



RAJESH EXPORTS LIMITED

Mfrs & Exporters of Gold and Diamond Jewellery
4, BATAVIA CHAMBERS, KUMARAKRUPA ROAD
KUMARA PARK EAST, BENGALURU - 1 INDIA
PH : 22266735, 22260443, 22282215, 41623638, 41529154
FAX : +91-80-2225 9503 Email : corpcomm@rajeshindia.com
CIN No. : L36911KA1995PLC017077
Website : www.rajeshindia.com

November 16, 2016

The Manager Listing,
National Stock Exchange of India Ltd,
Mumbai.

The Manager Listing,
Bombay Stock Exchange of India Ltd
Mumbai.

Dear Sir,

Sub: Analyst Report.

Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed report of Analyst – Evaluate Research.

The Analyst Report is being uploaded on the Company's website www.rajeshindia.com in the Investors Tab. .

This is for your information and record.

Thanking you

For **Rajesh Exports Ltd**

Authorised Signatory
Joseph T D
Compliance Officer



www.evaluateresearch.com

Target Price	Rs. 900.00
Current Price	Rs. 436.90
Upside Potential	106%

Rajesh Exports (RJEX_IN)

Earnings Update Report
Consumer Discretionary: Gold Jewelry Manufacturer

Q2FY03-2017 [ended September] Earnings Update

Market Cap.	Rs. 128,999 mn \$ 1.90 bn
Shares Outstanding	295.3 mn
Free Float (FF %)	80.3 mn / 27.2%
52 Week Range (Rs)	421.25 / 745.50
Avg. Daily Value	Rs. 227.1mn \$ 3.4 mn
SENSEX Index Level	26,859
Insider Holding %	57.8%

Strong Growth, Continued Retail Expansion

Rajesh Exports continued to register strong growth backed by its successful backward integration through the acquisition of Valcambi, the world's largest gold refiner, and the continued growth of its retail initiative Shubh Jewelers. For 2Q 2017, the company posted record revenue of Rs. 644.6 billion as compared to revenue of Rs. 443.2 billion in 2Q 2016, a growth of 45% YoY. EPS increased 10.6% from Rs. 9.48 during 2Q 2015 to Rs. 10.49 during 2Q 2016.

P/E 9.5x (FY03/2018E)



With the acquisition behind it, the company will now look forward to increasing its international presence by introducing its products in the European and American markets. At the same time, the company will also focus on expanding its retail operations by starting the second phase of retail store expansion under the Shubh Jewelers brand. We expect both these steps to help the company to achieve higher profitability going forward.

Recall of Rs. 500 and Rs. 1,000 Currency Notes

The government of India recently decided to do away with all the existing Rs. 500 and Rs. 1,000 currency notes in order to crackdown on black money and corruption. While this is expected to have a near-term negative impact on retail gold jewelry sales in India, we expect minimal impact on Rajesh Exports as the company derives over 90% of its sales through exports which is likely to remain unaffected by the currency demonetization scheme. On the retail jewelry business, we expect this to have an impact on jewelers as around 50% of jewelry sales in India are through cash transactions. However, we believe the impact will only be short-term and that the sales will start recovering once the new notes are in circulation. During a recent interview, Mr. Rajesh Mehta, founder and executive chairman of Rajesh Exports, said that he expects to see some volatility until the new currency notes come into circulation and anticipates a 4% decline in retail jewelry sales over the next 30 days. Mr. C Vinod Hayagriv, managing director of Bangalore-based heritage jeweler C Krishniah Chetty & Sons remains more pessimistic and expects to see around 15% decline in sales over the next six months.

Risk: Above Average

Analyst:

Ajeya Patil
ajeya@evaluateresearch.com

Client Servicing:

Pooja Burgul
pooja@evaluateresearch.com

Our Call with the Management

Following the Q2FY2017 earnings release, we spoke with the company's Chairman, Mr. Rajesh Mehta, who mentioned that the company has seen a strong surge in the demand for gold and that the premiums too have gone up as people have reaffirmed their faith in gold after the currency demonetization. He also mentioned that he does not expect to see any slowdown in the coming quarters as people will continue buying gold as a hedge against the currency. On the topic of acquisitions, Mr. Mehta said that the company will continue to actively look for companies to acquire however we might not see much activity over the next three months.

