

RAJESH EXPORTS LTD

Result Update (CONSOLIDATED BASIS): Q1 FY17

CMP: 454.35

AUGUST 11st, 2016

Overweight

ISIN:
INE343B01030

Index Details

Stock Data

Sector	Other Apparels & Accessories
BSE Code	531500
Face Value	1.00
52wk. High / Low (Rs.)	745.50/369.75
Volume (2wk. Avg.)	119000
Market Cap (Rs. in mn.)	134151.38

Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs in mn)	FY16A	FY17E	FY18E
Net Sales	1652113.69	2180790.07	2486100.68
EBITDA	17687.76	18635.90	21238.98
Net Profit	10667.24	12065.29	13984.41
EPS	36.13	40.86	47.36
P/E	12.58	11.12	9.59

Shareholding Pattern (%)

	As on Jun 2016	As on Mar 2016
Promoter	53.92	53.91
Public	46.08	46.09
Others	--	--

1 Year Comparative Graph



RAJESH EXPORTS LTD

S&P BSE SENSEX

SYNOPSIS

- Rajesh Exports Ltd (REL) is a zero debt company on standalone basis, with its undivided focus and expertise, the company is currently the largest constituent of gold business in the world.
- The company is the only gold company to have been included in the Global Fortune 500 list of companies.
- Consolidated revenue for the quarter rose by 289.04% to Rs. 589167.64 mn from Rs. 151442.56 mn, when compared with the prior year period.
- During Q1 FY17, consolidated EBIDTA is Rs. 3815.59 mn as against Rs. 3963.39 mn in the corresponding period of the previous year.
- During the quarter, consolidated net profit jumps to Rs. 2699.08 mn against Rs. 2371.62 mn in the corresponding quarter ending of previous year, an increase of 13.81%.
- During Q1 FY17, consolidated Profit before tax grew 15.21% at Rs. 2732.35 mn against Rs. 2371.62 mn in Q1 FY16.
- EPS of the company stood at Rs. 9.14 during the quarter, as against Rs. 8.03 per share over previous year period.
- On July 14, 2016, Rajesh Exports has bagged an export order worth Rs. 7860 Mn of designer range of gold and diamond studded jewellery and medallions from UAE.
- On June 08, 2016, the company has bagged an export order worth Rs. 6530 Mn of designer range of gold and diamond studded jewellery and medallions from Singapore.
- Net Sales and PAT of the company are expected to grow at a CAGR of 71% and 40% over 2015 to 2018E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Rajesh Exports Ltd	454.35	134151.38	36.13	12.58	2.98	100.00
PC Jeweller Ltd	428.00	76654.80	23.73	18.04	3.21	33.50
Thangamayil Jewellery Ltd	273.95	3758.50	8.32	32.93	2.73	10.00
Titan Company Ltd	401.15	356135.40	7.74	51.83	10.13	220.00

QUARTERLY HIGHLIGHTS (CONSOLIDATED BASIS)

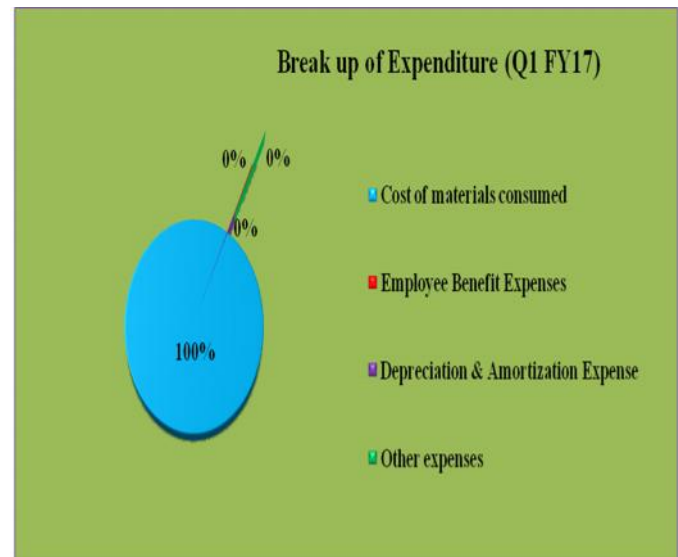
Results updates- Q1 FY17,

(Rs in million)	Jun-16	Juns-15	% Change
Revenue	589167.64	151442.56	289.04%
Net Profit	2699.08	2371.62	13.81%
EPS	9.14	8.03	13.81%
EBIDTA	3815.59	3963.39	-3.73%

