

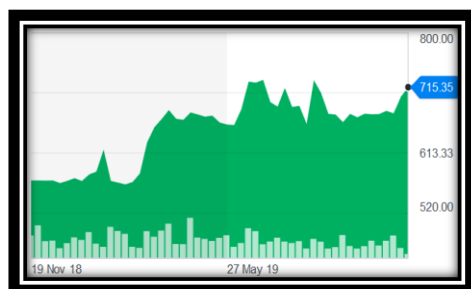
Rajesh Exports (RJEX_IN)

Earnings Update Report

Consumer Discretionary: Gold Jewelry Manufacturer

Target Price	Rs. 900.00
Current Price	Rs. 710.00
Upside Potential	27%

Market Cap.	Rs. 209 bn US\$ 2.91 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	68.9 mn / 23%
52 Week Range (Rs)	555 / 756
Avg. Daily Value	Rs.167 mn US\$ 2.35 mn
SENSEX Index Level	40,284
Insider Holding %	77%



Risk: Above Average

Forecasting and Valuations

(INR mn except ratio)	FY 2019	FY 2020E
Revenue	1,757,631	1,976,760
Net Income	12,924	14,561
EPS (Rs)	43.77	49.32
EPS Growth	2%	13%
PE	17	14
EV/EBITDA	8	7
P/B	3	2

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Q2FY2020 [ended September] Earnings Update

Robust Growth in Revenues YoY and QoQ

Rajesh Exports reported a stellar increase in revenues on a sequential QoQ and YoY basis while net profit growth was flat on YoY basis and in positive single digits on a sequential QoQ basis for the second quarter ended September 2019. Revenues for the second quarter came in at Rs.668 bn, up 25% YoY and 65% on a sequential QoQ basis. Revenue growth has shown sharp jump on a YoY and QoQ basis despite a slowdown in demand for gold in developed and emerging market economies, indicating sustained recovery since the beginning of the current financial year. Robust revenue growth indicates that demand continues to be strong with the strategy to focus on the sale of high margin products by the company. For the second quarter, EPS increased by 4.5% to Rs.10.69 vs. Rs.10.23 in Q1 FY2020, while net profit also increased by 4.5% from Rs.3 bn in Q1 FY2020 to Rs.3.2 bn in Q2 FY2020. The net profit growth was relatively subdued as compared to revenue growth due to an increase in raw material costs as a percentage of sales leading to decline in gross margins on a YoY and QoQ basis. **Our conversations with CEO Rajesh Mehta suggest the company is on track to post sustained growth YoY and QoQ in both revenue and EPS for the current fiscal year ending 03/2020.**

The absolute reduction in finance costs to nil as compared to Rs.1 bn in Q2 FY2019 was the primary reason for 5% increase in profitability despite a decline in gross margins on a YoY basis. As a reminder, Rajesh Exports remains a zero debt company. The finance costs were reported as zero on account of an adjustment of the interest cost in the COGS.

Within Rajesh Export's home market in India, while reported official GDP growth has been robust [albeit slowing] at around 5%, 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 [goods and services tax] implementation a few years back. With a positive election outcome in May 2019, there is hope that demand would witness sustained recovery in India going forward, particularly during the ongoing 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 they expect robust sales growth going forward.

We maintain our FY2020 earnings forecast to Rs. 49.32 per share, a growth of 13% over the FY2019 earnings. The USA end market remains robust with strong consumer spending accompanying record low unemployment, while Europe has shown an uptick as evidenced by the export orders executed by the company in Q2 FY2020.

The company's gross profit margin contracted to 0.7% in Q2 FY2020 from 1.07% in Q1 FY2020 and 1.06% in Q2 FY2019. The operating profit margin also contracted to 0.5% in Q2 FY2020 from 0.85% in Q1 FY2020 and 0.8% in Q2 FY2019. 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 the 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.

Maintain Estimates and Price Target Rs. 900; 27% Upside

We maintain our FY2020 earnings estimates of Rs.49.32 per share on account of a continued growth in revenues and an increase in profitability. We maintain our one-year price target of Rs. 900 on the stock. Our price target represents an upside of approximately 27% 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 in India 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. 871 which assumes a 13% WACC and a 3% terminal growth rate. Our price target implies a P/E multiple of 18x on our FY03/2020 EPS estimate of Rs. 49.32, and a P/E of 17x on our forward FY03/2021 estimate of Rs. 52.00. We continue to remain positive on the margin growth story based on the company's strong execution seen over the last 18 months. While the company operates at a low level absolute of operating margins, a relatively 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, and a P/E of 13x on our forward FY03/2021 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 25x P/E level.