Strong Order Flows

The continuing strong orders received by the company have helped us confirm our positive thesis on Rajesh Exports. In November 2016, the company won an order worth Rs. 12 billion from the UAE to export designer range gold and diamond studded jewelry and medallions. The order, which is to be completed by February 2017, will be executed at the company's manufacturing facility at Bangalore, the world's largest gold manufacturing facility.

Retail Expansion to Drive Margins

In November, the company opened its 81st retail showroom under the Shubh Jewelers brand. This is part of its second phase of retail expansion under which the company plans to launch retail showrooms across the four states of Southern India. The company has set a target of launching a total of 500 retail showrooms in the country over the next 3-4 years. During the first phase, the company launched 80 showrooms in the South Indian state of Karnataka. By launching retail showrooms, the company plans to increase its profits by entering the higher margin business of jewelry retailing which commands a gross profit margin of 7-8% as compared to the less than 2% gross profit margin of the export business.

There is a very high operating leverage in the company's business with the EBITDA margin being around 1%. Hence, we believe that an expansion in the retail category will help the company boost its EPS, since a small increase in gross margin can have a multiplier effect on the net income.

Maintaining Rs. 900 PT

We maintain our one-year price target of Rs. 900, based on the continued strong numbers reported by the company. Our price target represents a 106% upside 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. 913 which assumes 12.5% WACC and 2% terminal growth rate. We apply a 19.7x on our FY03/2018 EPS estimate of Rs. 45.73 which comes to around Rs. 900.

We estimate Rs. 11.8 billion in net income [Rs. 40.13 in EPS] in FY03/2017, up 11.1% YoY, and Rs. 13.5 billion [Rs. 45.73 in EPS] in FY03/2018, up 14% YoY. While we maintain our FY2017 EPS estimate, we revise our FY2017 revenue estimate upwards by 10% from Rs. 2,065 billion to Rs. 2,280 billion based on the strong sales reported during the first two quarters after the successful integration of Valcambi. Please see below our detailed earnings model. In FY2016, jewelry stocks in India were hurt by various factors such as the imposition of 1% excise duty by the government on gold and studded jewelry in February followed by the 43-day strike in March to oppose the excise duty and most recently the recall of Rs. 500 and Rs. 1,000 notes in November. While most stocks recovered from the lows achieved in February and March, Rajesh exports continued to trade at a lower price. While the stock price of majority of the jewelry companies in the country fell by more than 10% after the notes recall, Rajesh exports' stock was down by only 4%, since the company, whose main business is in trading, is much less exposed to the Indian retail jewelry market as compared to the other players.

Currently the stock is trading at a price of Rs. 437, down by about 69% from its 2016 high of Rs. 744 achieved in February. This translates into a P/E of 9.5x based on our FY2018 EPS estimate of Rs. 45.73. **With Valcambi successfully assimilated and the continued retail expansion of the company, the fundamentals remain intact and we believe that at the current stock price investors can find an attractive entry point.**

Gold Price

International gold price is down by about 10% from a high of \$1,365 per ounce achieved in July to \$1,225 per ounce today. Most of this fall came in the aftermath of the US presidential elections as investors tried to assess the impact of a Trump presidency. Overall, gold price has been up 14% YTD from \$1,080 per ounce at the end of 2015 to \$1,228 per ounce today.

