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# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 1100.00
Current Price	Rs. 550.00
Upside Potential	100%

Market Cap.	Rs.163 bn US\$ 2.01 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	519 / 1030
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	62,529
Insider Holding %	54.05%


**Risk: Above Average**
**Forecasting and Valuations**

INR mn	FY03/2023	FY03/2024e
Revenue	3,396,895	3,566,740
Net Income	14,323	26,161
EPS (Rs)	48.51	88.60
EPS Growth	42%	83%
PE	11	6
EV/EBITDA	5.0	2.7
P/B	1.10	0.99

**Analyst :**

 Ketan Chaphalkar  
 ketan@evaluateresearch.com

 Sandy Mehta, CFA  
 sandy@evaluateresearch.com

- **Revenue Growth at 35% for the Quarter, 40% for Full Year**
- **Central Bank Buying Gold Props up Demand for the 1<sup>st</sup> Quarter of 2023**
- **Net Profit Growth of 42% Year on Year; Expect Sharp Recovery in Net Profit Margin from Current Levels**
- **Expected EPS Growth of 83% to Rs.88.60 for FY03/2024**
- **Price Target Rs.1,100 giving a 100% Upside Potential**

## Sales Soar +35% to Record High Level; Expect Net Profit Margin to Recover Sharply in 2023-24

Rajesh Exports reported stellar results, ahead of our expectations, both in terms of revenues as well as profits, for the fiscal fourth quarter [ended March]. The performance continues to beat expectations as growth in the previous quarter was also solid. Revenue increased significantly by 35% YoY to a record high level of Rs.1154 bn as compared to Q4 FY2022. The demand for gold was propelled by hefty Central Bank-buying by adding 228 tons to global reserves, a Q1 2023 record high. This increased the demand for gold refining business of the company in the fourth quarter of FY 2022-23. The World Gold Council's latest Gold Demand Trends report reveals that gold demand (excluding OTC) was 13% lower year-on-year. But a recovery in the OTC market propped up total gold demand to 1,174 tons, a slight 1% increase compared to Q1 2022.

Net profit for the fiscal fourth quarter [ended March] came in at Rs.3,770 mn, up 141% on a QoQ basis. The net profit declined by 11% on a YoY basis due to reduction in the gross margins for the company in the fourth quarter of FY2022-23. The net profit for FY2022-23 recovered sharply by 42% on a YoY basis. We believe that the revenue growth will continue, albeit at a slower pace, while the net profit margin is expected to improve sharply in FY03/2024.

**Our conversations with the senior management and CEO Rajesh Mehta suggest that the business will post flat to positive growth YoY in revenues while the net profit margin will improve sharply. The net profit margin is expected to improve sharply due to a rise in**

**contribution from the high margin jewelry business of the company. Also, the company expects to improve their operational efficiency in FY2023-24 which will further aid in net profit margin improvement.**

While the results are ahead of our expectations, we are maintaining our full year estimates. Our FY03/2024 earnings forecast of Rs.88.60 per share implies a growth of 83% over the FY03/2023 earnings. The USA end market continues to be holding up with still resilient consumer spending expected on healthy employment levels, although inflation and an economic slowdown are areas of concern.

#### **Maintain Price Target to Rs. 1,100; 100% Upside**

We maintain our price target of Rs.1,100 on account of sharp improvement in net profit implying a P/E multiple of 12.4x on our FY03/2024 EPS estimate of Rs.88.60, and a P/E of 9.4x on our forward FY03/2025 estimate of Rs.117. We continue to remain positive on the margin growth story based on the company's strong execution history. As the company operates at a low absolute level of operating margins, a relatively small increase in margins will lead to a significant accretion to EPS.

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 hopes to eventually expand 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 of 4.7x on our forward FY03/2025 EPS 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 22x and a forward 19x estimated P/E levels.

Also, the stock is trading at a Price/Sales ratio of just 0.05x on FY03/2023 revenue and a P/S of 0.05x on our forward FY03/2024 estimate, which is at a significant discount to the trailing P/S ratio of 2.0x for the NIFTY Index.

#### **Increased Gold Demand from Global Central Banks**

The World Gold Council's latest Gold Demand Trends report reveals that gold demand (excluding OTC) was 13% lower year-on-year. But a recovery in the OTC market propped up total gold demand to 1,174t, a slight 1% increase compared to Q1 2022. Central banks helped boost demand by adding 228 tons to global reserves, a Q1 2023 record high. The LBMA Gold Price (PM) averaged US\$1,890/oz during the quarter, marginally higher YoY. The price was over 10% higher than the previous quarter's average, almost nearing the Q3 2020 record high levels.

