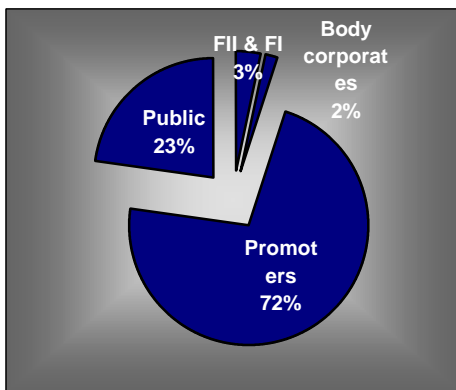


Stock details

BSE code	531500
NSE code	RAJESHEXPO
Market cap (Rs crs)	242.9
Free float (%)	27.26
52-wk Hi/Lo (Rs)	355/113.30
Avg. daily volume	10208
Absolute Return 12M (%)	180.7
BSE Return 12M (%)	11.26

SHARE HOLDING PATTERN



Valuation table (Rs. crs)			
Year end March	FY03	FY04	FY05E
Sales	220.44	2987.58	3861
Growth (%)	-18.24	1255.28	29.24
EBITDA	15.87	38.56	43.2
OPM (%)	7.2	1.29	1.11
Net profit	7.38	27.31	30.5
Net profit margin (%)	3.35	0.91	0.8
EPS (Rs)	10.49	38.81	43.6
CEPS	12.19	40.74	46.6
DPS (%)	10	50	50
ROCE (%)	9.35	13.47	10.28
RONW (%)	8.85	27.32	15.25
Sales/Assets	1.06	6.29	9.65
Interest coverage (x)	2.33	3.04	4.11
Debt/equity (x)	0.88	1.76	1.86
Enterprise Value (crs)	103.9	396.0	445
EV/Sales (x)	0.47	0.13	0.11
EV/EBITDA (x)	6.55	10.27	10.3
P/E (x)	5.96	3.81	8.0
P/BV (x)	0.50	0.92	1.75
Price/Sales	0.29	0.04	0.09
PEG Ratio	-0.18	0.014	0.65

Rajesh Exports Ltd.

Time Period: Long Term

Current Market Price: Rs.351

Recommendation: Buy

Target Price: Rs.500

Dated: 16th Feb 2005

Company Profile:

The company is engaged in the manufacturing, export and wholesale trading of gold jewellery. It sold about **51.22 tonnes of gold in FY04**. It is the **largest exporter of gold jewellery** in the country. It has also set up facilities for cutting & polishing diamond and a diamond jewellery-manufacturing unit. The company has set up the world's largest and most modern manufacturing unit at Whitefield, Bangalore. It is the most organized player in the vastly unorganized Gems & Jewellery market.

Highlights:

- ✓ The company has been accorded the status of a **Five Star Export House**. This is the highest recognition given to a Company in India, on the basis of its outstanding track record of exports. The company is the country's first gold jewellery exporter to be awarded this status.
- ✓ The jewellery park at Whitefield, Bangalore is set up in an area of 12 acres with a built up area of approx. 5, 00,000 sq. ft. It has an installed capacity of processing **250 tonnes** of gold per annum and facilities to accommodate 10,000 workers. The current capacity utilized is about 60 tonnes per annum.
- ✓ The company has a unique capability to manufacture **fusion jewellery, which** is a combination of machine made and hand made jewellery. Very few companies across the world have the capability to manufacture fusion jewellery.
- ✓ It is in the final stages of negotiations of a **joint venture with New Mont, an Australian and world's largest gold mining company** for direct supply of its gold requirement in congruence with its outlook for backward integration. It has earmarked **Rs.250 crs** towards this joint venture.
- ✓ It is planning to expand into **European and USA** markets for its **branded diamond jewellery products**. It has made an initial investment of Rs.4 crs on R&D operations for design and production of this product.

New Project and Expansion:

The company plans to enter **domestic jewellery retailing** market through its branded stores in the next 18 months. It has planned to set up **100** wholly owned retail jewellery showrooms **in the four southern States of the country with an investment of Rs. 450 crore**. The four southern states of India consume about 50% of Indian gold jewellery production.

The company also plans to invest **over Rs. 800crs** for forward and backward integration in the next two years to fuel its growth **in the international arena**. Of this Rs. 250crs would be invested in sourcing its gold requirements. The company will also invest over \$10 mn for marketing and branding its products.

The company expects to achieve a business of **over Rs 250 crore in the first year of its diamond business**. The size of branded diamond jewellery is estimated to be Rs 15,000 crore per annum in India.

