

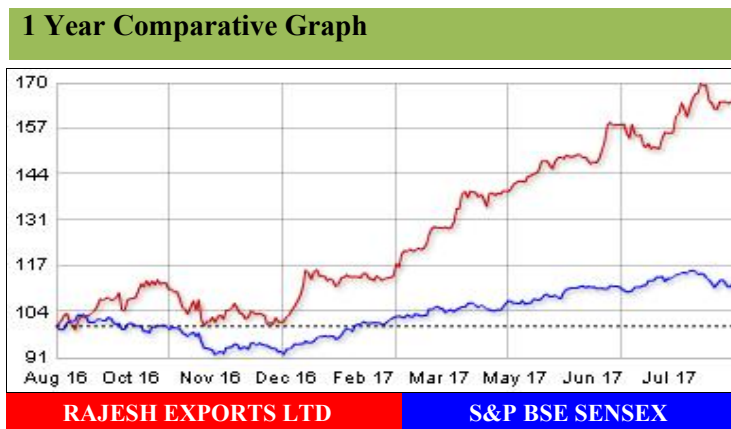
<b>RAJESH EXPORTS LTD</b> Result Update (CONSOLIDATED BASIS): Q1 FY18	<b>CMP: 719.95</b>	<b>AUG 29<sup>th</sup>, 2017</b>
	<b>Overweight</b>	<b>ISIN: INE343B01030</b>

**Index Details**

Stock Data	
<b>Sector</b>	Other Apparels & Accessories
<b>BSE Code</b>	531500
<b>Face Value</b>	1.00
<b>52wk. High / Low (Rs.)</b>	774.00/432.00
<b>Volume (2wk. Avg.)</b>	62000
<b>Market Cap (Rs. in mn.)</b>	212572.44

Annual Estimated Results(A*: Actual / E*: Estimated)			
Years(Rs in mn)	FY17A	FY18E	FY19E
<b>Net Sales</b>	2421319.96	2639238.76	2850377.86
<b>EBITDA</b>	17979.36	19398.67	20797.54
<b>Net Profit</b>	12458.99	13317.49	14866.12
<b>EPS</b>	42.20	45.10	50.35
<b>P/E</b>	17.06	15.96	14.30

Shareholding Pattern (%)		
	As on Jun 2017	As on Mar 2017
<b>Promoter</b>	53.94	53.94
<b>Public</b>	46.06	46.06
<b>Others</b>	--	--



**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 consolidated turnover of Rs.504082.06 million for Q1 FY18 as against Rs.589167.64 million in Q1 FY17.
- During the 1<sup>st</sup> quarter, consolidated EBIDTA stood at Rs.4452.42 million as against Rs.3815.59 million.
- During Q1 FY18, consolidated PBT stood at Rs.3148.56 million as compared to Rs.2732.35 million in Q1 FY17.
- During the quarter, consolidated net profit stood at Rs.2968.58 million as against Rs.2699.08 million in the corresponding quarter ending of previous year, higher by 9.98%.
- EPS of the company stood at Rs.10.05 during Q1 FY18.
- Net Sales and PAT of the company are expected to grow at a CAGR of 54% and 23% over 2016 to 2019E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Rajesh Exports Ltd	719.95	212572.44	43.11	16.70	3.77	110.00
PC Jeweller Ltd	351.80	126201.70	12.83	27.44	4.58	10.00
Thangamayil Jewellery Ltd	320.50	4397.10	13.90	23.06	2.90	20.00
Titan Company Ltd	607.50	539774.00	10.18	59.72	12.52	260.00