During a period of rising inflation and higher interest rates, currencies such as the US Dollar depreciate in purchasing-power value, leading to surging demand for gold as a stable and more tangible "store of value". The Fed will need to continue to raise interest rates in order to get them to a level high enough to bring inflation back down to the central bank's target rate according to Fed Governor Michelle Bowman.

#### Gold supply and demand

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Y/y % chg
<b>Supply</b>						
<b>Mine production</b>	843.1	894.4	956.3	955.7	856	▲ 2%
Net producer hedging	25.9	2.3	-25.9	-13	8.1	▼ -69%
<b>Total mine supply</b>	869	896.6	930.4	942.7	864	▼ -1%
Recycled gold	296.2	285.3	268.6	290.5	310.4	▲ 5%
<b>Total Supply</b>	1,165.10	1,182.00	1,198.90	1,233.20	1,174.40	▲ 1%
<b>Demand</b>						
Jewellery fabrication	516.4	492.3	582.3	601.3	508.6	▼ -2%
Jewellery consumption	475.3	458.4	526.1	629.7	477.9	▲ 1%
Jewellery inventory	41.1	33.9	56.2	-28.4	30.7	▼ -25%
Technology	81	78.5	77	72.3	70	▼ -13%
Electronics	66.2	64.6	63.2	58	56	▼ -15%
Other Industrial	12	11.3	11.3	11.9	11.6	▼ -3%
Dentistry	2.7	2.6	2.5	2.4	2.4	▼ -12%
Investment	558.4	213.8	103.9	250.6	273.7	▼ -51%
<b>Total bar &amp; coin demand</b>	287.7	261.2	348	340.3	302.4	▲ 5%
Physical Bar demand	183.6	172.8	225.6	222.4	181.9	▼ -1%
Official Coin	84.6	70.8	89.4	89	96.5	▲ 14%
Medals/Imitation Coin	19.5	17.6	33	28.9	24.1	▲ 23%
ETFs & similar products	270.7	-47.4	-244.1	-89.6	-28.7	-
Central banks & other inst.	82.7	158.6	458.6	378.6	228.4	▲ 176%
<b>Gold demand</b>	1,238.50	943.2	1,221.80	1,302.80	1,080.80	▼ -13%
OTC and other	-73.3	238.8	-22.8	-69.7	93.6	▲ -
<b>Total Demand</b>	1,165.10	1,182.00	1,198.90	1,233.20	1,174.40	▲ 1%
<b>LBMA Gold Price, US\$/oz</b>	1,877.20	1,870.60	1,728.90	1,725.90	1,890.20	▲ 1%

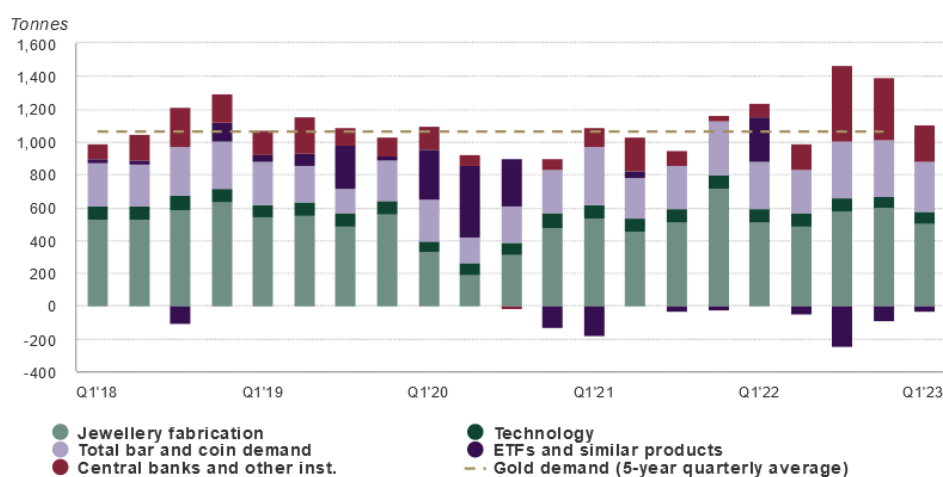
Source: ICE Benchmark Administration, Metals Focus, World Gold Council

In comparison, jewelry was relatively flat in the first quarter at 478 tons. Chinese demand regained ground, reaching 198 tons in its first quarter of unfettered consumer activity since lockdown restrictions were lifted. This recovery was offset by weakened demand in India, where consumption fell by

17% YoY to 78 tons in Q1 2023. The sharp increase in domestic gold prices was the primary factor impacting purchases.