Also, the stock is trading at a Price/Sales ratio of just 0.11 on our FY03/2020 revenue estimate and a P/S of 0.10x on our forward FY03/2021 estimate, which is at a significant discount to the trailing P/S ratio of 2.0x for the NIFTY Index.

Order Book Increases by 16% QoQ to Rs.534 bn

At the end of the second quarter ended September, the order book swelled by Rs. 72 bn to Rs. 534 bn from Rs. 462 bn at the end of the first quarter ended June. The rise in order book by 16% on a sequential QoQ basis indicates growth in revenues will sustain in the coming quarters. The company also expects to receive significant orders for their range of jewelry from international markets.

The Company will be executing orders 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 its orders 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 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 3 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 3 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 second quarter, the company's order book stood at Rs.534 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.

Gold Demand takes a Hit in India

Demand for gold in India saw a 32% decline on a year on year basis in volumes to 124 tons from 183 tons in the second quarter of 2019-20. Data from the World Gold Council indicated that the value demand for gold declined by 17% to Rs.338.5 bn in the second quarter of FY2019-20 from Rs.40.6 bn while investment demand fell by 35% compared to the same period last year. However, there has been an increase of 59% in recycled gold during the second quarter of FY2019-20 to approximately 37 tons from 23 tons in 2018.

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 has begun to dampen imports for the gold and jewelry industry in India.

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 help boost the gem and jewelry industry. The import duty hike of 2.5% to 12.5% has made gold jewelry costlier and has impacted consumer sentiment leading to postponements of fresh purchases. The import duty on gold was levied to curb the Current Account Deficit (CAD) which has narrowed to 2.0% of GDP in the first quarter ended June 2019 from 2.3% of GDP in last year same quarter primarily on account of higher invisible receipts.

According to the World Gold Council Global demand for gold rose 3% year on year to 1,108 tons in the second quarter of FY2019-20 and jewelry demand was a down 16% to 461 tons, mainly due to weak consumer sentiment. Weak consumer sentiment was due to continued geopolitical and economic uncertainty, coupled with substantially higher gold prices, dented jewelry purchases in all major markets.

