

Rajesh Exports(RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 685.00
Upside Potential	31%

Market Cap.	Rs. 202 bn US\$ 2.86 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	68.9 mn / 23%
52 Week Range (Rs)	542 / 786
Avg. Daily Value	Rs.167 mn US\$ 2.35 mn
SENSEX Index Level	37,327
Insider Holding %	77%



Risk: Above Average		
Forecasting and Valuations		
(INR mn except ratio)	FY 2019	FY 2020E
Revenue	17,57,631	18,58,257
Net Income	12,924	14,709
EPS	43.77	49.82
EPS Growth	2.1%	14%
PE	15	14
EV/EBITDA	9	8
P/B	2.71	2.27

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Q1FY2020 [ended June] Earnings Update

Robust Recovery in Revenues and Net Profit QoQ

Rajesh Exports reported an increase in revenues and net profit for the first quarter ended June 2019 on a sequential QoQ basis. Revenues for the first quarter came in at Rs.406 bn, down 7.5% YoY but up 18% on a sequential QoQ basis. Even though the revenues decreased on a year on year basis due to a slowdown in demand for gold in developed and emerging market economies, they have shown robust growth on a QoQ basis indicating recovery is well on track for the current financial year. For the first quarter, EPS increased by 15% to Rs.10.23 vs. Rs.8.89 in Q42019, while net profit also increased by 15% from Rs.2.6 bn in Q42019 to Rs.3 bn in Q12020. However, the net profit declined by 24% due to 84% reduction in other income and 7.5% decline in sales on a YoY basis. **Our conversations with CEO Rajesh Mehta suggest the company is on track to post both YoY revenue and EPS growth for the current fiscal year ending 03/2020.**

The highlight of the first quarter results was an absolute reduction in the finance costs to nil as compared to Rs.1.47 bn in Q12019 and Rs.0.75 bn in Q42019 which was the primary reason for increase in profitability of the company on a QoQ basis. As a reminder, Rajesh Exports remains a zero debt company. The finance costs were reported to be zero on account of an adjustment of the interest cost in the COGS. The company did well to reduce costs such as employee wages by 8% on a QoQ basis. Additionally, a new export order worth Rs.9.42 bn from Germany augurs well from a business perspective in Europe going forward (more details below).

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 few years back. With a positive election outcome, there is hope that demand may pickup in India going forward, particularly during the upcoming festive and wedding seasons. **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.**

The company's gross profit margin contracted to 1.07% in Q12020 from 1.28% in Q42019 and 1.53% in Q12019. The operating profit margin also contracted to 0.8% in Q12020 from 0.97% in Q42019 and 1.27% in Q12019. We believe most of this contraction is simply due to short-term working capital related finance costs [the company has no net debt] now being classified as COGS, rather than the prior classification as interest expense. The company continues to focus on sales of higher margin products which are expected to enhance profitability for the company going forward. So we believe both gross and operating margins should gradually increase from today's level.

We maintain our FY2020 earnings forecast to Rs. 49.82 per share, a growth of 14% over the FY2019 earnings. The USA end market remains robust with strong consumer spending accompanying record low unemployment, while Europe has shown an uptick because of the new export order for the company.

Maintain Estimates and Price Target Rs. 900; 31% Upside

We maintain our FY2020 earnings estimates of Rs.49.82 per share on account of an 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 31% 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.888 which assumes a 13% WACC and 3% terminal growth rate. Our price target implies a P/E multiple of 18x on our FY03/2020 EPS estimate of Rs.49.82. 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 14x on our FY03/2020 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 24x P/E level.

New Export Order Worth Rs.9.42 bn

In June 2019, Rajesh Exports secured a new export order worth Rs.9.42 bn from Germany. The order is expected to be executed by the end of August 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.

The Company will be executing the order from its own manufacturing facility, which is the world's largest jewelry manufacturing facility. This facility has a processing capacity of 250 tons of jewelry and gold products per annum. Company is confident of executing this order well within the time frame on the back of its expertise, skilled craftsmen, artisans & its exceptionally strong backward integrated infrastructure.

