

Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 1100.00
Current Price	Rs. 551.00
Upside Potential	100%

Market Cap.	Rs.164 bn US\$ 2.19 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	518 / 994
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	55,381
Insider Holding %	54.05%


Risk: Above Average
Forecasting and Valuations

(INR mn except ratio)	FY2022A	FY2023E
Revenue	2,431,279	2,698,720
Net Income	10,086	15,754
EPS (Rs)	34.16	53.36
EPS Growth	19%	56%
PE	16.2	10.3
EV/EBITDA	6.5	4.7
P/B	1.4	1.2

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Q4FY2022 [ended March] Earnings Update

Strong +33% Sales Growth; One-time expenses impact EPS

Rajesh Exports reported stellar growth in revenues, 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 fiscal fourth quarter [ended March], revenue increased by 33% to Rs.858 bn vs. Rs.645 bn in Q4 FY2021. The stability in the price of gold in the international market continues to make the gold refining business more lucrative, thus leading to the robust increase in revenues.

The revenue growth has also picked up pace on a year-on-year basis due to economic recovery in the festival season along with a relatively 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 fourth quarter [ended March] came in at Rs.1,385 mn, down 53% on a YoY and QoQ basis. The drastic reduction in net profit was due to a significant increase in other expenses to the tune of Rs.1,947 million in the fourth quarter. We believe that the nature of these other expenses is non-recurring and the company is on track to show sustained recovery in the net profit in FY03/2023 and beyond. If we adjust the net profit for the non recurring part of other expenses the net profit would also show a sharp rise on a YoY and QoQ basis. 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 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 FY03/2023 and beyond [more details below].

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 double-digit growth in revenues for the fourth 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 business recovery 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 fourth quarter.

Our FY03/2023 earnings forecast of Rs. 53.36 per share implies a growth of 56% over the FY03/2022 earnings. The USA end market continues to remain robust with still resilient consumer spending expected on healthy employment levels. Although inflation is an area of concern.

Maintain Revised Price Target to Rs. 1100: 100% Upside

We maintain our previously revised price target of Rs.1,100 from the earlier Rs.900 on account of sustained recovery in revenues and net profit since Q3FY21 implying a P/E multiple of 20.6x on our FY03/2023 EPS estimate of Rs.53.36, and a P/E of 13.5x on our forward FY03/2024 estimate of Rs.81.19. 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.53.36 per share on account of an expected rise in profitability as the global pandemic situation returns to normalcy in FY03/2023. We maintain our previously revised price target of Rs.1,100 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 100% 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 16.2x on FY03/2022 EPS, and a P/E of 10.3x 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 21x and a forward 18x estimated P/E levels.

Also, the stock is trading at a Price/Sales ratio of just 0.07x on FY03/2022 revenue and a P/S of 0.06x 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.692 bn

At the end of the fourth quarter ended March, the order book was reported at Rs.692 bn. A growth of 1% in the order book to the tune of Rs.8 bn (Rs.684 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.

Q4 Operational Details

Rajesh Exports remains a zero-debt company. The company's gross profit margin was at 0.42% in Q4 FY2022 as compared to 0.62% in Q3 FY2022 due to lower margins from the gold refining business. The operating profit margin was down to 0.2% in Q4 FY2022 as compared to 0.5% in Q3 FY2022 indicating some fluctuation in the 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 fourth 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 FY03/2023 and beyond.

Gold Demand Recovery Rebounds

Demand for gold jewelry in India is estimated to grow at around 11% during the financial year 2022-23, almost 40% higher than the pre-Covid-19 levels seen in FY20, according to a research report published by ICRA. The jewelry retail sector is estimated to have grown at a robust 26% in FY22, driven by the strong demand recovery witnessed post the adverse impact of the second wave faced in the first quarter of the fiscal.

Within the jewelry retail industry, revenues of organized retailers are likely to grow at a higher pace by around 14%, aided by their aggressive store expansion plans and a gradual shift from the unorganized segment towards the organized one, the report says.

