

Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 598.00
Upside Potential	50%

Market Cap.	Rs. 176,802 mn US\$ 2.47 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	71.9 mn / 24.4%
52 Week Range (Rs)	542.65 / 845.00
Avg. Daily Value	Rs. 444.5 mn US\$ 6.2 mn
SENSEX Index Level	36,314
Insider Holding %	75.6%

P/E 11.0x (FY03/2020E)

597.35 INR -21.25 (3.44%)↓
4 Feb, 1:06 pm IST - Disclaimer

1 day 5 days 1 month 6 months YTD 1 year 5 years Max



Risk: Above Average

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Q3FY2019 [ended December] Earnings Update

4.7% EPS Growth; Margin Expansion Continues

Rajesh Exports reported results for the third quarter ended December 2018 which were slightly below our estimates. Revenue for the quarter came in at Rs.440.1 bn, increasing by 6.5% on a YoY basis. Similarly, EPS grew by 4.7% to Rs.10.70 in 3Q2019 from Rs.10.21 in the corresponding period last year. Gross profit margin for the period was 1.28% vs. 1.26% during the corresponding quarter last year. By focusing on improving the sales of higher margin products, the company continues to expand its gross profit margin which has increased from 0.85% in FY03/2017 to 1.21% in FY03/2018. For the first 9 months of FY03/2019, the GPM stood at 1.27%. **During our conversations with management, they mentioned to us that the company is seeing strong demand for its higher margin value-added products.** With such strong demand and additional refining capacity being added at Bangalore later this year, we expect the GPM to increase further in the coming years.

In January 2019, Rajesh Exports secured a new export order worth Rs.9.3 bn from the Middle East. The order is expected to be executed by the month of March 2019. The company mentioned that the order has its special significance for the acceptance of the new range of jewelry introduced by the company in the global markets. The company expects to receive further significant orders for this range of jewelry from international markets.

Bangalore Refinery to Start in 6 months

During our conversation with management, they mentioned to us that the company is currently in the final stages of setting up its gold refining facility in Bangalore and that the facility should be operational in the next 6 months. The products developed at this facility will be used for the company's export business as well as for its domestic business in India. The refinery will help the company to further integrate its refining, manufacturing and export & retail operations. At the end of the third quarter, the company's order book stood at Rs.421.5 bn. The company continues to operate 81 retail jewelry stores in Karnataka under its brand name SHUBH. The company currently is the largest gold refiner in the world, refining over 35% of the world's gold at its facilities located in India and Switzerland. It has a capacity to refine 2,400 tons of gold per annum.

Import Duty Reduction Can Trigger Higher Demand

Value of India's gold imports declined by 24.3% to US\$2.56 bn in December 2018 as against US\$3.39 bn in the same month of 2017, while in terms of tonnage it declined 13% in 2018 to 762 tons from 876 tons the previous year. Similarly India's gems and jewelry exports contracted by 6.8% to US\$20.7 bn in April-November this fiscal, mainly on account of demand slowdown in major developed markets. According to the Gems and Jewellery Export Promotion Council [GJEPC] data, exports stood at US\$22.2 bn in April-November period of 2017-18.

The gems and jewelry sector, which is still reeling under the impacts of demonetization and GST implementation, has sought a reduction in gold import duty to 4% [10% currently]. Any progress towards the reduction of import duty on gold due to improvement in the current account deficit of India would be beneficial for jewelry manufacturers and gold refiners.

Maintain PT; 50% Upside

We forecast revenue of Rs.2,100 bn and earnings EPS of Rs.54.90 per share for FY03/2020. We maintain our one-year price target of Rs.900 per share on the stock. Our price target represents an upside of approximately 50% 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.990 which assumes 13% WACC and 3% terminal growth rate. Our price target implies a P/E multiple of 16.4x on our FY03/2020 EPS estimate of Rs.54.90. We continue to remain positive on the margin growth story based on the company's strong execution seen over the last 2 years. The company operates at extremely thin operating margins and even a small increase in margins can be highly accretive to the EPS. Currently, the stock is trading at a P/E multiple of just 11.0x on our FY03/2020 EPS estimate which is at a significant discount to its 5-year average P/E of 15.9x.