The company had introduced new designs in the international markets which constitute a new range of jewelry. The special significance of this order is the acceptance of the company's new range of jewelry in the global markets. The company expects further significant orders for this range of jewelry from the international markets.

In April 2019 Rajesh Exports had opened its 82nd 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.

Bangalore Refinery Starting in 4 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 4 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 first quarter, the company's order book stood at Rs.462.3 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.

Import Duty Hiked in the Recent Budget

The ruling BJP government in the recently announced government budget (July 2019) hiked the import duty of gold from 10% to 12.5%. The increase in the import duty on gold may dampen imports for the gold and jewelry industry in India. According to the World Gold Council Global demand for gold rose 7% year on year to 1,053 tonnes in the first quarter of FY2019-20 and jewelry demand was a touch stronger at 530 tonnes, chiefly due to an improvement in the Indian market.

India is one of the largest gold importers in the world, and the imports mainly take care of demand from the jewelry industry. The All India Gem and Jewellery Domestic Council has urged the government to roll back the hike in gold import duty from 12.5% to 10%, and implement a comprehensive integrated 'gold policy' to save the gem and jewelry business. The import duty hike of 2.5% to 12.5% has made gold jewelry costlier and has impacted consumer sentiment leading to postponement of fresh purchases. The import duty on gold was levied to curb the Current Account Deficit (CAD) which has narrowed sharply to 0.7% of GDP in the March quarter, from 2.6% in the third quarter ended December, primarily on account of a lower trade deficit.

In the ongoing US-China trade war the US has announced a 10% tariff starting 1st September 2019, on new commodities (includes rough and polished-diamonds, synthetic stones and jewelry articles) imported from China which is expected to prep up demand for India's gem and jewelry products. China's gold jewelry export to US will not be viable after implementation of the tariff structure and Indian exporters will get an opportunity to fill that gap. Rajesh Exports is expected to be a big beneficiary if the tariffs are imposed on China, as it has the necessary expertise, skilled craftsmen, artisans and robust backward integrated infrastructure to execute any orders that come their way.