Investment demand was a chequered landscape in the first quarter. Renewed gold-backed ETF inflows in March, driven primarily by systemic risk in the US economy, partially countered outflows in January and February and helped bring quarterly outflows down to a modest 29 tons. On the other hand, bar and coin investment strengthened 5% year-on-year to 302 tons, although there were notable shifts in key markets. US bar and coin demand hit 32 tons in Q1, the highest quarterly level since 2010, and was driven primarily by recession fears and a flight-to-safety amid the banking turmoil. This increase helped offset weakness in Europe and particularly Germany where there was a 73% drop in demand. This notable decrease in German demand was primarily the result of real interest rates turning positive and the rise in the euro gold price which encouraged profit-taking.

On the supply side, there was a slight increase in Q1 total gold supply to 1,174 tons, with marginal 2% growth in mine production and a 5% uptick in recycling driven by the higher gold price.



Sources: Metals Focus, World Gold Council; [Disclaimer](#)

Data to 31 March 2023

#### **Q4 Operational Details**

Rajesh Exports remains a zero-debt company. The company's gross profit margin was at 0.41% in Q4 FY2023 as compared to 0.42% in Q4 FY2022 due to lower margins from the gold refining business. The operating profit margin was slightly up at 0.3% in Q4 FY2023 as compared to 0.2% in Q4 FY2022 indicating marginal improvement in operational performance. We believe gross and operating margins have already bottomed out and will only recover going forward as revenue from sale of high margin products is expected to show renewed growth. There has been recovery with higher revenue growth in the second and third quarter but the margins were down in the last quarter in

FY2022-23. So, we believe both gross and operating margins, should gradually recover from today's level in FY03/2024 and beyond.

**Order Book of Rs.812 bn at the end of Q4FY23**

The order book position of the company stood at Rs.812 bn at the end of Q4FY2023, with a growth of 4% on a sequential QoQ basis. The order book had grown by a strong 10% in the previous quarter on a sequential basis. Growth in the order book continued to accelerate in the fourth quarter as the global economic situation gradually returns to normalcy along with a slight increase in the price of gold. 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. 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 recovery in profitability in FY03/2024 and beyond.