5-year Price Chart



Income Statement (INR mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19E	Q1FY20E	Q2FY20E	Q3FY20E	Q4FY20E
Revenue	504,082	521,305	413,048	438,419	439,268	533,758	440,172	504,182	527,122	565,784	467,903	537,533
y/y					-12.9%	2.4%	6.6%	15.0%	20.0%	6.0%	6.3%	6.6%
q/q		3.4%	-20.8%	6.1%	0.2%	21.5%	-17.5%	14.5%	4.5%	7.3%	-17.3%	14.9%
Cost of Revenue	-498,995	-515,407	-407,862	-431,909	-432,537	-528,114	-434,535	-497,274	-519,900	-558,032	-461,493	-530,169
Gross Profit	5,087.3	5,898.5	5,186.1	6,509.3	6,731.0	5,643.7	5,636.6	6,907.3	7,221.6	7,751.2	6,410.3	7,364.2
Gross margin (%)	1.01%	1.13%	1.26%	1.48%	1.53%	1.06%	1.28%	1.37%	1.37%	1.37%	1.37%	1.37%
Other Operating Revenue	233	30	41	315	214	152	88	101	153	164	135	156
as a % of sales	0.05%	0.01%	0.01%	0.07%	0.05%	0.03%	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%
Selling, General & Admin Expense	-1,026.5	-1,004.3	-1,067.9	-1,419.4	-1,349.3	-1,271.5	-1,319.0	-1,220.3	-1,418.6	-1,522.6	-1,259.2	-1,446.6
as a % of sales	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%
Other Operating expenses	0.0	0.0	0.0	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%	0.0%	0.0%	0.0%
Operating Income	4,294.2	4,924.6	4,159.0	5,405.4	5,595.6	4,524.2	4,405.9	5,788.0	5,955.5	6,392.4	5,286.5	6,073.2
y/y					30.3%	-8.1%	5.9%	7.1%	6.4%	41.3%	20.0%	4.9%
q/q		14.7%	-15.5%	30.0%	3.5%	-19.1%	-2.6%	31.4%	2.9%	7.3%	-17.3%	14.9%
Operating margin (%)	0.85%	0.94%	1.01%	1.23%	1.27%	0.85%	1.00%	1.15%	1.1%	1.1%	1.1%	1.1%
Interest Expense	-1,145.7	-1,826.2	-867.2	-1,527.7	-1,471.6	-1,062.6	-1,128.9	-1,568.2	-1,568.2	-1,568.2	-1,568.2	-1,568.2
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income (reported)	3,149	3,098	3,292	3,878	4,124	3,462	3,277	4,220	4,387	4,824	3,718	4,505
y/y					31.0%	11.7%	-0.5%	8.8%	6.4%	39.4%	13.5%	6.8%
Pretax Income (adjusted)	3,149	3,098	3,292	3,878	4,124	3,462	3,277	4,220	4,387	4,824	3,718	4,505
y/y	-75.8%	-1.6%	6.2%	17.8%	31.0%	11.7%	-0.5%	8.8%	6.4%	39.4%	13.5%	6.8%
- Income Tax Expense	-180.0	-117.0	-276.6	-185.0	-132.5	-313.0	-117.2	-400.9	-307.1	-337.7	-260.3	-315.3
effective tax rate (%)	5.7%	3.8%	8.4%	4.8%	3.2%	9.0%	3.6%	9.5%	7.0%	7.0%	7.0%	7.0%
- Minority Interests	0	0	0	0	0	0	0	0	0	0	0	0
Income Before XO Items	2,969	2,981	3,015	3,693	3,992	3,149	3,160	3,819	4,080	4,486	3,458	4,190
y/y					34.5%	5.6%	4.8%	3.4%	2.2%	42.5%	9.4%	9.7%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	2,969	2,981	3,015	3,693	3,992	3,149	3,160	3,819	4,080	4,486	3,458	4,190
y/y					34.5%	5.6%	4.8%	3.4%	2.2%	42.5%	9.4%	9.7%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	2,968.6	2,981.4	3,015.2	3,692.7	3,991.6	3,148.6	3,159.7	3,818.9	4,080.2	4,486.4	3,458.0	4,189.6
y/y					34.5%	5.6%	4.8%	3.4%	2.2%	42.5%	9.4%	9.7%
q/q		0.4%	1.1%	22.5%	8.1%	-21.1%	0.4%	20.9%	6.8%	10.0%	-22.9%	21.2%
Basic EPS (reported)	10.05	10.10	10.21	12.51	13.52	10.66	10.70	12.93	13.82	15.20	11.71	14.19
Basic EPS (adjusted)	10.05	10.10	10.21	12.51	13.52	10.66	10.70	12.93	13.82	15.20	11.71	14.19
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25
Diluted EPS (reported)	10.05	10.10	10.21	12.51	13.52	10.66	10.70	12.93	13.82	15.20	11.71	14.19
y/y	-76.2%	0.4%	1.1%	22.5%	34.5%	5.6%	4.8%	3.4%	2.2%	42.5%	9.4%	9.7%
Diluted EPS (adjusted)	10.05	10.10	10.21	12.51	13.52	10.66	10.70	12.93	13.82	15.20	11.71	14.19
y/y					34.5%	5.6%	4.8%	3.4%	2.2%	42.5%	9.4%	9.7%
q/q		0.4%	1.1%	22.5%	8.1%	-21.1%	0.4%	20.9%	6.8%	10.0%	-22.9%	21.2%
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25