5-year Price Chart



Income Statement (INR million)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20E	Q3FY20E	Q4FY20E
Revenue	4,39,268	5,33,758	4,40,172	3,44,433	4,06,190	5,49,771	5,06,198	3,96,098
y/y	-12.9%	2.4%	6.6%	-21.4%	-7.5%	3.0%	15.0%	15.0%
q/q	0.2%	21.5%	-17.5%	-21.8%	17.9%	35.3%	-7.9%	-21.8%
Cost of Revenue	-4,32,537	-5,28,114	-4,34,535	-3,40,039	-4,01,828	-5,42,239	-4,99,263	-3,90,672
Gross Profit	6,731.0	5,643.7	5,636.6	4,394.6	4,362.0	7,531.9	6,934.9	5,426.5
Gross margin (%)	1.53%	1.06%	1.28%	1.28%	1.07%	1.37%	1.37%	1.37%
Other Operating Revenue	214	152	88	221	35	220	202	158
as a % of sales	0.05%	0.03%	0.02%	0.06%	0.01%	0.04%	0.04%	0.04%
Selling, General & Admin Expense	-1,349.3	-1,271.5	-1,319.0	-1,267.1	-1,238.0	-1,649.3	-1,771.7	-1,584.4
as a % of sales	0.3%	0.2%	0.3%	0.4%	0.30%	0.3%	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%
Operating Income	5,595.6	4,524.2	4,405.9	3,348.9	3,158.9	6,102.5	5,365.7	4,000.6
y/y	30.3%	-8.1%	5.9%	-38.0%	-43.5%	34.9%	21.8%	19.5%
q/q	3.5%	-19.1%	-2.6%	-24.0%	-5.7%	93.2%	-12.1%	-25.4%
Operating margin (%)	1.27%	0.85%	1.00%	0.97%	0.8%	1.1%	1.1%	1.0%
Interest Expense	-1,471.6	-1,062.6	-1,128.9	-753.7	0.0	-966.4	-966.4	-966.4
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
Pretax Income (reported)	4,124	3,462	3,277	2,595	3,159	5,136	4,399	3,034
y/y	31.0%	11.7%	-0.5%	-33.1%	-23.4%	48.4%	34.3%	16.9%
Pretax Income (adjusted)	4,124	3,462	3,277	2,595	3,159	5,136	4,399	3,034
y/y	31.0%	11.7%	-0.5%	-33.1%	-23.4%	48.4%	34.3%	16.9%
- Income Tax Expense	-132.5	-313.0	-117.2	28.9	-139.7	-359.5	-308.0	-212.4
effective tax rate (%)	3.2%	9.0%	3.6%	-1.1%	4.4%	7.0%	7.0%	7.0%
- Minority Interests	0	0	0	0	0	0	0	0
Income Before XO Items	3,992	3,149	3,160	2,624	3,019	4,777	4,091	2,822
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	51.7%	29.5%	7.5%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	3,992	3,149	3,160	2,624	3,019	4,777	4,091	2,822
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	51.7%	29.5%	7.5%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	3,991.6	3,148.6	3,159.7	2,624.1	3,019.2	4,776.5	4,091.4	2,821.8
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	51.7%	29.5%	7.5%
q/q	8.1%	-21.1%	0.4%	-16.9%	15.1%	58.2%	-14.3%	-31.0%
Basic EPS (reported)	13.52	10.66	10.70	8.89	10.23	16.18	13.86	9.56
Basic EPS (adjusted)	13.52	10.66	10.70	8.89	10.23	16.18	13.86	9.56
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25
Diluted EPS (reported)	13.52	10.66	10.70	8.89	10.23	16.18	13.86	9.56
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	51.7%	29.5%	7.5%
Diluted EPS (adjusted)	13.52	10.66	10.70	8.89	10.23	16.18	13.86	9.56
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	51.7%	29.5%	7.5%
q/q	8.1%	-21.1%	0.4%	-16.9%	15.1%	58.2%	-14.3%	-31.0%
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)
Revenue	16,52,114	24,21,320	18,76,855	17,57,631	18,58,257	20,44,083	22,48,491	24,50,855	26,38,346	8.5%
y/y	227.4%	46.6%	-22.5%	-6.4%	5.7%	10.0%	10.0%	9.0%	7.7%	
q/q										
Cost of Revenue	-16,31,510	-24,00,793	-18,54,173	-17,35,225	-18,34,002	-20,16,868	-22,17,956	-24,16,907	-26,01,069	
Gross Profit	20,604.1	20,526.9	22,681.2	22,406	24,255.3	27,214.4	30,534.6	33,948.4	37,276.3	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	1.31%	1.33%	1.36%	1.39%	1.41%	
Other Operating Revenue	90	471	620	675	616	677	745	812	874	
as a % of sales	0.01%	0.02%	0.03%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	
Selling, General & Admin Expense	-3,796.0	-3,665.3	-4,518.0	(5,207)	-6,243.4	-6,936.4	-7,630.0	-8,316.7	-8,953.0	
as a % of sales	0.2%	0.2%	0.2%	0.3%	0.3%	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	
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Operating Income	16,898.2	17,333.0	18,783.2	17,874.5	18,627.7	20,955.4	23,649.6	26,443.8	29,197.6	10.3%
y/y	40.3%	2.6%	8.4%	-4.8%	4.2%	12.5%	12.9%	11.8%	10.4%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	
Interest Expense	-5,776.7	-4,302.7	-5,366.8	-4,416.7	-2,899.2	-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	
Pretax Income (reported)	11,122	13,030	13,416	13,458	15,729	16,703	19,398	22,192	24,946	13.1%
y/y	53.2%	17.2%	3.0%	0.3%	16.9%	6.2%	16.1%	14.4%	12.4%	
Pretax Income (adjusted)	11,122	13,030	13,416	13,458	15,729	16,703	19,398	22,192	24,946	13.1%
y/y	53.2%	17.2%	3.0%	0.3%	16.9%	6.2%	16.1%	14.4%	12.4%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-1,019.6	-1,082.8	-1,257.4	-1,438.6	-1,617.1	
effective tax rate (%)	3.9%	4.4%	5.7%	4.0%	6.5%	6.5%	6.5%	6.5%	6.5%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
Income Before XO Items	10,690	12,459	12,658	12,924	14,709	15,620	18,140	20,753	23,328	12.5%
y/y	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	10,690	12,459	12,658	12,924	14,709	15,620	18,140	20,753	23,328	12.5%
y/y	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.00	4.00	
Net Income (adjusted)	10,690.3	12,459.0	12,657.9	12,924.0	14,708.9	15,619.5	18,138.1	20,750.1	23,324.4	12.5%
y/y	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	49.82	52.91	61.44	70.29	79.01	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	49.82	52.90	61.43	70.28	79.00	
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)	36.21	42.20	42.87	43.77	49.82	52.91	61.44	70.29	79.01	12.5%
y/y	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%	
Diluted EPS (adjusted)	36.21	42.20	42.87	43.77	49.82	52.90	61.43	70.28	79.00	12.5%
y/y	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%	
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	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
EBITDA	17,686	17,983	19,463	18,618	19,700	22,081	24,832	26,444	29,198
Dividends per Share	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Dividend payout ratio	2.8%	2.4%	2.3%	2.3%	2.0%	1.9%	1.6%	1.4%	1.3%
Dep & Amor.	788	650	680	743	1,072	1,126	1,182	-	-
as a % of sales	0.05%	0.03%	0.04%	0.04%	0.06%	0.06%	0.05%	0.00%	0.00%

