

# Rajesh Exports (RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 804.00
Upside Potential	12%

Market Cap.	Rs. 237,188 mn \$ 3.70 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	72.2 mn / 24.5%
52 Week Range (Rs)	492.00 / 874.00
Avg. Daily Value	Rs. 513.5 mn \$ 8.0 mn
SENSEX Index Level	34,304
Insider Holding %	65.5%

P/E 17.3x (FY03/2019E)



Risk: Above Average

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## Q3FY2018 [ended December] Earnings Update

### Sustained Improvement in Margins

Rajesh Exports' margins continued their upward surge as a result of the company's continued efforts towards growing its higher margin businesses including export of premium jewelry, higher quality refined products and retail. For 3Q2018 ended December, the company reported operating margin of 1.0% vs. 0.72% in 3Q2017. Overall, for the first three quarters of the year, the operating profit margin was 0.91% vs. 0.66% during the corresponding period last year. **During our call with management, they sounded extremely optimistic about the growth of their high margin businesses and mentioned that they expect margins to double over the next 3 years.** A sustained increase in margins will be a strong catalyst for the stock price in the coming years.

Revenue for the quarter came in at Rs.413.0 bn, down 36% over the 3Q2017 revenue of Rs.644.9 bn. The decline in revenue was mainly due to the implementation of 5% VAT in Saudi Arabia and UAE which became effective from 1<sup>st</sup> January, 2018. There was also a slight impact of the GST implementation in India last year. We believe that there will still be some decline in revenue in 4Q but it should start picking up from the first quarter of FY2019. The sustained increase in oil prices and recovering luxury goods sales in the US and other developed countries also provide some strong tailwinds for the company. Gold price has also been strong over the last couple of months despite rising bond yields and after falling to about \$1,250 per ounce in December last year, gold is now trading at about \$1,350 per ounce.

As a result of an increase in the sales of higher margin products, the operating income and net income drop has been much lower than the revenue decline. Operating profit for the quarter was Rs.4.1 bn vs. Rs.4.6 bn in 3Q 2017, down by about 11% while EPS was Rs.10.21 vs. Rs.11.32 in 3Q2017, down by 10% YoY. The order book position at the end of the quarter was at Rs.408.2 bn vs. Rs.426.4 bn at the end of 2Q2018. During the quarter, the company developed new refining processes which will be set up at its Bangalore manufacturing facility. The products developed at this facility will be used for the company's export business and also for its India operations and will further help the company to increase its margins. The company has also developed a new range of jewelry for its retail, wholesale and export operations.

### **Revise Estimates; Maintain PT**

We revise our FY2018 revenue estimate to Rs.1,970 bn. Given the continuous increase in margins, we revise our FY2018 EPS estimates only slightly to Rs.40.80 per share from Rs.42.20 per share earlier. For FY2019, we forecast EPS of Rs.46.60 per share, growing at a rate of 14.2% YoY, above the revenue growth rate given the increase in margins.

We maintain our one-year price target of Rs.900 on the stock with a possibility of further upside revision if further margin growth comes through. Our price target represents an upside of approximately 12% from the current levels. Our 12-month price target on the stock is based on P/E and backed by DCF methodology. Our DCF-based price is Rs.951 which assumes 11.7% WACC and 3% terminal growth rate. Our price target implies a P/E multiple of 19.3x on our FY03/2019 EPS estimate of Rs.46.60. We are quite positive on the margin growth story based on the company's strong execution seen over the last 1 year. The company operates at extremely thin operating margins of below 1% and even a small increase in margins can be highly accretive to the EPS. Currently, the stock is trading at a price of ₹804 which translates into a P/E of 17.3x based on our FY2019 EPS estimate.

### **Middle-East VAT**

Gold jewelry in the UAE has been subject to 5% value-added tax [VAT] from January 1, 2018. According to Federal Tax Authority, VAT is applicable on investment gold, silver and platinum jewelry with less than 99% purity. The VAT is applicable on the whole jewelry piece rather than just on the making costs charged by the goldsmiths. However, VAT will not be levied on metals with more than 99% purity.