New Orders:

It has received a second major order within a span of 5 months from Singapore based Gold Star Jewelers (P) Ltd to supply studded gold jewellery for **Rs. 146 crs**. The order is to be completed within a period of 3 months.

Industry Structure:

The total global gold jewellery market is estimated at \$75 billion per annum with a growth rate of about 5% per annum. The company exports about 34% of the total Indian plain gold jewellery exports with a potential to acquire more than 50% of the Indian export market share.

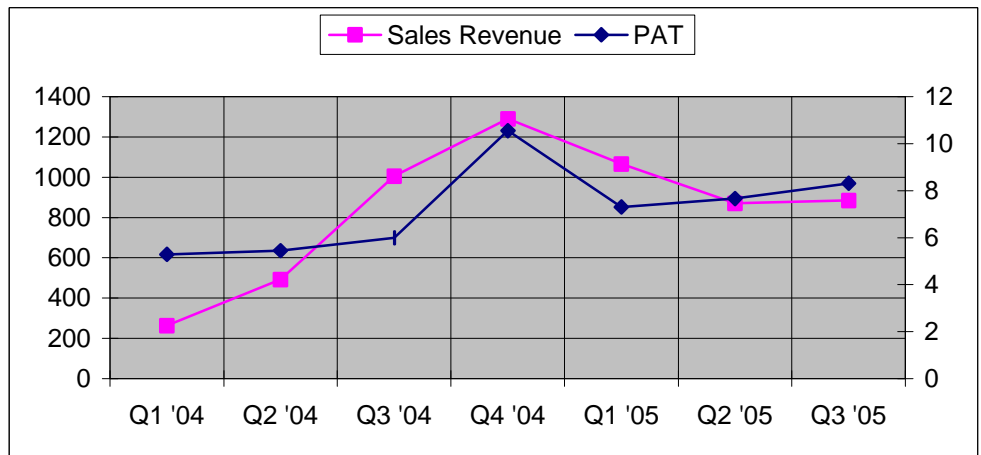
India is the largest consumer of gold in the world. The total Indian gold jewellery market is estimated at about \$10 billion per annum and is growing at the rate of 10%. The company's share in the Indian market is minimal and has a potential to acquire about 10% of the Indian jewellery market share amounting to Rs. 7500crs. Most of the Indian gold jewellery trade is carried on in the unorganized sector without strict adherence to quality and finish. As such the company being most sophisticated has good prospects to tap into this market.

Financial Performance:

The company's turnover increased from Rs.220 crs to Rs.2988 crs in FY 2003-04 registering an amazing **growth of 1258%**. The operating profit of the company showed a jump of 143% to Rs.38.56crs against Rs. 15.87crs. The company has achieved this sales milestone primarily due to the wide acceptance of its products in the international markets and also due to the

Smooth functioning of the second phase of the largest jewellery manufacturing facility in the world. The company's **turnover for the nine months ended Dec'04 was Rs.2821crs.**

Quarterly growth in Sales revenue and PAT:



The sales Revenue has grown by **22.45%** over last 6 quarters showing tremendous upsurge in its topline accentuated by **moderate growth of 7.8%** in the bottomline over the same period. It is expected to improve its bottomline with the backward integration plans and opening up of 100 branded retail shops in next 18 months.

Consistent Dividend Payer

Dividend:

The company is a consistent dividend payer since inception. It has paid 12% dividend on an average. For FY03-04 it paid 50% dividend and has already declared 35% interim dividend for FY 04-05. In **unique gesture in corporate history of India, the promoters had foregone their right to receive dividend.**

Scientific Credit Policy:

The entire operation of the company is computerized and credit limits have been set for each of the parties in export and for local wholesale. There is a strong credit policy in place, according to which the company does not take exposure on a single party for more than 15% of the estimated worth of the party. The credit limits are allotted to the parties after thorough research and discussions.