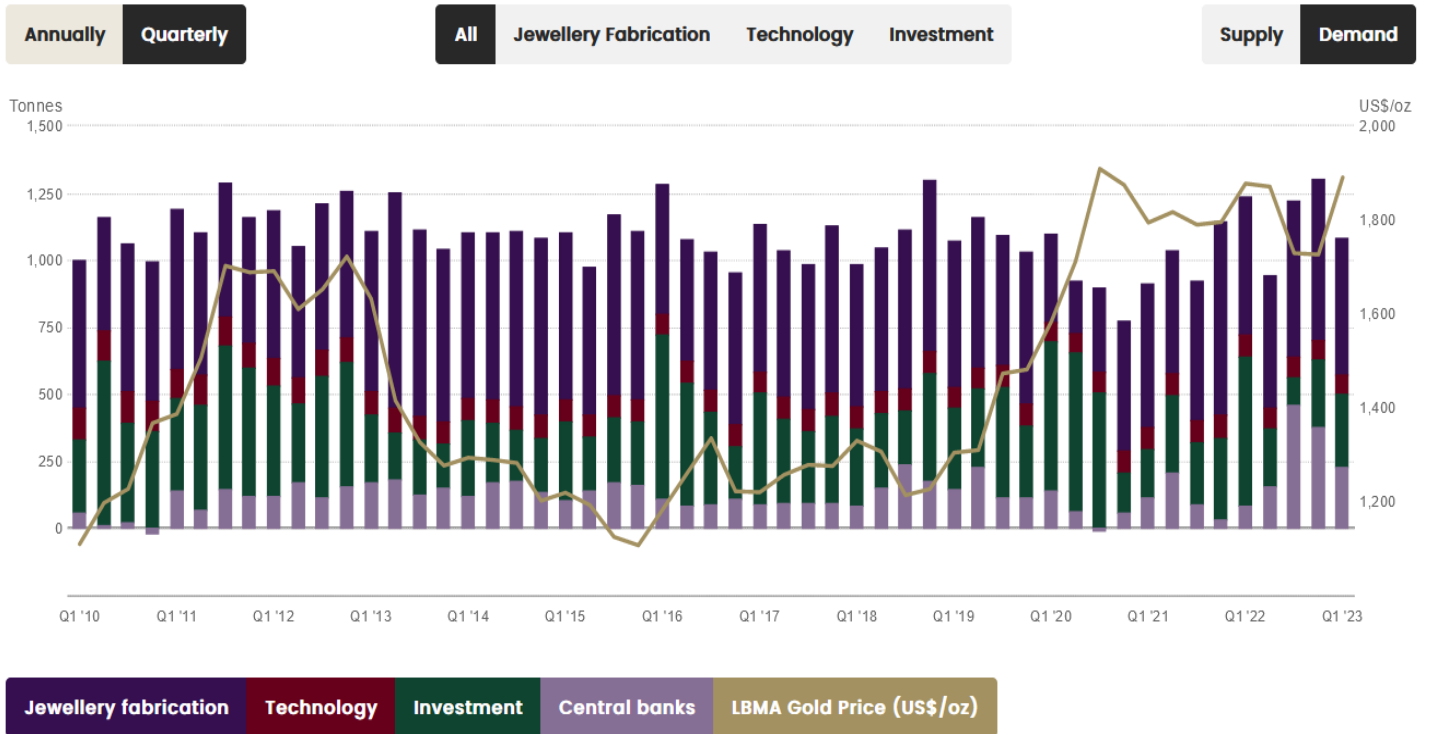
## 5-year Price Chart



## Gold 5 Year Price Chart



## Demand and Supply: Gold Statistics



Data as of 31 March, 2023

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

Income Statement (INR million)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Revenue</b>	<b>494,971</b>	<b>802,701</b>	<b>944,743</b>	<b>1,154,480</b>
<i>y/y</i>	-2.8%	94.6%	44.9%	34.5%
<i>q/q</i>	-42.3%	62.2%	17.7%	22.2%
Cost of Revenue	-491,124	-797,679	-939,278	-1,149,724
<b>Gross Profit</b>	<b>3,847.1</b>	<b>5,021.7</b>	<b>5,465.1</b>	<b>4,756.8</b>
<i>Gross margin (%)</i>	0.78%	0.63%	0.58%	0.41%
Other Operating Revenue	11	11	10	211
<i>as a % of sales</i>	0.00%	0.00%	0.00%	0.02%
Selling, General & Admin Expense	-1,022.9	-1,084.3	-1,243.3	-1,197.9
<i>as a % of sales</i>	0.21%	0.14%	0.13%	0.10%
Other Operating expenses	0.0	0.0	0.0	0.0
<i>as a % of sales</i>	0.0%	0.0%	0.0%	0.0%
<b>Operating Income</b>	<b>2,834.8</b>	<b>3,948.3</b>	<b>4,231.4</b>	<b>3,769.9</b>
<i>y/y</i>	1.3%	32.6%	39.0%	140.8%
<i>q/q</i>	81.1%	39.3%	7.2%	-10.9%
<i>Operating margin (%)</i>	0.6%	0.5%	0.4%	0.3%
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
<b>Pretax Income (reported)</b>	<b>2,835</b>	<b>3,948</b>	<b>4,231</b>	<b>3,770</b>
<i>y/y</i>	1.3%	32.6%	39.0%	140.8%
<b>Pretax Income (adjusted)</b>	<b>2,835</b>	<b>3,948</b>	<b>4,231</b>	<b>3,770</b>
<i>y/y</i>	1.3%	32.6%	39.0%	140.8%
- Income Tax Expense	-117.4	-218.8	-15.8	-109.7
<i>effective tax rate (%)</i>	4.1%	5.5%	0.4%	2.9%
- Minority Interests	0	0	0	0
<b>Income Before XO Items</b>	<b>2,717</b>	<b>3,730</b>	<b>4,216</b>	<b>3,660</b>
<i>y/y</i>	-2.4%	28.0%	40.4%	164.2%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0
<b>Net Income (reported)</b>	<b>2,717</b>	<b>3,730</b>	<b>4,216</b>	<b>3,660</b>
<i>y/y</i>	-2.4%	28.0%	40.4%	163.9%
Exceptional (L)G	0.00	0.00	0.00	0.00
<b>Net Income (adjusted)</b>	<b>2,717.4</b>	<b>3,729.5</b>	<b>4,215.6</b>	<b>3,660.2</b>
<i>y/y</i>	-2.4%	28.0%	40.4%	164.2%
<i>q/q</i>	96.2%	37.2%	13.0%	-13.2%
Basic EPS (reported)	9.20	12.63	14.28	12.40
Basic EPS (adjusted)	9.20	12.63	14.28	12.40
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25
<b>Diluted EPS (reported)</b>	<b>9.20</b>	<b>12.63</b>	<b>14.28</b>	<b>12.40</b>
<i>y/y</i>	-2.4%	28.0%	40.4%	163.9%
<b>Diluted EPS (adjusted)</b>	<b>9.20</b>	<b>12.63</b>	<b>14.28</b>	<b>12.40</b>
<i>y/y</i>	-2.4%	28.0%	40.4%	164.2%
<i>q/q</i>	96.2%	37.2%	13.0%	-13.2%
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	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E	CAGR (2023-26)
<b>Revenue</b>	<b>1,876,855</b>	<b>1,757,631</b>	<b>1,956,002</b>	<b>2,583,131.3</b>	<b>2,431,279</b>	<b>3,396,895</b>	<b>3,566,740</b>	<b>3,923,414</b>	<b>4,276,521</b>	5.9%
y/y	-22.5%	-6.4%	11.3%	32.1%	-5.9%	39.7%	5.0%	10.0%	9.0%	
q/q										