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.

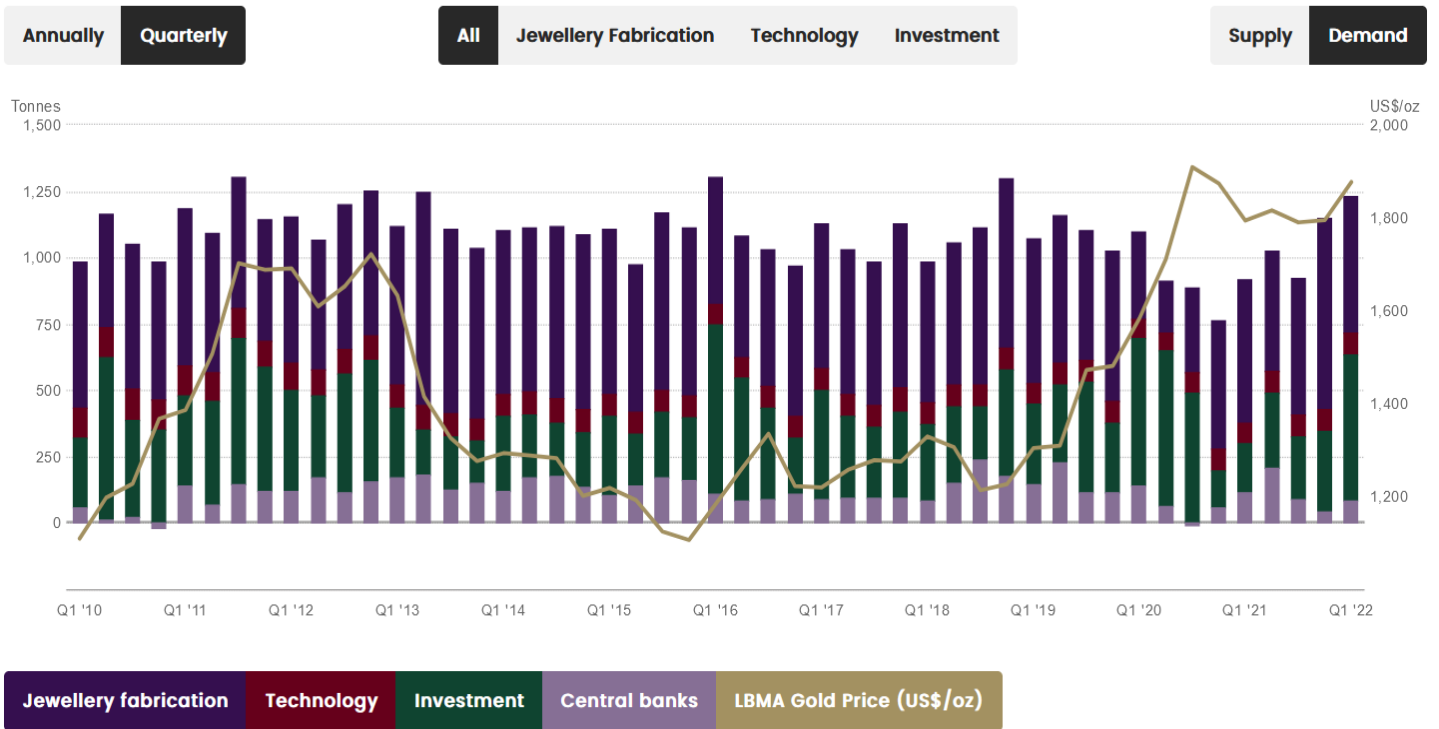
5-year Price Chart



Gold 5 Year Price Chart



Demand and Supply: Gold Statistics



Data as of 31 March, 2022

Sources: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council; [Disclaimer](#)

