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GROUND VIEW

INDIAN MODERN RETAIL 2.0

GETTING DOWN TO BRASS TACKS

VOL 4. ISSUE 3. 1 - 30 APRIL 2017

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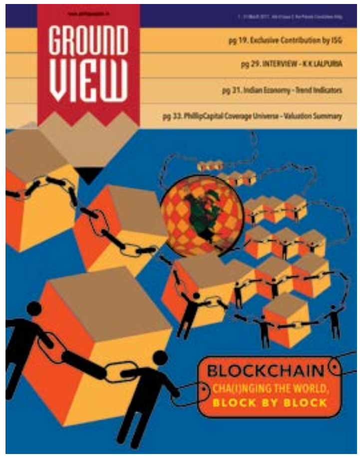

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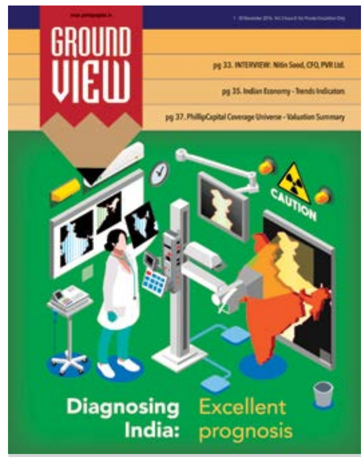

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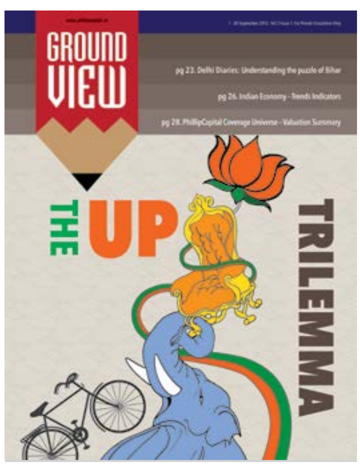

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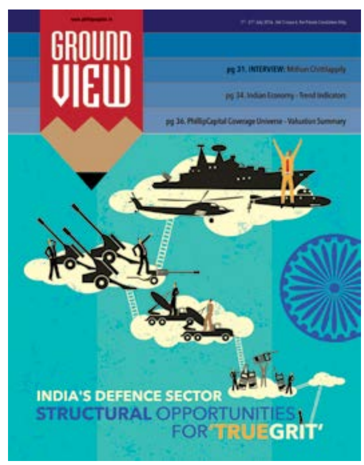

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Letter from the MD

The Indian grocery retail landscape has changed tremendously over the last two decades. The advent of modern retail and ecommerce has led to a paradigm shift in the shopping habits of many Indian customers. These models continue to grow faster than the market, as they offer more convenience, wider product assortment, home delivery (in case of ecommerce), and cheaper prices. Indian consumers have been the ultimate winners and the average Indian consumer today is more spoilt for choice than ever.

However, the secular revenue growth seen by Indian modern retailers in the past decade has not translated into sustainable profitable growth for the sector. Most remain in the learning phase and continue to fine-tune their business models and experiment with them, in their quest for the secret mantra to crack Indian retail. However, some models (such as D-Mart's) have demonstrated initial success and seem to have cracked the success mantra. D-Mart's successful listing has once again brought Indian retail on investors' radars, and it is imperative to understand if Indian retail has finally come of age.

Our cover story 'Indian Modern Retail 2.0: Brass Tacks?' penned by analysts Jubil Jain and Preeyam Tolia, explores the different kinds of modern retail business models in India and the inherent strengths needed to succeed in a competitive market like ours.

Also read in this issue – an interview with Ms Anu Acharya, CEO of Mapmygenome, where she talks about opportunities in the molecular/genetic diagnostics industry and how "Precision Medicine" can become the future of molecular diagnostics.

Best wishes

Vineet Bhatnagar

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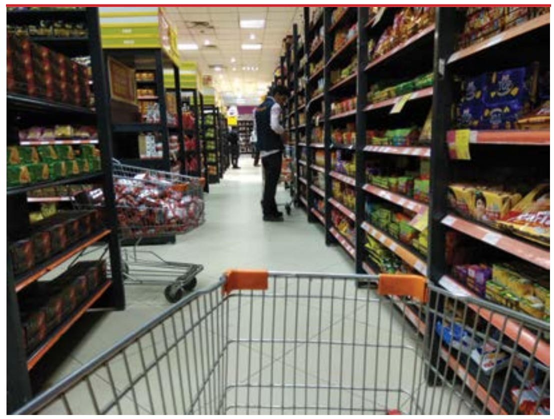


BY JUBIL JAIN & PREEYAM TOLIA

INDIAN MODERN RETAIL 2.0

GETTING DOWN TO BRASS TACKS

Indian retail stocks are on a gravity-defying rally – déjà vu?

D-Mart's explosive market debut could be the start of something…

Dalal Street recently saw the listing of one of the most successful IPOs in recent times – D-Mart. The company is a play on the fast-growing modern retail space in India. D-Mart's stock listed at Rs 604, netting gains of more than 100% on an issue price of Rs 299. Investor confidence in D-Mart seems well founded if one considers its strong growth trajectory and the perceived superiority of its business model vs. unsuccessful retail models in India. However, it is not just D-Mart, but the entire retail pack that has captivated the investor community recently. In the last year, most retail stocks have generated returns of more than 15%, with some far higher, hinting at either excessive exuberance or an inflexion point in the growth trajectory for organised retail in India.

