

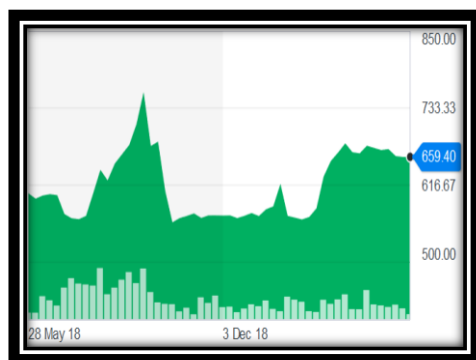
# Rajesh Exports(RJEX\_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 662.00
Upside Potential	36%

Market Cap.	Rs. 193.5 bn US\$ 2.76 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	71.9 mn / 24.4%
52 Week Range (Rs)	583 / 874
Avg. Daily Value	Rs.513.5 mn US\$ 8.0 mn
SENSEX Index Level	39,832
Insider Holding %	75.6%



Risk: Above Average		
Forecasting and Valuations		
(INR mn except ratio)	FY 2019	FY 2020E
Revenue	17,57,631	19,30,368
Net Income	12,924	14,727
EPS	43.77	49.88
EPS Growth	2.1%	14%
PE	15	13
EV/EBITDA	9	8
P/B	2.62	2.19

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## FY2019 [ended March]Earnings Update

### Positive EPS & Margin Growth in tough environment

Rajesh Exports reported increased profitability for the financial year ended March 2019. For the full year, EPS increased by 2.1% to Rs.43.77 vs. Rs.42.87 in FY03/2018, while net profit also increased by 2.1% from Rs.12.6 bn in FY2018 to Rs.12.9 bn in FY03/2019. Reduction in finance costs by 18% to Rs.4.4 bn in FY2019 as compared to Rs.5.4 bn in FY2018 was the primary reason for increase in profitability of the company. A decrease in the income tax expenses by 30% was the secondary reason for the increase in profitability. The effective income tax rate for FY2019 was at 4% as compared to 5.7% in FY2018. The company did well to curtail costs such as employee wages, which grew only 3% YoY, which suggests wage growth was much less than inflation and typical annual salary hikes in India. Although profit growth was modest, management pointed out that Rajesh Exports was one of the few gold related firms globally to post positive profit growth for fiscal 2019. While not directly comparable, especially as it relates to jewelry production, but firms like Barrick Gold, Newmont Goldcorp, Kinross Gold, etc all reported sharply lower profits in 2018.

Revenue for the year came in at Rs.1757.6 bn, down 6.4% YoY due to slowdown in demand for gold in developed and emerging market economies, which impacted the company's sizable export business. With oil prices crashing to US\$50 levels in December 2018, demand has been lackluster in key Middle East markets. Within Rajesh Export's home market in India, while reported official GDP growth has been robust [albeit slowing] at around 7%, unemployment remains at high levels, and the demand for luxury goods in particular, such as cars [both mass-market as well as high-end], apartments and real estate, and gold/jewelry has all been subdued. Many of these markets haven't really recovered from the Indian government's demonetization and GST implementation a couple years back. With a positive election outcome, there are tentative signs that demand may pickup in India going forward. **During our conversations with management, they mentioned to us that the company is seeing strong demand for its higher margin value-added products and expects a recovery in sales growth going forward. Management observed that the current June-ending quarter, of which 2 months are almost complete, is already witnessing a recovery compared to the March-ended quarter trends [see below].**

The company's gross profit margin expanded by 5% during the year from 1.21% in FY2018 to 1.27% in FY2019 while the operating profit margin remained flat in FY2019. The company continues to focus on sales of higher margin products which are expected to enhance profitability for the company going forward. In view of the increasing margins, we revise our FY2020 earnings forecast to Rs. 49.88 per share, a growth of 14% over the FY2019 earnings. With increasing crude oil prices we believe that demand from the Middle-East could grow at a higher rate and provide further boost to the company's earnings. The USA end market remains robust with strong consumer spending accompanying record low unemployment, but Europe remains lackluster. The company has declared a nominal dividend of Rs.1 per share for the year.