Income Statement (INR million)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E	CAGR (2018-22)
Revenue	285,141	504,629	1,652,114	2,421,320	1,876,855	1,917,380	2,098,341	2,266,676	2,421,239	6.6%
y/y	-6.3%	77.0%	227.4%	46.6%	-22.5%	2.2%	9.4%	8.0%	6.8%	
q/q										
Cost of Revenue	-280,732	-489,782	-1,631,510	-2,400,793	-1,854,173	-1,892,461	-2,069,594	-2,235,001	-2,386,728	
Gross Profit	4,409.0	14,847.3	20,604.1	20,526.9	22,681.2	24,919	28,747.3	31,674.5	34,511.1	
Gross margin (%)	1.5%	2.9%	1.2%	0.85%	1.21%	1.30%	1.37%	1.40%	1.43%	
Other Operating Revenue	6,645	1	90	471	620	555	607	656	701	
as a % of sales	2.3%	0.0%	0.01%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	
Selling, General & Admin Expense	-2,436.1	-2,805.0	-3,796.0	-3,665.3	-4,518.0	(5,160)	-5,647.0	-6,161.0	-6,581.1	
as a % of sales	0.9%	0.6%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	
Other Operating expenses	-1,131.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
as a % of sales	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Operating Income	7,486.4	12,043.3	16,898.2	17,333.0	18,783.2	20,313.6	23,707.6	26,169.5	28,630.7	11.1%
y/y	-1.2%	60.9%	40.3%	2.6%	8.4%	8.1%	16.7%	10.4%	9.4%	
q/q										
Operating margin (%)	2.6%	2.4%	1.0%	0.72%	1.00%	1.1%	1.1%	1.2%	1.2%	
Interest Expense	-3,634.7	-4,782.7	-5,776.7	-4,302.7	-5,366.8	-5,231.3	-6,273.0	-5,914.5	-5,914.5	
Interest income	186.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity in (losses)/income of affiliates	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-6.3	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	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	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	4,038	7,262	11,122	13,030	13,416	15,082	17,435	20,255	22,716	14.1%
y/y	-17.5%	79.9%	53.2%	17.2%	3.0%	12.4%	15.6%	16.2%	12.2%	
Pretax Income (adjusted)	4,037	7,262	11,122	13,030	13,416	15,082	17,435	20,255	22,716	14.1%
y/y	-17.5%	79.9%	53.2%	17.2%	3.0%	12.4%	15.6%	16.2%	12.2%	
- Income Tax Expense	-462.8	-711.3	-431.2	-571.4	-758.6	-963.6	-1,220.4	-1,417.9	-1,590.1	
effective tax rate (%)	11.5%	9.8%	3.9%	4.4%	5.7%	6.4%	7.0%	7.0%	7.0%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
Income Before XO Items	3,575	6,550	10,690	12,459	12,658	14,119	16,214	18,837	21,126	13.7%
y/y	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.2%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	
Net Income (reported)	3,575	6,550	10,690	12,459	12,658	14,119	16,214	18,838	21,128	13.7%
y/y	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.2%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00	
Net Income (adjusted)	3,574.7	6,550.3	10,690.3	12,459.0	12,657.9	14,118.7	16,214.2	18,836.2	21,124.0	13.7%
y/y	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.1%	
q/q										
Basic EPS (reported)	12.1	22.19	36.21	42.20	42.87	47.82	54.92	63.80	71.56	
Basic EPS (adjusted)	12.1	22.19	36.21	42.20	42.87	47.82	54.92	63.80	71.55	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
Diluted EPS (reported)	12.11	22.19	36.21	42.20	42.87	47.82	54.92	63.80	71.56	13.7%
y/y	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.2%	
Diluted EPS (adjusted)	12.11	22.19	36.21	42.20	42.87	47.82	54.92	63.80	71.55	13.7%
y/y	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.1%	
q/q										
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	