5-year Price Chart



Income Statement (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E	CAGR (2016-20)
Revenue	200,452	250,621	304,251	285,141	504,628	1,652,114	2,279,917	2,371,114	2,477,814	2,594,271	39%
y/y		25.0%	21.4%	-6.3%	77.0%	225.0%	38.0%	4.0%	4.5%	4.7%	
Cost of Revenue	-203,254	-246,823	-308,150	-280,732	-495,804	-1,638,897	-2,261,222	-2,351,671	-2,457,496	-2,573,517	
Gross Profit	-2,802.6	3,798.0	-3,898.6	4,409.0	8,824.0	13,216.9	18,695.3	19,443.1	20,318.1	20,754.2	
Gross margin (%)	-1.4%	1.5%	-1.3%	1.5%	1.7%	0.8%	0.8%	0.8%	0.8%	0.8%	
Other Operating Revenue	4,886	5,918	7,719	6,645	6,645	8,261	7,980	8,299	8,672	9,080	
as a % of sales	2.4%	2.4%	2.5%	2.3%	1.3%	0.5%	0.4%	0.4%	0.4%	0.4%	
Selling, General & Admin Expense	-314.6	-424.3	-272.2	-2,436.1	-2,805.0	-6,554.9	-9,045.8	-8,298.9	-8,672.3	-9,079.9	
as a % of sales	0.2%	0.2%	0.1%	0.9%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	
Other Operating expenses	1,695.5	-3,243.8	4,026.6	-1,131.1	-622.2	-660.8	-957.6	-1,019.6	-1,115.0	-1,167.4	
as a % of sales	-0.8%	1.3%	-1.3%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
Operating Income	3,464.2	6,047.4	7,574.5	7,486.4	12,041.4	14,261.7	16,671.7	18,423.6	19,203.1	19,586.7	10%
y/y		74.6%	25.3%	-1.2%	60.8%	18.4%	16.9%	10.5%	4.2%	2.0%	
Operating margin (%)	1.7%	2.4%	2.5%	2.6%	2.4%	0.9%	0.7%	0.8%	0.8%	0.8%	
Interest Expense	-1,666.8	-3,693.5	-2,995.1	-3,634.7	-4,782.7	-2,408.8	-3,208.2	-3,422.1	-3,422.1	-3,422.1	
Interest income	684.6	1,948.7	289.8	186.8	0.0	0.0	0.0	0.0	0.0	0.0	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	25.1	15.9	26.8	-6.3	1.1	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	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	181.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	2,688	4,319	4,896	4,038	7,260	11,853	13,463	15,001	15,781	16,165	17%
y/y		60.6%	13.4%	-17.5%	79.8%	63.3%	13.6%	11.4%	5.2%	2.4%	
Pretax Income (adjusted)	2,507	4,319	4,896	4,037	7,260	11,853	13,463	15,001	15,781	16,165	17%
y/y		72.2%	13.4%	-17.5%	79.8%	63.3%	13.6%	11.4%	5.2%	2.4%	
- Income Tax Expense	-208.1	-194.5	-370.1	-462.8	-711.3	-1,185.3	-1,615.6	-1,500.1	-1,578.1	-1,616.5	
effective tax rate (%)	7.7%	4.5%	7.6%	11.5%	9.8%	10.0%	12.0%	10.0%	10.0%	10.0%	
- Minority Interests	0	0	0	0	0	0	0	0	0	0	
Income Before XO Items	2,480	4,124	4,526	3,575	6,548	10,668	11,848	13,501	14,203	14,548	17%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%	
- 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	
Net Income (reported)	2,480	4,124	4,526	3,575	6,548	10,668	11,848	13,501	14,203	14,548	17%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	2,299.1	4,124.0	4,525.9	3,574.7	6,548.4	10,667.6	11,847.9	13,501.3	14,202.9	14,548.2	17%
y/y		79.4%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%	
Basic EPS (reported)	8.4	14.0	15.3	12.1	22.2	36.1	40.1	45.7	48.1	49.3	
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.1	45.7	48.1	49.3	
Basic Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	
Diluted EPS (reported)	8.40	13.97	15.33	12.11	22.18	36.13	40.13	45.73	48.10	49.27	17%
y/y		66.3%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%	
Diluted EPS (adjusted)	7.79	13.97	15.33	12.11	22.18	36.13	40.13	45.73	48.10	49.27	17%
y/y		79.4%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%	
Diluted Weighted Avg Shares	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	295.25	

