

# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 700.00
Current Price	Rs. 304.00
Upside Potential	130%

Market Cap.	Rs. 80 bn US\$ 1.10 bn
Shares Outstanding	295.3 mn
52 Week Range (Rs)	304 - 1030
Avg. Daily Value	Rs.187 mn US\$ 2.62 mn
SENSEX Index Level	72,450
Insider Holding %	54%


**Risk: Above Average**

### Forecasting and Valuations

INR mn	FY03/2024e	FY03/2025e
Revenue	2,038,000	2,446,000
Net Income	8,039	16,755
EPS (Rs)	27.23	56.75
EPS Growth	-44%	108%
PE	11.2	5.3
EV/EBITDA	9.6	4.6
P/B	0.6	0.5

**Analyst:**

 Ketan Chaphalkar  
[ketan@evaluateresearch.com](mailto:ketan@evaluateresearch.com)

 Sandy Mehta, CFA  
[sandy@evaluateresearch.com](mailto:sandy@evaluateresearch.com)

## Q3 [ended December] Results Update

### Weak Quarter on Lower Sales

Rajesh Exports [RJEX] reported weak results, below our expectations, both in terms of revenues as well as profits, for the fiscal third quarter [ended December]. For the third quarter, revenues were down -31% YoY, but were up +72% sequentially QoQ. The steep revenue decline led to negative operating leverage, producing slightly positive earnings. Volatility in gold prices, global macro uncertainty, and timing of orders and shipments have led to variability of near-term earnings, in our opinion. More details on the quarter in this report.

While RJEX has now reported two consecutive quarters of weak results, we do believe this is a temporary phenomenon and an aberration, given the firm's solid and consistent track record of growth for the past several decades. In fact, RJEX's 10-year [FY 2013 to FY 2023] revenue growth has been +23.6% CAGR, while EPS growth has been +16.9%, and this remarkable growth has occurred despite the Covid-19 global recession. In our view, a 10-year track record clearly trumps a 2-quarter slump, and hence we strongly view the recent stock price decline as a buying opportunity in a market leading secular growth story.

Our conversations with the senior management and CEO Rajesh Mehta suggest that the revenue and net profit growth should recover going into the new fiscal year [current FY ends 3/2025], which will start shortly in April. While we continue to expect a resumption of growth going forward, with increasingly easy YoY comparisons, we are lowering FY 3/2025 EPS estimate to Rs. 57, down from our earlier Rs. 70 forecast. Our estimate assumes a healthy snap-back from the admittedly below-trend line results this fiscal year.

### Maintain Price Target of Rs. 700; Significant Upside

We are maintaining our Rs. 700 price target, which we had recently reduced as a result of the current weak earnings. The price target implies a P/E multiple of 12x on the FY 3/2025 estimate, and 10x our 3/2026 forecasts. These implied multiples are a huge discount to

India's benchmark NIFTY and mid-cap indices, so are conservative and necessarily leave a lot of room for margin of error and forecasting risk.

We do expect a recovery in the EPS in FY 3/2025, which is very much consistent with RJEX's long-term trendline growth trajectory, both in terms of revenues and earnings. In that sense, we don't think the resumption of growth for RJEX from an admittedly poor current year is a huge "leap of faith", given the firm has proven itself for several decades now.

Following recent stock price underperformance, after hitting an all-time high of over Rs. 1,000 exactly one year ago in February 2023, the stock is quite undervalued, and a huge discount to its own history, not to mention the broader stock market. Currently, the stock is trading at 6.3x trailing/actual FY 3/2023 EPS, and 11.2x current year 3/204, and 5.4x our forward forecast for 3/2025.

These current valuation P/E multiples are a huge discount to RJEX's own history. As witnessed in the following Bloomberg chart, which tracks [the green line] the stock's P/E multiple over the past 7 years. Note: this period includes the Covid-19 global recession, which also impacted RJEX's fundamentals. During this period [and not including the most recent 6 months], RJEX's P/E multiple bottomed out at around 12x, and peaked at around 30x. The average P/E multiple during the entire period was around 16x. So, however one analyses at the data, RJEX's stock looks significantly undervalued presently, in our view.