Cost of Revenue	-1,854,173	-1,735,225	-1,938,215	-2,569,952	-2,416,058	-3,377,804	-3,532,856	-3,880,256	-4,227,341	
<b>Gross Profit</b>	<b>22,681.2</b>	<b>22,406</b>	<b>17,786.4</b>	<b>13,179.0</b>	<b>15,221.3</b>	<b>19,090.7</b>	<b>33,884.0</b>	<b>43,157.6</b>	<b>49,180.0</b>	
Gross margin (%)	1.21%	1.27%	0.91%	0.51%	0.63%	0.56%	0.95%	1.10%	1.15%	
Other Operating Revenue	620	675	71	26	403	242	254	280	305	
as a % of sales	0.03%	0.04%	0.00%	0.00%	0.02%	0.01%	0.01%	0.01%	0.01%	
Selling, General & Admin Expense	-4,518.0	-5206.84	-5,244.4	-4,264.6	-5,239.3	-4,548.4	-7,133.5	-7,846.8	-8,553.0	
as a % of sales	0.2%	0.3%	0.3%	0.17%	0.22%	0.1%	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>18,783.2</b>	<b>17,874.5</b>	<b>12,612.7</b>	<b>8,940.0</b>	<b>10,384.6</b>	<b>14,784.4</b>	<b>27,004.8</b>	<b>35,590.4</b>	<b>40,931.8</b>	29.0%
y/y	8.4%	-4.8%	-29.4%	-29.1%	16.2%	42.4%	82.7%	31.8%	15.0%	
q/q										
Operating margin (%)	1.00%	1.0%	0.6%	0.3%	0.4%	0.4%	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	
<b>Pretax Income (reported)</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>8,940</b>	<b>10,385</b>	<b>14,784</b>	<b>27,005</b>	<b>35,590</b>	<b>40,932</b>	29.0%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	42.4%	82.7%	31.8%	15.0%	
<b>Pretax Income (adjusted)</b>	<b>13,416</b>	<b>13,458</b>	<b>12,613</b>	<b>8,940</b>	<b>10,385</b>	<b>14,784</b>	<b>27,005</b>	<b>35,590</b>	<b>40,932</b>	29.0%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	42.4%	82.7%	31.8%	15.0%	
- Income Tax Expense	-758.6	-533.9	-556.0	-484.6	-299.0	-461.8	-843.4	-1,111.6	-1,278.4	
effective tax rate (%)	5.7%	4.0%	4.4%	5.4%	2.9%	3.1%	3.1%	3.1%	3.1%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>8,455</b>	<b>10,086</b>	<b>14,323</b>	<b>26,161</b>	<b>34,479</b>	<b>39,653</b>	29.0%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	82.7%	31.8%	15.0%	
- 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>12,658</b>	<b>12,924</b>	<b>12,057</b>	<b>8,455</b>	<b>10,086</b>	<b>14,323</b>	<b>26,161</b>	<b>34,479</b>	<b>39,653</b>	29.0%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	82.7%	31.8%	15.0%	
Exceptional (L)G	0.00	0.00	0.00	3.48	0.00	0.00	0.00	0.00	0.00	
<b>Net Income (adjusted)</b>	<b>12,657.9</b>	<b>12,924.0</b>	<b>12,056.7</b>	<b>8,458.9</b>	<b>10,085.6</b>	<b>14,322.7</b>	<b>26,161.4</b>	<b>34,478.9</b>	<b>39,653.5</b>	29.0%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	82.7%	31.8%	15.0%	
q/q										
Basic EPS (reported)	42.87	43.77	40.84	28.64	34.16	48.51	88.61	116.78	134.30	
Basic EPS (adjusted)	42.87	43.77	40.84	28.65	34.16	48.51	88.61	116.78	134.30	
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>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>28.64</b>	<b>34.16</b>	<b>48.51</b>	<b>88.61</b>	<b>116.78</b>	<b>134.30</b>	29.0%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	82.7%	31.8%	15.0%	