Reference Items	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
EBITDA	3,484	6,068	7,595	7,651	12,663	15,050	17,520	19,338	20,193	20,659
Dividends per Share	0.60	0.60	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Dividend payout ratio	7.7%	4.3%	6.5%	8.3%	4.5%	2.8%	2.5%	2.2%	2.1%	2.0%
Dep & Amor.	20	21	21	164	622	788	848	914	990	1,072
as a % of sales	0.0%	0.0%	0.0%	0.1%	0.1%	0.05%	0.04%	0.04%	0.04%	0.04%
Balance Sheet (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Assets										
+ Cash & Near Cash Items	78,150	78,548	98,458	72,142	109,318	126,437	173,460	217,661	238,766	260,956
+ Short-Term Investments	-	-	-	-	12,555	12,555	12,555	12,555	12,555	12,555
+ Accounts & Notes Receivable	15,888	26,018	23,291	24,152	21,949	99,579	137,420	129,924	135,771	142,152
+ Inventories	3,773	6,344	7,753	5,713	6,752	26,941	49,561	51,543	53,863	56,406
+ Other Current Assets	6,863	8,058	8,161	8,129	7,009	7,009	7,009	7,009	7,009	7,009
Total Current Assets	104,674	118,969	137,662	110,135	157,582	272,521	380,005	418,692	447,963	479,077
+ Long-Term Investments	374	374	374	503	369	8,369	8,369	8,369	8,369	8,369
+ Gross Fixed Assets	524	542	549	1,673	2,248	6,213	6,441	6,655	6,779	6,883
- Accumulated Depreciation	-150	-170	-191	-354	-976	-1,765	-2,613	-3,527	-4,517	-5,590
+ Net Fixed Assets	374	372	358	1,319	1,272	4,449	3,828	3,128	2,261	1,293
+ Other Long-Term Assets	14	14	7	423	298	298	298	298	298	298
+ Goodwill & other Intangible Assets	-	-	-	-	-	5,267	5,267	5,267	5,267	5,267
Total Long-Term Assets	762.3	759.6	738.8	2,245.8	1,939.1	18,383.0	17,762.5	17,061.9	16,195.3	15,226.9
Total Assets	105,435.9	119,728.3	138,401.2	112,381.2	159,521.2	290,904.2	397,767.2	435,753.8	464,158.0	494,304.3
Liabilities & Shareholders' Equity										
+ Accounts Payable	59,062	62,522	80,499	52,155	88,045	202,056	297,366	322,147	336,643	352,537
+ Short-Term Borrowings	25,342	32,567	27,286	31,176	36,776	36,776	36,776	36,776	36,776	36,776
+ Other Short-Term Liabilities	5,008	4,662	6,384	1,539	501	1,501	1,501	1,501	1,501	1,501
Total Current Liabilities	89,412.1	99,751.0	114,168.9	84,870.6	125,322.4	240,333.1	335,643.4	360,423.9	374,920.5	390,813.9
+ Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
+ Other Long-Term Liabilities	56.1	91.2	86.7	85.7	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	89,468.2	99,842.1	114,255.6	84,956.3	125,322.4	246,333.1	341,643.4	366,423.9	380,920.5	396,813.9
+ Total Preferred Equity	0.0	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	295
+ Retained Earnings & Other Equity	15,672	19,591	23,850	27,130	33,904	44,276	55,829	69,035	82,942	97,195
Total Shareholders' Equity	15,967.7	19,886.1	24,145.7	27,424.9	34,198.8	44,571.2	56,123.8	69,329.8	83,237.5	97,490.4
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Equity	105,435.9	119,728.3	138,401.2	112,381.2	159,521.2	290,904.2	397,767.2	435,753.8	464,158.0	494,304.3