Revenue for the quarter rose by 289.04% to Rs. 589167.64 million from Rs. 151442.56 million, when compared with the prior year period. EBIDTA is Rs. 3815.59 million as against Rs. 3963.39 million in the corresponding period of the previous year. The company's net profit jumps to Rs. 2699.08 million against Rs. 2371.62 million in the corresponding quarter ending of previous year, an increase of 13.81%. Reported earnings per share of the company stood at Rs. 9.14 during the quarter, as against Rs. 8.03 per share over previous year period.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q1 FY17	Q1 FY16	% Change
Cost of Material consumed	584691.08	147430.71	297%
Employee Benefit Expenses	398.62	91.23	337%
Depreciation & Amortization Expenses	153.37	168.23	-9%
Other Expenditure	488.46	395.48	24%



Latest Updates

- On July 14, 2016, Rajesh Exports has bagged an export order worth Rs. 7860 Million of designer range of gold and diamond studded jewellery and medallions from UAE. The order is to be completed by 15th October 2016.
- On June 08, 2016, the company has bagged an export order worth Rs. 6530 Million of designer range of gold and diamond studded jewellery and medallions from Singapore. The order is to be completed by 30th September 2016.

COMPANY PROFILE

Rajesh Exports Limited (REL) is a zero debt company on standalone basis. REL was established in the year 1989, with its undivided focus and expertise, the company is currently the largest constituent of gold business in the world. REL is the only gold company with a presence across the value chain of gold from mining till its own retail brand. The company is also the only gold company to have been included in the Global Fortune 500 list of companies.

The company is the largest refiner of gold in the World. With the recent acquisition of Valcambi, the world's largest gold refinery at Switzerland, along with its Indian refinery has built up a total capacity to refine 2400 tons of precious metals per annum. Valcambi is a LBMA accredited refinery, the gold bars produced at Valcambi are good delivery bars and are accepted across all the precious metal exchanges of the world and with all the bullion banks and central banks. Valcambi supplies "Valcambi" brand gold bars to various bullion banks and central banks.

REL is the largest manufacture of gold products in the world. Among its various manufacturing facilities REL has a total installed capacity to manufacture 400 tons of world class gold products per annum including the finest plain and studded jewellery, medallions and coins. REL has set up the world's finest R&D facilities in Switzerland and in India for developing new designs and for evolving innovative manufacturing process for manufacture of world class gold products.

REL exports its products to various countries around the world and also supplies its products in wholesale to jewellery showrooms across India.

REL has set up 80 retail jewellery showrooms under the brand name of SHUBH Jewellers. SHUBH Jewellers is one of the most trusted household jewellery brand name in South India which is known for the quality, designs and value for money prices of its products.

FINANCIAL HIGHLIGHT (CONSOLIDATED BASIS)

(A* - Actual, E* - Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2015 -2018E

	FY15A	FY16A	FY17E	FY18E
SOURCES OF FUNDS				
Shareholder's Funds				
Share Capital	295.26	295.26	295.26	295.26
Reserves and Surplus	33321.17	44721.86	56787.15	70771.57
1. Sub Total - Net worth	33616.43	45017.12	57082.41	71066.83
2. Exchange Fluctuation	0.00	1638.37	0.00	0.00
Non Current Liabilities				
Long term Borrowings	0.00	4975.49	5473.04	5910.88
Other Long term Liabilities	75.95	122.89	154.84	182.40
Long term Provisions	4.12	4.12	4.61	5.03
3. Sub Total - Non Current Liabilities	80.07	5102.50	5632.49	6098.31
Current Liabilities				
Short term Borrowings	38424.88	43222.71	46680.53	49948.16
Trade Payables	87388.44	107909.40	125174.90	140195.89
Other Current Liabilities	230.37	22682.99	27219.59	31574.72
Short Term Provisions	1066.93	1849.88	2293.85	2660.87
4. Sub Total - Current Liabilities	127110.62	175664.98	201368.87	224379.65
Total Liabilities (1+2+3+4)	160807.12	227422.97	264083.78	301544.79
APPLICATION OF FUNDS				
Non-Current Assets				
Fixed Assets				
Tangible assets	2637.16	7009.31	8761.64	10513.97
Intangible assets	0.00	1.58	1.71	1.83
Capital Work in Progress	4.17	0.00	0.00	0.00
a) Sub Total - Fixed Assets	2641.33	7010.89	8763.34	10515.79
b) Goodwill on consolidation	0.00	6477.01	6930.40	7346.22
c) Non-current investments	602.48	8405.42	10422.72	12298.81
d) Deferred Tax Asset	8.22	8.22	8.88	9.50
e) Long Term Loans and Advances	415.34	600.45	732.55	849.76
1. Sub Total - Non Current Assets	3667.37	22501.99	26857.89	31020.08
Current Assets				
Inventories	5675.30	9926.08	12903.90	15742.76
Trade receivables	29898.38	68889.51	90245.26	109196.76
Cash and Bank Balances	114063.84	118652.95	125990.16	136827.86
Short-terms loans & advances	3280.63	3116.21	3490.16	3839.17
Other current assets	4221.60	4336.23	4596.40	4918.15
2. Sub Total - Current Assets	157139.75	204920.98	237225.89	270524.71
Total Assets (1+2)	160807.12	227422.97	264083.78	301544.79