<b>Diluted EPS (adjusted)</b>	<b>42.87</b>	<b>43.77</b>	<b>40.84</b>	<b>28.65</b>	<b>34.16</b>	<b>48.51</b>	<b>88.61</b>	<b>116.78</b>	<b>134.30</b>	29.0%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	82.7%	31.8%	15.0%	
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	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
<b>Assets</b>									
+ Cash & Near Cash Items	144,696	150,634	127,876	20,529	18,087	20,964	160,719	192,072	228,081
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	39,926	61,480	93,197	103,490	107,556	103,564	85,635	94,199	102,677
+ Inventories	17,220	39,371	47,744	74,074	76,690	60,487	27,482	30,185	32,885
+ Other Current Assets	9,870	10,916	11,214	11,067	10,567	9,963	9,963	9,963	9,963
<b>Total Current Assets</b>	<b>211,710</b>	<b>262,401</b>	<b>280,031</b>	<b>209,160</b>	<b>212,901</b>	<b>194,977</b>	<b>283,799</b>	<b>326,418</b>	<b>373,605</b>
+ Long-Term Investments	10,198	10,876	11,415	10,411	11,127	12,409	12,409	12,409	12,409
+ Gross Fixed Assets	9,886	10,597	11,388	12,432	13,415	14,789	16,231	17,818	19,547
- 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	12,305	9,013	10,599	12,329
+ Other Long-Term Assets	498	596	609	572	576	595	595	595	595
+ Goodwill & other Intangible Assets	6,387	6,613	7,282	7,286	7,750	8,460	8,460	8,460	8,460
<b>Total Long-Term Assets</b>	<b>23,640.8</b>	<b>26,013.7</b>	<b>27,336.2</b>	<b>25,567.7</b>	<b>26,255.1</b>	<b>33,769.4</b>	<b>30,477.3</b>	<b>32,063.8</b>	<b>33,793.1</b>
<b>Total Assets</b>	<b>235,351</b>	<b>288,414.6</b>	<b>307,367.0</b>	<b>234,727.9</b>	<b>239,155.9</b>	<b>228,746.7</b>	<b>314,276.5</b>	<b>358,482.3</b>	<b>407,398.0</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	71,699	134,665	186,868	110,176	104,210	71,573	131,237	141,259	150,816
+ Short-Term Borrowings	87,172	61,984	12,781	10,210	8,134	7,240	7,240	7,240	7,240
+ Other Short-Term Liabilities	1,419	1,164	1,220	1,213	1,553	1,579	1,579	1,579	1,579
<b>Total Current Liabilities</b>	<b>160,289.5</b>	<b>197,813.3</b>	<b>200,869.4</b>	<b>121,598.0</b>	<b>113,896.3</b>	<b>80,392.0</b>	<b>140,055.6</b>	<b>150,077.8</b>	<b>159,635.3</b>
+ 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	1,055.2	1,055.2	1,055.2	1,055.2
<b>Total Liabilities</b>	<b>166,665.9</b>	<b>200,014.1</b>	<b>201,937.4</b>	<b>122,514.1</b>	<b>114,704.6</b>	<b>81,510.4</b>	<b>141,174.0</b>	<b>151,196.2</b>	<b>160,753.7</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	68,390	88,105	105,044	111,919	124,156	146,941	172,807	206,991	246,349
<b>Total Shareholders' Equity</b>	<b>68,685.4</b>	<b>88,400.5</b>	<b>105,338.9</b>	<b>112,213.8</b>	<b>124,451.3</b>	<b>147,236.3</b>	<b>173,102.5</b>	<b>207,286.1</b>	<b>246,644.3</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>235,351.3</b>	<b>288,414.6</b>	<b>307,367.0</b>	<b>234,727.9</b>	<b>239,155.9</b>	<b>228,746.7</b>	<b>314,276.4</b>	<b>358,482.3</b>	<b>407,398.0</b>