## 5-year Price Chart



Income Statement (INR million)	FY03/2015	FY03/2016	FY03/2017	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E	CAGR (2017-22)
<b>Revenue</b>	504,629	1,652,114	2,421,320	1,973,995	2,226,758	2,429,254	2,599,301	2,729,266	2%
y/y	77.0%	227.4%	46.6%	-18.5%	12.8%	9.1%	7.0%	5.0%	
Cost of Revenue	-489,782	-1,631,510	-2,400,793	-1,953,505	-2,203,377	-2,403,746	-2,571,463	-2,699,451	
<b>Gross Profit</b>	<b>14,847.3</b>	<b>20,604.1</b>	<b>20,526.9</b>	<b>20,490.1</b>	<b>23,381.0</b>	<b>25,507.2</b>	<b>27,838.5</b>	<b>29,815.1</b>	
Gross margin (%)	2.9%	1.2%	0.8%	1.0%	1.1%	1.1%	1.1%	1.1%	
Other Operating Revenue	1	90	471	553	623	680	728	764	
as a % of sales	0.0%	0.01%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	
Selling, General & Admin Expense	-2,805.0	-3,796.0	-3,665.3	-3,454.5	-4,008.2	-4,372.7	-4,678.7	-4,912.7	
as a % of sales	0.6%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Other Operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Operating Income</b>	<b>12,043.3</b>	<b>16,898.2</b>	<b>17,333.0</b>	<b>17,588.3</b>	<b>19,996.3</b>	<b>21,814.7</b>	<b>23,887.6</b>	<b>25,666.6</b>	8%
y/y	60.9%	40.3%	2.6%	1.5%	13.7%	9.1%	9.5%	7.4%	
Operating margin (%)	2.4%	1.0%	0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	
Interest Expense	-4,782.7	-5,776.7	-4,302.7	-4,898.7	-5,510.9	-5,510.9	-5,510.9	-5,510.9	
Interest income	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	
Other recurring (expenses)/income	1.1	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	
Goodwill impairment	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	
<b>Pretax Income (reported)</b>	<b>7,262</b>	<b>11,122</b>	<b>13,030</b>	<b>12,690</b>	<b>14,485</b>	<b>16,304</b>	<b>18,377</b>	<b>20,156</b>	9%
y/y	79.9%	53.2%	17.2%	-2.6%	14.2%	12.6%	12.7%	9.7%	
<b>Pretax Income (adjusted)</b>	<b>7,262</b>	<b>11,122</b>	<b>13,030</b>	<b>12,690</b>	<b>14,485</b>	<b>16,304</b>	<b>18,377</b>	<b>20,156</b>	9%
y/y	79.9%	53.2%	17.2%	-2.6%	14.2%	12.6%	12.7%	9.7%	
- Income Tax Expense	-711.3	-431.2	-571.4	-634.5	-724.3	-815.2	-918.8	-1,007.8	
effective tax rate (%)	9.8%	3.9%	4.4%	5.0%	5.0%	5.0%	5.0%	5.0%	
- Minority Interests	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>6,550</b>	<b>10,690</b>	<b>12,459</b>	<b>12,055</b>	<b>13,761</b>	<b>15,489</b>	<b>17,458</b>	<b>19,148</b>	9%
y/y	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	
<b>Net Income (reported)</b>	<b>6,550</b>	<b>10,690</b>	<b>12,459</b>	<b>12,055</b>	<b>13,761</b>	<b>15,489</b>	<b>17,459</b>	<b>19,150</b>	9%
y/y	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00	
<b>Net Income (adjusted)</b>	<b>6,550.3</b>	<b>10,690.3</b>	<b>12,459.0</b>	<b>12,055.1</b>	<b>13,761.2</b>	<b>15,488.7</b>	<b>17,456.9</b>	<b>19,145.9</b>	9%
y/y	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%	
Basic EPS (reported)	22.2	36.2	42.2	40.8	46.6	52.5	59.1	64.9	
Basic EPS (adjusted)	22.2	36.2	42.2	40.8	46.6	52.5	59.1	64.8	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
<b>Diluted EPS (reported)</b>	<b>22.19</b>	<b>36.21</b>	<b>42.20</b>	<b>40.83</b>	<b>46.61</b>	<b>52.46</b>	<b>59.13</b>	<b>64.86</b>	9%
y/y	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%	
<b>Diluted EPS (adjusted)</b>	<b>22.19</b>	<b>36.21</b>	<b>42.20</b>	<b>40.83</b>	<b>46.61</b>	<b>52.46</b>	<b>59.13</b>	<b>64.85</b>	9%
y/y	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%	
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	