### **Market Leader in an Attractive Sector**

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.

### **Q3 Operational Details**

Rajesh Exports remains a net cash, and zero-debt, company. For Q3, revenues were down 31% YoY, but were up 72% sequentially QoQ. The firm's gross profit margin was at 0.2% in Q3 versus 0.6% in same period last year, but were flattish sequentially. The operating profit margin was down to 0.3% for Q3, as compared YoY to 0.4%. Clearly negative fixed cost and operating leverage kicked in given weak revenues, and this is to be expected in the short-term with a firm with substantial manufacturing and production operations, both in India and abroad. Investors don't want management to make rash cost and production changes in the near-term in response to a couple quarter's worth of data points.

While these margin levels are disappointing and below management's targets, we nonetheless expect margins to rebound in conjunction with a revenue snap-back. Management continues to have a gross margin target of 1.0% in the near-term, and eventually higher levels over the intermediate-term. We also 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.

### **Gold Prices Rise on Flight to Quality**

A combination of several macroeconomic factors such as high inflation, currency uncertainty, central bank easy money policies from a few years ago, etc. – all have resulted in gold prices close to multi-year highs. This can be seen in the following Bloomberg benchmark global spot gold price chart, in US\$ terms. Gold price has also recovered from the low levels seen in October 2023, and the outlook remains strong based on the expectations that the central banks continue to add it over time to their assets as a safe haven.

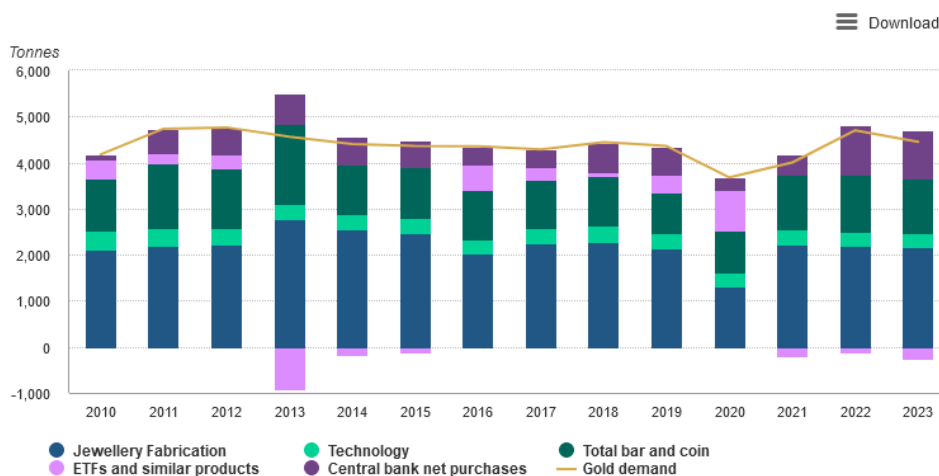


### **Gold Demand Slumps -5% in 2023**

Overall gold demand globally was down -5% YoY for 2023, as can be seen in the following chart from the World Gold Council. This factor too could have contributed to a couple of difficult quarters for RJEX.

## Chart 1: Gold demand (ex-OTC) dipped 5% from a strong 2022\*

Annual gold demand by sector, tonnes



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

\*Data as of 31 December 2023

The following chart from the World Gold Council shows that overall supply of gold in 2023 increased 3%, led by a nominal 1% increase in mine production. Interestingly, recycled gold supply was robust, up 9% YoY, and now represents fully 25% of total supply.