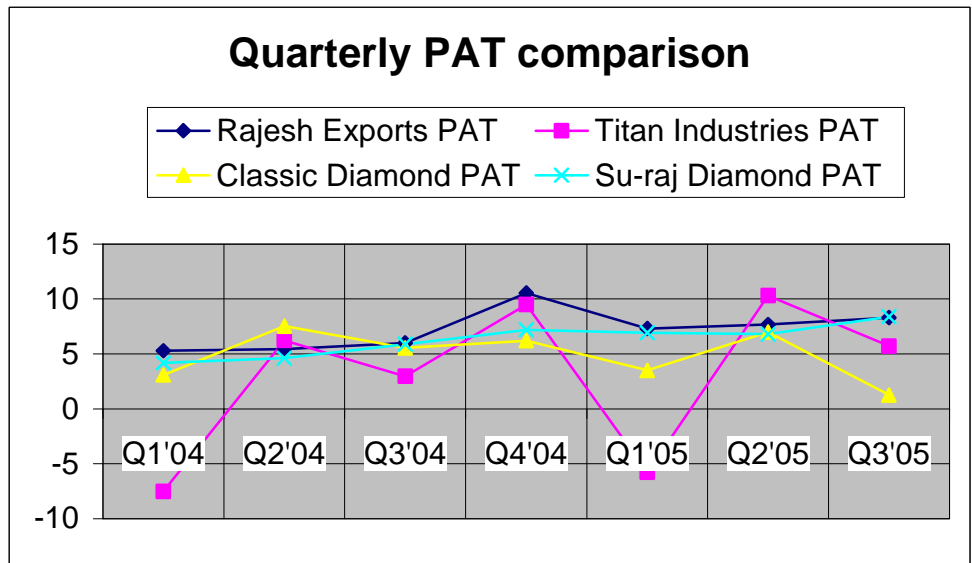
Concerns:

The Company being engaged primarily in exports to the tune of 75:25 and so it runs the risk of fluctuations in foreign exchange earnings.

Company Performance comparison

Company Name	PE	EPS	DPS (%)	Sales	ROCE	RONW	P/BV	P/Sales	Market Cap/sales
Rajesh Exports	8.8	38.80	50	2987.6	13.47	27.32	0.92	0.11	0.08
Classic Diamonds	3.45	31.8	15	621.03	12.08	18.14	0.55	0.177	0.08
Titan Ind.	29.1	7.7	10	897.48	16.7	27.06	7.5	0.25	1.05
Su-Raj Diamonds	6.60	5.3	10	723.88	5.54	4.87	0.45	0.05	0.19

Comparison with Domestic players:



Conclusion:

The DGFT in a recent notification has allowed import of gold of 8 karat under Replenishment licenses. This will **help exporters like Rajesh** as overseas demand is mainly for jewellery made of alloys with low gold content.

India's ***total exports of gems and jewellery** for the Jan-Dec 2004 was at **USD 14329.23 million** and showed impressive **growth of 37.88%** over the corresponding period last year. As such, India is confident of achieving export target of USD16 billion by 2007.

According to WGC (world gold council), average Indians hold ***13,000 tonne of gold** in the form of jewellery and gold bars. This is estimated to be **7% of the global 'above the ground' stocks**. The value of gold held by Indians is estimated to be worth Rs 700,000 crore.

The branded jewellery segment in the country is growing at a tremendous pace with consumers preferences are getting shifted from unbranded to branded jewellery. Currently ***branded jewellery market accounts for only Rs. 2000 crore and is growing at the rate of 15%-20%, and is expected to**

grow at 40-45% over the next three years. On the export front, the branded jewellery accounts for only 8% of the total market of \$70 billion, with key overseas markets like the US, Europe, Japan and the Far East. **Rajesh Exports' foray in to retail segment with opening of 100 stores in 18 months will help it in improving its profit margins.** (*Source: Gems & Jewellery Exports Promotion council)

Valuation Ratios of Peer companies:

	Titan Ind.	Classic Diamonds	Su-Raj Diamonds	Goldiam Int.	Average
PE	29.1	3.4	6.6	7.1	11.55
EV/EBIDTA	10.66	6.87	7.66	2.95	7.04
Market cap/sales	1.01	0.12	0.19	0.67	0.5

Valuation of Rajesh Exports

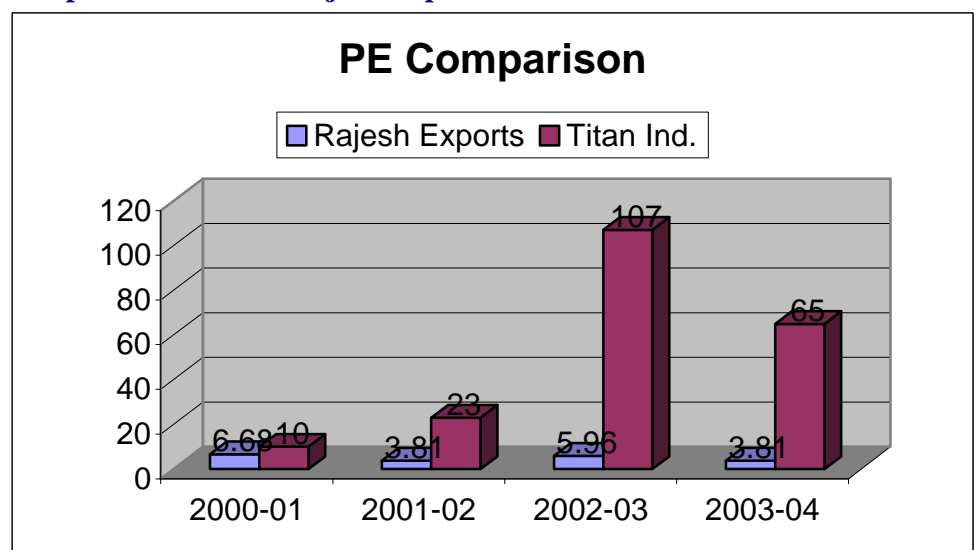
	Industry Average	FY'06E EPS	FY'06E EBIDTA	FY'06E Sales	Price/share (Rs.)
PE	11.55	87.6	--	--	1011.78
EV/EBIDTA	7.04	---	85	--	598.4
Market cap/sales	0.5	--	--	4280	2140