Reference Items	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
EBITDA	12,666	17,686	17,983	18,502	20,987	22,887	25,013	26,849
Dividends per Share	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Dividend payout ratio	4.5%	2.8%	2.4%	2.4%	2.1%	1.9%	1.7%	1.5%
Dep & Amor.	622	788	650	914	990	1,072	1,126	1,182
as a % of sales	0.1%	0.05%	0.03%	0.05%	0.04%	0.04%	0.04%	0.04%

  

Balance Sheet (INR million)	FY03/2015	FY03/2016	FY03/2017	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
<b>Assets</b>								
+ Cash & Near Cash Items	117,345	123,755	148,402	183,561	195,646	213,236	231,618	250,541
+ Short-Term Investments	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	29,898	48,896	50,199	40,394	45,566	49,710	53,189	55,849
+ Inventories	5,675	9,926	11,628	8,769	9,891	10,790	11,543	12,117
+ Other Current Assets	4,222	4,336	8,606	8,606	8,606	8,606	8,606	8,606
<b>Total Current Assets</b>	<b>157,140</b>	<b>186,913</b>	<b>218,834</b>	<b>241,330</b>	<b>259,708</b>	<b>282,342</b>	<b>304,956</b>	<b>327,114</b>
+ Long-Term Investments	1,018	9,003	9,191	9,191	9,191	9,191	9,191	9,191
+ Gross Fixed Assets	3,618	8,774	9,127	9,305	9,416	9,513	9,617	9,726
- Accumulated Depreciation	-976	-1,765	-2,415	-3,329	-4,319	-5,391	-6,517	-7,699
+ Net Fixed Assets	2,641	7,009	6,712	5,976	5,097	4,122	3,100	2,027
+ Other Long-Term Assets	8	8	424	424	424	424	424	424
+ Goodwill & other Intangible Assets	-	6,479	6,156	6,156	6,156	6,156	6,156	6,156
<b>Total Long-Term Assets</b>	<b>3,667.3</b>	<b>22,499.1</b>	<b>22,483.5</b>	<b>21,747.1</b>	<b>20,868.0</b>	<b>19,892.9</b>	<b>18,871.1</b>	<b>17,798.1</b>
<b>Total Assets</b>	<b>160,807.2</b>	<b>209,412.5</b>	<b>241,317.6</b>	<b>263,077.1</b>	<b>280,576.0</b>	<b>302,235.0</b>	<b>323,827.5</b>	<b>344,911.7</b>
<b>Liabilities &amp; Shareholders' Equity</b>								
+ Accounts Payable	87,388	108,533	121,519	107,041	111,074	117,540	121,969	124,198
+ Short-Term Borrowings	38,425	45,940	55,522	80,000	80,000	80,000	80,000	80,000
+ Other Short-Term Liabilities	1,297	2,005	657	657	657	657	657	657
<b>Total Current Liabilities</b>	<b>127,110.6</b>	<b>156,478.2</b>	<b>177,699.1</b>	<b>187,698.8</b>	<b>191,731.7</b>	<b>198,197.3</b>	<b>202,626.2</b>	<b>204,855.7</b>
+ Long-Term Borrowings	0.0	0.0	3,497.8	3,497.8	3,497.8	3,497.8	3,497.8	3,497.8
+ Other Long-Term Liabilities	80.1	5,102.5	3,745.7	3,745.7	3,745.7	3,745.7	3,745.7	3,745.7
<b>Total Liabilities</b>	<b>127,190.7</b>	<b>161,580.7</b>	<b>184,942.6</b>	<b>194,942.2</b>	<b>198,975.2</b>	<b>205,440.8</b>	<b>209,869.6</b>	<b>212,099.2</b>
+ Total Preferred Equity	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
+ Retained Earnings & Other Equity	33,321	47,537	56,080	67,840	81,306	96,499	113,661	132,511
<b>Total Shareholders' Equity</b>	<b>33,616.5</b>	<b>47,832.2</b>	<b>56,375.0</b>	<b>68,134.9</b>	<b>81,600.8</b>	<b>96,794.2</b>	<b>113,955.8</b>	<b>132,806.5</b>
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities &amp; Equity</b>	<b>160,807.2</b>	<b>209,412.9</b>	<b>241,317.6</b>	<b>263,077.1</b>	<b>280,576.0</b>	<b>302,235.0</b>	<b>323,825.5</b>	<b>344,905.7</b>