## Gold supply and demand

	2022	2023	Annual y/y % change	Q4'22	Q4'23	Quarterly y/y % change
<b>Supply</b>						
Mine production	3,624.8	3,644.4	▲ 1	946.7	930.8	▼ -2
Net producer hedging	-13.1	17.0	▲ -	-13.6	-22.3	▲ -
Recycled gold	1,140.1	1,237.3	▲ 9	290.7	312.9	▲ 8
<b>Total Supply</b>	<b>4,751.9</b>	<b>4,898.8</b>	<b>▲ 3</b>	<b>1,223.8</b>	<b>1,221.4</b>	<b>▼ 0</b>

In terms of demand, jewelry demand, the largest component of gold buying, was flat YoY. This was likely driven by several prominent factors, such as a marked slowdown in Chinese demand, higher overall inflation crimping the buying ability of consumers, and higher gold prices. On a positive side, rising stock markets in developed markets fuelled rising wealth levels for HNI consumers. This is seen in the following chart.

Interestingly, and a bit counterintuitively, investment demand for gold fell sharply 15%. Finally, central bank buying, which is a prominent category, was also down 4%. This too, is surprising, in our opinion, given rising global geopolitical and macro risks.

## Gold supply and demand

	2022	2023	Annual y/y % change	Q4'22	Q4'23	Quarterly y/y % change		
<b>Demand</b>								
Jewellery fabrication	2,195.4	2,168.0	▼	-1	601.9	581.5	▼	-3
Jewellery consumption	2,088.9	2,092.6	▲	0	627.9	621.6	▼	-1
Jewellery inventory	106.5	75.4	▼	-29	-26.1	-40.0	▲	-
Technology	308.7	297.8	▼	-4	72.1	80.6	▲	12
Electronics	252.0	241.3	▼	-4	57.9	65.9	▲	14
Other Industrial	46.5	47.1	▲	1	11.7	12.3	▲	5
Dentistry	10.3	9.5	▼	-8	2.4	2.4	▼	-3
Investment	1,113.0	945.1	▼	-15	247.4	258.3	▲	4
Total bar and coin	1,222.6	1,189.5	▼	-3	336.6	313.8	▼	-7
Bars	802.7	775.9	▼	-3	222.2	221.1	▼	0
Official coins	320.9	297.1	▼	-7	85.5	60.3	▼	-30
Medals/Imitation coins	98.9	116.5	▲	18	28.9	32.4	▲	12
ETFs & similar products	-109.5	-244.4	▼	-	-89.2	-55.6	▲	-
Central banks & other inst.	1,081.9	1,037.4	▼	-4	382.1	229.4	▼	-40
<b>Gold demand</b>	<b>4,699.0</b>	<b>4,448.4</b>	▼	<b>-5</b>	<b>1,303.4</b>	<b>1,149.8</b>	▼	<b>-12</b>
OTC and other	52.8	450.4	▲	753	-79.7	71.5	▲	-
<b>Total Demand</b>	<b>4,751.9</b>	<b>4,898.8</b>	▲	<b>3</b>	<b>1,223.8</b>	<b>1,221.4</b>	▼	<b>0</b>
LBMA Gold Price (US\$/oz)	1800.09	1940.54	▲	8	1,725.9	1,971.5	▲	14