Annual Profit & Loss Statement for the period of 2015 to 2018E

Value(Rs.in.mn)	FY15A	FY16A	FY17E	FY18E
Description	12m	12m	12m	12m
Net Sales	504628.94	1652113.69	2180790.07	2486100.68
Other Income	1.05	90.17	99.19	107.12
Total Income	504629.99	1652203.86	2180889.26	2486207.80
Expenditure	-491964.41	-1634516.10	-2162253.36	-2464968.82
Operating Profit	12665.58	17687.76	18635.90	21238.98
Interest	-4782.69	-5776.46	-5198.81	-5510.74
Gross profit	7882.89	11911.30	13437.09	15728.23
Depreciation	-622.23	-790.07	-869.08	-929.91
Profit Before Tax	7260.66	11121.23	12568.01	14798.32
Tax	-711.33	-413.24	-502.72	-813.91
Profit After Tax	6549.33	10707.99	12065.29	13984.41
Share of Profit & Loss of Asso	0.00	-40.75	0.00	0.00
Net Profit	6549.33	10667.24	12065.29	13984.41
Equity capital	295.26	295.26	295.26	295.26
Reserves	33321.17	44721.86	56787.15	70771.57
Face value	1.00	1.00	1.00	1.00
EPS	22.18	36.13	40.86	47.36