Indian retail stocks are in a strong bull run

Stock	One-year stock return as on 30th April 2017	Trailing one year sales growth	Trailing one year EBITDA growth
D-Mart	*22.5%	36%	54%
V2 Retail	276%	45%	10%
V-Mart	73%	16%	17%
Future Retail	**117%		
Trent	47%	15%	41%
Titan	32%	4%	5%
Aditya Birla Fashion and Retail	17%		
Bata	-1%	3%	-4%
Shoppers Stop	-6%	10%	7%

*D-Mart was listed only on 21st March, 2017 and hence returns are calculated from that date
**Future Retail was listed on 29th August 2016 and hence returns are calculated from that date
Source: Company, Bloomberg, PhillipCapital India estimates

…but the last retail bull-run did not end on a happy note

This is not the first time that Indian retail counters are exploding on the ticker. In 2005-08, many retail stocks (such as Pantaloons Retail and Vishal Retail) gave returns in excess of 100% within a few months. However, back then, it did not end well for most retail companies – by 2009, most stores of Vishal Retail were closed down due to misallocation of capital by its management; it was eventually sold to investors in 2011. Similarly, reeling under skyrocketing debt, Future Group was forced to sell its Pantaloons chain to the Aditya Birla Group in 2012. Another prominent retail company, Subhiksha, which had deferred its IPO indefinitely in December 2007 in anticipation of better market conditions, was forced to close all its stores in 2009 due to capital mismanagement.

What makes a retail model successful and what leads to its possible doom? In this Ground View, we attempt an in-depth analysis of different business models that exist in the Indian modern retail space and try to determine, through global examples, ground research, and existing literature, which business models are best poised to succeed in India.

The curious case of **Indian retail...**

Huge, but in a league of its own

The Indian retail industry is one of the world's largest at US$ 616bn and is likely to achieve 12% CAGR to touch US$ 960bn by 2020, as per Technopak. It has multiple levers of long-term growth such as favourable demographics, low penetration of various consumption categories, and rising aspirations due to economic growth and urbanisation.

While the Indian retail industry may be as big as the retail industries in the world's leading economies, the Indian landscape is very different from most of its emerging and developed-market peers. As per AC Neilsen, the Indian market is highly fragmented with 15mn retail outlets (mostly small mom-and-pop stores) operating across the country. This translates to 11 outlets per 1,000 people – one of the highest retail densities in the world.

With 15mn retail outlets, India has one of the highest retail densities (11 outlets per 1000 people) in the world

Global retail markets at a glance

Countries	*Retail store density per '000 people (2012)	Total no. of retail stores (in mn)	*Retail sales per capita (USD PPP)	*Total population (mn)	Retail sales per store (USD PPP)	Share of organised sector in retail (2012)
US	3	0.94	7700	314	2,566,667	85%
UK	5	0.32	7500	63	1,500,000	80%
Malaysia	5.5	0.16	1500	29	272,727	55%
Thailand	18	1.26	2000	70	111,111	40%
China	3.5	4.73	1200	1350	342,857	20%
South Korea	11	0.54	3500	49	318,182	15%
Indonesia	12	2.89	800	241	66,667	25%
Philippines	9.5	0.91	1200	96	126,316	35%
India	12	15.12	500	1260	41,667	5%

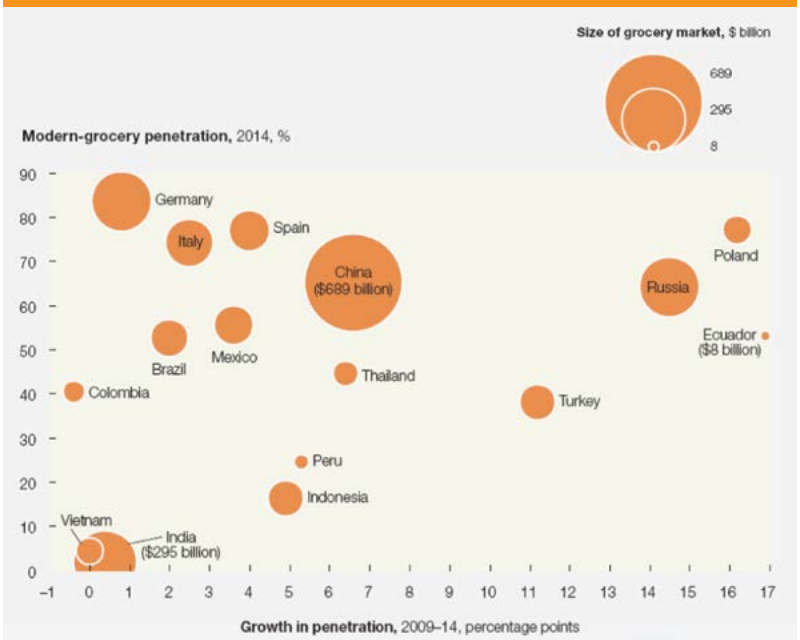
*Research paper by marketing-trends-congress.com,
Source:Population Research Bureau, PhillipCapital India estimates

Mom-and-pop stores rule the market

In India, organised retail accounts for less than 10% of total retail sales, as per Technopak – demonstrating the dominance of smaller retail outlets. In contrast, the share of modern retail in emerging markets such as China, Indonesia, and Philippines is far higher at 20%, 25%, and 35%.