## QUARTERLY HIGHLIGHTS (CONSOLIDATED BASIS)

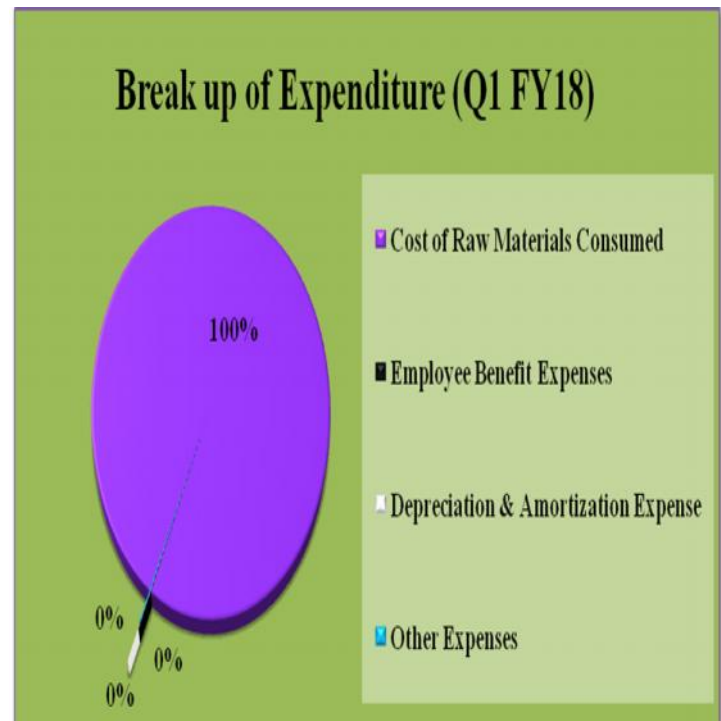
### Results updates- Q1 FY18,

(Rs in million)	Jun-17	Jun-16	% Change
<b>Revenue</b>	504082.06	589167.64	(14.44)
<b>Net Profit</b>	2968.58	2699.08	9.98%
<b>EPS</b>	10.05	9.14	9.98%
<b>EBIDTA</b>	4452.42	3815.59	16.69%

Revenue for the 1<sup>st</sup> quarter stood at Rs.504082.06 million as against Rs.589167.64 million, when compared with the prior year period. EBIDTA is Rs.4452.42 million as against Rs.3815.59 million in the corresponding period of the previous year. The company's net profit jumps to Rs.2968.58 million from Rs.2699.08 million in the corresponding quarter ending of previous year, an increase of 9.98%. Reported earnings per share of the company stood at Rs.10.05 during the quarter, as against Rs.9.14 per share over previous year period.

### Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q1 FY18	Q1 FY17	% Change
Cost of Raw Materials Consumed	497410.37	584691.08	-15%
Employee Benefit Expenses	351.67	398.62	-12%
Depreciation & Amortization Expense	158.21	153.37	3%
Other Expenses	674.82	488.46	38%



## Latest Updates

- Rajesh Exports Limited bags new export order of Rs. 7740 million. The order is to be completed by October 2017.
- Rajesh Exports Secures an export order of Rs. 11400 million. The order is to be completed by September 2017.

## COMPANY PROFILE

Founded in 1990, Rajesh Exports has transformed itself into the world's largest gold company with its presence across the complete value chain of gold from mining to retailing of gold jewellery and gold products. Over the years, the Company has established itself as the single largest constituent of gold business in the world. Rajesh Exports processes 35% of the gold produced globally.

The Company is the largest refiner of gold in the world. With the recent acquisition of Valcambi, the world's largest gold refinery in Switzerland, Rajesh Exports has established a total capacity to refine 2,400 tons per annum of precious metals. Valcambi is a LBMA accredited refinery and the gold bars produced at Valcambi are good delivery bars which are accepted across all the precious metal exchanges across the world and by all the bullion banks.

Rajesh Exports is the largest manufacturer of gold products across the world. Across all its manufacturing facilities, the Company has a total installed capacity of 400 tons per annum of world class gold products including finest plain and studded jewellery, medallions and coins.

Rajesh Exports has also established the world's finest design and R&D facilities in Switzerland and India for developing new designs and for innovative manufacturing process for producing world class gold products.

The Company exports its products to various countries across the globe and also supplies its products in wholesale market and jewellery showrooms across India.

Rajesh Exports has set up 81 retail jewellery showrooms under the brand name SHUBH Jewellers. It is one of the most trusted household jewellery brand name in South India and is known for its quality, designs and value for money prices of its products.