Income Statement (INR million)	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	508,970	412,451	651,794	858,064
y/y	10.5%	-59.6%	43.0%	33.0%
q/q	-21.1%	-19.0%	28.1%	108.0%
Cost of Revenue	-505,239	-408,577	-647,783	-854,459
Gross Profit	3,731.1	3,874.5	4,010.8	3,604.8
Gross margin (%)	0.73%	0.94%	0.62%	0.42%
Other Operating Revenue	3	13	3	384
as a % of sales	0.00%	0.00%	0.00%	0.04%
Selling, General & Admin Expense	-936.1	-910.7	-969.4	-2,423.2
as a % of sales	0.18%	0.22%	0.15%	0.28%
Other Operating expenses	0.0	0.0	0.0	0.0
as a % of sales	0.0%	0.0%	0.0%	0.0%
Operating Income	2,797.9	2,977.0	3,044.2	1,565.5
y/y	67.0%	58.5%	30.1%	-48.6%
q/q	-8.1%	6.4%	8.8%	-47.4%
Operating margin (%)	0.5%	0.7%	0.5%	0.2%
Interest Expense	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.0
Equity in (losses)income of affiliates	0.0	0.0	0.0	0.0
Other recurring (expenses)/income	0.0	0.0	0.0	0.0
Amortization of intangibles	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.0	0.0	0.0
Pretax Income (reported)	2,798	2,977	3,044	1,565
y/y	67.0%	58.5%	30.1%	-48.6%
Pretax Income (adjusted)	2,798	2,977	3,044	1,565
y/y	67.0%	58.5%	30.1%	-48.6%
- Income Tax Expense	-13.6	-62.7	-42.4	-180.2
effective tax rate (%)	0.5%	2.1%	1.4%	11.5%
- Minority Interests	0	0	0	0
Income Before XO Items	2,784	2,914	3,002	1,385
y/y	83.0%	68.5%	31.9%	-52.7%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	1.9
Net Income (reported)	2,784	2,914	3,002	1,387
y/y	83.0%	68.5%	31.9%	-52.6%
Exceptional (L)G	0.00	0.00	0.00	0.00
Net Income (adjusted)	2,784.3	2,914.3	3,001.7	1,385.3
y/y	83.0%	68.5%	31.9%	-52.7%
q/q	-5.0%	4.7%	7.8%	-52.5%
Basic EPS (reported)	9.43	9.87	10.17	4.70
Basic EPS (adjusted)	9.43	9.87	10.17	4.69
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25
Diluted EPS (reported)	9.43	9.87	10.17	4.70
y/y	83.0%	68.5%	31.9%	-52.6%
Diluted EPS (adjusted)	9.43	9.87	10.17	4.69
y/y	83.0%	68.5%	31.9%	-52.7%
q/q	-5.0%	4.7%	7.8%	-52.5%
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25