Under-penetration of organised retail is more striking in the foods and grocery segment (modern retail) which dominates retail spending in India (c. 67%). Just 3% of sales in foods and grocery categories are through organised retail (as per Technopak), putting India at the very bottom in modern retail penetration globally.

Modern retail has the lowest levels of penetration in India vs. that in major emerging and developed markets



Source: McKinsey & Company

Retail categories in India

Retail categories in India	Share of Indian retail industry in 2016	Share of category sales through organised retail in 2016
Food & Grocery	67%	3%
Apparel & Accessories	8%	22%
Footwear	1%	27%
Jewellery & Watches	8%	25%
Pharmacy & Wellness	3%	10%
Consumer Electronics	6%	10%
Home & Living	4%	40%
Others	3%	12%

Source: Technopak Research & Analysis

There are many factors that contribute to the continued control of small retail outlets on India's retail landscape.

- **The average Indian consumer prefers smaller SKUs:** Unlike consumers in other major retail markets, which prefer purchase of larger SKUs due to significant cost savings, the average Indian consumer tends to prefer smaller SKUs due to the lower cash outlay involved. An example – HUL brand Clinic Plus' one-rupee shampoo sachet has been its largest selling SKU in its hair care portfolio for a very long time. Small SKUs dominate sales of many FMCG and grocery categories, and account for a sizeable share of revenue for most FMCG companies. As modern trade normally offers discounts only on larger SKUs, and offers no benefit to buyers of small SKUs, most customers prefer to buy from local outlets due to convenience, availability of credit, and a personal relationship.
- **Higher population density:** India's population density, at 441/sq. km, is significantly higher than what it is in emerging and developed peers. The population density is even higher in Indian metros and tier-1 cities vs. other global cities. This kind of density, combined with consumer preference for local retail outlets, makes multiple retail outlets in the same locality, selling the same category of goods, financially viable.

Three retail outlets with a very similar product assortment existing side by side on on a street in Andheri, a bustling Mumbai suburb

Countrywise population density in 2015

Country	Per sq km
India	441
Brazil	25
China	146
Japan	348
United Kingdom	269
United States	35

Source: World bank

Citywise population density in 2015

Metropolitan region	Per sq km
Mumbai	4,764
New Delhi	6,038
Kolkata	7,480
Shanghai	3,809
Beijing	1,322
New York	688
London	1,656
Tokyo	2,785

Source: Census 2011, Shanghai Bureau of Statistics, Beijing Bureau of Statistics, U.S. Census Bureau, Eurostat, Tokyo Metropolitan Government

- **Government regulations have hindered the entry of global retail giants while local modern retail is still in a learning phase:** India was closed to global retailers for a long time. It only opened itself in 2012 when the government allowed 51% FDI in multi-brand retail. As a result, many global retail chains such as Walmart, Target, Aldi, and Seven Eleven, present in most major economies, are absent from the Indian retail landscape – though some have recently tied up with Indian companies for B2B retail. Also, Indian organised retail players are still in a learning phase – with many players still struggling to find a profitable and sustainable business model. As a result, competition for unorganised retailers in India is very limited vs. that in other countries.
- **Lack of well-paying jobs and comparatively lower wages make retailing attractive:** The per capita income in India (around US$ 7,200 in PPP) is far lower than that in emerging and developed peers, and below the global average of US$ 15,500, as per IMF. While an unskilled Indian labourer earns just Rs 5,000-10,000 per month, even a semi-skilled Indian worker makes only Rs 10,000-20,000 per month in most Indian cities. In contrast, a retailer with a 100 sq. ft. shop on rent can make around Rs 20,000 per month, with an initial investment of Rs 250,000 and working

capital of Rs 170,000. Due to lower wages and lower employment opportunities for well paying jobs, many people in the workforce in India prefer retailing, which provides stable income, independence, and self-satisfaction. Retailing becomes even more attractive and profitable in a country like India with very high property ownership rates (866 per 1,000 households as per 2011 census) as it eliminates rental expenses. This can increase monthly earnings by up to Rs 8,000 - 10,000.

Financials of average grocery store (100 sq. ft.) in an Indian metro

(All values in Rs)	Rented shop	Owned shop
Sales	**3,600,000**	**3,600,000**
Retailer's margin	10%	10%
COGS	3,240,000	3,240,000
Gross Profit	**360,000**	**360,000**
Rent	100,000	-
Employee costs	-	-
Other expenses	30,000	30,000
Total operating expenses	130,000	30,000
EBITDA	**230,000**	**330,000**
Depreciation	-	-
Tax	-	-
PAT	**230,000**	**330,000**
Monthly income	**19,167**	**27,500**
Inventory	300,000	300,000
Payables	150,000	150,000
Receivables	19,726	19,726
Working Capital required	**169,726**	**169,726**
Initial Capital Investment required - Furniture and fixtures	**250,000**	**250,000**

Source: PhillipCapital India estimates

Mom-and-pop stores dominate the industry as they offer convenience of location, credit and quick transactions

However, organised retail is poised to grow faster

While organised retail contributes to less than 10% of the total retail sales in India, it is growing faster than the overall retail industry. Mom-and-pop outlets tend to dominate the Indian retail industry as they offer convenience of location, credit, and a quick shopping experience. However, organised retail outlets have their own set of strengths, which make them a very attractive shopping destination for value-conscious and brand-savvy customers. These outlets offer an expansive product assortment, higher variety of brands, a one-stop shopping destination for various needs, and the luxury of shopping at leisure while browsing through sections of various product categories.