Balance Sheet (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Assets									
+ Cash & Near Cash Items	1,23,755	1,48,402	1,44,696	1,48,688	1,44,588	1,60,068	1,77,897	1,96,782	2,17,824
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	44,616	49,077	53,985	58,844	63,345
+ Inventories	9,926	11,628	17,220	46,000	14,267	15,689	17,254	18,801	20,234
+ Other Current Assets	4,336	8,606	9,762	10,916	10,916	10,916	10,916	10,916	10,916
Total Current Assets	1,86,913	2,18,834	2,11,603	2,60,455	2,14,387	2,35,750	2,60,052	2,85,343	3,12,318
+ 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	11,348	12,175	13,084	14,075	15,142
- 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	6,438	6,139	5,866	6,857	7,924
+ 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
Total Long-Term Assets	22,499.1	22,483.5	23,982.5	24,853.2	24,532.3	24,233.1	23,960.1	24,951.2	26,018.0
Total Assets	2,09,412.5	2,41,317.6	2,35,585	2,85,307.9	2,38,918.9	2,59,983.3	2,84,012.0	3,10,294.4	3,38,336.5
Liabilities & Shareholders' Equity									
+ Accounts Payable	1,08,533	1,21,519	71,699	1,34,665	73,863	79,603	85,789	91,614	96,623
+ 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
Total Current Liabilities	1,56,478.2	1,77,699.1	1,60,289.5	1,97,617.4	1,36,814.6	1,42,554.9	1,48,740.7	1,54,566.3	1,59,575.1
+ 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
Total Liabilities	1,61,580.7	1,84,942.6	1,66,665.9	2,03,993.8	1,43,191.0	1,48,931.2	1,55,117.1	1,60,942.6	1,65,951.5
+ 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	47,537	56,080	68,390	81,019	95,433	1,10,757	1,28,600	1,49,055	1,72,084
Total Shareholders' Equity	47,832.2	56,375.0	68,685.4	81,314.2	95,727.8	1,11,052.1	1,28,894.9	1,49,349.8	1,72,379.0
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	2,09,412.9	2,41,317.6	2,35,585	2,85,307.9	2,38,918.8	2,59,983.3	2,84,012.0	3,10,294.4	3,38,336.5