**FINANCIAL HIGHLIGHT (CONSOLIDATED BASIS)**

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

**Balance Sheet as of March 31, 2016 -2019E**

	FY16A	FY17A	FY18E	FY19E
<b>SOURCES OF FUNDS</b>				
<b>Shareholder's Funds</b>				
Share Capital	295.26	295.26	295.26	295.26
Reserves and Surplus	44721.86	56079.74	67856.49	83463.48
<b>1. Sub Total - Net worth</b>	<b>45017.12</b>	<b>56375.00</b>	<b>68151.74</b>	<b>83758.74</b>
<b>2. Foreign currency translation reserve</b>	<b>1638.37</b>	<b>2488.92</b>	<b>2787.59</b>	<b>3010.60</b>
<b>Non Current Liabilities</b>				
Long term Borrowings	4975.49	3497.80	2588.37	2122.47
Deferred Tax Liabilities	0.00	1041.29	1114.18	1158.75
Other Long term Liabilities	122.89	66.30	52.38	47.66
Long term Provisions	4.12	149.16	186.45	199.50
<b>3. Sub Total - Non Current Liabilities</b>	<b>5102.50</b>	<b>4754.55</b>	<b>3941.38</b>	<b>3528.38</b>
<b>Current Liabilities</b>				
Short term Borrowings	43222.71	55522.38	61074.62	63517.60
Trade Payables	107909.40	121519.33	130025.68	135226.71
Other Current Liabilities	22682.99	194.60	136.22	111.70
Short Term Provisions	1849.88	462.80	286.94	220.94
<b>4. Sub Total - Current Liabilities</b>	<b>175664.98</b>	<b>177699.11</b>	<b>191523.46</b>	<b>199076.95</b>
<b>Total Liabilities (1+2+3+4)</b>	<b>227422.97</b>	<b>241317.58</b>	<b>266404.17</b>	<b>289374.67</b>
<b>APPLICATION OF FUNDS</b>				
<b>Non-Current Assets</b>				
<b>Fixed Assets</b>				
Tangible assets	7009.31	6712.49	6913.86	7121.28
Intangible assets	1.58	29.47	35.36	39.25
<b>a) Sub Total - Fixed Assets</b>	<b>7010.89</b>	<b>6741.96</b>	<b>6949.23</b>	<b>7160.53</b>
b) Goodwill on consolidation	6477.01	6126.80	6371.87	6626.75
c) Non-current investments	8405.42	9191.10	9742.57	10521.97
d) Deferred Tax Asset	8.22	8.22	8.30	8.47
e) Long Term Loans and Advances	600.45	415.39	386.31	401.77
<b>1. Sub Total - Non Current Assets</b>	<b>22501.99</b>	<b>22483.47</b>	<b>23458.28</b>	<b>24719.49</b>
<b>Current Assets</b>				
Inventories	9926.08	11627.67	13255.54	14846.21
Trade receivables	68889.51	50198.70	46182.80	47568.29
Cash and Bank Balances	118652.95	148401.99	173881.19	191747.96
Short-terms loans & advances	3116.21	3698.60	4179.42	4555.57
Other current assets	4336.23	4907.15	5446.94	5937.16
<b>2. Sub Total - Current Assets</b>	<b>204920.98</b>	<b>218834.11</b>	<b>242945.89</b>	<b>264655.18</b>
<b>Total Assets (1+2)</b>	<b>227422.97</b>	<b>241317.58</b>	<b>266404.17</b>	<b>289374.67</b>