Cash Flow (INR million)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
+ Net Income	2,688.0	4,318.8	4,896.2	4,037.3	6,548.4	10,667.6	11,847.9	13,501.3	14,202.9	14,548.2
+ Depreciation & Amortization	19.6	20.7	20.6	164.1	622.0	788.1	848.5	914.0	990.4	1,072.2
+ Other Non-Cash Adjustments	1,661.3	3,691.4	2,141.4	3,011.5	0.0	0.0	0.0	0.0	0.0	0.0
+ Changes in Working Capital	2,437.2	-10,941.7	21,427.6	-32,235.9	37,136.0	17,191.2	34,849.9	30,293.7	6,330.6	6,969.2
Cash From Operating Activities	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	28,647.0	47,546.3	44,709.1	21,523.9	22,589.6
+ Disposal of Fixed Assets	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-3,965.1	-228.0	-213.4	-123.9	-103.8
+ Increase in Investments	0.0	0.0	0.0	-100.0	259.5	-8,000.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	0.6	2.2	1.6	1.0	0.0	-5,267.0	0.0	0.0	0.0	0.0
Cash From Investing Activities	-11.1	-16.0	-5.5	-1,253.6	-749.7	-17,232.1	-228.0	-213.4	-123.9	-103.8
+ Dividends Paid	-226.5	-205.9	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3	-295.3
+ Change in Short-Term Borrowings	4,441.0	7,224.6	-5,280.4	3,890.0	5,599.8	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	0.0	0.0	0.0	0.0	6,000.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	2,272.3	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	0.0
+ Other Financing Activities	-1,666.9	-3,693.5	-2,995.1	-3,634.8	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	4,819.9	3,325.2	-8,570.8	-40.0	5,304.6	5,704.8	-295.3	-295.3	-295.3	-295.3
Net Changes in Cash	11,614.8	398.3	19,909.4	-26,316.5	48,861.2	17,119.7	47,023.0	44,200.4	21,104.7	22,190.6

Ratio Analysis	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Growth Ratios %										
Revenue		25.0%	21.4%	-6.3%	77.0%	225.0%	38.0%	4.0%	4.5%	4.7%
EBITDA		74.2%	25.2%	0.7%	65.5%	18.8%	16.4%	10.4%	4.4%	2.3%
Operating Income		74.6%	25.3%	-1.2%	60.8%	18.4%	16.9%	10.5%	4.2%	2.0%
Net income reported		66.3%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%
Net income adjusted		79.4%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%
Diluted EPS reported		66.3%	9.7%	-21.0%	83.2%	62.9%	11.1%	14.0%	5.2%	2.4%
Diluted EPS adjusted		79%	10%	-21%	83%	63%	11%	14%	5%	2%
Dividend per share		0.00%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts Receivables		63.8%	-10.5%	3.7%	-9.1%	353.7%	38.0%	-5.5%	4.5%	4.7%
Inventory		68.1%	22.2%	-26.3%	18.2%	299.0%	84.0%	4.0%	4.5%	4.7%
Fixed Assets		-0.3%	-2.7%	204.0%	-13.7%	848.0%	-3.4%	-3.9%	-5.1%	-6.0%
Total Assets		13.6%	15.6%	-18.8%	41.9%	82.4%	36.7%	9.5%	6.5%	6.5%
Working Capital		-28.7%	78.1%	-67.1%	236.5%	32.5%	49.8%	28.9%	4.7%	4.9%
Accounts Payable		5.9%	28.8%	-35.2%	68.8%	129.5%	47.2%	8.3%	4.5%	4.7%
Short Term Debt		28.5%	-16.2%	14.3%	18.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long Term Debt										
Total Equity		24.5%	21.4%	13.6%	24.7%	30.3%	25.9%	23.5%	20.1%	17.1%
Cash From Operations		-142.8%	-1078.6%	-187.8%	-277.1%	-35.3%	66.0%	-6.0%	-51.9%	5.0%
Capital Expenditure		31.1%	61.4%	-16142.5%	12.6%	-292.9%	94.3%	6.4%	41.9%	16.2%
Free Cash Flow		-143.2%	-1072.2%	-191.9%	-265.4%	-43.0%	91.7%	-6.0%	-51.9%	5.1%