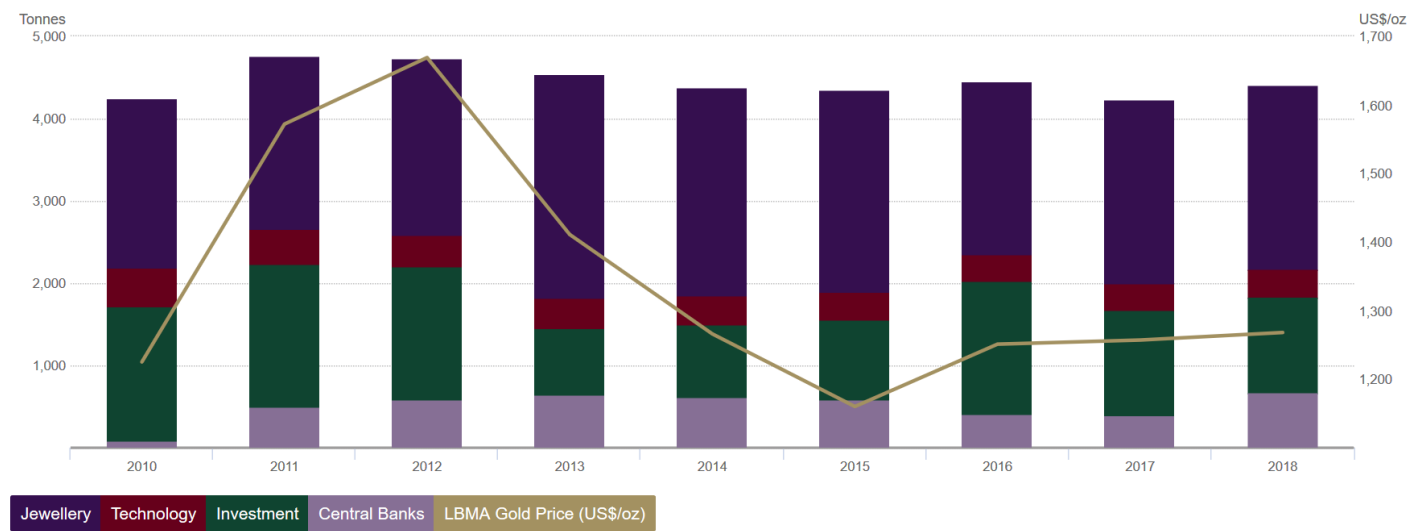
5-year Price Chart



Gold 5 Year Price Chart

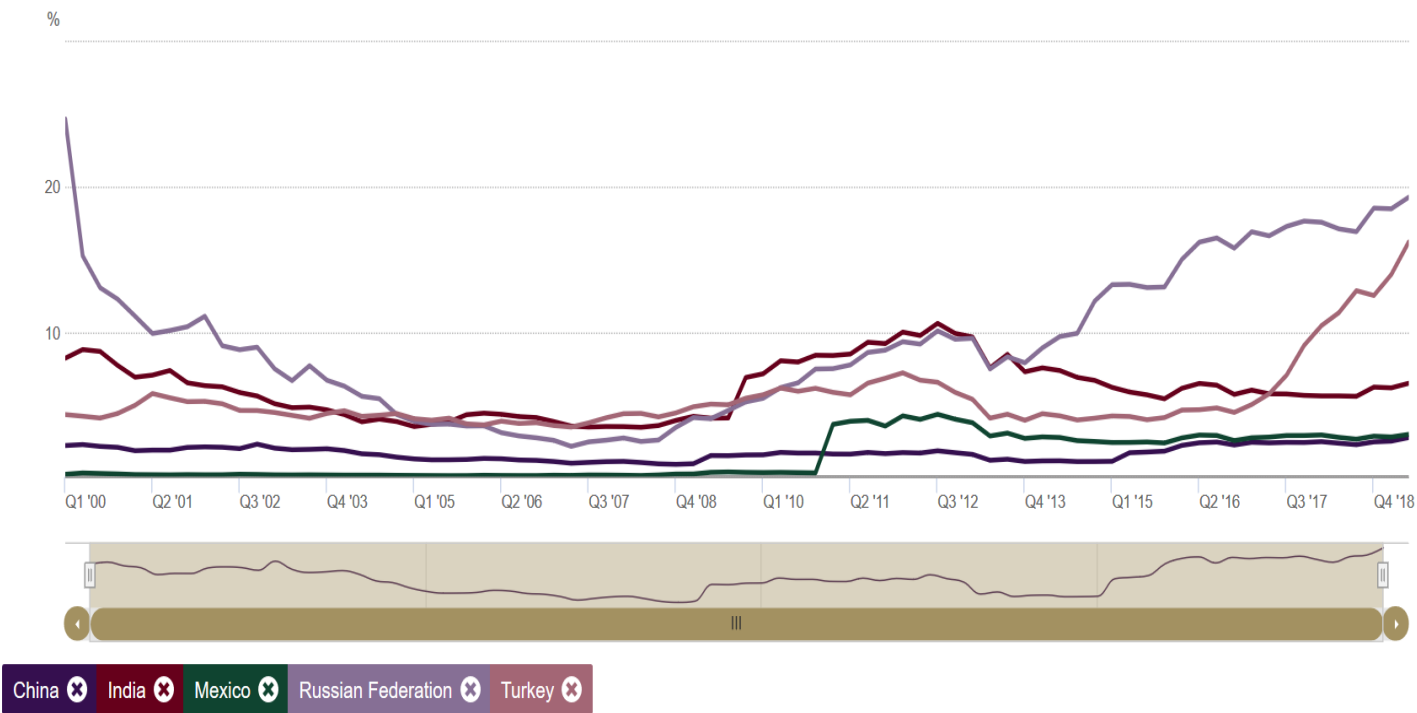


Demand and Supply: Gold Statistics



Source: World Gold Council

Quarterly official gold reserves by Country



Source: World Gold Council

Income Statement (INR million)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20E	Q4FY20E
Revenue	439,268	533,758	440,172	344,433	406,190	668,274	506,198	396,098
y/y	-12.9%	2.4%	6.6%	-21.4%	-7.5%	25.2%	15.0%	15.0%
q/q	0.2%	21.5%	-17.5%	-21.8%	17.9%	64.5%	-24.3%	-21.8%
Cost of Revenue	-432,537	-528,114	-434,535	-340,039	-401,828	-663,570	-499,263	-390,672
Gross Profit	6,731.0	5,643.7	5,636.6	4,394.6	4,362.0	4,703.2	6,934.9	5,426.5
Gross margin (%)	1.53%	1.06%	1.28%	1.28%	1.07%	0.70%	1.37%	1.37%
Other Operating Revenue	214	152	88	221	35	8	6	5
as a % of sales	0.05%	0.03%	0.02%	0.06%	0.01%	0.00%	0.00%	0.00%
Selling, General & Admin Expense	-1,349.3	-1,271.5	-1,319.0	-1,267.1	-1,238.0	-1,279.4	-1,771.7	-1,584.4
as a % of sales	0.3%	0.2%	0.3%	0.4%	0.30%	0.19%	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	3,432.2	5,169.6	3,847.1
y/y	30.3%	-8.1%	5.9%	-38.0%	-43.5%	-24.1%	17.3%	14.9%
q/q	3.5%	-19.1%	-2.6%	-24.0%	-5.7%	8.6%	50.6%	-25.6%
Operating margin (%)	1.27%	0.85%	1.00%	0.97%	0.8%	0.5%	1.0%	1.0%
Interest Expense	-1,471.6	-1,062.6	-1,128.9	-753.7	0.0	0.0	0.0	0.0
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	3,432	5,170	3,847
y/y	31.0%	11.7%	-0.5%	-33.1%	-23.4%	-0.9%	57.8%	48.2%
Pretax Income (adjusted)	4,124	3,462	3,277	2,595	3,159	3,432	5,170	3,847
y/y	31.0%	11.7%	-0.5%	-33.1%	-23.4%	-0.9%	57.8%	48.2%
- Income Tax Expense	-132.5	-313.0	-117.2	28.9	-139.7	-275.8	-361.9	-269.3
effective tax rate (%)	3.2%	9.0%	3.6%	-1.1%	4.4%	8.0%	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	3,156	4,808	3,578
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	0.2%	52.2%	36.3%
- 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	3,156	4,808	3,578
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	0.2%	52.2%	36.3%
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	3,156.3	4,807.7	3,577.8
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	0.2%	52.2%	36.3%
q/q	8.1%	-21.1%	0.4%	-16.9%	15.1%	4.5%	52.3%	-25.6%
Basic EPS (reported)	13.52	10.66	10.70	8.89	10.23	10.69	16.28	12.12