**Annual Profit & Loss Statement for the period of 2016 to 2019E**

Value(Rs.in.mn)	FY16A	FY17A	FY18E	FY19E
<b>Description</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>
<b>Net Sales</b>	<b>1652113.69</b>	<b>2421319.96</b>	<b>2639238.76</b>	<b>2850377.86</b>
Other Income	90.17	471.48	660.07	844.89
Total Income	1652203.86	2421791.44	2639898.83	2851222.75
Expenditure	-1634516.10	-2403812.08	-2620500.16	-2830425.21
<b>Operating Profit</b>	<b>17687.76</b>	<b>17979.36</b>	<b>19398.67</b>	<b>20797.54</b>
Interest	-5776.46	-4302.67	-4560.83	-4195.96
Gross profit	11911.30	13676.69	14837.84	16601.57
Depreciation	-790.07	-646.31	-730.33	-803.36
Profit Before Tax	11121.23	13030.38	14107.51	15798.21
Tax	-413.24	-571.39	-790.02	-932.09
<b>Net Profit</b>	<b>10707.99</b>	<b>12458.99</b>	<b>13317.49</b>	<b>14866.12</b>
Equity capital	295.26	295.26	295.26	295.26
Reserves	44721.86	56079.74	67856.49	83463.48
Face value	1.00	1.00	1.00	1.00
<b>EPS</b>	<b>36.27</b>	<b>42.20</b>	<b>45.10</b>	<b>50.35</b>

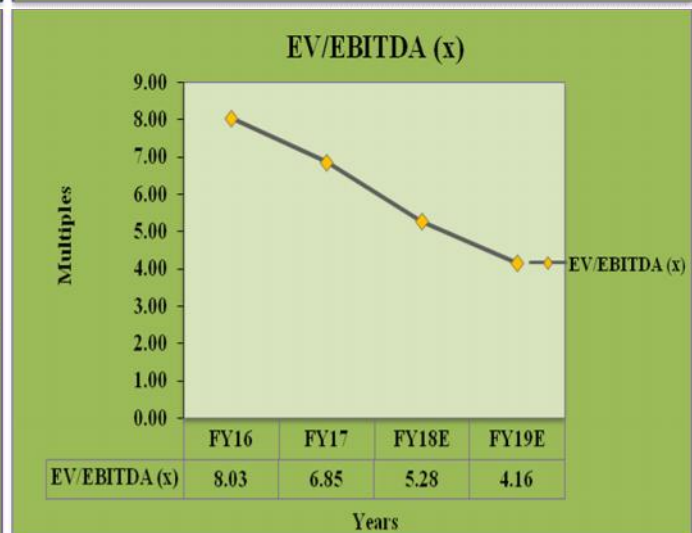
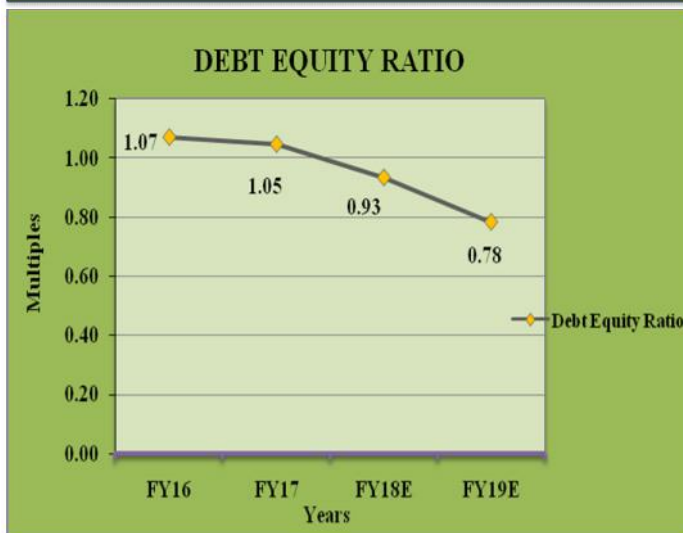
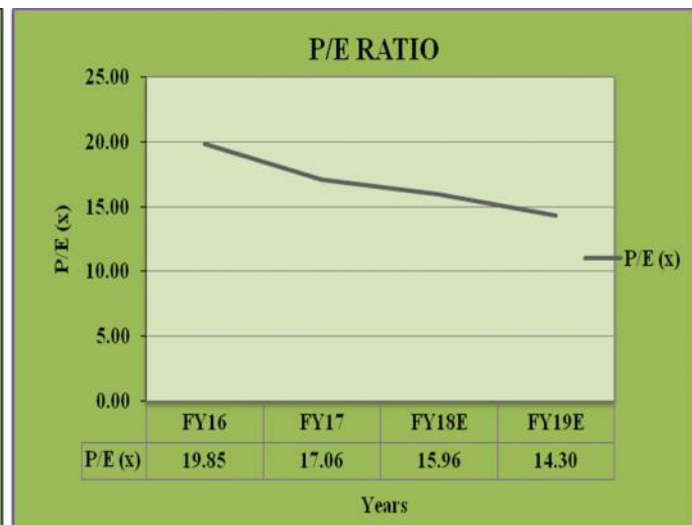
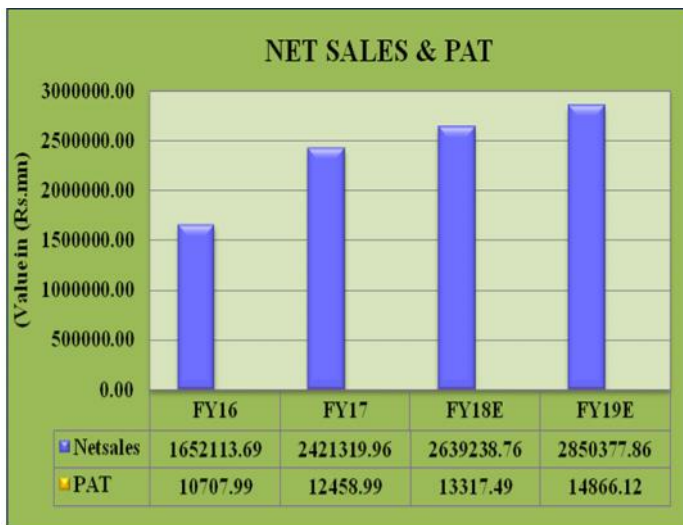
**Quarterly Profit & Loss Statement for the period of 31<sup>st</sup> Dec, 2016 to 30<sup>th</sup> Sep, 2017E**