Per Share Data (INR)	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Basic EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.1	45.7	48.1	49.3
Diluted EPS (adjusted)	7.8	14.0	15.3	12.1	22.2	36.1	40.1	45.7	48.1	49.3
Dividend per share (DPS)	0.6	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Book Value per share (BVPS)	54.1	67.4	81.8	92.9	115.8	133.1	172.2	217.0	264.1	312.4
Margins (%)										
Gross Margin	-1.4%	1.5%	-1.3%	1.5%	1.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Operating Margin	1.7%	2.4%	2.5%	2.6%	2.4%	0.9%	0.7%	0.8%	0.8%	0.8%
EBITDA Margin	1.7%	2.4%	2.5%	2.7%	2.5%	0.9%	0.8%	0.8%	0.8%	0.8%
Pre-Tax Margin (adjusted)	1.3%	1.7%	1.6%	1.4%	1.4%	0.7%	0.6%	0.6%	0.6%	0.6%
Net Income Margin (adjusted)	1.1%	1.6%	1.5%	1.3%	1.3%	0.6%	0.5%	0.6%	0.6%	0.6%
Return Ratios										
Dupont ROE (%)	14.4%	20.7%	18.7%	13.0%	19.1%	23.9%	21.1%	19.5%	17.1%	14.9%
Margin (%)	1.1%	1.6%	1.5%	1.3%	1.3%	0.6%	0.5%	0.6%	0.6%	0.6%
Turnover (x)	1.9	2.1	2.2	2.5	3.2	5.7	5.7	5.4	5.3	5.2
Leverage (x)	6.6	6.0	5.7	4.1	4.7	6.5	7.1	6.3	5.6	5.1
Return on Assets	2.2%	3.4%	3.3%	3.2%	4.1%	3.7%	3.0%	3.1%	3.1%	2.9%
Return on Capital Employed	21.6%	30.3%	31.3%	27.2%	35.2%	28.2%	26.8%	24.5%	21.5%	18.9%
Return on Invested Capital	5.6%	7.9%	8.8%	6.1%	9.2%	12.2%	12.0%	12.0%	11.3%	10.4%
FCF Calculation										
Op. cash	6,806.0	-2,910.8	28,485.7	-25,022.9	44,306.4	28,647.0	47,546.3	44,709.1	21,523.9	22,589.6
capex	-26.7	-18.4	-7.1	-1,154.8	-1,009.3	-3,965.1	-228.0	-213.4	-123.9	-103.8
FCF (INR million)	6,779.3	-2,929.3	28,478.6	-26,177.8	43,297.1	24,681.9	47,318.3	44,495.7	21,400.0	22,485.8
FCF margin (%)	3.4%	-1.2%	9.4%	-9.2%	8.6%	1.5%	2.1%	1.9%	0.9%	0.9%
FCF per share	22.96	-9.92	96.46	-88.66	146.65	83.60	160.27	150.71	72.48	76.16
Price/FCF per share	19.03	-44.04	4.53	-4.93	2.98	5.23	2.73	2.90	6.03	5.74
FCF Yield	5.3%	-2.3%	22.1%	-20.3%	33.6%	19.1%	36.7%	34.5%	16.6%	17.4%
Net Cash calculation										
Cash + short term investments	78,150.0	78,548.3	98,457.6	72,141.6	121,872.4	138,992.1	186,015.1	230,215.5	251,320.2	273,510.8
Less: long term debt + ST debt	-25,342.1	-32,566.7	-27,286.1	-31,176.1	-36,775.9	-42,775.9	-42,775.9	-42,775.9	-42,775.9	-42,775.9
Net Cash	52,807.9	45,981.7	71,171.5	40,965.5	85,096.5	96,216.1	143,239.1	187,439.6	208,544.3	230,734.9
Net cash per share	178.9	155.7	241.1	138.7	288.2	325.9	485.1	634.9	706.3	781.5
Valuation ratio's										
P/B	1.96	1.91	1.47	0.94	1.69	3.28	2.54	2.01	1.65	1.40
P/E	13.60	9.21	7.84	7.24	8.82	12.09	10.89	9.55	9.08	8.87
P/S	0.16	0.15	0.12	0.09	0.11	0.08	0.06	0.05	0.05	0.05
EV/sales	-0.11	-0.03	-0.12	-0.05	-0.05	0.03	0.02	0.02	0.02	0.02
EV/EBITDA	-6.18	-1.32	-4.70	-1.97	-2.16	2.92	2.51	2.27	2.17	2.12
EV/EBIT	-6.22	-1.32	-4.71	-2.01	-2.27	3.08	2.63	2.38	2.29	2.24
EV/FCF	-3.18	2.73	-1.25	0.58	-0.63	1.78	0.93	0.99	2.05	1.95
Dividend Yield (%)	0.14%	0.14%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%
Div payout on FCF	2.6%	-6.0%	1.0%	-1.1%	0.7%	1.2%	0.6%	0.7%	1.4%	1.3%

