promotion Council said. India's gem and jewellery exports during the April-December rose 5.8% to \$29,084 million from \$27,500 during the same period of 2019. Colin Shah, chairman, GJEPC, said: "India's performance in the crucial Christmas quarter capped a spectacular year for the gem and jewellery industry. The holiday bounce has managed to offset part of the post-Diwali export slump when factories normally take a short break. Holiday and festive demand was robust in important trading centres such as the US, Hong Kong, Thailand, and Israel."

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.

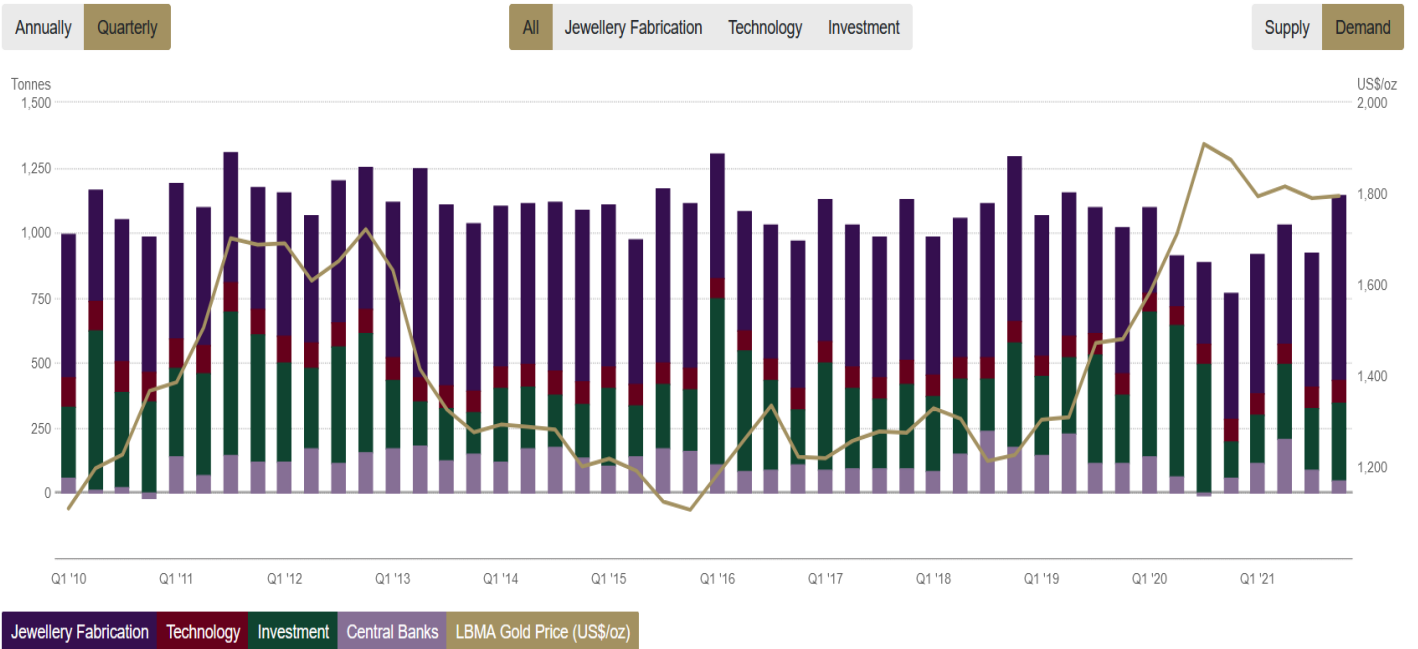
5-year Price Chart



Gold 5 Year Price Chart



Demand and Supply: Gold Statistics



Data as of 27 January, 2022

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

Income Statement (INR million)	Q1FY22	Q2FY22	Q3FY22
Revenue	508,970	412,451	651,794
<i>y/y</i>	10.5%	-59.6%	43.0%
<i>q/q</i>	-21.1%	-19.0%	28.1%
Cost of Revenue	-505,239	-408,577	-647,783
Gross Profit	3,731.1	3,874.5	4,010.8
<i>Gross margin (%)</i>	0.73%	0.94%	0.62%
Other Operating Revenue	3	13	3
<i>as a % of sales</i>	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-936.1	-910.7	-969.4
<i>as a % of sales</i>	0.18%	0.22%	0.15%
Other Operating expenses	0.0	0.0	0.0
<i>as a % of sales</i>	0.0%	0.0%	0.0%
Operating Income	2,797.9	2,977.0	3,044.2
<i>y/y</i>	67.0%	58.5%	30.1%
<i>q/q</i>	-8.1%	6.4%	8.8%
<i>Operating margin (%)</i>	0.5%	0.7%	0.5%
Interest Expense	0.0	0.0	0.0
Interest income	0.0	0.0	0.0
Equity in (losses)income of affiliates	0.0	0.0	0.0
Other recurring (expenses)/income	0.0	0.0	0.0
Amortization of intangibles	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.0	0.0
Pretax Income (reported)	2,798	2,977	3,044
<i>y/y</i>	67.0%	58.5%	30.1%
Pretax Income (adjusted)	2,798	2,977	3,044
<i>y/y</i>	67.0%	58.5%	30.1%
- Income Tax Expense	-13.6	-62.7	-42.4
<i>effective tax rate (%)</i>	0.5%	2.1%	1.4%
- Minority Interests	0	0	0
Income Before XO Items	2,784	2,914	3,002
<i>y/y</i>	83.0%	68.5%	31.9%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0
Net Income (reported)	2,784	2,914	3,002
<i>y/y</i>	83.0%	68.5%	31.9%
Exceptional (L)G	0.00	0.00	0.00
Net Income (adjusted)	2,784.3	2,914.3	3,001.7
<i>y/y</i>	83.0%	68.5%	31.9%
<i>q/q</i>	-5.0%	4.7%	7.8%
Basic EPS (reported)	9.43	9.87	10.17
Basic EPS (adjusted)	9.43	9.87	10.17
Basic Weighted Avg Shares	295.25	295.25	295.25
Diluted EPS (reported)	9.43	9.87	10.17
<i>y/y</i>	83.0%	68.5%	31.9%
Diluted EPS (adjusted)	9.43	9.87	10.17
<i>y/y</i>	83.0%	68.5%	31.9%
<i>q/q</i>	-5.0%	4.7%	7.8%