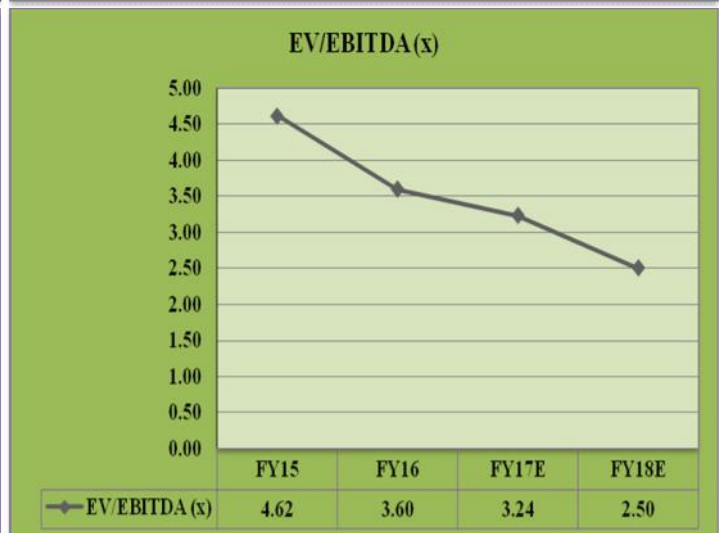
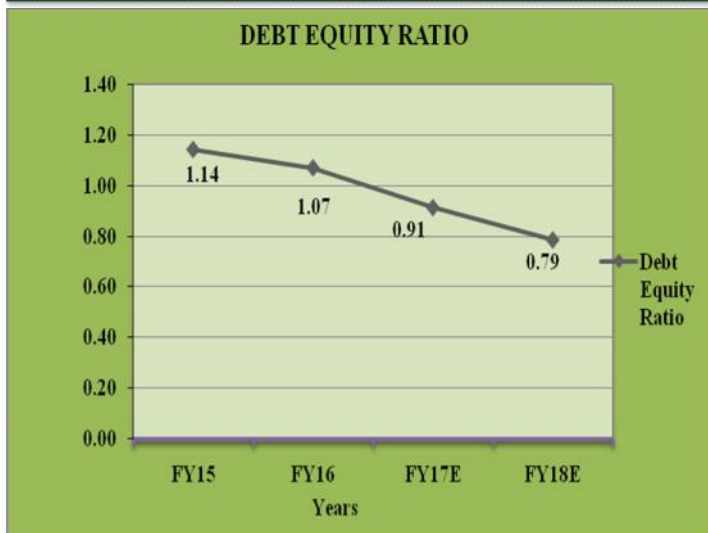
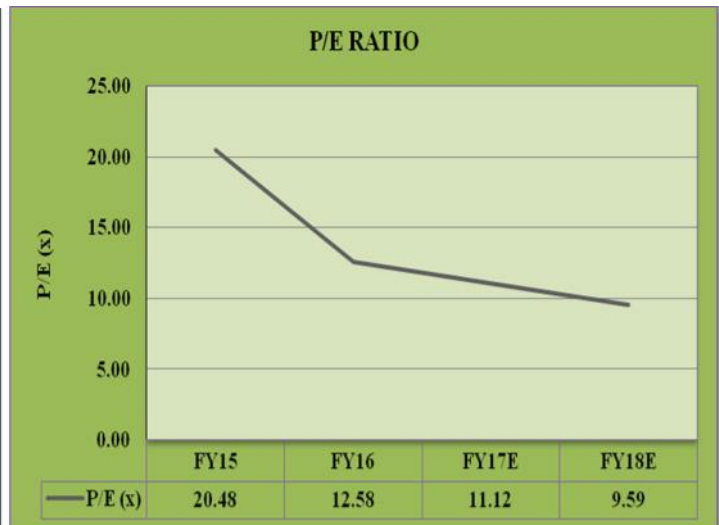
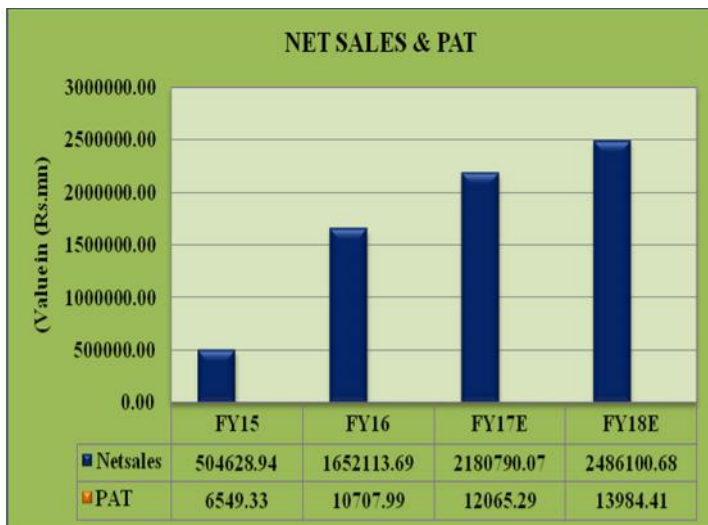
Quarterly Profit & Loss Statement for the period of 31st Dec, 2015 to 30th Sep, 2016E

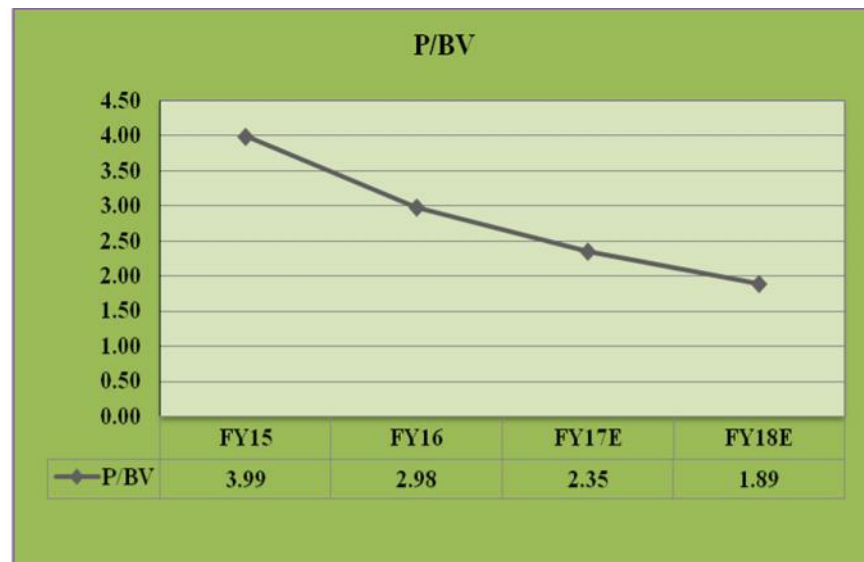
Value(Rs.in.mn)	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16E
Description	3m	3m	3m	3m
Net sales	498191.31	559283.32	589167.64	559709.26
Other income	36.06	45.53	1.36	2.52
Total Income	498227.37	559328.85	589169.00	559711.77
Expenditure	-494405.92	-554148.58	-585353.41	-555399.50
Operating profit	3821.45	5180.27	3815.59	4312.28
Interest	-549.74	-2131.16	-929.87	-1060.05
Gross profit	3271.71	3049.11	2885.72	3252.23
Depreciation	-244.86	-179.99	-153.37	-176.38
Profit Before Tax	3026.85	2869.12	2732.35	3075.85
Tax	0.00	-357.97	-33.27	-107.65
Profit After Tax	3026.85	2511.15	2699.08	2968.20
Share of Profit & Loss of Asso	0.00	-40.75	0.00	0.00
Net Profit	3026.85	2470.40	2699.08	2968.20
Equity capital	295.26	295.26	295.26	295.26
Face value	1.00	1.00	1.00	1.00
EPS	10.25	8.37	9.14	10.05