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

## 5-year Price Chart



## Gold 5 Year Price Chart



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>2,038,137</b>	<b>2,445,764</b>	<b>2,807,738</b>	-4.7%
y/y	-22.5%	-6.4%	11.3%	32.1%	-5.9%	39.7%	-40.0%	20.0%	14.8%	
q/q										
Cost of Revenue	-1,854,173	-1,735,225	-1,938,215	-2,569,952	-2,416,058	-3,377,804	-2,025,908	-2,423,753	-2,781,064	
<b>Gross Profit</b>	<b>22,681.2</b>	<b>22,406</b>	<b>17,786.5</b>	<b>13,179.0</b>	<b>15,221.3</b>	<b>19,090.7</b>	<b>12,228.8</b>	<b>22,011.9</b>	<b>26,673.5</b>	
Gross margin (%)	1.21%	1.27%	0.91%	0.51%	0.63%	0.56%	0.60%	0.90%	0.95%	
Other Operating Revenue	620	675	71	26	403	242	145	174	200	
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	-4,076.3	-4,891.5	-5,615.5	
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>8,297.9</b>	<b>17,294.7</b>	<b>21,258.2</b>	9.5%
y/y	8.4%	-4.8%	-29.4%	-29.1%	16.2%	42.4%	-43.9%	108.4%	22.9%	
q/q										
Operating margin (%)	1.00%	1.0%	0.6%	0.3%	0.4%	0.4%	0.4%	0.7%	0.8%	
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>8,298</b>	<b>17,295</b>	<b>21,258</b>	9.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	42.4%	-43.9%	108.4%	22.9%	
<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>8,298</b>	<b>17,295</b>	<b>21,258</b>	9.5%
y/y	3.0%	0.3%	-6.3%	-29.1%	16.2%	42.4%	-43.9%	108.4%	22.9%	
- Income Tax Expense	-758.6	-533.9	-556.0	-484.6	-299.0	-461.8	-259.2	-540.2	-663.9	
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>8,039</b>	<b>16,755</b>	<b>20,594</b>	9.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	-43.9%	108.4%	22.9%	
- 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>8,039</b>	<b>16,755</b>	<b>20,594</b>	9.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	-43.9%	108.4%	22.9%	
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>8,038.7</b>	<b>16,754.6</b>	<b>20,594.3</b>	9.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	-43.9%	108.4%	22.9%	
q/q										
Basic EPS (reported)	42.87	43.77	40.84	28.64	34.16	48.51	27.23	56.75	69.75	
Basic EPS (adjusted)	42.87	43.77	40.84	28.65	34.16	48.51	27.23	56.75	69.75	
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>27.23</b>	<b>56.75</b>	<b>69.75</b>	9.5%
y/y	1.6%	2.1%	-6.7%	-29.9%	19.3%	42.0%	-43.9%	108.4%	22.9%	
<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>27.23</b>	<b>56.75</b>	<b>69.75</b>	9.5%
y/y	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	-43.9%	108.4%	22.9%	
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	FY03/2023	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	135,658	151,225	169,901
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	39,926	61,480	93,197	103,490	107,556	103,564	48,934	58,721	67,412
+ Inventories	17,220	39,371	47,744	74,074	76,690	60,487	15,760	18,854	21,634
+ 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>210,315</b>	<b>238,764</b>	<b>268,910</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	15,613	16,602	17,737
- 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	8,395	9,384	10,519
+ 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>29,859.2</b>	<b>30,848.2</b>	<b>31,983.5</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>240,174.5</b>	<b>269,612.0</b>	<b>300,893.9</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	71,699	134,665	186,868	110,176	104,210	71,573	75,257	88,235	99,218
+ 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>84,076.3</b>	<b>97,054.5</b>	<b>108,037.4</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>85,194.7</b>	<b>98,172.9</b>	<b>109,155.8</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	154,684	171,144	191,443
<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>154,979.7</b>	<b>171,439.1</b>	<b>191,738.1</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>307,276.3</b>	<b>234,727.9</b>	<b>239,155.9</b>	<b>228,746.7</b>	<b>240,174.5</b>	<b>269,612.0</b>	<b>300,893.9</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	14,322.7	8,038.7	16,754.6	20,594.3
+ 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	7,486.8	103,037.3	90.4	-495.4
<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>21,809.5</b>	<b>111,076.0</b>	<b>16,845.0</b>	<b>20,098.8</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	-1,373.6	-824.1	-989.0	-1,135.3
+ Increase in Investments	-1,081.2	-776.4	-552.2	1,041.3	-719.7	-1,301.1	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	-710.2	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>-3,382.9</b>	<b>-820.1</b>	<b>-983.0</b>	<b>-1,127.3</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	-893.5	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>-1,188.8</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>17,237.8</b>	<b>109,960.6</b>	<b>15,566.8</b>	<b>18,676.2</b>
Opening cash	148,402.0	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	25,697.9	135,658.4	151,225.2
Closing cash	144,461.4	147,770.9	120,006.3	13,542.1	8,460.1	25,697.9	135,658.4	151,225.2	169,901.5