**Revised Estimates: Maintain PT Rs. 900; 36% Upside**

We revise our FY2020 earnings estimates by 5% from Rs.47.78 per share to Rs.49.88 per share on account of expected recovery in revenues and increase in profitability. We maintain our one-year price target of Rs. 900 on the stock. Our price target represents an upside of approximately 36% from the current levels. Our 12- month price target on the stock is based on DCF methodology and backed by traditional P/E multiples as well. Please see detailed earnings and valuation model attached.

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 is rapidly expanding in retail stores as well with 82 stores presently. The company is a prime beneficiary of secular growth in Indian and Asian gold and jewelry demand. Over the last five years, the company has recorded a CAGR of 29% in EPS and 44% in revenues.

Our DCF-based price is Rs.887 which assumes 13% WACC and 3% terminal growth rate. Our price target implies a P/E multiple of 13x on our FY2020 EPS estimate of Rs.49.88. We continue to remain positive on the margin growth story based on the company's strong execution seen over the last 18 months. 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 13x on our FY2020 EPS estimate which is at a significant discount to its 5-year average P/E of 16x, as well as the overall Indian stock market where the benchmark NIFTY Index is trading at a trailing 26x P/E level.

**Seasonally Subdued Quarter**

For the fiscal fourth quarter ended March, EPS declined by 17% to Rs.8.89 in 4Q2019 from Rs.12.51 in the corresponding period last year. Revenue for the quarter came in at Rs.344.4 bn, decreasing by 21.4% on a YoY basis. The fourth quarter sales are seasonally weak for the companies in the retail segment, following the December-end quarter which benefits from Diwali and Christmas festivities, weddings and year-end bonus spending. Subdued sales growth especially after a seasonally strong December quarter had a significant

impact on the demand for gold in the January to March quarter which was reflected in the drop in revenues for the company. Gross profit margin for the period was 1.28% vs. 1.48% during the corresponding quarter last year. 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.

#### **New Showroom Opened in April 2019**

In April 2019 Rajesh Exports has opened its 82<sup>nd</sup> retail showroom under its brand SHUBH JEWELLERS at Mangalore. With this launch the company now has 82 Shubh Jewellers showrooms. The company is aggressively planning to launch more Shubh Jewellers showrooms in the coming months. In March 2019, Rajesh Exports secured a new export order worth Rs.10.79 bn from the Middle East. The order is expected to be executed by the month of June 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 Starting in 6 months**

During our conversations 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 is expected to contribute an additional 5% to 8% of the existing revenues when it reaches full production. It is expected to reach 100% capacity utilization after one year from the start of commercial production. The refinery will help the company to further integrate its refining, manufacturing and export and retail operations. At the end of the fourth quarter, the company's order book stood at Rs.471.7 bn. The company continues to operate 82 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.**

#### **Stable Government: Possibility of Import Duty Reduction in the Upcoming Budget**

Value of India's gold imports rose by 27% to 192.4 tons during the January to March quarter as compared to 151 tons in the corresponding period last year. Fall in prices and high demand on account of the wedding season was the main reason behind the increase after prices had peaked in the month of February. India's gross exports of gold jewellery rose by 24.4% to US\$12.03 bn in FY2019 while exports of cut and polished diamonds remained virtually steady (down by a marginal 0.39% to US\$23.82 bn), according to Gems and Jewellery Export Promotion Council (GJEPC).

The BJP government in India had presented its interim budget in February, before the Lok Sabha elections. But after coming back to power with a strong mandate, any progress towards the reduction of import duty on gold in the upcoming budget (July 2019) would be grossly optimistic from the demand point of view for jewelry manufacturers and gold refiners.