Cash Flow (INR million)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	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
<b>Cash From Operating Activities</b>	<b>-32,304.3</b>	<b>31,627.5</b>	<b>24,999.8</b>	<b>-103,591.2</b>	<b>-540.7</b>	<b>121,878.3</b>	<b>23,414.8</b>	<b>28,576.0</b>	<b>32,633.1</b>
+ 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
<b>Cash From Investing Activities</b>	<b>-2,071.4</b>	<b>-1,712.5</b>	<b>-2,011.9</b>	<b>-7.6</b>	<b>-2,166.9</b>	<b>-1,089.3</b>	<b>-1,218.2</b>	<b>-1,338.4</b>	<b>-1,457.4</b>
+ 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
<b>Cash from Financing Activities</b>	<b>30,435.1</b>	<b>-26,605.5</b>	<b>-50,752.5</b>	<b>-2,865.5</b>	<b>-2,374.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>
<b>Net Changes in Cash</b>	<b>-3,940.6</b>	<b>3,309.5</b>	<b>-27,764.6</b>	<b>-106,464.2</b>	<b>-5,082.0</b>	<b>120,493.8</b>	<b>21,901.3</b>	<b>26,942.3</b>	<b>30,880.4</b>
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)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
<b>Growth Ratios % (YoY)</b>									
Revenue	-22.5%	-6.4%	11.3%	32.1%	-5.9%	39.7%	5.0%	10.0%	9.0%
Operating Income	8.4%	-4.8%	-29.4%	-29.1%	16.2%	42.4%	82.7%	31.8%	15.0%
Net income adjusted	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	82.7%	31.8%	15.0%
Diluted EPS adjusted	2%	2%	-7%	-30%	19%	42%	83%	32%	15%
Ratio Analysis (Annual)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
<b>Per Share Data (INR)</b>									
Basic EPS (adjusted)	42.9	43.8	40.8	28.6	34.2	48.5	88.6	116.8	134.3
Diluted EPS (adjusted)	42.9	43.8	40.8	28.6	34.2	48.5	88.6	116.8	134.3
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)	211.0	277.0	332.1	355.4	395.3	470.0	557.6	673.4	806.7
Margins (%)	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
Gross Margin	1.21%	1.27%	0.91%	0.51%	0.63%	0.56%	0.95%	1.10%	1.15%
Operating Margin	1.00%	1.02%	0.64%	0.35%	0.43%	0.44%	0.76%	0.91%	0.96%
EBITDA Margin	1.04%	1.06%	0.70%	0.39%	0.48%	0.44%	0.76%	0.91%	0.96%
Pre-Tax Margin (adjusted)	0.71%	0.77%	0.64%	0.35%	0.43%	0.44%	0.76%	0.91%	0.96%
Net Income Margin (adjusted)	0.67%	0.74%	0.62%	0.33%	0.41%	0.42%	0.73%	0.88%	0.93%
<b>Return Ratios</b>									
<b>Dupont ROE (%)</b>	<b>18.4%</b>	<b>14.6%</b>	<b>11.4%</b>	<b>7.5%</b>	<b>8.1%</b>	<b>9.7%</b>	<b>15.1%</b>	<b>16.6%</b>	<b>16.1%</b>
Margin (%)	0.7%	0.7%	0.6%	0.3%	0.4%	0.4%	0.7%	0.9%	0.9%
Turnover (x)	8.0	6.1	6.4	11.0	10.2	14.9	11.3	10.9	10.5
Leverage (x)	3.4	3.3	2.9	2.1	1.9	1.6	1.8	1.7	1.7
Return on Assets	5.4%	4.5%	3.9%	3.6%	4.2%	6.3%	8.3%	9.6%	9.7%
Return on Capital Employed	25.0%	19.7%	11.8%	7.9%	8.3%	10.0%	15.5%	17.1%	16.5%
Return on Invested Capital	8.0%	8.5%	10.2%	6.9%	7.6%	9.3%	14.5%	16.1%	15.6%
<b>FCF Calculation</b>									
Op. cash	-32,304.3	31,627.5	24,999.8	-103,591.2	-540.7	21,809.5	136,754.5	33,229.1	38,025.1
capex	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,373.6	-1,442.3	-1,586.5	-1,729.3
FCF (INR million)	-33,063.2	30,916.8	24,208.9	-104,635.7	-1,523.8	20,435.9	135,312.2	31,642.6	36,295.9
FCF margin (%)	-1.8%	1.8%	1.2%	-4.1%	-0.1%	0.6%	3.8%	0.8%	0.8%
FCF per share	-111.98	104.71	81.99	-354.40	-5.16	69.22	458.30	107.17	122.93
Price/FCF per share	-4.91	5.25	6.71	-1.55	-106.57	7.95	1.20	5.13	4.47
FCF Yield	-20.4%	19.0%	14.9%	-64.4%	-0.9%	12.6%	83.3%	19.5%	22.4%
<b>Net Cash calculation</b>									
Cash + short term investments	144,695.5	150,634.4	127,876.3	20,529.5	18,087.3	20,963.5	160,718.8	192,072.2	228,080.8
Less: long term debt + ST debt	-89,613.7	-63,303.4	-12,846.2	-10,275.9	-8,196.8	-7,303.3	-7,303.3	-7,303.3	-7,303.3
<b>Net Cash</b>	<b>55,081.8</b>	<b>87,331.0</b>	<b>115,030.1</b>	<b>10,253.6</b>	<b>9,890.5</b>	<b>13,660.2</b>	<b>153,415.5</b>	<b>184,768.9</b>	<b>220,777.5</b>
Net cash per share	186.6	295.8	389.6	34.7	33.5	46.3	519.6	625.8	747.8