Cash Flow (INR million)	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
+ Net Income	7,258.4	11,080.5	12,459.0	12,055.1	13,761.2	15,488.7	17,456.9	19,145.9
+ Depreciation & Amortization	622.3	790.0	650.0	914.0	990.4	1,072.2	1,125.8	1,182.1
+ Other Non-Cash Adjustments	783.6	10,339.1	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	33,189.7	-1,510.6	4,364.8	-1,814.4	-2,260.9	1,422.5	196.3	-1,004.5
<b>Cash From Operating Activities</b>	<b>41,854.0</b>	<b>20,699.0</b>	<b>17,473.8</b>	<b>11,154.8</b>	<b>12,490.7</b>	<b>17,983.3</b>	<b>18,779.1</b>	<b>19,323.6</b>
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Capital Expenditures	-1,575.2	-11,636.6	-242.1	-177.7	-111.3	-97.2	-104.0	-109.2
+ Increase in Investments	-468.0	-7,802.9	-603.5	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.0	0.9	0.0	0.0	0.0	0.0	1.0	2.0
+ Other Investing Activities	1.0	0.0	322.3	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-2,042.2</b>	<b>-19,438.6</b>	<b>-523.3</b>	<b>-177.7</b>	<b>-111.3</b>	<b>-97.2</b>	<b>-102.0</b>	<b>-105.2</b>
+ Dividends Paid	-355.4	-355.4	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	7,534.6	6,034.3	9,582.5	24,477.6	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	-285.9	0.0	3,497.8	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	1,480.7	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
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	-4,782.7	-5,776.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>2,110.6</b>	<b>1,382.9</b>	<b>12,785.0</b>	<b>24,182.4</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>
<b>Net Changes in Cash</b>	<b>41,922.4</b>	<b>2,643.3</b>	<b>29,735.5</b>	<b>35,159.5</b>	<b>12,084.1</b>	<b>17,590.9</b>	<b>18,381.8</b>	<b>18,923.2</b>
Opening cash				148,402.0	183,561.5	195,645.5	213,236.4	231,618.3
Closing cash				183,561.5	195,645.5	213,236.4	231,618.3	250,541.4

Ratio Analysis	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
<b>Growth Ratios %</b>								
Revenue	77.0%	227.4%	46.6%	-18.5%	12.8%	9.1%	7.0%	5.0%
EBITDA	65.6%	39.6%	1.7%	2.9%	13.4%	9.1%	9.3%	7.3%
Operating Income	60.9%	40.3%	2.6%	1.5%	13.7%	9.1%	9.5%	7.4%
Net income reported	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%
Net income adjusted	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%
Diluted EPS reported	83.2%	63.2%	16.5%	-3.2%	14.2%	12.6%	12.7%	9.7%
Diluted EPS adjusted	83%	63%	17%	-3%	14%	13%	13%	10%
Dividend per share	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts Receivables	23.8%	63.5%	2.7%	-19.5%	12.8%	9.1%	7.0%	5.0%
Inventory	-0.7%	74.9%	17.1%	-24.6%	12.8%	9.1%	7.0%	5.0%
Fixed Assets	63.3%	513.5%	-0.1%	-3.3%	-4.0%	-4.7%	-5.1%	-5.7%
Total Assets	43.1%	30.2%	15.2%	9.0%	6.7%	7.7%	7.1%	6.5%
Working Capital	211.4%	-3.1%	9.2%	-3.5%	-4.5%	3.0%	0.4%	-2.0%
Accounts Payable	67.6%	24.2%	12.0%	-11.9%	3.8%	5.8%	3.8%	1.8%
Short Term Debt	23.3%	19.6%	20.9%	44.1%	0.0%	0.0%	0.0%	0.0%
Long Term Debt								
Total Equity	22.6%	42.3%	17.9%	20.9%	19.8%	18.6%	17.7%	16.5%
Cash From Operations	-267.3%	-50.5%	-15.6%	-36.2%	12.0%	44.0%	4.4%	2.9%
Capital Expenditure	-36.4%	-638.7%	97.9%	26.6%	37.3%	12.7%	-7.0%	-5.0%
Free Cash Flow	-253.9%	-77.5%	90.1%	-36.3%	12.8%	44.5%	4.4%	2.9%