Within organised retail in India, modern retail (focused on the foods and grocery category) has the lowest penetration (3%) and is widely estimated to achieve 25% CAGR to touch US$ 31bn in 2020 from US$ 13bn currently as per Technopak.

What differentiates organised chains from unorganised retailers is the significantly high rate of discounting offered by the former due to their economies of scale

Small retail outlets and organised chains target different needs of consumers

Grocery shopping	Small retail outlets	Organised chains
Convenience	✓ Close location, quick transactions	× Distant location, shopping takes time
Credit availability	✓ Yes	× No (but allow payment through credit cards)
Product assortment	× Limited brands and categories, small SKUs available	✓ Wide, one stop shopping solution, small SKUs may not be available
Shopping style	× Over the counter in limited time	✓ Browse through various product sections at one's own pace
Pricing structure	× MRP	✓ Discounts available

Indian modern retail is still in the learning phase

Modern retail in India is a fast-growing industry with most players reporting significant revenue growth. However, this has not translated into substantial profits. Most current Indian modern retail players suffer from structurally low margins, very high debt levels, and consistently negative free cash flows. The Indian modern retail industry is still in the learning phase and its search for sustainability is still ongoing. As a result, no modern retail company in India has the substantial size and scale that can be seen in the developed world.

Most Indian modern retail players suffer from structurally low margins, very high debt levels, and consistently negative free cash flows

Financial and operational parameters of key Indian modern retail players

	No. of outlets currently	Sales (FY16) (Rs bn)	EBITDA (FY16) (Rs bn)	Cumulative Free Cash Flow (FY12-16) (Rs bn)	Debt/Equity FY16	Average SSSG (FY12-16)	Sales CAGR (FY12-16)
Reliance Retail	3353	185.5	9.1	3.2bn	0.2	NA	48%
Future Retail	738	72.7	0.9	**-40.6bn**	0.6	9%	
D-Mart	118	85.9	6.6	**-6.3bn**	0.8	25.40%	40%
Spencers Retail	124	18.6	-0.6	**-5bn**	13	11.60%	12%
Hypercity	19	9.8	-0.25	**-2.2bn**	119	NA	6.30%

Source: Company. PhillipCapital India estimates

The rise and fall and rise

A brief history

Standalone modern retail outlets and big departmental stores have existed in most large Indian cities for many decades. Some, like Akbarallys in Mumbai, are more than a century old. However, organised retailing in India took off only in the 1990s – when the first fashion retailing chains opened (Shoppers Stop in 1991 and Pantaloons in 1997). At around the same time, the first organised grocery retailing chains started sprouting (Subhiksha in 1997, Spencers in 1990s, and Big Bazaar in 2001). The formats varied significantly across chains, even within the same categories – while Big Bazaar was a large hypermarket store (30,000 sq. ft.) with a focus on range, Subhiksha was a small-format grocery super market (1,000-5,000 sq. ft.) with a focus on value. Most organised retail chains were highly successful and saw their turnover and outlet count rising manifold in a decade.

The golden age of organised retailing in India (2000-07)

This period saw very strong growth in footfalls and sales for most organised retail chains in India. For most, growth was driven by a strong focus on the front-end of their business, i.e., the consumer-facing aspect. Most of these retailers offered significant discounts to customers and were able to generate healthy footfalls and sales based on their value proposition. Subhiksha, a prominent grocery chain, offered average discounts of 8% on various grocery categories. In spite of this, most retailers made satisfactory operating margins due to cost control and economies of scale in procurement. While the free-cash flow was still negative for most, it was not a big concern due to the small business size and manageable debt levels. Consensus expectations of exponential future growth for many retailers led to their stock prices delivering phenomenal returns during that time.

Transition of key organised chains during (FY03-10)

Organised Retail chains	Sales (Rs mn)			EBITDA (Rs mn)			Outlet count		
	FY03	FY07	FY10	FY03	FY07	FY10	FY03	FY07	FY10
Future Retail	4448	33928	66614	374	2156	5921	12 Pantaloons 19 Big Bazaar 31 Food Bazaar 0.6mn sq. ft.	31 Pantaloons 56 Big Bazaar 86 Food Bazaar 5.2mn sq. ft.	48 Pantaloons 132 Big Bazaar 185 Food Bazaar 123 KB's Fair Price 13.2 mn sq. ft.
Vishal Retail	500	6026	11054	-15.2	680.1	-4600	14	54 1.2mn sq. ft.	171 78000 sq. ft
Subhiksha	2085	8255		27.5	258.2		~130	~900	~1600

Source: Company, PhillipCapital India estimates

Retail companies delivered phenomenal returns till 2007 but the rally fizzled out later

Stock price movement of Future Retail vs. SENSEX (base 100 as on 1st Jan 2002)

Stock price movement of Vishal Retail vs. SENSEX (base 100 as on 4th July 2007)

Source: ACE Equity

The Indian organised retail story fizzles out (2007-10)

