

March 04, 2013

RAJESH EXPORTS LTD.

BSE Code: 531500 NSE Code: RAJESHEXPO Reuters Code: REXP.NS Bloomberg Code: RJEX:IN

Rajesh Exports Ltd (RAJESHEXPO), India's largest gold jewellery exporter, was incorporated on 1st February 1995. The company is engaged in the manufacturing of gold and diamond jewellery, exporting its products globally and distributing them within India to the wholesale jewellery market. RAJESHEXPO is specialized in Asian jewellery and it retails its products through its own network of retail jewellery showrooms, Shubh Jewellers spread across India. It has a strategic alliance with an Australian Government-owned gold mining and refining company and has the only mines-to-customer operations in the world. RAJESHEXPO has one of the world's largest jewellery design database, which comprises 29000 designs. RAJESHEXPO is exporting plain Gold jewellery and studded Gold jewellery mainly to USA, UK, Singapore and UAE.

Investor's Rationale

Registered a 20.0% YoY rise in top-line on higher revenues from export and retail businesses

RAJESHEXPO registered a growth of 20.0% YoY in its standalone revenues at ₹78.2 bn in Q3FY'13, against ₹65.2 bn in the same period a year ago, driven by its export and retail businesses. The company posted record retail sales during the festival season at its Shubh Jewellers showrooms. Moreover, introduction of new range of designs to the retail customers contributed to the top-line.

Bottom-line grew 14.6% YoY led by decline in interest cost

The company saw a 14.6% YoY surge in net profit at ₹1.3 bn primarily on account of decrease in interest expenses by 46.1% YoY to ₹0.6 bn during the quarter. Decline in depreciation charges by 43.3% YoY to ₹0.01 bn and absence of taxation further contributed to the rise.

EBITDA margin plummeted 110bps YoY on higher inventories

The company posted a 17.3% YoY fall in EBITDA at ₹1.9 bn in Q3FY'13 mainly due to a massive rise in inventory to ₹2.2 bn in Q3FY'13 as against ₹0.02 bn in Q3FY'12. Moreover, rise in raw material cost and employee expenses by 18.1% and 6.92% YoY to ₹74.1 bn and ₹0.04 bn respectively, also added to the decline. Consequently, EBITDA margin fell by 110bps YoY to 2.4% in Q3FY'13 from 3.5% in Q3FY'12.

Order from Al Malek Jewellery, UAE to drive growth

RAJESHEXPO has bagged an order worth ₹4.3 bn billion for designer range of gold and diamond studded jewellery from Al Malek Jewellery, UAE. The order is to be completed by 31st March, 2013. Moreover, execution of this order will significantly add to the bottomline of the company. This order will be executed at the company's manufacturing facility at Bangalore.

Market Data

CMP (₹)	127.8
Target Price	155
Stop Loss	110
Duration	Short-term
52-week High-Low (₹)	154.9/109.7
Rise from 52WL (%)	16.6
Correction from 52WH (%)	(17.5)
Beta	0.9
1 year Average Volume (mn)	0.2
Stock Return (%)	3M- 1.2 6M- 7.1 1Y- (6.5)
Market Cap (₹bn)	37.6
Enterprise Value (₹bn)	37.2

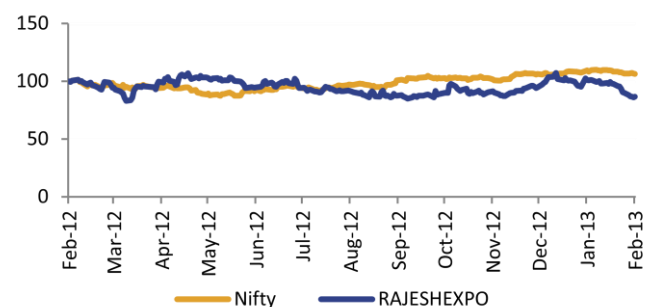
Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	52.5	52.2	0.3
FII (%)	15.0	15.1	(0.1)
DII (%)	3.7	3.7	-
Public & Others (%)	28.8	29.0	(0.2)

Quarterly Performance (Standalone)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	78.2	65.2	67.5	20.0	16.0
Op. exp	76.3	62.9	65.5	21.4	16.5
EBITDA	1.9	2.3	2.0	(17.3)	(2.7)
OPM (%)	2.4	3.5	2.9	(110bps)	(47bps)
Net profit	1.3	1.1	1.1	14.6	16.9
NPM (%)	1.7	1.8	1.7	(8bps)	1bps
EPS (₹)	4.5	3.9	3.8	14.4	16.8

One Year Price Chart





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