Ratio Analysis

Particulars	FY15A	FY16A	FY17E	FY18E
EPS (Rs.)	22.18	36.13	40.86	47.36
EBITDA Margin (%)	2.51%	1.07%	0.85%	0.85%
PBT Margin (%)	1.44%	0.67%	0.58%	0.60%
PAT Margin (%)	1.30%	0.65%	0.55%	0.56%
P/E Ratio (x)	20.48	12.58	11.12	9.59
ROE (%)	19.48%	23.79%	21.14%	19.68%
ROCE (%)	18.44%	19.82%	17.86%	17.47%
Debt Equity Ratio	1.14	1.07	0.91	0.79
EV/EBITDA (x)	4.62	3.60	3.24	2.50
Book Value (Rs.)	113.85	152.47	193.33	240.69
P/BV	3.99	2.98	2.35	1.89

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs.454.35**, the stock P/E ratio is at 11.12 x FY17E and 9.59 x FY18E respectively.
- Earning per share (EPS) of the company for the earnings for FY17E and FY18E is seen at Rs. 40.86 and Rs. 47.36 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 71% and 40% over 2015 to 2018E respectively.
- On the basis of EV/EBITDA, the stock trades at 3.24 x for FY17E and 2.50 x for FY18E.
- Price to Book Value of the stock is expected to be at 2.35 x and 1.89 x for FY17E and FY18E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 6-7 per cent of the country's GDP. One of the fastest growing sectors, it is extremely export oriented and labour intensive.

Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote 'Brand India' in the international market.

India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies. Moreover, India exports 95 per cent of the world's diamonds, as per

statistics from the Gems and Jewellery Export promotion Council (GJEPC). The industry is projected to generate up to US\$ 35 billion of revenue from exports in 2015.

India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. The Indian government presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route.

Market size

The gems and jewellery market in India is home to more than 500,000 players, with the majority being small players.

India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the country. UAE, US, Russia, Singapore, Hong Kong, Latin America and China are the biggest importers of Indian jewellery.

The overall gross exports of Gems & Jewellery in December 2015 stood at US\$ 2.06 billion, whereas exports of cut and polished diamonds stood at US\$ 1.20 billion. Exports of gold coins and medallions stood at US\$ 23.19 million and silver jewellery export stood at US\$ 147.33 million in December 2015. The overall gross imports of Gems & Jewellery in December 2015 stood at US\$ 2.23 billion.

The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000-December 2015 were US\$ 751.37 million, according to Department of Industrial Policy and Promotion (DIPP).

Government Initiatives

The Reserve Bank of India has announced norms for gold monetisation scheme, which allows individuals, trusts and mutual funds to deposit gold with banks in return for interest, to help reduce gold imports and alleviate pressure on trade balance.

The Reserve Bank of India (RBI) has liberalised gold import norms. With this, star and premier export houses can import the commodity, while banks and nominated agencies can offer gold for domestic use as loans to bullion traders and jewellers. Also, India has signed a Memorandum of Understanding (MoU) with Russia to source data on diamond trade between the two countries.

Road Ahead

In the coming years, growth in Gems and Jewellery sector would be largely contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and designs. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of

low cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.

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*E-mail: info@firstobjectindia.com
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