Income Statement (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E	CAGR (2022-26)
Revenue	1,876,855	1,757,631	1,956,002	2,583,131.3	2,431,279	2,698,720	3,022,567	3,324,823	3,624,057	10.5%
y/y	-22.5%	-6.4%	11.3%	32.1%	-5.9%	11.0%	12.0%	10.0%	9.0%	
q/q										
Cost of Revenue	-1,854,173	-1,735,225	-1,938,215	-2,569,952	-2,416,058	-2,677,130	-2,992,341	-3,288,250	-3,582,381	
Gross Profit	22,681.2	22,406	17,786.4	13,179.0	15,221.3	21,589.8	30,225.7	36,573.1	41,676.7	
Gross margin (%)	1.21%	1.27%	0.91%	0.51%	0.63%	0.80%	1.00%	1.10%	1.15%	
Other Operating Revenue	620	675	71	26	403	447	500	551	600	
as a % of sales	0.03%	0.04%	0.00%	0.00%	0.02%	0.02%	0.02%	0.02%	0.02%	
Selling, General & Admin Expense	-4,518.0	-5,206.84	-5,244.4	-4,264.6	-5,239.3	-5,815.6	-6,045.1	-6,649.6	-7,248.1	
as a % of sales	0.2%	0.3%	0.3%	0.17%	0.22%	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	18,783.2	17,874.5	12,612.7	8,940.0	10,384.6	16,221.0	24,681.0	30,473.9	35,028.6	35.5%
y/y	8.4%	-4.8%	-29.4%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
q/q										
Operating margin (%)	1.00%	1.0%	0.6%	0.3%	0.4%	0.6%	0.8%	0.9%	1.0%	
Interest Expense	-5,366.8	-4,416.7	0.0	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	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)	13,416	13,458	12,613	8,940	10,385	16,221	24,681	30,474	35,029	35.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
Pretax Income (adjusted)	13,416	13,458	12,613	8,940	10,385	16,221	24,681	30,474	35,029	35.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%	
- Income Tax Expense	-758.6	-533.9	-556.0	-484.6	-299.0	-467.0	-710.5	-877.3	-1,008.4	
effective tax rate (%)	5.7%	4.0%	4.4%	5.4%	2.9%	2.9%	2.9%	2.9%	2.9%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
Income Before XO Items	12,658	12,924	12,057	8,455	10,086	15,754	23,970	29,597	34,020	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
- 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)	12,658	12,924	12,057	8,455	10,086	15,754	23,970	29,597	34,020	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
Exceptional (L)G	0.00	0.00	0.00	3.48	0.00	0.00	4.00	5.00	6.00	
Net Income (adjusted)	12,657.9	12,924.0	12,056.7	8,458.9	10,085.6	15,754.0	23,966.5	29,591.6	34,014.2	35.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%	
q/q										
Basic EPS (reported)	42.87	43.77	40.84	28.64	34.16	53.36	81.19	100.24	115.23	
Basic EPS (adjusted)	42.87	43.77	40.84	28.65	34.16	53.36	81.17	100.23	115.20	
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)	42.87	43.77	40.84	28.64	34.16	53.36	81.19	100.24	115.23	35.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	56.2%	52.2%	23.5%	14.9%	
Diluted EPS (adjusted)	42.87	43.77	40.84	28.65	34.16	53.36	81.17	100.23	115.20	35.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%	
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)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Assets									
+ Cash & Near Cash Items	144,696	150,634	127,876	20,529	18,087	128,954	150,855	177,798	208,678
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	39,926	61,480	93,197	103,490	107,556	64,795	72,570	79,827	87,012
+ Inventories	17,220	39,371	47,744	74,074	76,690	20,825	23,277	25,579	27,867
+ Other Current Assets	9,870	10,916	11,214	11,067	10,567	10,567	10,567	10,567	10,567
Total Current Assets	211,710	262,401	280,031	209,160	212,901	225,141	257,270	293,771	334,124
+ Long-Term Investments	10,198	10,876	11,415	10,411	11,127	11,127	11,127	11,127	11,127
+ Gross Fixed Assets	9,886	10,597	11,388	12,432	13,415	14,507	15,729	17,073	18,539
- Accumulated Depreciation	-3,094	-3,838	-4,910	-6,036	-7,218	-7,218	-7,218	-7,218	-7,218
+ Net Fixed Assets	6,557	7,929	8,030	7,299	6,802	7,288	8,511	9,855	11,321
+ Other Long-Term Assets	498	596	609	572	576	576	576	576	576
+ Goodwill & other Intangible Assets	6,387	6,613	7,282	7,286	7,750	7,750	7,750	7,750	7,750
Total Long-Term Assets	23,640.8	26,013.7	27,336.2	25,567.7	26,255.1	26,741.4	27,963.7	29,308.1	30,773.5
Total Assets	235,351	288,414.6	307,367.0	234,727.9	239,155.9	251,882.8	285,233.7	323,079.4	364,897.7
Liabilities & Shareholders' Equity									
+ Accounts Payable	71,699	134,665	186,868	110,176	104,210	101,478	111,158	119,707	127,806
+ Short-Term Borrowings	87,172	61,984	12,781	10,210	8,134	8,134	8,134	8,134	8,134
+ Other Short-Term Liabilities	1,419	1,164	1,220	1,213	1,553	1,553	1,553	1,553	1,553
Total Current Liabilities	160,289.5	197,813.3	200,869.4	121,598.0	113,896.3	111,164.3	120,844.0	129,393.3	137,492.7
+ Long-Term Borrowings	2,441.7	1,319.2	64.7	66.3	63.2	63.2	63.2	63.2	63.2
+ Other Long-Term Liabilities	3,934.6	881.6	1,003.3	849.9	745.2	745.2	745.2	745.2	745.2
Total Liabilities	166,665.9	200,014.1	201,937.4	122,514.1	114,704.6	111,972.7	121,652.4	130,201.6	138,301.0
+ 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	68,390	88,105	105,044	111,919	124,156	139,615	163,286	192,582	226,301
Total Shareholders' Equity	68,685.4	88,400.5	105,338.9	112,213.8	124,451.3	139,910.1	163,581.3	192,877.7	226,596.6
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	235,351.3	288,414.6	307,276.3	234,727.9	239,155.9	251,882.7	285,233.7	323,079.3	364,897.7