Cash Flow (INR million)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
+ Net Income	11,080.5	12,459.0	12,657.9	12,924.0	14,708.9	15,619.5	18,138.1	20,750.1	23,324.4
+ 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	-18,834.8	-143.9	-286.1	-580.7	-925.3
Cash From Operating Activities	20,699.0	17,473.8	-32,196.6	31,324.0	-3,053.6	16,601.5	19,034.1	20,169.4	22,399.2
+ 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	-751.4	-826.6	-909.2	-991.0	-1,066.8
+ 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
Cash From Investing Activities	-19,438.6	-523.3	-2,179.0	-1,614.1	-751.4	-826.6	-909.2	-989.0	-1,062.8
+ 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
Cash from Financing Activities	1,382.9	12,785.0	30,435.1	-25,483.0	-295.3	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	2,643.3	29,735.5	-3,940.6	4,227.0	-4,100.3	15,479.7	17,829.6	18,885.1	21,041.1
Opening cash			1,48,402.0	1,44,461.4	1,48,688.4	1,44,588.1	1,60,067.8	1,77,897.4	1,96,782.5
Closing cash			1,44,461.4	1,48,688.4	1,44,588.1	1,60,067.8	1,77,897.4	1,96,782.5	2,17,823.6

Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Growth Ratios % (YoY)									
Revenue	227.4%	46.6%	-22.5%	-6.4%	5.7%	10.0%	10.0%	9.0%	7.7%
Operating Income	40.3%	2.6%	8.4%	-4.8%	4.2%	12.5%	12.9%	11.8%	10.4%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	13.8%	6.2%	16.1%	14.4%	12.4%
Diluted EPS adjusted	63%	17%	2%	2%	14%	6%	16%	14%	12%
Ratio Analysis (Annual)	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Per Share Data (INR)									
Basic EPS (adjusted)	36.2	42.2	42.9	43.8	49.8	52.9	61.4	70.3	79.0
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	49.8	52.9	61.4	70.3	79.0
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	301.8	353.7	414.2	483.4	561.4
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%	1.31%	1.33%	1.36%	1.39%	1.41%
Operating Margin	1.02%	0.72%	1.00%	1.02%	1.00%	1.03%	1.05%	1.08%	1.11%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	1.06%	1.08%	1.10%	1.08%	1.11%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.85%	0.82%	0.86%	0.91%	0.95%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.79%	0.76%	0.81%	0.85%	0.88%
Return Ratios									
Dupont ROE (%)	22.3%	22.1%	18.4%	15.9%	15.4%	14.1%	14.1%	13.9%	13.5%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.9%
Turnover (x)	7.9	10.0	8.0	6.2	7.8	7.9	7.9	7.9	7.8
Leverage (x)	4.4	4.3	3.4	3.5	2.5	2.3	2.2	2.1	2.0
Return on Assets	5.1%	5.2%	5.4%	4.5%	6.2%	6.0%	6.4%	6.7%	6.9%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	18.2%	17.8%	17.5%	17.0%	16.3%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	9.2%	8.9%	9.4%	9.7%	9.8%
FCF Calculation									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-3,053.6	16,601.5	19,034.1	20,169.4	22,399.2
capex	-11,636.6	-242.1	-758.9	-710.7	-751.4	-826.6	-909.2	-991.0	-1,066.8
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-3,805.0	15,774.9	18,124.9	19,178.3	21,332.3
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	-12.89	53.43	61.39	64.96	72.25
Price/FCF per share	22.32	11.74	-6.14	6.61	-53.15	12.82	11.16	10.55	9.48
FCF Yield	4.5%	8.5%	-16.3%	15.1%	-1.9%	7.8%	9.0%	9.5%	10.5%
Net Cash calculation									
Cash + short term investments	1,23,754.9	1,48,402.0	1,44,695.5	1,48,688.4	1,44,588.1	1,60,067.8	1,77,897.4	1,96,782.5	2,17,823.6
Less: long term debt + ST debt	-45,939.9	-59,020.2	-89,613.7	-64,426.0	-64,426.0	-64,426.0	-64,426.0	-64,426.0	-64,426.0
Net Cash	77,815.0	89,381.8	55,081.8	84,262.4	80,162.1	95,641.8	1,13,471.4	1,32,356.5	1,53,397.6
Net cash per share	263.6	302.7	186.6	285.4	271.5	323.9	384.3	448.3	519.6