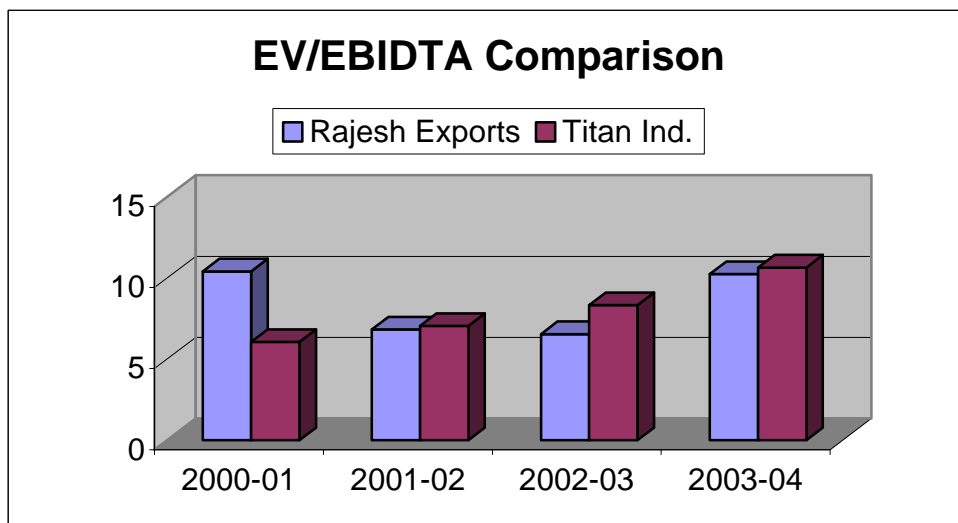
Valuation and Recommendation:

The company's **Net profit** is expected to **grow by about 11.72%** to about **Rs.30.5 crores in FY05** and it is expected to grow at **CAGR of 55.1%** to **Rs.65.7 crores in FY06.**At Rs.347, it is trading at forward PE of 7.96 based on FY05E EPS and at forward PE of 3.96 based on FY06E EPS.**We recommend strong buy on the stock and expect the price target of Rs.500 with 15 months long term view. The stock has got very strong support at Rs.328 and at CMP it seems to go into breakout zone and tremendous upside can be gained from this level in short term also.**

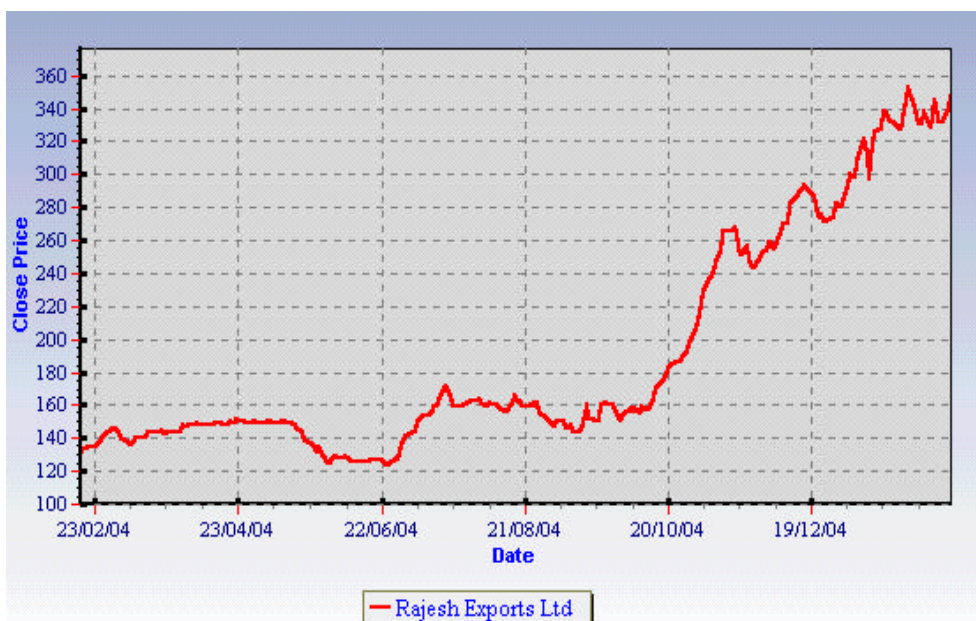
PE, EV/EBIDTA Comparison of Rajesh Exports and Titan Industries