Cash Flow (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
+ Net Income	12,657.9	12,924.0	12,056.7	8,458.9	10,085.6	15,754.0	23,966.5	29,591.6	34,014.2
+ Depreciation & Amortization	679.9	743.5	1,072.2	1,125.8	1,182.1	0.0	0.0	0.0	0.0
+ Other Non-Cash Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	-45,642.1	17,960.0	11,870.9	-113,175.9	-11,808.5	106,124.2	-551.7	-1,015.6	-1,381.1
Cash From Operating Activities	-32,304.3	31,627.5	24,999.8	-103,591.2	-540.7	121,878.3	23,414.8	28,576.0	32,633.1
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0
+ Capital Expenditures	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,091.3	-1,222.2	-1,344.4	-1,465.4
+ Increase in Investments	-1,081.2	-776.4	-552.2	1,041.3	-719.7	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0
+ Other Investing Activities	-231.2	-225.4	-668.8	-4.3	-464.1	0.0	0.0	0.0	0.0
Cash From Investing Activities	-2,071.4	-1,712.5	-2,011.9	-7.6	-2,166.9	-1,089.3	-1,218.2	-1,338.4	-1,457.4
+ Dividends Paid	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	31,649.6	-25,187.7	-49,202.8	-2,571.9	-2,076.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	-1,056.1	-1,122.6	-1,254.5	1.6	-3.1	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	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	136.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	30,435.1	-26,605.5	-50,752.5	-2,865.5	-2,374.3	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	-3,940.6	3,309.5	-27,764.6	-106,464.2	-5,082.0	120,493.8	21,901.3	26,942.3	30,880.4
Opening cash	148,402.0	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	128,953.9	150,855.2	177,797.5
Closing cash	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	128,953.9	150,855.2	177,797.5	208,677.9