Basic EPS (adjusted)	13.52	10.66	10.70	8.89	10.23	10.69	16.28	12.12
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	10.69	16.28	12.12
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	0.2%	52.2%	36.3%
Diluted EPS (adjusted)	13.52	10.66	10.70	8.89	10.23	10.69	16.28	12.12
y/y	34.5%	5.6%	4.8%	-28.9%	-24.4%	0.2%	52.2%	36.3%
q/q	8.1%	-21.1%	0.4%	-16.9%	15.1%	4.5%	52.3%	-25.6%
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	1,652,114	2,421,320	1,876,855	1,757,631	1,976,760	2,174,436	2,391,880	2,607,149	2,806,596	9.8%
y/y	227.4%	46.6%	-22.5%	-6.4%	12.5%	10.0%	10.0%	9.0%	7.7%	
q/q										
Cost of Revenue	-1,631,510	-2,400,793	-1,854,173	-1,735,225	-1,955,333	-2,147,256	-2,361,383	-2,573,243	-2,769,366	
Gross Profit	20,604.1	20,526.9	22,681.2	22,406	21,426.6	27,180.4	30,496.5	33,906.0	37,229.8	
Gross margin (%)	1.2%	0.85%	1.21%	1.27%	1.08%	1.25%	1.28%	1.30%	1.33%	
Other Operating Revenue	90	471	620	675	55	60	66	72	78	
as a % of sales	0.01%	0.02%	0.03%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	
Selling, General & Admin Expense	-3,796.0	-3,665.3	-4,518.0	(5,207)	-5,873.5	-6,525.4	-7,178.0	-7,824.0	-8,422.5	
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	15,607.8	20,715.1	23,384.6	26,154.0	28,884.8	10.1%
y/y	40.3%	2.6%	8.4%	-4.8%	-12.7%	32.7%	12.9%	11.8%	10.4%	
q/q										
Operating margin (%)	1.0%	0.72%	1.00%	1.0%	0.8%	1.0%	1.0%	1.0%	1.0%	
Interest Expense	-5,776.7	-4,302.7	-5,366.8	-4,416.7	0.0	-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	15,608	16,463	19,132	21,902	24,633	12.9%
y/y	53.2%	17.2%	3.0%	0.3%	16.0%	5.5%	16.2%	14.5%	12.5%	
Pretax Income (adjusted)	11,122	13,030	13,416	13,458	15,608	16,463	19,132	21,902	24,633	12.9%
y/y	53.2%	17.2%	3.0%	0.3%	16.0%	5.5%	16.2%	14.5%	12.5%	
- Income Tax Expense	-431.2	-571.4	-758.6	-533.9	-1,046.7	-1,104.1	-1,283.1	-1,468.8	-1,652.0	
effective tax rate (%)	3.9%	4.4%	5.7%	4.0%	6.7%	6.7%	6.7%	6.7%	6.7%	
- Minority Interests	0	0	0	0	0	0	0	0	0	
Income Before XO Items	10,690	12,459	12,658	12,924	14,561	15,359	17,849	20,433	22,981	12.2%
y/y	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%	
- 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	14,561	15,359	17,849	20,433	22,981	12.2%
y/y	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%	