Reference Items	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
EBITDA	7,651	12,666	17,686	17,983	19,697	21,304	24,780	27,295	29,813
Dividends per Share	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Dividend payout ratio	8.3%	4.5%	2.8%	2.4%	2.3%	2.1%	1.8%	1.6%	1.4%
Dep & Amor.	164	622	788	650	914	990	1,072	1,126	1,182
as a % of sales	0.1%	0.1%	0.05%	0.03%	0.05%	0.05%	0.05%	0.05%	0.05%
Balance Sheet (INR million)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Assets									
+ Cash & Near Cash Items	72,142	117,345	123,755	148,402	144,696	161,196	177,195	195,478	215,723
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	24,152	29,898	48,896	50,199	39,926	46,035	50,380	54,422	58,133
+ Inventories	5,713	5,675	9,926	11,628	17,220	14,722	16,099	17,386	18,566
+ Other Current Assets	8,129	4,222	4,336	8,606	9,762	9,762	9,762	9,762	9,762
Total Current Assets	110,135	157,140	186,913	218,834	211,603	231,715	253,436	277,048	302,184
+ Long-Term Investments	503	1,018	9,003	9,191	10,198	10,198	10,198	10,198	10,198
+ Gross Fixed Assets	1,673	3,618	8,774	9,127	9,886	10,661	11,510	12,426	13,405
- Accumulated Depreciation	-354	-976	-1,765	-2,415	-3,329	-4,319	-5,391	-6,517	-7,699
+ Net Fixed Assets	1,319	2,641	7,009	6,712	6,557	6,342	6,119	5,909	5,706
+ Other Long-Term Assets	423	8	8	424	605	605	605	605	605
+ Goodwill & other Intangible Assets	-	-	6,479	6,156	6,387	6,387	6,387	6,387	6,387
Total Long-Term Assets	2,245.8	3,667.3	22,499.1	22,483.5	23,748.4	23,533.3	23,309.6	23,100.3	22,897.2
Total Assets	112,381.2	160,807.2	209,412.5	241,317.6	235,351	255,248.2	276,745.5	300,147.8	325,081.0
Liabilities & Shareholders' Equity									
+ Accounts Payable	52,155	87,388	108,533	121,519	71,699	77,772	83,351	88,212	92,317
+ Short-Term Borrowings	31,176	38,425	45,940	55,522	87,172	87,172	87,172	87,172	87,172
+ Other Short-Term Liabilities	1,539	1,297	2,005	657	1,419	1,419	1,419	1,419	1,419
Total Current Liabilities	84,870.6	127,110.6	156,478.2	177,699.1	160,289.5	166,362.9	171,941.3	176,802.7	180,907.1
+ Long-Term Borrowings	0.0	0.0	0.0	3,497.8	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7
+ Other Long-Term Liabilities	85.7	80.1	5,102.5	3,745.7	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6
Total Liabilities	84,956.3	127,190.7	161,580.7	184,942.6	166,665.9	172,739.3	178,317.7	183,179.1	187,283.5
+ 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	27,130	33,321	47,537	56,080	68,390	82,214	98,133	116,673	137,502
Total Shareholders' Equity	27,424.9	33,616.5	47,832.2	56,375.0	68,685.4	82,508.9	98,427.8	116,968.7	137,797.5
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	112,381.2	160,807.2	209,412.9	241,317.6	235,351.3	255,248.2	276,745.5	300,147.8	325,081.0