Diluted Weighted Avg Shares	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)
Revenue	1,652,114	2,421,320	1,876,855	1,757,631	1,956,002	2,583,131.3	2,608,963	3,000,307	3,300,338	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	
Gross Profit	20,604.1	20,526.9	22,681.2	22,406	17,786.4	13,179.0	18,523.6	27,602.8	37,953.9	
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%	
Operating Income	16,898.2	17,333.0	18,783.2	17,874.5	12,612.7	8,940.0	14,242.2	22,679.2	31,386.0	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	
Pretax Income (reported)	11,122	13,030	13,416	13,458	12,613	8,940	14,242	22,679	31,386	25.6%
y/y	53.2%	17.2%	3.0%	0.3%	-6.3%	-29.1%	59.3%	59.2%	38.4%	
Pretax Income (adjusted)	11,122	13,030	13,416	13,458	12,613	8,940	14,242	22,679	31,386	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	
Income Before XO Items	10,690	12,459	12,658	12,924	12,057	8,455	13,470	21,450	29,685	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	
Net Income (reported)	10,690	12,459	12,658	12,924	12,057	8,455	13,470	21,450	29,685	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	
Net Income (adjusted)	10,690.3	12,459.0	12,657.9	12,924.0	12,056.7	8,458.9	13,468.2	21,446.9	29,680.7	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	
Diluted EPS (reported)	36.21	42.20	42.87	43.77	40.84	28.64	45.62	72.65	100.54	25.3%
y/y	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.9%	59.3%	59.2%	38.4%	
Diluted EPS (adjusted)	36.21	42.20	42.87	43.77	40.84	28.65	45.62	72.64	100.53	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
Assets									
+ 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
Total Current Assets	186,913	218,834	211,603	260,455	215,892	247,509	259,573	292,000	328,562
+ 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
Total Long-Term Assets	22,499.1	22,483.5	23,982.5	24,853.2	24,571.9	24,490.6	24,363.4	25,576.6	26,911.1
Total Assets	209,412.5	241,317.6	235,585	285,307.9	240,463.7	271,999.9	283,936.6	317,576.3	355,473.0
Liabilities & Shareholders' Equity									
+ 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
Total Current Liabilities	156,478.2	177,699.1	160,289.5	197,617.4	141,011.7	164,384.2	163,148.0	175,634.1	184,141.3
+ 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	170,760.6	169,524.4	182,010.4	190,517.6
+ 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
Total Shareholders' Equity	47,832.2	56,375.0	68,685.4	81,314.2	93,075.6	101,239.2	114,412.2	135,563.9	164,949.3
+ 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	235,351.3	285,307.9	240,463.7	271,999.8	283,936.6	317,576.3	355,473.0