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	14,561.1	15,357.9	17,847.4	20,430.1	22,976.7	12.2%
y/y	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%	
q/q										
Basic EPS (reported)	36.21	42.20	42.87	43.77	49.32	52.02	60.46	69.21	77.83	
Basic EPS (adjusted)	36.21	42.20	42.87	43.77	49.32	52.02	60.45	69.20	77.82	
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	49.32	52.02	60.46	69.21	77.83	12.2%
y/y	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%	
Diluted EPS (adjusted)	36.21	42.20	42.87	43.77	49.32	52.02	60.45	69.20	77.82	12.2%
y/y	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%	
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
Assets									
+ Cash & Near Cash Items	123,755	148,402	144,696	148,688	145,490	160,560	178,028	196,498	217,069
+ Short-Term Investments	-	-	-	-	-	-	-	-	-
+ Accounts & Notes Receivable	48,896	50,199	39,926	54,851	47,461	52,207	57,428	62,596	67,385
+ Inventories	9,926	11,628	17,220	46,000	15,211	16,704	18,369	20,017	21,543
+ Other Current Assets	4,336	8,606	9,762	10,916	10,916	10,916	10,916	10,916	10,916
Total Current Assets	186,913	218,834	211,603	260,455	219,077	240,386	264,741	290,027	316,913
+ 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	11,396	12,275	13,242	14,297	15,432
- 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	6,486	6,239	6,024	7,079	8,213
+ 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	24,580.3	24,333.7	24,118.7	25,173.0	26,307.9
Total Assets	209,412.5	241,317.6	235,585	285,307.9	243,657.5	264,720.1	288,859.5	315,200.3	343,220.4
Liabilities & Shareholders' Equity									
+ Accounts Payable	108,533	121,519	71,699	134,665	78,749	84,749	91,336	97,540	102,875
+ 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	156,478.2	177,699.1	160,289.5	197,617.4	141,701.1	147,701.0	154,288.3	160,492.3	165,826.9
+ 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	161,580.7	184,942.6	166,665.9	203,993.8	148,077.5	154,077.4	160,664.7	166,868.6	172,203.3
+ 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	95,285	110,347	127,900	148,034	170,716
Total Shareholders' Equity	47,832.2	56,375.0	68,685.4	81,314.2	95,580.0	110,642.6	128,194.8	148,329.6	171,011.1
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	209,412.9	241,317.6	235,351.3	285,307.9	243,657.5	264,720.0	288,859.5	315,198.2	343,214.4