Cash Flow (INR million)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
+ Net Income	4,037.3	7,258.4	11,080.5	12,459.0	12,657.9	14,118.7	16,214.2	18,836.2	21,124.0
+ Depreciation & Amortization	164.1	622.3	790.0	650.0	914.0	990.4	1,072.2	1,125.8	1,182.1
+ Other Non-Cash Adjustments	3,011.5	783.6	10,339.1	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	-32,235.9	33,189.7	-1,510.6	4,364.8	-45,534.4	2,462.1	-144.3	-467.0	-786.9
Cash From Operating Activities	-25,022.9	41,854.0	20,699.0	17,473.8	-31,962.5	17,571.3	17,142.1	19,495.0	21,519.3
+ Disposal of Fixed Assets	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-1,154.8	-1,575.2	-11,636.6	-242.1	-758.9	-775.3	-848.5	-916.6	-979.1
+ Increase in Investments	-100.0	-468.0	-7,802.9	-603.5	-1,188.8	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	1.0	1.0	0.0	322.3	-231.2	0.0	0.0	0.0	0.0
Cash From Investing Activities	-1,253.6	-2,042.2	-19,438.6	-523.3	-2,179.0	-775.3	-848.5	-916.6	-979.1
+ Dividends Paid	-295.3	-355.4	-355.4	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	3,890.0	7,534.6	6,034.3	9,582.5	31,649.6	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	-285.9	0.0	3,497.8	-1,056.1	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	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	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	-3,634.8	-4,782.7	-5,776.7	0.0	136.8	0.0	0.0	0.0	0.0
Cash from Financing Activities	-40.0	2,110.6	1,382.9	12,785.0	30,435.1	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	-26,316.5	41,922.4	2,643.3	29,735.5	-3,706.4	16,500.7	15,998.4	18,283.2	20,245.0
Opening cash					148,402.0	144,695.5	161,196.2	177,194.6	195,477.8
Closing cash					144,695.5	161,196.2	177,194.6	195,477.8	215,722.8

Per Share Data (INR)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19E	Q1FY20E	Q2FY20E	Q3FY20E	Q4FY20E
Basic EPS (adjusted)	10.1	10.1	10.2	12.5	13.5	10.7	10.7	12.9	13.8	15.2	11.7	14.2
Diluted EPS (adjusted)	10.1	10.1	10.2	12.5	13.5	10.7	10.7	12.9	13.8	15.2	11.7	14.2

Margins (%)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19E	Q1FY20E	Q2FY20E	Q3FY20E	Q4FY20E
Gross Margin	1.01%	1.13%	1.26%	1.48%	1.53%	1.06%	1.28%	1.37%	1.37%	1.37%	1.37%	1.37%
Operating Margin	0.85%	0.94%	1.01%	1.23%	1.27%	0.85%	1.00%	1.15%	1.13%	1.13%	1.13%	1.13%
EBITDA Margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pre-Tax Margin (adjusted)	0.62%	0.59%	0.80%	0.88%	0.94%	0.65%	0.74%	0.84%	0.83%	0.85%	0.79%	0.84%
Net Income Margin (adjusted)	0.59%	0.57%	0.73%	0.84%	0.91%	0.59%	0.72%	0.76%	0.77%	0.79%	0.74%	0.78%

Growth Ratios % (QoQ)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19E	Q1FY20E	Q2FY20E	Q3FY20E	Q4FY20E
Revenue		3.42%	-20.77%	6.14%	0.19%	21.51%	-17.53%	14.54%	4.55%	7.33%	-17.30%	14.88%
Operating Income		14.68%	-15.55%	29.97%	3.52%	-19.15%	-2.62%	31.37%	2.90%	7.33%	-17.30%	14.88%
Net income adjusted		0.43%	1.13%	22.47%	8.09%	-21.12%	0.35%	20.86%	6.84%	9.96%	-22.92%	21.16%
Diluted EPS adjusted		0.43%	1.13%	22.47%	8.09%	-21.12%	0.35%	20.86%	6.84%	9.96%	-22.92%	21.16%