The GJEPC is hoping for a reduction in import duty on polished diamonds to 2.5% from the current 7.5% and a cut in import duty on gold from 10% currently to 4% in the upcoming Budget.

## 5-year Price Chart



Income Statement (INR million)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY20E	Q2FY20E	Q3FY20E	Q4FY20E
<b>Revenue</b>	<b>5,04,082</b>	<b>5,21,305</b>	<b>4,13,048</b>	<b>4,38,419</b>	<b>5,05,158</b>	<b>5,76,459</b>	<b>4,75,386</b>	<b>3,73,366</b>
y/y					15.0%	8.0%	8.0%	8.4%
q/q		3.4%	-20.8%	6.1%	46.7%	14.1%	-17.5%	-21.5%
Cost of Revenue	-4,98,995	-5,15,407	-4,07,862	-4,31,909	-4,98,238	-5,68,561	-4,68,873	-3,68,250
<b>Gross Profit</b>	<b>5,087.3</b>	<b>5,898.5</b>	<b>5,186.1</b>	<b>6,509.3</b>	<b>6,920.7</b>	<b>7,897.5</b>	<b>6,512.8</b>	<b>5,115.1</b>
Gross margin (%)	1.01%	1.13%	1.26%	1.48%	1.37%	1.37%	1.37%	1.37%
Other Operating Revenue	233	30	41	315	194	222	183	143
as a % of sales	0.05%	0.01%	0.01%	0.07%	0.04%	0.04%	0.04%	0.04%
Selling, General & Admin Expense	-1,026.5	-1,004.3	-1,067.9	-1,419.4	-1,641.8	-2,017.6	-1,782.7	-1,400.1
as a % of sales	0.2%	0.2%	0.3%	0.3%	0.33%	0.4%	0.4%	0.4%
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>4,294.2</b>	<b>4,924.6</b>	<b>4,159.0</b>	<b>5,405.4</b>	<b>5,473.0</b>	<b>6,101.4</b>	<b>4,912.8</b>	<b>3,858.5</b>
y/y					-2.2%	34.9%	11.5%	15.2%
q/q		14.7%	-15.5%	30.0%	63.4%	11.5%	-19.5%	-21.5%
Operating margin (%)	0.85%	0.94%	1.01%	1.23%	1.1%	1.1%	1.0%	1.0%
Interest Expense	-1,145.7	-1,826.2	-867.2	-1,527.7	-1,127.5	-1,127.5	-1,127.5	-1,127.5
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	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
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>3,149</b>	<b>3,098</b>	<b>3,292</b>	<b>3,878</b>	<b>4,346</b>	<b>4,974</b>	<b>3,785</b>	<b>2,731</b>
y/y					5.4%	43.7%	15.5%	5.2%
<b>Pretax Income (adjusted)</b>	<b>3,149</b>	<b>3,098</b>	<b>3,292</b>	<b>3,878</b>	<b>4,346</b>	<b>4,974</b>	<b>3,785</b>	<b>2,731</b>
y/y	-75.8%	-1.6%	6.2%	17.8%	5.4%	43.7%	15.5%	5.2%
- Income Tax Expense	-180.0	-117.0	-276.6	-185.0	-304.2	-348.2	-265.0	-191.2
effective tax rate (%)	5.7%	3.8%	8.4%	4.8%	7.0%	7.0%	7.0%	7.0%
- Minority Interests	0	0	0	0	0	0	0	0
<b>Income Before XO Items</b>	<b>2,969</b>	<b>2,981</b>	<b>3,015</b>	<b>3,693</b>	<b>4,041</b>	<b>4,626</b>	<b>3,520</b>	<b>2,540</b>
y/y					1.2%	46.9%	11.4%	-3.2%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income (reported)</b>	<b>2,969</b>	<b>2,981</b>	<b>3,015</b>	<b>3,693</b>	<b>4,041</b>	<b>4,626</b>	<b>3,520</b>	<b>2,540</b>
y/y					1.2%	46.9%	11.4%	-3.2%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Income (adjusted)</b>	<b>2,968.6</b>	<b>2,981.4</b>	<b>3,015.2</b>	<b>3,692.7</b>	<b>4,041.4</b>	<b>4,625.8</b>	<b>3,520.3</b>	<b>2,539.8</b>
y/y					1.2%	46.9%	11.4%	-3.2%
q/q		0.4%	1.1%	22.5%	54.0%	14.5%	-23.9%	-27.9%
Basic EPS (reported)	10.05	10.10	10.21	12.51	13.69	15.67	11.92	8.60
Basic EPS (adjusted)	10.05	10.10	10.21	12.51	13.69	15.67	11.92	8.60
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>10.05</b>	<b>10.10</b>	<b>10.21</b>	<b>12.51</b>	<b>13.69</b>	<b>15.67</b>	<b>11.92</b>	<b>8.60</b>
y/y	-76.2%	0.4%	1.1%	22.5%	1.2%	46.9%	11.4%	-3.2%
<b>Diluted EPS (adjusted)</b>	<b>10.05</b>	<b>10.10</b>	<b>10.21</b>	<b>12.51</b>	<b>13.69</b>	<b>15.67</b>	<b>11.92</b>	<b>8.60</b>
y/y					1.2%	46.9%	11.4%	-3.2%
q/q		0.4%	1.1%	22.5%	54.0%	14.5%	-23.9%	-27.9%
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25