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	14,561.1	15,357.9	17,847.4	20,430.1	22,976.7
+ 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	-17,737.3	-239.2	-299.1	-612.6	-979.6
Cash From Operating Activities	20,699.0	17,473.8	-32,196.6	31,324.0	-2,104.0	16,244.6	18,730.4	19,817.5	21,997.1
+ 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	-799.3	-879.3	-967.2	-1,054.2	-1,134.9
+ 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	-799.3	-879.3	-967.2	-1,052.2	-1,130.9
+ 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	-3,198.6	15,070.1	17,468.0	18,470.0	20,571.0
Opening cash			148,402.0	144,461.4	148,688.4	145,489.8	160,559.9	178,027.9	196,497.9
Closing cash			144,461.4	148,688.4	145,489.8	160,559.9	178,027.9	196,497.9	217,068.9

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%	12.5%	10.0%	10.0%	9.0%	7.7%
Operating Income	40.3%	2.6%	8.4%	-4.8%	-12.7%	32.7%	12.9%	11.8%	10.4%
Net income adjusted	63.2%	16.5%	1.6%	2.1%	12.7%	5.5%	16.2%	14.5%	12.5%
Diluted EPS adjusted	63%	17%	2%	2%	13%	5%	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	49.3	52.0	60.4	69.2	77.8
Diluted EPS (adjusted)	36.2	42.2	42.9	43.8	49.3	52.0	60.4	69.2	77.8
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	301.3	352.3	411.8	480.0	556.8
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%	1.08%	1.25%	1.28%	1.30%	1.33%
Operating Margin	1.02%	0.72%	1.00%	1.02%	0.79%	0.95%	0.98%	1.00%	1.03%
EBITDA Margin	1.07%	0.74%	1.04%	1.06%	0.84%	1.00%	1.03%	1.00%	1.03%
Pre-Tax Margin (adjusted)	0.67%	0.54%	0.71%	0.77%	0.79%	0.76%	0.80%	0.84%	0.88%
Net Income Margin (adjusted)	0.65%	0.51%	0.67%	0.74%	0.74%	0.71%	0.75%	0.78%	0.82%
Return Ratios									
Dupont ROE (%)	22.3%	22.1%	18.4%	15.9%	15.2%	13.9%	13.9%	13.8%	13.4%
Margin (%)	0.6%	0.5%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
Turnover (x)	7.9	10.0	8.0	6.2	8.1	8.2	8.3	8.3	8.2
Leverage (x)	4.4	4.3	3.4	3.5	2.5	2.4	2.3	2.1	2.0
Return on Assets	5.1%	5.2%	5.4%	4.5%	6.0%	5.8%	6.2%	6.5%	6.7%
Return on Capital Employed	31.9%	27.2%	24.9%	20.4%	15.3%	17.7%	17.4%	16.9%	16.3%
Return on Invested Capital	11.4%	10.8%	8.0%	8.9%	9.1%	8.8%	9.3%	9.6%	9.8%
FCF Calculation									
Op. cash	20,699.0	17,473.8	-32,196.6	31,324.0	-2,104.0	16,244.6	18,730.4	19,817.5	21,997.1
capex	-11,636.6	-242.1	-758.9	-710.7	-799.3	-879.3	-967.2	-1,054.2	-1,134.9
FCF (INR million)	9,062.4	17,231.7	-32,955.6	30,613.3	-2,903.3	15,365.3	17,763.2	18,763.2	20,862.3
FCF margin (%)	0.5%	0.7%	-1.8%	1.7%	-0.1%	0.7%	0.7%	0.7%	0.7%
FCF per share	30.69	58.36	-111.62	103.69	-9.83	52.04	60.16	63.55	70.66
Price/FCF per share	23.13	12.17	-6.36	6.85	-72.20	13.64	11.80	11.17	10.05
FCF Yield	4.3%	8.2%	-15.7%	14.6%	-1.4%	7.3%	8.5%	9.0%	10.0%
Net Cash calculation									
Cash + short term investments	123,754.9	148,402.0	144,695.5	148,688.4	145,489.8	160,559.9	178,027.9	196,497.9	217,068.9
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	81,063.8	96,133.9	113,601.9	132,071.9	152,642.9
Net cash per share	263.6	302.7	186.6	285.4	274.6	325.6	384.8	447.3	517.0