Per Share Data (INR)	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Basic EPS (adjusted)	22.2	36.2	42.2	40.8	46.6	52.5	59.1	64.8
Diluted EPS (adjusted)	22.2	36.2	42.2	40.8	46.6	52.5	59.1	64.8
Dividend per share (DPS)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Book Value per share (BVPS)	113.9	140.1	170.1	209.9	255.5	307.0	365.1	429.0
<b>Margins (%)</b>								
Gross Margin	2.9%	1.2%	0.8%	1.0%	1.1%	1.1%	1.1%	1.1%
Operating Margin	2.4%	1.0%	0.7%	0.9%	0.9%	0.9%	0.9%	0.9%
EBITDA Margin	2.5%	1.1%	0.7%	0.9%	0.9%	0.9%	1.0%	1.0%
Pre-Tax Margin (adjusted)	1.4%	0.7%	0.5%	0.6%	0.7%	0.7%	0.7%	0.7%
Net Income Margin (adjusted)	1.3%	0.6%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%
<b>Return Ratios</b>								
<b>Dupont ROE (%)</b>	<b>19.5%</b>	<b>22.3%</b>	<b>22.1%</b>	<b>17.7%</b>	<b>16.9%</b>	<b>16.0%</b>	<b>15.3%</b>	<b>14.4%</b>
Margin (%)	1.3%	0.6%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%
Turnover (x)	3.1	7.9	10.0	7.5	7.9	8.0	8.0	7.9
Leverage (x)	4.8	4.4	4.3	3.9	3.4	3.1	2.8	2.6
Return on Assets	4.1%	5.1%	5.2%	4.6%	4.9%	5.1%	5.4%	5.6%
Return on Capital Employed	35.7%	31.9%	27.2%	23.3%	22.5%	21.0%	19.7%	18.3%
Return on Invested Capital	9.1%	11.4%	10.8%	8.0%	8.3%	8.6%	8.8%	8.9%
<b>FCF Calculation</b>								
Op. cash	41,854.0	20,699.0	17,473.8	11,154.8	12,490.7	17,983.3	18,779.1	19,323.6
capex	-1,575.2	-11,636.6	-242.1	-177.7	-111.3	-97.2	-104.0	-109.2
FCF (INR million)	40,278.8	9,062.4	17,231.7	10,977.1	12,379.3	17,886.2	18,675.1	19,214.4
FCF margin (%)	8.0%	0.5%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%
FCF per share	136.42	30.69	58.36	37.18	41.93	60.58	63.25	65.08
Price/FCF per share	5.88	26.13	13.74	21.57	19.13	13.24	12.68	12.32
FCF Yield	17.0%	3.8%	7.3%	4.6%	5.2%	7.6%	7.9%	8.1%
<b>Net Cash calculation</b>								
Cash + short term investments	117,344.6	123,754.9	148,402.0	183,561.5	195,645.5	213,236.4	231,618.3	250,541.4
Less: long term debt + ST debt	-38,424.9	-45,939.9	-59,020.2	-83,497.8	-83,497.8	-83,497.8	-83,497.8	-83,497.8
<b>Net Cash</b>	<b>78,919.7</b>	<b>77,815.0</b>	<b>89,381.8</b>	<b>100,063.7</b>	<b>112,147.7</b>	<b>129,738.6</b>	<b>148,120.5</b>	<b>167,043.6</b>
Net cash per share	267.3	263.6	302.7	338.9	379.8	439.4	501.7	565.8
<b>Valuation ratio's</b>								
P/B	1.72	5.73	4.72	3.82	3.14	2.61	2.20	1.87
P/E	8.82	22.15	19.01	19.64	17.21	15.29	13.56	12.37
P/S	0.11	0.14	0.10	0.12	0.11	0.10	0.09	0.09
EV/sales	-0.04	0.06	0.04	0.05	0.05	0.04	0.04	0.04
EV/EBITDA	-1.67	5.68	5.59	5.43	4.79	4.39	4.02	3.74
EV/EBIT	-1.76	5.95	5.80	5.71	5.03	4.61	4.21	3.92
EV/FCF	-0.53	11.09	5.83	9.16	8.12	5.62	5.38	5.23
Dividend Yield (%)	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
Div payout on FCF	0.7%	3.3%	1.7%	2.7%	2.4%	1.7%	1.6%	1.5%