Income Statement (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E	CAGR (2019-24)
<b>Revenue</b>	<b>16,52,114</b>	<b>24,21,320</b>	<b>18,76,855</b>	<b>17,57,631</b>	<b>19,30,368</b>	<b>20,91,625</b>	<b>22,40,143</b>	<b>23,75,347</b>	<b>24,97,206</b>	7.3%
y/y	227.4%	46.6%	-22.5%	-6.4%	9.8%	8.4%	7.1%	6.0%	5.1%	
q/q										
Cost of Revenue	-16,31,510	-24,00,793	-18,54,173	-17,35,225	-19,03,922	-20,62,396	-22,08,213	-23,40,813	-24,60,175	
<b>Gross Profit</b>	<b>20,604.1</b>	<b>20,526.9</b>	<b>22,681.2</b>	<b>22,406</b>	<b>26,446.0</b>	<b>29,228.4</b>	<b>31,929.8</b>	<b>34,534.1</b>	<b>37,031.9</b>	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	1.37%	1.40%	1.43%	1.45%	1.48%	
Other Operating Revenue	90	471	620	675	742	804	861	913	960	
as a % of sales	0.01%	0.02%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	
Selling, General & Admin Expense	-3,796.0	-3,665.3	-4,518.0	(5,207)	-6,842.2	-7,487.9	-8,019.6	-8,503.6	-8,939.9	
as a % of sales	0.2%	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	
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>16,898.2</b>	<b>17,333.0</b>	<b>18,783.2</b>	<b>17,874.5</b>	<b>20,345.6</b>	<b>22,544.2</b>	<b>24,771.0</b>	<b>26,943.2</b>	<b>29,051.6</b>	10.2%
y/y	40.3%	2.6%	8.4%	-4.8%	13.8%	10.8%	9.9%	8.8%	7.8%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	1.1%	1.1%	1.1%	1.1%	1.2%	
Interest Expense	-5,776.7	-4,302.7	-5,366.8	-4,416.7	-4,509.8	-4,252.1	-4,252.1	-4,252.1	-4,252.1	
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>11,122</b>	<b>13,030</b>	<b>13,416</b>	<b>13,458</b>	<b>15,836</b>	<b>18,292</b>	<b>20,519</b>	<b>22,691</b>	<b>24,799</b>	13.0%
y/y	53.2%	17.2%	3.0%	0.3%	17.7%	15.5%	12.2%	10.6%	9.3%	
<b>Pretax Income (adjusted)</b>	<b>11,122</b>	<b>13,030</b>	<b>13,416</b>	<b>13,458</b>	<b>15,836</b>	<b>18,292</b>	<b>20,519</b>	<b>22,691</b>	<b>24,799</b>	13.0%
y/y	53.2%	17.2%	3.0%	0.3%	17.7%	15.5%	12.2%	10.6%	9.3%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-1,108.5	-1,280.4	-1,436.3	-1,588.4	-1,736.0	
effective tax rate (%)	3.9%	4.4%	5.7%	4.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>10,690</b>	<b>12,459</b>	<b>12,658</b>	<b>12,924</b>	<b>14,727</b>	<b>17,012</b>	<b>19,083</b>	<b>21,103</b>	<b>23,063</b>	12.3%
y/y	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%	
- 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>10,690</b>	<b>12,459</b>	<b>12,658</b>	<b>12,924</b>	<b>14,727</b>	<b>17,012</b>	<b>19,083</b>	<b>21,103</b>	<b>23,063</b>	12.3%
y/y	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.00	4.00	
<b>Net Income (adjusted)</b>	<b>10,690.3</b>	<b>12,459.0</b>	<b>12,657.9</b>	<b>12,924.0</b>	<b>14,727.3</b>	<b>17,010.6</b>	<b>19,080.6</b>	<b>21,099.7</b>	<b>23,059.5</b>	12.3%
y/y	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	49.88	57.62	64.63	71.47	78.12	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	49.88	57.61	64.63	71.46	78.10	
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>36.21</b>	<b>42.20</b>	<b>42.87</b>	<b>43.77</b>	<b>49.88</b>	<b>57.62</b>	<b>64.63</b>	<b>71.47</b>	<b>78.12</b>	12.3%
y/y	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%	