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	2.81	2.36	2.02	1.72	1.48	1.28
P/E	16.68	14.36	17.26	16.22	14.40	13.65	11.75	10.26	9.12
P/S	0.11	0.07	0.12	0.12	0.11	0.10	0.09	0.08	0.07
EV/sales	0.06	0.04	0.09	0.07	0.06	0.06	0.05	0.05	0.04
EV/EBITDA	5.68	4.98	8.40	6.73	7.52	5.74	5.10	4.79	4.34
EV/EBIT	5.95	5.17	8.70	7.01	8.03	6.05	5.36	4.79	4.34
EV/FCF	11.09	5.20	-4.96	4.10	-43.18	8.16	7.06	6.68	6.01
Dividend Yield (%)	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
Div payout on FCF	3.3%	1.7%	-0.9%	1.0%	-10.2%	1.9%	1.7%	1.6%	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	1.5	1.6	1.7	1.8	1.9
Quick ratio	1.1	1.2	1.2	1.1	1.4	1.5	1.6	1.7	1.8
Working capital	-47380	-51745	-6210	-23867	-6129	-5890	-5591	-4979	-3999
Cash conversion cycle	-11	-8	-7	-3	-3	-3	-3	-2	-2
Leverage Ratios	FY03/2016	FY03/2017	FY03/2018	FY03/2019	FY03/2020E	FY03/2021E	FY03/2022E	FY03/2023E	FY03/2024E
Debt / equity	96%	105%	130%	79%	67%	58%	50%	43%	38%
Net cash (debt) / equity	163%	159%	80%	104%	85%	87%	89%	89%	89%
Net cash (debt) / mkt cap	37%	43%	26%	40%	39%	46%	54%	63%	73%
Net cash (debt) / capital	83%	77%	35%	58%	51%	55%	59%	62%	65%
Coverage Ratios									
Interest coverage [EBIT]	2.9	4.0	3.5	4.0	#DIV/0!	4.9	5.5	6.2	6.8
Interest coverage [Opt. CF]	3.6	4.1	-6.0	7.1	#DIV/0!	3.8	4.4	4.7	5.2
Earnings Quality Ratios									
Net operating assets/liab [NOA]	-29983	-33007	13838	-2948	14516	14509	14593	16260	18374
Average NOA	-37643	-31495	-9585	5445	5784	14512	14551	15426	17317
B/S accrual ratio	-0.41	0.10	-4.89	-3.08	3.02	0.00	0.01	0.11	0.12
CF accrual ratio	-0.25	0.14	-4.91	-3.08	3.02	0.00	0.01	0.11	0.12
Enterprise Value Calculation	FY 03/2016	FY 03/2017	FY 03/2018	current					
Market Cap.	178,331	178,922	218,485	209,628					
+ Minority Interest	0	0	0	0					
+Total Debt (ST & LT Debt)	45,940	59,020	89,614	64,426					
- Cash & Equivalents	123,755	148,402	144,696	148,688					
Enterprise Value	100,516	89,540	163,403	125,365					

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	15,608	20,715	23,385	26,154	28,885	28,432	29,712	30,915
% growth	0%	75%	25%	-1%	61%	40%	3%	8%	-5%	-13%	33%	13%	12%	10%	-2%	5%	4%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	3.9%	4.4%	5.7%	4.0%	6.7%	6.7%	6.7%	6.7%	6.7%	8.0%	9.7%	11.6%
EBIAT	3,196	5,775	7,002	6,628	10,864	16,243	16,573	17,721	17,165	14,561	19,326	21,816	24,400	26,948	26,144	26,843	27,333
% growth	0%	81%	21%	-5%	64%	50%	2%	7%	-3%	-15%	33%	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	-799	-879	-967	-1,054	-1,135	-1,398	-1,461	-1,520
- Change in net WC	2,437	-10,942	21,428	-32,236	33,190	-1,511	4,365	-45,534	17,657	-17,737	-239	-299	-613	-980	-637	-549	-469
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	43,100	3,884	21,346	-27,892	34,855	-2,903	19,333	21,732	22,733	24,833	25,491	26,277	26,846
FCY y/y growth		-192%	-651%	-194%	-262%	-91%	450%	-231%	-225%	-108%	-766%	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%		1,020	928	854	793	743
2.8%		1,037	941	864	801	748
3.0%		1,049	950	871	806	753
3.3%		1,069	964	881	814	759
3.5%		1,083	974	889	820	763

		WACC	13.0%
PV of Free Cash Flow		109,377	
PV of Terminal Value		92,644	
Add: Net Cash		55,082	
Total Equity Value		257,103	
Shares outstanding		295.25	
DCF value		871	

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