Working Capital Ratios	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Receivable days (DSO)	20	9	7	7	7	7	7	7
Inventory days (DIO)	4	2	2	2	2	2	2	2
Payables days (DPO)	52	22	17	20	18	18	17	17
Current ratio	1.2	1.2	1.2	1.3	1.4	1.4	1.5	1.6
Quick ratio	1.2	1.1	1.2	1.2	1.3	1.4	1.4	1.5
Working capital	-48890	-47380	-51745	-49930	-47669	-49092	-49288	-48284
Cash conversion cycle	-28	-11	-8	-11	-9	-9	-8	-8
<b>Leverage Ratios</b>								
Debt / equity	114%	96%	105%	123%	102%	86%	73%	63%
Net cash (debt) / equity	235%	163%	159%	147%	137%	134%	130%	126%
Net cash (debt) / mkt cap	137%	33%	38%	42%	47%	55%	63%	71%
Net cash (debt) / capital	110%	83%	77%	66%	68%	72%	75%	77%
<b>Coverage Ratios</b>								
Interest coverage [EBIT]	2.5	2.9	4.0	3.6	3.6	4.0	4.3	4.7
Interest coverage [Opt. CF]	8.8	3.6	4.1	2.3	2.3	3.3	3.4	3.5
<b>Earnings Quality Ratios</b>								
Net operating assets/liab [NOA]	-45303	-29983	-33007	-31929	-30547	-32944	-34163	-34231
Average NOA	-29422	-37643	-31495	-32468	-31238	-31746	-33554	-34197
B/S accrual ratio	1.08	-0.41	0.10	-0.03	-0.04	0.08	0.04	0.00
CF accrual ratio	1.13	-0.25	0.14	-0.03	-0.04	0.08	0.04	0.00
<b>Enterprise Value Calculation</b>								
Market Cap.	57,766	178,331	236,791					
+ Minority Interest	0	0	0					
+Total Debt (ST & LT Debt)	38,425	45,940	94,000					
- Cash & Equivalents	117,345	123,755	115,000					
<b>Enterprise Value</b>	<b>-21,154</b>	<b>100,516</b>	<b>215,791</b>					



DCF model	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(in INR million)																	
EBIT	3,464	6,047	7,575	7,486	12,043	16,898	17,333	17,588	19,996	21,815	23,888	25,667	26,934	27,998	29,104	31,326	33,573
% growth	0%	75%	25%	-1%	61%	40%	3%	1%	14%	9%	10%	7%	5%	4%	4%	8%	7%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	7.2%	8.6%	10.4%	12.4%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	16,709	18,996	20,724	22,693	24,383	25,318	25,983	26,590	28,079	29,396
% growth	0%	81%	21%	-5%	64%	50%	2%	1%	14%	9%	10%	7%	4%	3%	2%	6%	5%
+ D&A	20	21	21	164	622	788	650	914	990	1,072	1,126	1,182	1,253	1,316	1,381	1,444	1,502
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-178	-111	-97	-104	-109	-1,447	-1,519	-1,595	-1,667	-1,734
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-1,814	-2,261	1,422	196	-1,004	-1,197	1,365	3,440	3,420	3,391
<b>Free Cash Flow to Firm</b>	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	15,631	17,615	23,121	23,911	24,452	23,928	27,145	29,817	31,275	32,555
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-27%	13%	31%	3%	2%	-2%	13%	10%	5%	4%

#### Value per Share

Terminal Growth	Cost of capital				
	9.7%	10.7%	11.7%	12.7%	13.7%
2.5%	1,185	1,039	926	835	761
2.8%	1,213	1,060	941	846	770
3.0%	1,234	1,074	951	854	775
3.3%	1,267	1,097	968	866	785
3.5%	1,291	1,113	980	875	791

WACC		11.7%
PV of Free Cash Flow		133,352
PV of Terminal Value		126,523
Add: Net Cash		21,000
Total Equity Value		280,875
Shares outstanding		295.25
<b>DCF value</b>		<b>951</b>

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