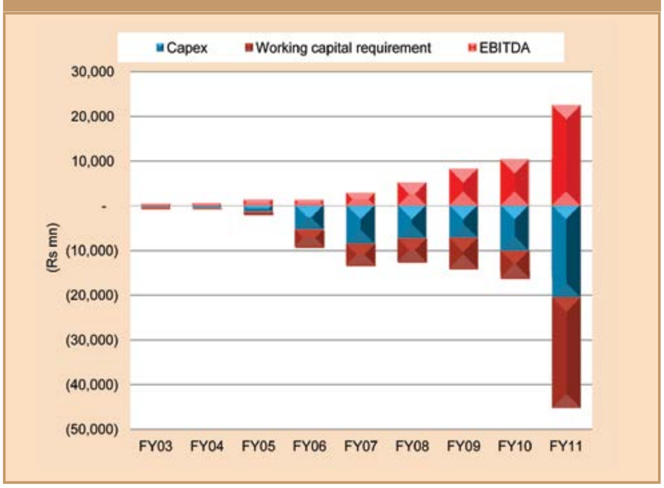
While a strong focus on the front-end helped achieve significant growth in footfalls and same-store sales for organised retail chains in India, a lack of focus on the back-end proved disastrous for them as they engaged in aggressive expansion plans in 2007-10. Most, overconfident due to the growth they saw in 2000-07, more than doubled their store count in 2007-10 through debt without improving systems and processes. In spite of strong growth in sales in 2007-09, ever-increasing inventory levels and unmanageable debt forced retailers such as Vishal Retail and Subhiksha to default on loan payments and shut shop in 2009. Future Retail's Pantaloon chain, marred by skyrocketing debt levels, was sold to the Aditya Birla Group in 2012.

In spite of their strong growth in sales in 2007-09, for major retailers of that time, ever-increasing inventory and unmanageable debt derailed their growth story completely

So what went wrong?

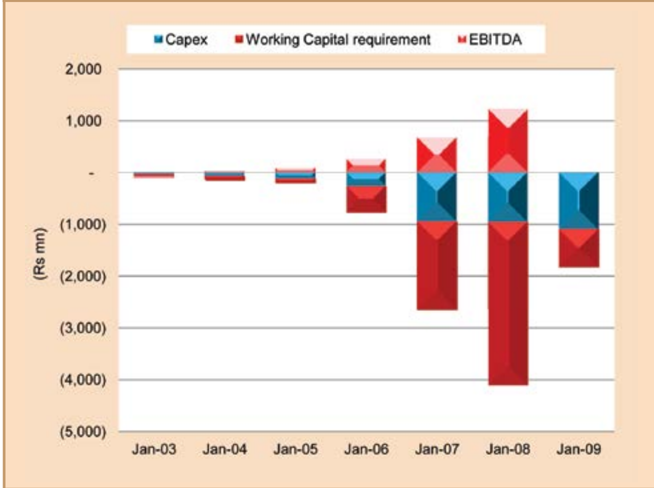
- **Organised Indian retailers bit off more than they could chew:** Significant growth in sales in 2002-07 emboldened Indian retail companies to pursue very aggressive growth strategies. Kishore Biyani-led Future Group increased Big Bazaar/ Pantaloons outlets by 100%/40% in FY07-09. Similarly, Subhiksha more than tripled its outlet count to 1600 in FY07-09, and Vishal Retail also expanded aggressively. While SSSG and operating margins remained strong during the period, EBITDA generated was far lower than that required to fuel capex or meet working-capital requirements. This pushed companies into a debt spiral.

Future Retail



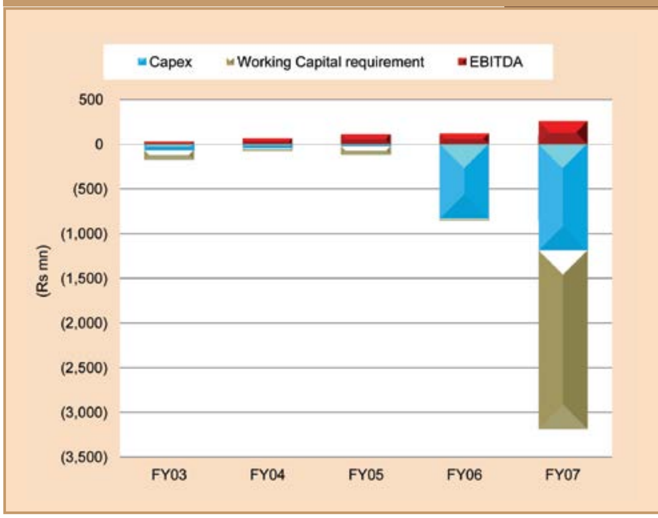
Source: ACE Equity, PhillipCapital India Estimates