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	2.71	2.27	1.94	1.65	1.42	1.22
P/E	16.68	14.36	17.26	15.65	13.75	12.95	11.15	9.75	8.67
P/S	0.11	0.07	0.12	0.12	0.11	0.10	0.09	0.08	0.08
EV/sales	0.06	0.04	0.09	0.09	0.09	0.08	0.07	0.07	0.06
EV/EBITDA	5.68	4.98	8.40	8.78	8.29	7.40	6.58	6.18	5.60
EV/EBIT	5.95	5.17	8.70	9.14	8.77	7.80	6.91	6.18	5.60
EV/FCF	11.09	5.20	-4.96	5.34	-42.94	10.36	9.02	8.52	7.66
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%	-7.8%	1.9%	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	1.7	1.8	2.0
Quick ratio	1.1	1.2	1.2	1.1	1.5	1.5	1.6	1.7	1.8
Working capital	-47380	-51745	-6210	-23867	-5032	-4888	-4602	-4021	-3096
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2

Leverage Ratios

Debt / equity	96%	105%	130%	79%	67%	58%	50%	43%	37%
Net cash (debt) / equity	163%	159%	80%	104%	84%	86%	88%	89%	89%
Net cash (debt) / mkt cap	38%	44%	27%	42%	40%	47%	56%	65%	76%
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	6.4	4.9	5.6	6.2	6.9
Interest coverage [Opt. CF]	3.6	4.1	-6.0	7.1	-1.1	3.9	4.5	4.7	5.3

Earnings Quality Ratios

Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	15566	15410	15424	16995	18987
Average NOA	-37643	-31495	-9585	5445	6309	15488	15417	16209	17991
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	2.93	-0.01	0.00	0.10	0.11
CF accrual ratio	-0.25	0.14	-4.91	-3.08	2.93	-0.01	0.00	0.10	0.11

Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current
Market Cap.	1,78,331	1,78,922	2,18,485	2,02,246
+ Minority Interest	0	0	0	0
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	64,426
- Cash & Equivalents	1,23,755	1,48,402	1,44,696	1,48,688
Enterprise Value	1,00,516	89,540	1,63,403	1,17,984

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	18,628	20,955	23,650	26,444	29,198	28,755	30,049	31,266
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	4%	12%	13%	12%	10%	-2%	4%	4%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.7%	4.0%	6.5%	6.5%	6.5%	6.5%	6.5%	7.8%	9.3%	11.2%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	17,420	19,597	22,117	24,730	27,305	26,518	27,244	27,763
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	1%	12%	13%	12%	10%	-3%	3%	2%
+ D&A	20	21	21	164	622	788	650	680	743	1,072	1,126	1,182	0	0	1,381	1,444	1,502
- Capital expenditures	-27	-18	-7	-1,155	-1,575	-11,637	-242	-759	-711	-751	-827	-909	-991	-1,067	-1,314	-1,373	-1,429
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-18,835	-144	-286	-581	-925	-524	-452	-386
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-27,892	34,855	-1,094	19,752	22,103	23,158	25,313	26,061	26,863	27,451
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-103%	-1906%	12%	5%	9%	3%	3%	2%

Value per Share

		Cost of capital				
Terminal Growth		11.0%	12.0%	13.0%	14.0%	15.0%
2.5%		1,041	947	871	809	757
2.8%		1,058	960	881	817	763
3.0%		1,071	969	888	822	767
3.3%		1,091	984	899	831	774
3.5%		1,105	994	907	836	778

		WACC	13.0%
PV of Free Cash Flow		1,12,441	
PV of Terminal Value		94,731	
Add: Net Cash		55,082	
Total Equity Value		2,62,254	
Shares outstanding		295.25	
DCF value		888	

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