Per Share Data (INR)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Basic EPS (adjusted)	12.1	22.2	36.2	42.2	42.9	47.8	54.9	63.8	71.5
Diluted EPS (adjusted)	12.1	22.2	36.2	42.2	42.9	47.8	54.9	63.8	71.5
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)	92.9	113.9	140.1	170.1	211.0	257.8	311.7	374.5	445.1

Margins (%)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Gross Margin	1.55%	2.94%	1.25%	0.85%	1.21%	1.30%	1.37%	1.40%	1.43%
Operating Margin	2.63%	2.39%	1.02%	0.72%	1.00%	1.06%	1.13%	1.15%	1.18%
EBITDA Margin	2.68%	2.51%	1.07%	0.74%	1.05%	1.11%	1.18%	1.20%	1.23%
Pre-Tax Margin (adjusted)	1.42%	1.44%	0.67%	0.54%	0.71%	0.79%	0.83%	0.89%	0.94%
Net Income Margin (adjusted)	1.25%	1.30%	0.65%	0.51%	0.67%	0.74%	0.77%	0.83%	0.87%

Growth Ratios % (YoY)	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Revenue	-6.3%	77.0%	227.4%	46.6%	-22.5%	2.2%	9.4%	8.0%	6.8%
Operating Income	-1.2%	60.9%	40.3%	2.6%	8.4%	8.1%	16.7%	10.4%	9.4%
Net income adjusted	-21.0%	83.2%	63.2%	16.5%	1.6%	11.5%	14.8%	16.2%	12.1%
Diluted EPS adjusted	-21%	83%	63%	17%	2%	12%	15%	16%	12%

Return Ratios	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018	FY03/2019E	FY03/2020E	FY03/2021E	FY03/2022E
Dupont ROE (%)	13.0%	19.5%	22.3%	22.1%	18.4%	17.1%	16.5%	16.1%	15.3%
Margin (%)	1.3%	1.3%	0.6%	0.5%	0.7%	0.7%	0.8%	0.8%	0.9%
Turnover (x)	2.5	3.1	7.9	10.0	8.0	7.5	7.6	7.6	7.4
Leverage (x)	4.1	4.8	4.4	4.3	3.4	3.1	2.8	2.6	2.4
Return on Assets	3.2%	4.1%	5.1%	5.2%	5.4%	5.5%	5.9%	6.3%	6.5%
Return on Capital Employed	27.2%	35.7%	31.9%	27.2%	25.0%	22.9%	22.6%	21.2%	19.9%
Return on Invested Capital	6.1%	9.1%	11.4%	10.8%	8.0%	8.2%	8.6%	9.1%	9.3%
FCF Calculation									
Op. cash	-25,022.9	41,854.0	20,699.0	17,473.8	-31,962.5	17,571.3	17,142.1	19,495.0	21,519.3
capex	-1,154.8	-1,575.2	-11,636.6	-242.1	-758.9	-775.3	-848.5	-916.6	-979.1
FCF (INR million)	-26,177.8	40,278.8	9,062.4	17,231.7	-32,721.5	16,795.9	16,293.6	18,578.5	20,540.3
FCF margin (%)	-9.2%	8.0%	0.5%	0.7%	-1.7%	0.9%	0.8%	0.8%	0.8%
FCF per share	-88.66	136.42	30.69	58.36	-110.83	56.89	55.19	62.92	69.57
Price/FCF per share	-6.83	4.44	19.74	10.38	-5.47	10.65	10.98	9.63	8.71
FCF Yield	-14.6%	22.5%	5.1%	9.6%	-18.3%	9.4%	9.1%	10.4%	11.5%
Net Cash calculation									
Cash + short term investments	72,141.6	1,17,344.6	1,23,754.9	1,48,402.0	1,44,695.5	1,61,196.2	1,77,194.6	1,95,477.8	2,15,722.8
Less: long term debt + ST debt	-31,176.1	-38,424.9	-45,939.9	-59,020.2	-89,613.7	-89,613.7	-89,613.7	-89,613.7	-89,613.7
Net Cash	40,965.5	78,919.7	77,815.0	89,381.8	55,081.8	71,582.6	87,580.9	1,05,864.1	1,26,109.1
Net cash per share	138.7	267.3	263.6	302.7	186.6	242.4	296.6	358.6	427.1
Valuation ratio's									
P/B	0.94	1.72	4.31	3.56	3.51	2.35	1.94	1.62	1.36
P/E	7.24	8.82	16.68	14.36	17.26	12.67	11.03	9.50	8.47
P/S	0.09	0.11	0.11	0.07	0.12	0.09	0.09	0.08	0.07
EV/sales	-0.05	-0.04	0.06	0.04	0.09	0.09	0.08	0.07	0.07
EV/EBITDA	-1.97	-1.67	5.68	4.98	8.30	7.67	6.59	5.99	5.48
EV/EBIT	-2.01	-1.76	5.95	5.17	8.70	8.04	6.89	6.24	5.71
EV/FCF	0.58	-0.53	11.09	5.20	-4.99	9.73	10.03	8.80	7.96
Dividend Yield (%)	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Div payout on FCF	-1.1%	0.7%	3.3%	1.7%	-0.9%	1.8%	1.8%	1.6%	1.4%
Working Capital Ratios									
Receivable days (DSO)	30	20	9	7	9	9	9	9	9
Inventory days (DIO)	9	4	2	2	3	3	3	3	3
Payables days (DPO)	86	52	22	17	19	15	15	14	14
Current ratio	1.3	1.2	1.2	1.2	1.3	1.4	1.5	1.6	1.7
Enterprise Value Calculation									
Market Cap.	25,893	57,766	1,78,331	1,78,922	2,18,485	1,78,922	1,78,922	1,78,922	1,78,922
+ Minority Interest	0	0	0	0	0	0	0	0	0
+Total Debt (ST & LT Debt)	31,176	38,425	45,940	59,020	89,614	89,614	89,614	89,614	89,614
- Cash & Equivalents	72,142	1,17,345	1,23,755	1,48,402	1,44,696	1,44,696	1,44,696	1,44,696	1,44,696
Enterprise Value	-15,072	-21,154	1,00,516	89,540	1,63,403	1,63,403	1,63,403	1,63,403	1,63,403