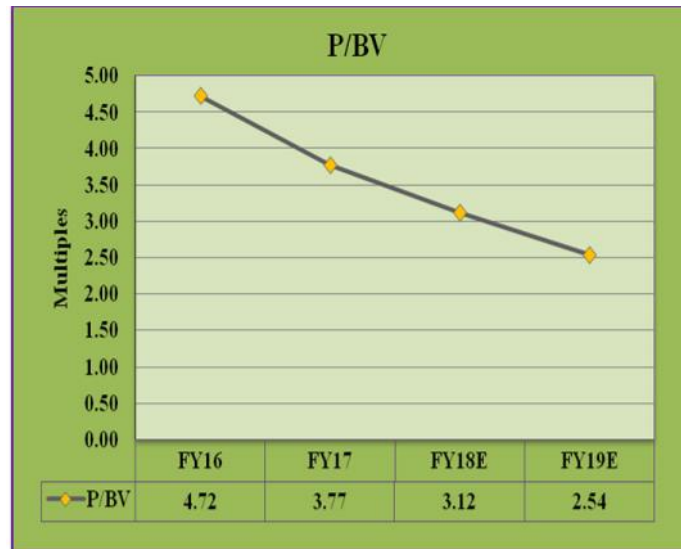
Value(Rs.in.mn)	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17E
<b>Description</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>
<b>Net sales</b>	<b>644862.33</b>	<b>542700.62</b>	<b>504082.06</b>	<b>554490.27</b>
Other income	15.04	451.46	233.43	252.10
Total Income	644877.37	543152.08	504315.49	554742.37
Expenditure	-640069.65	-538143.80	-499863.07	-549998.89
<b>Operating profit</b>	<b>4807.72</b>	<b>5008.28</b>	<b>4452.42</b>	<b>4743.48</b>
Interest	-1190.45	-1202.38	-1145.65	-1031.09
Gross profit	3617.27	3805.90	3306.77	3712.39
Depreciation	-170.47	-175.01	-158.21	-150.30
Profit Before Tax	3446.80	3630.89	3148.56	3562.09
Tax	-105.20	-309.72	-179.98	-188.08
<b>Net Profit</b>	<b>3341.60</b>	<b>3321.17</b>	<b>2968.58</b>	<b>3374.01</b>
Equity capital	295.26	295.26	295.26	295.26
Face value	1.00	1.00	1.00	1.00
<b>EPS</b>	<b>11.32</b>	<b>11.25</b>	<b>10.05</b>	<b>11.43</b>