<b>Diluted EPS (adjusted)</b>	<b>36.21</b>	<b>42.20</b>	<b>42.87</b>	<b>43.77</b>	<b>49.88</b>	<b>57.61</b>	<b>64.63</b>	<b>71.46</b>	<b>78.10</b>	12.3%
y/y	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%	
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)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Assets</b>									
+ Cash & Near Cash Items	1,23,755	1,48,402	1,44,696	1,48,688	1,45,118	1,61,730	1,80,104	1,98,990	2,19,554
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	46,347	50,219	53,785	57,031	59,957
+ Inventories	9,926	11,628	17,220	46,000	14,811	16,043	17,178	18,209	19,138
+ Other Current Assets	4,336	8,606	9,762	10,916	10,916	10,916	10,916	10,916	10,916
<b>Total Current Assets</b>	<b>1,86,913</b>	<b>2,18,834</b>	<b>2,11,603</b>	<b>2,60,455</b>	<b>2,17,192</b>	<b>2,38,908</b>	<b>2,61,982</b>	<b>2,85,146</b>	<b>3,09,564</b>
+ Long-Term Investments	9,003	9,191	10,198	10,876	10,876	10,876	10,876	10,876	10,876
+ Gross Fixed Assets	8,774	9,127	9,886	10,597	11,377	12,223	13,129	14,089	15,099
- Accumulated Depreciation	-1,765	-2,415	-3,094	-3,838	-4,910	-6,036	-7,218	-7,218	-7,218
+ Net Fixed Assets	7,009	6,712	6,792	6,759	6,467	6,187	5,911	6,871	7,881
+ Other Long-Term Assets	8	424	605	605	605	605	605	605	605
+ Goodwill & other Intangible Assets	6,479	6,156	6,387	6,613	6,613	6,613	6,613	6,613	6,613
<b>Total Long-Term Assets</b>	<b>22,499.1</b>	<b>22,483.5</b>	<b>23,982.5</b>	<b>24,853.2</b>	<b>24,561.5</b>	<b>24,281.4</b>	<b>24,005.1</b>	<b>24,965.6</b>	<b>25,975.4</b>
<b>Total Assets</b>	<b>2,09,412.5</b>	<b>2,41,317.6</b>	<b>2,35,585</b>	<b>2,85,307.9</b>	<b>2,41,753.2</b>	<b>2,63,189.7</b>	<b>2,85,987.1</b>	<b>3,10,111.6</b>	<b>3,35,539.2</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Accounts Payable	1,08,533	1,21,519	71,699	1,34,665	76,679	81,400	85,412	88,730	91,389
+ Short-Term Borrowings	45,940	55,522	87,172	61,984	61,984	61,984	61,984	61,984	61,984
+ Other Short-Term Liabilities	2,005	657	1,419	968	968	968	968	968	968
<b>Total Current Liabilities</b>	<b>1,56,478.2</b>	<b>1,77,699.1</b>	<b>1,60,289.5</b>	<b>1,97,617.4</b>	<b>1,39,630.6</b>	<b>1,44,351.8</b>	<b>1,48,363.8</b>	<b>1,51,681.9</b>	<b>1,54,341.3</b>
+ Long-Term Borrowings	0.0	3,497.8	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7	2,441.7
+ Other Long-Term Liabilities	5,102.5	3,745.7	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6	3,934.6
<b>Total Liabilities</b>	<b>1,61,580.7</b>	<b>1,84,942.6</b>	<b>1,66,665.9</b>	<b>2,03,993.8</b>	<b>1,46,007.0</b>	<b>1,50,728.1</b>	<b>1,54,740.2</b>	<b>1,58,058.2</b>	<b>1,60,717.6</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	47,537	56,080	68,390	81,019	95,451	1,12,166	1,30,952	1,51,756	1,74,520
<b>Total Shareholders' Equity</b>	<b>47,832.2</b>	<b>56,375.0</b>	<b>68,685.4</b>	<b>81,314.2</b>	<b>95,746.2</b>	<b>1,12,461.5</b>	<b>1,31,246.9</b>	<b>1,52,051.3</b>	<b>1,74,815.6</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>2,09,412.9</b>	<b>2,41,317.6</b>	<b>2,35,585</b>	<b>2,85,307.9</b>	<b>2,41,753.2</b>	<b>2,63,189.7</b>	<b>2,85,987.1</b>	<b>3,10,111.6</b>	<b>3,35,533.2</b>