Vishal Retail

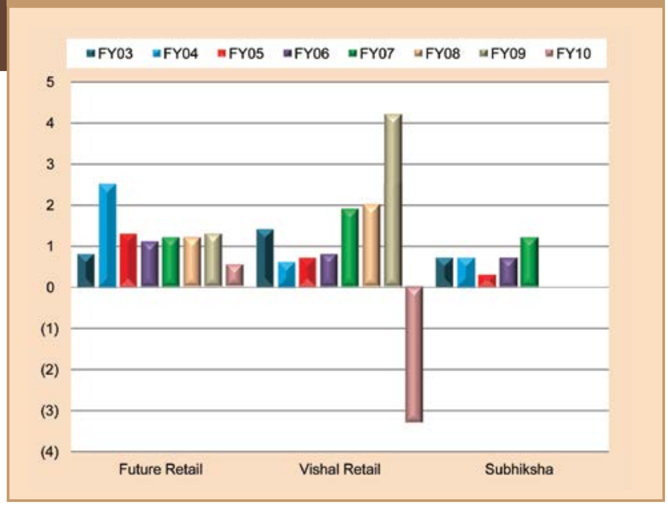


Sales growth, SSG and EBITDA growth for Future Retail

Subhiksha



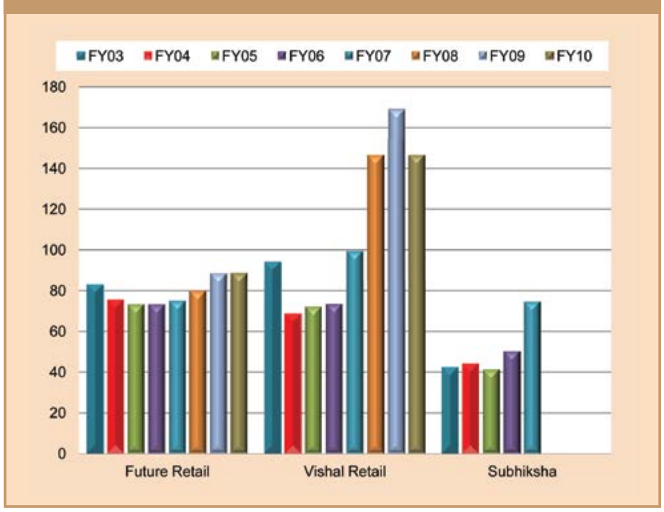
Debt/Equity ratio of retail companies



Source: Bloomberg, Ace Equity, PhillipCapital India Research Estimates

- **Expansion over efficiency spelled disaster:** For most companies, expansion accelerated from 2007, despite a weak understanding of inventory management – this led to significant increases in inventory levels. For Vishal Retail, inventory days increased to 169 in FY09 from an average 70 in 2004-06. These increases led to drastically higher working capital requirements, which forced companies further into debt. Due to rising debt levels, companies had to increase cost controls to up their margins, which meant lower discounts at their outlets. This led to an even more pile up of undesirable inventory, which ultimately led to defaults.

Inventory days for key retailers



Indian organised retail 2.0 (2011-present)

Current Indian organised retailers have begun to place a huge emphasis on sustainability and profitability over scale

Lessons from the past

The Indian organised retail landscape has taken a decisive turn since 2011 after Shubhiksha's bankruptcy and sell-offs of Vishal Retail and Pantaloons chains. Current organised retail players in India have learnt from mistakes – their own and those committed by their peers. They are more focused on sustainability and profitability. The business models have become more agile and can withstand shocks better.

Slow and steady wins the race

Most present Indian retail chains increase retail space by only around 10-15% annually vs. the 50-100% increases seen in the furious growth period of 2007-10. V2 Retail vs. Vishal Retail is a great example of this evolved approach. Mr Ram Chandra Agarwal, founder of Vishal Retail, launched V2 Retail after the distress sale of his chain Vishal Retail in 2012. V2 Retail works with a very different strategy vs. Vishal Retail. It operates stores of about 10,000 sq. ft. and adds 60,000-70,000 sq. ft. annually. In comparison, Vishal Retail operated 18,000 sq. ft. stores and used to add 1mn sq. ft. of retail space annually during its heydays in 2007-09.

Using technology for leaner operations

Currently, most organised retail chains operate at significantly lower inventory levels vs. that in 2007-10. They exert control over their inventory levels by focusing on product assortment, avoiding illiquid products, ordering fast-moving products, and minimising inventory build-up through various corrective actions such as stock returns, discount sales, and shifting inventory to other stores.

In the last decade, IT systems have played a key role in significantly improving inventory management. Most companies now operate their entire supply chain using advanced IT systems. For example, D-Mart uses IT systems for procurement, sales, and inventory management. The IT systems help it to identify and quickly react to changes in customer preferences by adjusting products available, brands carried, stock levels, and pricing in each of its stores, and effectively monitoring and managing the performance of each store.

Retail space expansion of major modern retail chains during FY12-16

(mn sq. ft.)	FY12	FY13	FY14	FY15	FY16
D-Mart	1.55	1.76	2.14	2.66	3.33
Big Bazaar	7.99	7.98	7.62	8.68	*8.98
Spencers	1	0.88	1.08	1.05	1.08

*As on 31st December 2015

Source: Company

Inventory days comparison for key retail chains

	FY09	FY16
Future Enterprises	88	42 (in FY15)
Vishal Retail	170	103 (in FY16)
V-Mart	108	87
Shoppers Stop	43	36
Subhiksha	75 (in FY07)	
D-Mart	28	23
Spencers		35.6

Source: Company

Entering a period of maturity

Indian organised retail has finally started maturing

The Indian organised retail industry is in a far more sustainable and mature phase than it was a decade ago. While current investors may not expect the exponential growth and phenomenal stock returns from incumbent organised retailers (as seen a decade ago), they will be far more confident about the quality of growth and sustainability of business models, at least for a few of the present retailers. In the modern retail space, some chains (such as D-Mart) have been able to develop retail models that are profitable and sustainable, and have been able to recreate the same success in each new store that they open.