Comparison between Rajesh Exports and Titan Industries:





Price Chart



Income Statement				(Rs. Cr.)
(Y/E March)	FY03	FY04	FY05E	FY06E
Gross Sales	220.44	2987.58	3861	4280
Net Sales	220.44	2987.58	3861	4280
Other Income	5.52	64.95	65.0	65.0
Total Income	209.05	3082.87	3926	4345
EBDITA	15.87	38.56	43.2	85
OPM (%)	7.21	1.29	1.11	1.96
Interest	6.3	12.24	10.0	12
EBDT	9.57	26.32	33.2	73
Depreciation	1.19	1.35	2.1	6.0
PBT	8.38	24.97	31.1	67.0
TAX (Incl. Def)	1	-2.34	0.6	1.3
PAT	7.38	27.31	30.5	65.7
NPM (%)	3.35	0.91	0.80	1.53

Balance Sheet (Rs. cr.)				
Sources Of Fund	FY03	FY04	FY05E	FY06E
Equity Share Capital	7	7	7	7.5*
Reserves & Surplus	79.92	106.03	133.0	208.0
Shareholder Equity	86.92	113.03	140.0	215.5
Debt	60.24	292.64	260	767.5
Total Liabilities	147.16	405.67	400	983
Application Of Funds				
Gross Fixed Assets	36.84	39.31	39.31	390.0
Less: Depreciation	2.43	3.77	5.87	12.0
Net Fixed Asset	34.41	35.54	33.44	378.0
Investments	4.98	5.02	5.02	255
Cash & Cash Equivalents	39.91	145.25	145.25	145.25
Current Assets	169.61	434.48	450	500
Less: Current Liabilities	60.48	70.27	88	150
Net Current Asset	109.13	364.21	362	350
Misc. Exp. (incl. Def. Tax Lia.)	-1.36	0.9	0.0	0.0
Total Asset	147.16	405.67	400.4	983

* Estimated new issue of 5 lakh equity shares

Latest Quarterly Result				Rs.Crs		
(Y/E March)	Q3FY05	Q3FY04	%Chg	Q2FY05	Q2FY04	%Chg
Net Sales	884.24	1005.43	-12.1	871.23	492.41	76.93
Other Income	1.12	1.24	-9.7	0.55	1.23	-55.28
Total Income	885.36	1006.67	-12.1	871.78	493.64	76.6
Total Expense	873.8	995.63	-12.2	861.25	486.22	77.13
PBIDT	11.56	11.04	4.7	10.53	7.42	41.91
Interest	2.62	3.17	-17.4	2.18	1.67	30.54
PBDT	8.94	7.87	13.6	8.35	5.75	45.22
Depreciation	0.63	0.3	110.0	0.68	0.3	126.7
Tax	0.0	1.55		-	-	-
PAT	8.31	6.02	38.0	7.67	5.45	40.73
EPS	11.87	8.6		10.96	7.79	

Cash Flow (Rs. Cr.)	FY03	FY04	FY05E	FY06E
EBIT (1-t)	14.3	36.47	40.28	77.42
Depreciation	1.19	1.35	2.1	6.0
Gross cash Flow	15.49	37.82	42.38	83.42
Less inc. in				
a) Net Fixed assets	2.18	1.13	-2.1	344.56
b) Investment	0.08	0.04	0.0	250.0
c) Working capital	-21.33	255.08	-2.21	-12.0
d) Misc. Expenses	-0.89	2.26	-0.9	0.0
Free Cash Flow	35.45	-220.69	47.59	-499.1

Disclaimer - The information in this report has been obtained from sources, which VCK Research believes to be reliable, but we do not hold ourselves responsible for its completeness in accuracy. All estimates and opinions in this report constitute our judgment as of this date and are subject to change without notice. VCK Research will not responsible for the consequence of reliance upon our opinion or statement contained herein or for any omission.

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