Cash Flow (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2022E	FY03/2022E
+ Net Income	11,080.5	12,459.0	12,657.9	12,924.0	14,727.3	17,010.6	19,080.6	21,099.7	23,059.5
+ Depreciation & Amortization	790.0	650.0	679.9	743.5	1,072.2	1,125.8	1,182.1	0.0	0.0
+ Other Non-Cash Adjustments	10,339.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	-1,510.6	4,364.8	-45,534.4	17,656.6	-18,294.0	-383.3	-688.1	-959.6	-1,194.9
<b>Cash From Operating Activities</b>	<b>20,699.0</b>	<b>17,473.8</b>	<b>-32,196.6</b>	<b>31,324.0</b>	<b>-2,494.5</b>	<b>17,753.2</b>	<b>19,574.6</b>	<b>20,140.1</b>	<b>21,864.6</b>
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Capital Expenditures	-11,636.6	-242.1	-758.9	-710.7	-780.6	-845.8	-905.8	-960.5	-1,009.8
+ Increase in Investments	-7,802.9	-603.5	-1,188.8	-678.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.9	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Other Investing Activities	0.0	322.3	-231.2	-225.4	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-19,438.6</b>	<b>-523.3</b>	<b>-2,179.0</b>	<b>-1,614.1</b>	<b>-780.6</b>	<b>-845.8</b>	<b>-905.8</b>	<b>-958.5</b>	<b>-1,005.8</b>
+ Dividends Paid	-355.4	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	6,034.3	9,582.5	31,649.6	-25,187.7	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	3,497.8	-1,056.1	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	1,480.7	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	-5,776.7	0.0	136.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>1,382.9</b>	<b>12,785.0</b>	<b>30,435.1</b>	<b>-25,483.0</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>	<b>-295.3</b>
<b>Net Changes in Cash</b>	<b>2,643.3</b>	<b>29,735.5</b>	<b>-3,940.6</b>	<b>4,227.0</b>	<b>-3,570.4</b>	<b>16,612.1</b>	<b>18,373.5</b>	<b>18,886.3</b>	<b>20,563.6</b>
Opening cash			1,48,402.0	1,44,461.4	1,48,688.4	1,45,118.0	1,61,730.2	1,80,103.7	1,98,990.0
Closing cash			1,44,461.4	1,48,688.4	1,45,118.0	1,61,730.2	1,80,103.7	1,98,990.0	2,19,553.6