DCF model	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(in INR million)														
EBIT	7,486	12,043	16,898	17,333	18,783	20,314	23,708	26,170	28,631	30,349	32,503	34,811	36,377	37,851
% growth	-1%	61%	40%	3%	8%	8%	17%	10%	9%	6%	7%	7%	4%	4%
Taxes @	11.5%	9.8%	3.9%	4.4%	5.7%	6.4%	7.0%	7.0%	7.0%	8.4%	10.1%	12.1%	14.5%	17.4%
EBIAT	6,628	10,864	16,243	16,573	17,721	19,016	22,048	24,338	26,627	27,799	29,227	30,600	31,097	31,258
% growth	-5%	64%	50%	2%	7%	7%	16%	10%	9%	4%	5%	5%	2%	1%
+ D&A	164	622	788	650	914	990	1,072	1,126	1,182	1,253	1,316	1,381	1,444	1,502
- Capital expenditures	-1,155	-1,575	-11,637	-242	-759	-775	-848	-917	-979	-1,283	-1,347	-1,415	-1,478	-1,538
- Change in net WC	-32,236	33,190	-1,511	4,365	-45,534	2,462	-144	-467	-787	-1,106	-987	-829	-714	-610
Free Cash Flow to Firm	-26,598	43,100	3,884	21,346	-27,658	21,693	22,127	24,080	26,043	26,663	28,208	29,738	30,349	30,612
FCY y/y growth	-194%	-262%	-91%	450%	-230%	-178%	2%	9%	8%	2%	6%	5%	2%	1%

Value per Share

		Cost of capital				
Terminal Growth		11.0%	12.0%	13.0%	14.0%	15.0%
2.5%		1,163	1,057	971	901	842
2.8%		1,182	1,071	983	910	849
3.0%		1,196	1,082	990	916	853
3.3%		1,218	1,098	1,002	925	861
3.5%		1,234	1,109	1,011	931	866

WACC		13.0%
PV of Free Cash Flow		1,31,643
PV of Terminal Value		1,05,639
Add: Net Cash		55,082
Total Equity Value		2,92,364
Shares outstanding		295.25
DCF value		990

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