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Growth Ratios % (YoY)											
Revenue	227.4%	46.6%	-22.5%	-6.4%	11.3%	32.1%	-5.9%	11.0%	12.0%	10.0%	9.0%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-29.4%	-29.1%	16.2%	56.2%	52.2%	23.5%	14.9%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	-6.7%	-29.8%	19.2%	56.2%	52.1%	23.5%	14.9%
Diluted EPS adjusted	63%	17%	2%	2%	-7%	-30%	19%	56%	52%	23%	15%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Per Share Data (INR)											
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	28.6	34.2	53.4	81.2	100.2	115.2
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	40.8	28.6	34.2	53.4	81.2	100.2	115.2
Dividend per share (DPS)	1.0	1.0	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	277.0	332.1	355.4	395.3	447.6	527.8	627.0	741.2
Margins (%)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Gross Margin	1.25%	0.85%	1.21%	1.27%	0.91%	0.51%	0.63%	0.80%	1.00%	1.10%	1.15%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.64%	0.35%	0.43%	0.60%	0.82%	0.92%	0.97%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.70%	0.39%	0.48%	0.60%	0.82%	0.92%	0.97%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.64%	0.35%	0.43%	0.60%	0.82%	0.92%	0.97%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.62%	0.33%	0.41%	0.58%	0.79%	0.89%	0.94%
Return Ratios											
Dupont ROE (%)	22.3%	22.1%	18.4%	14.6%	11.4%	7.5%	8.1%	11.3%	14.7%	15.3%	15.0%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.6%	0.3%	0.4%	0.6%	0.8%	0.9%	0.9%
Turnover (x)	7.9	10.0	8.0	6.1	6.4	11.0	10.2	10.7	10.6	10.3	9.9
Leverage (x)	4.4	4.3	3.4	3.3	2.9	2.1	1.9	1.8	1.7	1.7	1.6
Return on Assets	5.1%	5.2%	5.4%	4.5%	3.9%	3.6%	4.2%	6.3%	8.4%	9.2%	9.3%
Return on Capital Employed	31.9%	27.2%	25.0%	19.7%	11.8%	7.9%	8.3%	11.5%	15.0%	15.7%	15.4%
Return on Invested Capital	11.4%	10.8%	8.0%	8.5%	10.2%	6.9%	7.6%	10.6%	14.0%	14.7%	14.5%
FCF Calculation											
Op. cash	20,699.0	17,473.8	-32,304.3	31,627.5	24,999.8	-103,591.2	-540.7	121,878.3	23,414.8	28,576.0	32,633.1
capex	-11,636.6	-242.1	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,091.3	-1,222.2	-1,344.4	-1,465.4
FCF (INR million)	9,062.4	17,231.7	-33,063.2	30,916.8	24,208.9	-104,635.7	-1,523.8	120,787.0	22,192.6	27,231.6	31,167.7
FCF margin (%)	0.5%	0.7%	-1.8%	1.8%	1.2%	-4.1%	-0.1%	4.5%	0.7%	0.8%	0.9%
FCF per share	30.69	58.36	-111.98	104.71	81.99	-354.40	-5.16	409.10	75.17	92.23	105.56
Price/FCF per share	18.05	9.49	-4.95	5.29	6.76	-1.56	-107.34	1.35	7.37	6.01	5.25
FCF Yield	5.5%	10.5%	-20.2%	18.9%	14.8%	-64.0%	-0.9%	73.8%	13.6%	16.6%	19.1%
Net Cash calculation											
Cash + short term investments	123,754.9	148,402.0	144,695.5	150,634.4	127,876.3	20,529.5	18,087.3	128,953.9	150,855.2	177,797.5	208,677.9
Less: long term debt + ST debt	-45,939.9	-59,020.2	-89,613.7	-63,303.4	-12,846.2	-10,275.9	-8,196.8	-8,196.8	-8,196.8	-8,196.8	-8,196.8
Net Cash	77,815.0	89,381.8	55,081.8	87,331.0	115,030.1	10,253.6	9,890.5	120,757.0	142,658.3	169,600.7	200,481.1
Net cash per share	263.6	302.7	186.6	295.8	389.6	34.7	33.5	409.0	483.2	574.4	679.0

Valuation ratio's	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
P/B	4.31	3.56	3.51	2.00	1.67	1.56	1.40	1.24	1.05	0.88	0.75
P/E	16.68	14.36	17.26	12.66	13.57	19.34	16.22	10.38	6.82	5.53	4.81
P/S	0.11	0.07	0.12	0.09	0.08	0.06	0.07	0.06	0.05	0.05	0.05
EV/sales	0.06	0.04	0.09	0.04	0.04	0.03	0.03	0.03	0.03	0.02	0.02
EV/EBITDA	5.68	4.98	8.40	4.09	5.57	7.57	6.59	4.70	3.09	2.50	2.18
EV/EBIT	5.95	5.17	8.70	4.27	6.04	8.53	7.34	4.70	3.09	2.50	2.18
EV/FCF	11.09	5.20	-4.94	2.47	3.15	-0.73	-50.03	0.63	3.44	2.80	2.45
Dividend Yield (%)	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	1.2%	-0.3%	-19.4%	0.2%	1.3%	1.1%	0.9%