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Growth Ratios % (YoY)</b>									
Revenue	227.4%	46.6%	-22.5%	-6.4%	9.8%	8.4%	7.1%	6.0%	5.1%
Operating Income	40.3%	2.6%	8.4%	-4.8%	13.8%	10.8%	9.9%	8.8%	7.8%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	14.0%	15.5%	12.2%	10.6%	9.3%
Diluted EPS adjusted	63%	17%	2%	2%	14%	16%	12%	11%	9%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
<b>Per Share Data (INR)</b>									
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	49.9	57.6	64.6	71.5	78.1
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	49.9	57.6	64.6	71.5	78.1
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)	140.1	170.1	211.0	253.0	301.9	358.5	422.1	492.6	569.7
Margins (%)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Gross Margin	1.25%	0.85%	1.21%	1.27%	1.37%	1.40%	1.43%	1.45%	1.48%
Operating Margin	1.02%	0.72%	1.00%	1.02%	1.05%	1.08%	1.11%	1.13%	1.16%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	1.11%	1.13%	1.16%	1.13%	1.16%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.82%	0.87%	0.92%	0.96%	0.99%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.76%	0.81%	0.85%	0.89%	0.92%
<b>Return Ratios</b>									
<b>Dupont ROE (%)</b>	<b>22.3%</b>	<b>22.1%</b>	<b>18.4%</b>	<b>15.9%</b>	<b>15.4%</b>	<b>15.1%</b>	<b>14.5%</b>	<b>13.9%</b>	<b>13.2%</b>
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	0.9%
Turnover (x)	7.9	10.0	8.0	6.2	8.0	7.9	7.8	7.7	7.4
Leverage (x)	4.4	4.3	3.4	3.5	2.5	2.3	2.2	2.0	1.9
Return on Assets	5.1%	5.2%	5.4%	4.5%	6.1%	6.5%	6.7%	6.8%	6.9%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	19.9%	19.0%	18.0%	17.0%	16.0%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	9.2%	9.6%	9.8%	9.7%	9.6%
<b>FCF Calculation</b>									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-2,494.5	17,753.2	19,574.6	20,140.1	21,864.6
capex	-11,636.6	-242.1	-758.9	-710.7	-780.6	-845.8	-905.8	-960.5	-1,009.8
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-3,275.1	16,907.4	18,668.8	19,179.6	20,854.8
FCF margin (%)	0.5%	0.7%	-1.8%	1.7%	-0.2%	0.8%	0.8%	0.8%	0.8%
FCF per share	30.69	58.36	-111.62	103.69	-11.09	57.26	63.23	64.96	70.63
Price/FCF per share	21.57	11.34	-5.93	6.38	-59.68	11.56	10.47	10.19	9.37
FCF Yield	4.6%	8.8%	-16.9%	15.7%	-1.7%	8.7%	9.6%	9.8%	10.7%