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%	-40.0%	20.0%	14.8%
Operating Income	8.4%	-4.8%	-29.4%	-29.1%	16.2%	42.4%	-43.9%	108.4%	22.9%
Net income adjusted	1.6%	2.1%	-6.7%	-29.8%	19.2%	42.0%	-43.9%	108.4%	22.9%
Diluted EPS adjusted	2%	2%	-7%	-30%	19%	42%	-44%	108%	23%
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	27.2	56.7	69.8
Diluted EPS (adjusted)	42.9	43.8	40.8	28.6	34.2	48.5	27.2	56.7	69.8
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	496.3	552.0	620.8
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%	0.60%	0.90%	0.95%
Operating Margin	1.00%	1.02%	0.64%	0.35%	0.43%	0.44%	0.41%	0.71%	0.76%
EBITDA Margin	1.04%	1.06%	0.70%	0.39%	0.48%	0.44%	0.41%	0.71%	0.76%
Pre-Tax Margin (adjusted)	0.71%	0.77%	0.64%	0.35%	0.43%	0.44%	0.41%	0.71%	0.76%
Net Income Margin (adjusted)	0.67%	0.74%	0.62%	0.33%	0.41%	0.42%	0.39%	0.69%	0.73%
<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>5.2%</b>	<b>9.8%</b>	<b>10.7%</b>
Margin (%)	0.7%	0.7%	0.6%	0.3%	0.4%	0.4%	0.4%	0.7%	0.7%
Turnover (x)	8.0	6.1	6.4	11.0	10.2	14.9	8.5	9.1	9.3
Leverage (x)	3.4	3.3	2.9	2.1	1.9	1.6	1.5	1.6	1.6
Return on Assets	5.4%	4.5%	3.9%	3.6%	4.2%	6.3%	3.3%	6.2%	6.8%
Return on Capital Employed	25.0%	19.7%	11.8%	7.9%	8.3%	10.0%	5.3%	10.0%	11.0%
Return on Invested Capital	8.0%	8.5%	10.2%	6.9%	7.6%	9.3%	5.0%	9.4%	10.3%
<b>FCF Calculation</b>									
Op. cash	-32,304.3	31,627.5	24,999.8	-103,591.2	-540.7	21,809.5	111,076.0	16,845.0	20,098.8
capex	-758.9	-710.7	-790.9	-1,044.5	-983.1	-1,373.6	-824.1	-989.0	-1,135.3
FCF (INR million)	-33,063.2	30,916.8	24,208.9	-104,635.7	-1,523.8	20,435.9	110,251.8	15,856.0	18,963.5
FCF margin (%)	-1.8%	1.8%	1.2%	-4.1%	-0.1%	0.6%	5.4%	0.6%	0.7%
FCF per share	-111.98	104.71	81.99	-354.40	-5.16	69.22	373.42	53.70	64.23
Price/FCF per share	-2.71	2.90	3.71	-0.86	-58.90	4.39	0.81	5.66	4.73
FCF Yield	-36.8%	34.4%	27.0%	-116.6%	-1.7%	22.8%	122.8%	17.7%	21.1%
<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	135,658.4	151,225.2	169,901.5
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>128,355.1</b>	<b>143,921.9</b>	<b>162,598.2</b>
Net cash per share	186.6	295.8	389.6	34.7	33.5	46.3	434.7	487.5	550.7

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	1.10	0.92	0.86	0.77	0.65	0.61	0.55	0.49
P/E	17.3	6.9	7.4	10.6	8.9	6.3	11.2	5.4	4.4
P/S	0.12	0.05	0.05	0.03	0.04	0.03	0.04	0.04	0.03
EV/sales	0.09	0.05	0.04	0.03	0.03	0.02	0.04	0.03	0.03
EV/EBITDA	8.40	4.27	5.81	7.90	6.87	5.38	9.58	4.60	3.74
EV/EBIT	8.70	4.45	6.30	8.89	7.66	5.38	9.58	4.60	3.74
EV/FCF	-4.94	2.57	3.28	-0.76	-52.17	3.89	0.72	5.01	4.19
Dividend Yield (%)	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
Div payout on FCF	-0.9%	1.0%	1.2%	-0.3%	-19.4%	1.4%	0.3%	1.9%	1.6%