Successful retailers will be able to (justifiably) command a significant valuation premium

While the story of modern retail in India has just about started, there is huge scope for growth through market-share gains from unorganised retailers. Successful retailers that have the ability to successfully copy-paste their models in their new stores, will see exponential levels of (sustainable and profitable) growth and will be highly valued by investors.

Walmart (founded in 1962) was at a similar stage in 1975 compared to present day D-Mart (started in 2003). Walmart's sales/PAT CAGR was 37%/41% in 1975-90 and its stock grew 40% annually in the same period. An investor, confident of Walmart's ability of delivering 41% PAT growth for next 15 years, could have purchased Walmart's stock at five-times its actual price in 1975 and would have still earned 25% annual return on the stock for the next 15 years.

In hindsight, what would Walmart's correct valuation be in 1975?

	FY1975	FY1990	15 year CAGR
Walmart			
Sales (US$ mn)	236	25,811	36.7%
PAT (US$ mn)	6.4	1,076	40.8%
No. of stores	104	1525	19.6%
Stock price	100 (1975 value as base)	14,740	39.5%
Potential stock price in 1975 to provide 20% annual returns during FY1975-1990	947		
Potential stock price in 1975 to provide 25% annual returns during FY1975-1990	510		

Source: Walmart, Bloomberg

An investor, confident of Walmart's ability of delivering 41% PAT growth for next 15 years, could have purchased Walmart's stock at five-times its actual price in 1975 and would have still earned 25% annual return on the stock for the next 15 years.

Which models are best poised to succeed?

D-Mart – On the right path

Supermarket model with focus on value and sustainable expansion

D-Mart was started by India's legendary investor-turned-entrepreneur Radhakishan Damani in 2003. It is now a major retail chain in India with 118 stores, 87 of which are located in the western Indian states of Maharashtra and Gujarat. Through a strategy called EDLP (everyday low prices), which is also followed by Wal-Mart, D-Mart has created a niche for itself in the modern retail space in India. Customers value it for its relatively low pricing across all major product categories, the whole year round. Because of its strong value focus and ability to offer lowest prices to consumers, its sales CAGR in FY12-16 was high at 40% to Rs 86bn.

While being a leader in brick and mortar retail, the company has its share of admirers in the ecommerce world too. In a recent email to the employees of Indian e-commerce giant Snapdeal, its founder Kunal Bahl asked the employees to follow the example of D-Mart in how to run the business. He reckoned that D-Mart's focus on unit-level profitability and core audience helped it to deliver phenomenal results. He also remarked that unlike other retail companies, which prioritise expansion over profitability, D-Mart succeeded by doing just the opposite.

Right mix of global retail giants Walmart and Costco

D-Mart is one of the few retail chains in India that has been able to crack the secret of profitability and sustainability in a business model in Indian retail. It operates large-format stores (about 30,000 sq. ft.) and like Wal-Mart, prefers to own the stores or rent them on very long-term leases. However, unlike Wal-Mart, it does not offer an expansive array of brands in each category. Instead, like Costco, it offers a very limited product assortment of fast-selling SKUs, which helps it to keep a tight control on inventory and increase inventory turns.

Growth, but not at the cost of worsening financials

D-Mart has a very conservative policy on new store openings and prioritises sustainability and profitability over scale. It opens 70% of new stores in existing geographies and is very cautious about entering new geographies. This has helped it to have a better understanding of its customers and catchment areas, and to fine-tune its sales strategy. Because of D-Mart's focus on operating cost control and tight inventory management, its last four-year EBITDA/PAT CAGR was 48%/52% to touch Rs 6.6/3.2bn. Its focus on sustainability has helped it to maintain working capital, debt/equity, and return ratios at healthy levels.

Like Walmart, D-Mart offers low prices every day, and prefers to own stores or rent them on a long-term lease. Like Costco, D-Mart offers a limited product assortment and keeps inventory under control

D-Mart is present only in 45 cities in India, and if it is able to maintain its focus on sustainable and profitable growth, it can cover 250-300 cities in the long term – thereby increasing its store count, sales, and profits exponentially. At a market capitalisation of Rs 45bn, it is the most expensive listed retail chains in India. It is likely to grow significantly larger in the long term if it continues to pursue the right strategies.

Key financial parameters of D-Mart

	FY12	FY13	FY14	FY15	FY16
No. of stores	55	62	75	89	110
Area (mn sq.ft.)	1.55	1.76	2.14	2.66	3.33
Sales (Rs mn)	22,034	33,330	46,756	64,247	85,655
SSSG	20.3%	31.6%	26.1%	22.4%	21.5%
Ebitda (Rs mn)	1,380	2,150	3,418	4,590	6,635

Source: Company

Reliance Retail – India's largest

With a network of 3,553 outlets across 686 cities and a pan-India retail footprint of over 13.25mn sq. ft, Reliance Retail is India's largest retail company. Reliance Fresh, started in 2006, is Reliance Retail's supermarket grocery chain. It operates around 500 stores (average area 5,000-10,000 sq. ft.) across 80 cities in India. It is positioned on freshness and savings with the core promise of Fresh Hamesha, Available Hamesha, and Savings Hamesha (Hamesha = Always). Unlike other grocery chains, which offer discounts on certain brands of products in certain categories, Reliance Fresh offers blanket discounts of 2-5% on all brands within most categories.