Working Capital Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Receivable days (DSO)	9	7	9	9	9	9	9	9	9	9	9
Inventory days (DIO)	2	2	3	3	3	3	3	3	3	3	3
Payables days (DPO)	22	17	19	15	15	14	14	14	14	13	13
Current ratio	1.2	1.2	1.3	1.3	1.4	1.7	1.9	2.0	2.1	2.3	2.4
Quick ratio	1.1	1.2	1.2	1.1	1.2	1.1	1.2	1.8	1.9	2.1	2.2
Working capital	-47380	-51745	-6103	-24063	-35934	77242	89051	-6843	-6296	-5286	-3913
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2	-2	-1

Leverage Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Debt / equity	96%	105%	130%	72%	12%	9%	7%	6%	5%	4%	4%
Net cash (debt) / equity	163%	159%	80%	99%	109%	9%	8%	86%	87%	88%	88%
Net cash (debt) / mkt cap	48%	55%	34%	53%	70%	6%	6%	74%	87%	104%	123%
Net cash (debt) / capital	83%	77%	35%	58%	97%	8%	7%	82%	83%	84%	85%

Earnings Quality Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023E	FY03/2024E	FY03/2025E	FY03/2026E
Net operating assets/liab [NOA]	-29983	-33007	13604	1070	-9601	101960	114561	19153	20923	23277	26116
Average NOA	-37643	-31495	-9702	7337	-4266	46180	108261	66857	20038	22100	24696
B/S accrual ratio	-0.41	0.10	-4.80	-1.71	2.50	2.42	0.12	-1.43	0.09	0.11	0.11
CF accrual ratio	-0.25	0.14	-4.85	-2.32	2.56	2.43	0.12	-1.57	0.09	0.11	0.11

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	178,331	178,922	218,485	163,569
+ Minority Interest	0	0	0	0
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	63,303
- Cash & Equivalents	123,755	148,402	144,696	150,634
Enterprise Value	100,516	89,540	163,403	76,238

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	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	10,385	16,221	24,681	26,433	27,623	28,742
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-29%	-29%	16%	56%	52%	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%	2.9%	2.9%	2.9%	3.5%	4.1%	5.0%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	12,057	8,455	10,086	15,754	23,970	25,520	26,478	27,312
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-30%	-30%	19%	56%	52%	6%	4%	3%
+ D&A	20	21	21	164	622	788	650	680	743	1,072	1,126	1,182	0	0	1,543	1,613	1,678
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-759	-711	-791	-1,045	-983	-1,091	-1,222	-1,587	-1,658	-1,725
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,642	17,960	11,871	-113,176	-11,808	106,124	-552	11,337	9,761	8,339
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-28,000	35,158	24,209	-104,639	-1,524	120,787	22,197	36,813	36,193	35,603
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-226%	-31%	-532%	-99%	-8027%	-82%	66%	-2%	-2%

Value per Share

Terminal Growth	Cost of capital				
	9.5%	10.5%	11.5%	12.5%	13.5%
2.5%	1,464	1,291	1,158	1,052	966
2.8%	1,501	1,318	1,177	1,066	977
3.0%	1,528	1,336	1,191	1,077	985
3.3%	1,572	1,367	1,213	1,093	997
3.5%	1,603	1,388	1,228	1,104	1,006

WACC	11.5%
PV of Free Cash Flow	101,933
PV of Terminal Value	162,328
Add: Net Cash	87,331
Total Equity Value	351,592
Shares outstanding	295.25
DCF value	1,191

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