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	2.5	2.5	2.5
Quick ratio	1.2	1.1	1.2	1.1	1.2	1.7	2.3	2.3	2.3
Working capital	-6103	-24063	-35934	77242	89051	100862	-2179	-2276	-1788
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%	5%	4%	4%
Net cash (debt) / equity	80%	99%	109%	9%	8%	9%	83%	84%	85%
Net cash (debt) / mkt cap	61%	97%	128%	11%	11%	15%	143%	160%	181%
Net cash (debt) / capital	35%	58%	97%	8%	7%	9%	79%	81%	82%

#### Earnings Quality Ratios

Net operating assets/liab [NOA]	13604	1070	-9601	101960	114561	133576	26625	27517	29140
Average NOA	-9702	7337	-4266	46180	108261	124068	80100	27071	28329
B/S accrual ratio	-4.80	-1.71	2.50	2.42	0.12	0.15	-1.34	0.03	0.06
CF accrual ratio	-4.85	-2.32	2.56	2.43	0.12	-0.03	-1.28	0.03	0.06

Enterprise Value Calculation	FY 03/2018	current
Market Cap.	218,485	89,756
+ 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>79,502</b>

## Disclaimer

Evaluate Research provides institutional equity research on global public mid-cap companies. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; and we do not seek insider information for writing this report. Opinions, estimates and projections in this report constitute the current judgment of the analyst(s) as on the date of this report. It is not guaranteed as to accuracy, nor is it a complete statement, of the financial products, securities, or markets referred to. Opinions are subject to change without notice. To the extent permitted by law, Evaluate does not accept any liability arising from the use of information in this report.

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Evaluate does not make individually tailored investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. The securities, issuances or investment strategies discussed in this report may not be suitable for all investors. Investments involve many risk and potential loss of capital. Past performance is not necessarily indicative of future results. Evaluate may publish further update notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies as may be decided by the research management.

The companies or funds covered in this research may pay us a fee in order for this research to be made available. Any fees are paid upfront without recourse. Evaluate and its analysts are free to issue any opinion on the security or issuance. Evaluate seeks to comply with the CFA Institute Standards as well as NIRA Guidelines (National Investor Relations Institute, USA) for all conduct, research and dissemination of research, particularly governing independence in issuer commissioned research.

Forward-looking information or statements in this report contain information that is based on assumptions, forecasts and estimates of future results, and therefore involve known and unknown risks or uncertainties which may cause the actual results, performance or achievements of their subject matter to be materially different from the current expectations.

Evaluate makes an effort to use reliable, comprehensive information, but makes no representation that this information is accurate or complete. Evaluate is under no obligation to update or keep current the information contained herein. The compensation of the analyst who prepares any Evaluate research report is determined exclusively by Evaluate's research and senior management.

Evaluate Research Ltd. does not conduct any investment banking, stock brokerage or money management business and accordingly does not itself hold any positions in the securities mentioned in this report. However, Evaluate's directors, affiliates, and employees may have a position in any or related securities mentioned in this report at an appropriate time period after the report has already been disseminated, and in compliance with all CFA Institute Standards.

No part of this report may be reproduced or published without the prior written consent from Evaluate Research Ltd. Please cite the source when quoting.

Copyright 2015 Evaluate Research Limited. All rights reserved.

## 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

*I, Ketan Chaphalkar, certify that the opinions expressed in this report accurately reflect my personal views about the subject and its underlying securities. I further certify that the performance of stocks or securities in this report is not directly tied to my compensation, though my compensation is based on firm profitability, including the investment research and management performance of Evaluate Research Ltd.*