## Ratio Analysis

Particulars	FY16A	FY17A	FY18E	FY19E
EPS (Rs.)	36.27	42.20	45.10	50.35
EBITDA Margin (%)	1.07%	0.74%	0.74%	0.73%
PBT Margin (%)	0.67%	0.54%	0.53%	0.55%
PAT Margin (%)	0.65%	0.51%	0.50%	0.52%
P/E Ratio (x)	19.85	17.06	15.96	14.30
ROE (%)	23.79%	22.10%	19.54%	17.75%
ROCE (%)	19.82%	16.14%	15.27%	14.46%
Debt Equity Ratio	1.07	1.05	0.93	0.78
EV/EBITDA (x)	8.03	6.85	5.28	4.16
Book Value (Rs.)	152.47	190.93	230.82	283.68
P/BV	4.72	3.77	3.12	2.54

## Charts





## OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 719.95**, the stock P/E ratio is at 15.96 x FY18E and 14.30 x FY19E respectively.
- Earning per share (EPS) of the company for the earnings for FY18E and FY19E is seen at Rs. 45.10 and Rs. 50.35 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 54% and 23% over 2016 to 2019E respectively.
- On the basis of EV/EBITDA, the stock trades at 5.28 x for FY18E and 4.16 x for FY19E.
- Price to Book Value of the stock is expected to be at 3.12 x and 2.54 x for FY18E and FY19E 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 75 per cent of the world's polished diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). 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.

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 demand for gold in India rose by 15 per cent year-on-year to reach 123.5 tonnes during January-March 2017, according to the World Gold Council (WGC). The Goods and Services Tax (GST) and monsoon will steer India's gold demand going forward.

The overall net exports of Gems & Jewellery during April 2017 stood at US\$ 3.2 billion, whereas exports of cut and polished diamonds stood at US\$ 1.75 billion. Exports of gold coins and medallions stood at US\$ 553.59 million and silver jewellery export stood at US\$ 768.92 million during April 2017. India has become the second largest exporter of diamonds, gems and stones to China, as total exports grew by 28.48 per cent year-on-year to touch US\$ 2.48 billion in 2016, as stated by Mr Prakash Gupta, Consul General of India in Shanghai.

### **Government Initiatives**

In the Union Budget 2017-18, the Government of India, offered tax cuts for the middle class and other sections of society (5 per cent for the Rs 250,000-500,000 tax slab; which was 10 per cent initially). All these measures will drive consumption, which will be favourable to the gems and jewellery industry.

The Government of India's proposal to cut corporate tax rates to 25 per cent for micro, small and medium enterprises (MSMEs) having annual turnover up to Rs 500 million (US\$ 7.5 million) will benefit a large number of gems and jewellery exporters from MSME category.

The Government of India's announcement on establishing gold spot exchange could help in India's participation in determining gold price in the international markets.

The demonetisation move is encouraging people to use plastic money, debit/ credit cards for buying jewellery. This is good for the industry in the long run and will create more transparency.

### **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.

Mr Narendra Modi, Prime Minister of India, encouraged the diamond industry in Surat, Gujarat to come forward in making India number one in the gems and jewellery sector, by focusing on Design in India in addition to the Make in India campaign.



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4	Periodic reports or other communications not for public appearance	Full Compliance in Place
5	The reports are statistical summaries of financial data of the companies as and where applicable	Full Compliance in Place
6	Analysis relating to the sector concerned	Full Compliance in Place
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