Valuation ratio's	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
P/B	3.51	1.99	1.66	1.55	1.39	1.17	0.99	0.82	0.68
P/E	17.26	12.56	13.47	19.20	16.10	11.34	6.21	4.71	4.10
P/S	0.12	0.09	0.08	0.06	0.07	0.05	0.05	0.04	0.04
EV/sales	0.09	0.09	0.08	0.06	0.06	0.04	0.04	0.04	0.04
EV/EBITDA	8.40	8.17	11.12	15.11	13.15	10.29	5.63	4.27	3.72
EV/EBIT	8.70	8.51	12.06	17.02	14.65	10.29	5.63	4.27	3.72
EV/FCF	-4.94	4.92	6.28	-1.45	-99.84	7.44	1.12	4.81	4.19
Dividend Yield (%)	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Div payout on FCF	-0.9%	1.0%	1.2%	-0.3%	-19.4%	1.4%	0.2%	0.9%	0.8%

Working Capital Ratios	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
Receivable days (DSO)	9	9	9	9	9	9	9	9	9
Inventory days (DIO)	3	3	3	3	3	3	3	3	3
Payables days (DPO)	19	15	15	14	14	14	14	13	13
Current ratio	1.3	1.3	1.4	1.7	1.9	2.4	2.0	2.2	2.3
Quick ratio	1.2	1.1	1.2	1.1	1.2	1.7	1.8	2.0	2.1
Working capital	-6103	-24063	-35934	77242	89051	100862	-9735	-8491	-6871
Cash conversion cycle	-7	-3	-3	-3	-3	-2	-2	-2	-1

Leverage Ratios	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
Debt / equity	130%	72%	12%	9%	7%	5%	4%	4%	3%
Net cash (debt) / equity	80%	99%	109%	9%	8%	9%	89%	89%	90%
Net cash (debt) / mkt cap	34%	54%	71%	6%	6%	8%	94%	114%	136%
Net cash (debt) / capital	35%	58%	97%	8%	7%	9%	85%	86%	87%

Earnings Quality Ratios	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024E	FY03/2025E	FY03/2026E
Net operating assets/liab [NOA]	13604	1070	-9601	101960	114561	133576	19687	22517	25867
Average NOA	-9702	7337	-4266	46180	108261	124068	76632	21102	24192
B/S accrual ratio	-4.80	-1.71	2.50	2.42	0.12	0.15	-1.49	0.13	0.14
CF accrual ratio	-4.85	-2.32	2.56	2.43	0.12	-0.03	-1.42	0.13	0.14

Enterprise Value Calculation	FY 03/2018	current
Market Cap.	218,485	162,388
+ Minority Interest	0	0
+Total Debt (ST & LT Debt)	89,614	10,276
- Cash & Equivalents	144,696	20,529
<b>Enterprise Value</b>	<b>163,403</b>	<b>152,134</b>

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	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
<b>Free Cash Flow to Firm</b>	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
<b>DCF value</b>		<b>1,191</b>

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## Evaluate Research Ltd.

30/F Singapore Land Tower  
50 Raffles Place  
SINGAPORE

Sai Capital Bldg – Suite 402  
Opp. JW Marriott Hotel  
SB RD, Pune 411 016  
INDIA

### Analyst:

Ketan Chaphalkar  
ketan@evaluateresearch.com

Sandy Mehta, CFA  
sandy@evaluateresearch.com

### Client Servicing:

Pooja Baidya  
pooja@evaluateresearch.com

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