Working Capital Ratios	FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017E	FY03/2018E	FY03/2019E	FY03/2020E
Receivable days (DSO)	14	31	30	30	17	22	22	20	20	20
Inventory days (DIO)	3	7	8	9	5	6	8	8	8	8
Payables days (DPO)	53	90	85	86	52	45	48	50	50	50
Current ratio	1.2	1.2	1.2	1.3	1.3	1.1	1.1	1.2	1.2	1.2
Quick ratio	1.1	1.1	1.1	1.2	1.2	1.0	1.0	1.0	1.1	1.1
Working capital	-37546	-26764	-47678	-15701	-52837	-70028	-104878	-135172	-141502	-148471
Cash conversion cycle	-35	-52	-47	-47	-30	-17	-18	-22	-22	-22
Leverage Ratios										
Debt / equity	159%	164%	113%	114%	108%	96%	76%	62%	51%	44%
Net cash (debt) / equity	331%	231%	295%	149%	249%	216%	255%	270%	251%	237%
Net cash (debt) / mkt cap	169%	121%	201%	158%	147%	75%	111%	145%	162%	179%
Net cash (debt) / capital	128%	88%	138%	70%	120%	110%	145%	167%	165%	164%
Coverage Ratios										
Interest coverage [EBIT]	3.5	3.5	2.8	2.2	2.5	5.9	5.2	5.4	5.6	5.7
Interest coverage [Opt. CF]	6.9	-1.7	10.5	-7.3	9.3	11.9	14.8	13.1	6.3	6.6
Earnings Quality Ratios										
Net operating assets/liab [NOA]	-36840	-26096	-47026	-13541	-50898	-51645	-87115	-118110	-125307	-133244
Average NOA		-31468	-36561	-30283	-32219	-51271	-69380	-102613	-121708	-129276
B/S accrual ratio		-0.34	0.57	-1.11	1.16	0.01	0.51	0.30	0.06	0.06
CF accrual ratio		-0.22	0.66	-0.99	1.15	0.01	0.51	0.30	0.06	0.06
Enterprise Value Calculation										
Market Cap.	31,261	37,981	35,471	25,893	57,766	178,331	128,995			
+ Minority Interest	0	0	0	0	0	0	0			
+Total Debt (ST & LT Debt)	25,342	32,567	27,286	31,176	36,776	42,776	42,776			
- Cash & Equivalents	78,150	78,548	98,458	72,142	121,872	138,992	138,992			
Enterprise Value	-21,547	-8,001	-35,700	-15,072	-27,331	82,115	32,779			

DCF model	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(in INR million)															
EBIT	3,464	6,047	7,575	7,486	12,041	14,262	16,672	18,424	19,203	19,587	20,370	21,144	29,042	30,087	31,140
% growth	0%	75%	25%	-1%	61%	18%	17%	11%	4%	2%	4%	4%	37%	4%	3%
Taxes @	7.7%	4.5%	7.6%	11.5%	9.8%	10.0%	12.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIAT	3,196	5,775	7,002	6,628	10,862	12,836	14,671	16,581	17,283	17,628	18,333	19,030	26,138	27,079	28,026
% growth	0%	81%	21%	-5%	64%	18%	14%	13%	4%	2%	4%	4%	37%	4%	3%
+ D&A	20	21	21	164	622	788	848	914	990	1,072	1,115	1,157	1,200	1,244	1,287
- Capital expenditures	-27	-18	-7	-1,155	-1,009	-3,965	-228	-213	-124	-104	-1,349	-1,400	-1,452	-1,504	-1,557
- Change in net WC	2,437	-10,942	21,428	-32,236	37,136	17,191	34,850	30,294	6,331	6,969	5,317	-2,558	-3,117	-6,703	-7,507
Free Cash Flow to Firm	5,626	-5,164	28,443	-26,598	47,610	26,850	50,141	47,576	24,480	25,566	23,416	16,229	22,769	20,115	20,250
FCY y/y growth		-192%	-651%	-194%	-279%	-44%	87%	-5%	-49%	4%	-8%	-31%	40%	-12%	1%