Valuation ratio's	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
P/B	4.31	3.56	3.51	2.62	2.19	1.85	1.57	1.34	1.16
P/E	16.68	14.36	17.26	15.12	13.27	11.49	10.24	9.26	8.48
P/S	0.11	0.07	0.12	0.11	0.10	0.09	0.09	0.08	0.08
EV/sales	0.06	0.04	0.09	0.09	0.08	0.08	0.07	0.07	0.07
EV/EBITDA	5.68	4.98	8.40	8.78	7.63	6.90	6.30	6.06	5.62
EV/EBIT	5.95	5.17	8.70	9.14	8.03	7.25	6.60	6.06	5.62
EV/FCF	11.09	5.20	-4.96	5.34	-49.89	9.66	8.75	8.52	7.84
Dividend Yield (%)	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	-9.0%	1.7%	1.6%	1.5%	1.4%

Working Capital Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Receivable days (DSO)	9	7	9	9	9	9	9	9	9
Inventory days (DIO)	2	2	3	3	3	3	3	3	3
Payables days (DPO)	22	17	19	15	15	14	14	14	14
Current ratio	1.2	1.2	1.3	1.3	1.6	1.7	1.8	1.9	2.0
Quick ratio	1.1	1.2	1.2	1.1	1.4	1.5	1.7	1.8	1.9
Working capital	-47380	-51745	-6210	-23867	-5573	-5189	-4501	-3542	-2347
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2

Leverage Ratios									
Debt / equity	96%	105%	130%	79%	67%	57%	49%	42%	37%
Net cash (debt) / equity	163%	159%	80%	104%	84%	87%	88%	88%	89%
Net cash (debt) / mkt cap	40%	46%	28%	43%	41%	50%	59%	69%	79%
Net cash (debt) / capital	83%	77%	35%	58%	50%	55%	59%	62%	65%

Coverage Ratios									
Interest coverage [EBIT]	2.9	4.0	3.5	4.0	4.5	5.3	5.8	6.3	6.8
Interest coverage [Opt. CF]	3.6	4.1	-6.0	7.1	-0.6	4.2	4.6	4.7	5.1

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	1,78,331	1,78,922	2,18,485	1,95,456
+ Minority Interest	0	0	0	0
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	89,614
- Cash & Equivalents	1,23,755	1,48,402	1,44,696	1,44,696
<b>Enterprise Value</b>	<b>1,00,516</b>	<b>89,540</b>	<b>1,63,403</b>	<b>1,63,403</b>

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	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	18,783	17,875	20,346	22,544	24,771	26,257	28,122	30,118	31,473	32,748
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	14%	11%	10%	6%	7%	7%	4%	4%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.7%	4.0%	7.0%	7.0%	7.0%	8.4%	10.1%	12.1%	14.5%	17.4%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	18,921	20,966	23,037	24,052	25,287	26,475	26,905	27,044
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	10%	11%	10%	4%	5%	5%	2%	1%
+ D&A	20	21	21	164	622	788	650	680	743	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	-759	-711	-781	-846	-906	-1,187	-1,247	-1,309	-1,368	-1,423
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-18,294	-383	-688	-684	-611	-513	-442	-377
<b>Free Cash Flow to Firm</b>	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-27,892	34,855	919	20,863	22,625	23,433	24,745	26,035	26,539	26,745
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-97%	2170%	8%	4%	6%	5%	2%	1%

#### Value per Share

Terminal Growth	Cost of capital				
	11.0%	12.0%	13.0%	14.0%	15.0%
2.5%	1,037	945	871	810	759
2.8%	1,054	958	881	817	765
3.0%	1,066	967	887	823	769
3.3%	1,086	981	898	831	775
3.5%	1,099	991	905	836	779

WACC		13.0%
PV of Free Cash Flow		1,14,617
PV of Terminal Value		92,296
Add: Net Cash		55,082
Total Equity Value		2,61,995
Shares outstanding		295.25
<b>DCF value</b>		<b>887</b>

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