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
Cash From Operating Activities	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
+ 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
Cash From Investing Activities	-19,438.6	-523.3	-2,179.0	-1,614.1	-790.9	-1,044.5	-1,055.0	-1,211.2	-1,330.5
+ 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	11,646.2	11,284.3	20,056.9	27,105.1
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
Growth Ratios % (YoY)									
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
Per Share Data (INR)									
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%
Return Ratios									
Dupont ROE (%)	22.3%	22.1%	18.4%	15.9%	13.0%	8.4%	11.8%	15.8%	18.0%
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%
FCF Calculation									
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	26.26	13.81	-7.22	7.77	-43.61	19.93	20.55	11.69	8.69
FCF Yield	3.8%	7.2%	-13.8%	12.9%	-2.3%	5%	4.9%	8.6%	11.5%
Net Cash calculation									
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
Net Cash	77,815.0	89,381.8	55,081.8	84,262.4	78,510.0	90,156.1	101,440.5	121,497.4	148,602.5
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	3.19	2.75	2.51	2.21	1.85	1.50
P/E	16.68	14.36	17.26	18.41	19.74	28.13	17.67	11.09	8.02
P/S	0.11	0.07	0.12	0.14	0.12	0.09	0.09	0.08	0.07
EV/sales	0.06	0.04	0.09	0.09	0.08	0.06	0.06	0.05	0.05
EV/EBITDA	5.68	4.98	8.40	8.26	11.23	15.27	9.97	6.78	4.90
EV/EBIT	5.95	5.17	8.70	8.60	12.19	17.19	10.79	6.78	4.90
EV/FCF	11.09	5.20	-4.96	5.02	-28.17	12.87	13.27	7.55	5.61
Dividend Yield (%)	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
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	33%	38%	23%	35%	33%	38%	43%	51%	62%
Net cash (debt) / capital	83%	77%	35%	58%	50%	54%	57%	61%	65%

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	178,331	178,922	218,485	237,972
+ 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	153,709

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
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	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				
	9.5%	10.5%	11.5%	12.5%	13.5%
2.5%	1,396	1,241	1,121	1,026	948
2.8%	1,430	1,265	1,138	1,039	959
3.0%	1,454	1,282	1,151	1,048	966
3.3%	1,494	1,309	1,170	1,063	977
3.5%	1,522	1,329	1,184	1,073	985

WACC		11.5%
PV of Free Cash Flow		108,482
PV of Terminal Value		146,989
Add: Net Cash		84,262
Total Equity Value		339,733
Shares outstanding		295.25
DCF value		1,151

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