Value per Share

Terminal Growth	Cost of capital				
	10.5%	11.5%	12.5%	13.5%	14.5%
1.5%	1,035	963	902	852	808
1.8%	1,046	971	908	856	812
2.0%	1,054	976	913	860	814
2.3%	1,066	985	920	865	818
2.5%	1,075	992	924	868	821

WACC		12.5%
PV of Free Cash Flow		167,398
PV of Terminal Value		61,128
Add: Net Cash		40,966
Total Equity Value		269,491
Shares outstanding		295.25
DCF value		913

Disclaimer

Evaluate Research provides institutional equity research on global public mid-cap companies. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; and we do not seek insider information for writing this report. Opinions, estimates and projections in this report constitute the current judgment of the analyst(s) as on the date of this report. It is not guaranteed as to accuracy, nor is it a complete statement, of the financial products, securities, or markets referred to. Opinions are subject to change without notice. To the extent permitted by law, Evaluate does not accept any liability arising from the use of information in this report.

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Evaluate does not make individually tailored investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. The securities, issuances or investment strategies discussed in this report may not be suitable for all investors. Investments involve many risk and potential loss of capital. Past performance is not necessarily indicative of future results. Evaluate may publish further update notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies as may be decided by the research management.

The companies or funds covered in this research may pay us a fee in order for this research to be made available. Any fees are paid upfront without recourse. Evaluate and its analysts are free to issue any opinion on the security or issuance. Evaluate seeks to comply with the CFA Institute Standards as well as NIRI Guidelines (National Investor Relations Institute, USA) for all conduct, research and dissemination of research, particularly governing independence in issuer commissioned research.

Forward-looking information or statements in this report contain information that is based on assumptions, forecasts and estimates of future results, and therefore involve known and unknown risks or uncertainties which may cause the actual results, performance or achievements of their subject matter to be materially different from the current expectations.

Evaluate makes an effort to use reliable, comprehensive information, but makes no representation that this information is accurate or complete. Evaluate is under no obligation to update or keep current the information contained herein. The compensation of the analyst who prepares any Evaluate research report is determined exclusively by Evaluate's research and senior management.

Evaluate Research Ltd. does not conduct any investment banking, stock brokerage or money management business and accordingly does not itself hold any positions in the securities mentioned in this report. However, Evaluate's directors, affiliates, and employees may have a position in any or related securities mentioned in this report at an appropriate time period after the report has already been disseminated, and in compliance with all CFA Institute Standards.

No part of this report may be reproduced or published without the prior written consent from Evaluate Research Ltd. Please cite the source when quoting.

Copyright 2015 Evaluate Research Limited. All rights reserved.

Evaluate Research Ltd.

30/F Singapore Land Tower
50 Raffles Place
SINGAPORE

Sai Capital Bldg – Suite 402
Opp. JW Marriott Hotel
SB RD, Pune 411 016
INDIA

Analyst:

Ajeya Patil
ajeya@evaluateresearch.com

Client Servicing:

Pooja Burgul
pooja@evaluateresearch.com

I, Ajeya Patil, certify that the opinions expressed in this report accurately reflect my personal views about the subject and its underlying securities. I further certify that the performance of stocks or securities in this report is not directly tied to my compensation, though my compensation is based on firm profitability, including the investment research and management performance of Evaluate Research Ltd.