Reliance Retail also includes chains like Reliance Market (cash-and-carry; 37 cities with 2.5mn members), Reliance Digital (electronics; 1,900 stores), Reliance Trends (fashion; 320 stores in 177 cities), Reliance Footprint (footwear), and Reliance Jewels (jewellery; 50 stores in 36 cities).

Unlike other grocery chains, which offer discounts on certain brands of products in certain categories, Reliance Fresh offers blanket discounts of 2-5% on all brands within most categories

In FY13-16, Reliance Retail's sales/EBIT CAGR was 26%/123%

	FY12	FY13	FY14	FY15	FY16
No. of stores	1,282	1,466	1,691	2,621	3,245
Area (mn sq.ft.)		9.0	11.7	12.5	12.8
Sales (Rs mn)	75,990	108,000	144,960	176,400	216,120
EBIT (Rs mn)	-342	780	3630	7840	8910

Source: Company

Spencer Retail – Not yet profitable

Spencer Retail, part of RP Sanjiv Goenka Group, is a major Indian multi-format retail chain with 120 stores including 37 hyper-stores in over 35 cities in south and north India. Spencer's hypermarkets are some of the most expansive retail stores in the country with the area of many outlets in excess of 25,000 sq. ft. Unlike D-Mart, which has a limited product assortment, Spencer's hypermarkets offer one of the widest assortment of brands – this is one of the key differentiators for Spencers according to its website. It also has smaller-format stores under Spencer Supermarkets (17) with per store area of 3,000-5,000 sq. ft. and Spencer Dailies (68) with per-store area of less than 3,000 sq. ft.

Key financial parameters of Spencer Retail

	FY12	FY13	FY14	FY15	FY16
No. of stores	182	131	128	126	118
Area (mn sq.ft.)	1	0.88	1.08	1.05	1.08
Sales (Rs mn)	11,990	13,378	14,513	16,660	18,591
SSSG	14.7%	17.8%	7.7%	9.4%	8.4%
Ebitda (Rs mn)	(1,477)	(872)	(768)	(733)	(596)

Source: Company

During FY12-16, same-store sales for Spencers grew annually by 11% and total sales grew by 11%. However, the chain is still not profitable; it reported a loss of Rs 530mn at the EBITDA level in FY16.

Spencer's hypermarkets are some of the most expansive retail stores in the country with a very wide product assortment

Future Retail – The first-mover

Future Retail is one of the most prominent and oldest retail companies in India and operates through its chains Big Bazaar, Easy Day, Food Bazaar, and others. Big Bazaar is India's largest hypermarket chain with 231 outlets and a total area of 9.8mn sq. ft., across 124 cities. Big Bazaar is a multi-category large-format chain with a typical store size of 30,000-40,000 sq. ft. Future Retail also operates other smaller formats like Easy Day (neighbourhood stores chain) with 379 outlets across 128 cities, FBB (a fashion chain) – 54 standalone stores, Foodhall – 6 stores, ezone – 87 stores, and HomeTown – 37 stores.

While Future Group was one of the first movers in the Indian retail space through its chains Pantaloons and Big Bazaar, it faced skyrocketing debt due to aggressive expansion and capital misallocation. As a result, it hived off Pantaloons and sold it to Aditya Birla group in 2012. During FY12-16, its SSSG CAGR was 7.2% annually for its value retail portfolio (Big Bazaar and Food Bazaar).

Big Bazaar is India's largest hypermarket chain with 231 outlets

GROUND VIEW GOES SHOPPING

D-Mart – Central Mumbai

- **Bustling with activity even on Monday evening**
- **Air-conditioned modern retail store, visited by all economic sections (lower to high) primarily due to its value proposition**
- **Minimalistic interiors, plain aesthetics, narrower lanes vs. other chains such as Spencer or Big Bazaar**
- **More than compensates for dull interiors through the huge discounts that it provides vs. others – these ranged from 5-15%, and are available on multiple brands in almost all categories every day**
- **Surveyed customers indicated that they save Rs 500-1000 per month on grocery bills by shopping here**
- **Discounts offered on grocery items (fruits, vegetables, and grains) were lower to nil vs. those on branded products**

Selling price for some standard grocery items at key retail chains

(All prices in Rs)	MRP	D-Mart Price	Big basket. com	Big Bazaar	Spencer	Reliance Fresh
Packaged Foods						
Good Day 200g	35	31	35	35	35	33.3
Bourbon 150g	27	24	27	27	23.3	25.7
Maggi (pack of 6)	67	61	67	67		65.7
Soap						
Lux 3x150g	105	98	105	105	105	103
Lifebuoy 4x125g	100	93	100	100	100	100
Detergent						
Surf Excel 1.5kg	187	172	187	187	162	183.3
Rin 2kg	150	140	150	150	150	147
Ariel 1kg	199	187	199	199	169	195
Toothpaste						
Colgate Total 140g	105	95	105	105	92	99.8
Colgate Dental Cream 300g	134	116	134	134	113	127.3
Dabur Red 200g	90	75	90	90	82	85.5
HFD						
Horlicks 500g	240	230	240	240	240	235.2
Bourvita 1kg	395	340	395	395	395	387.1
Horlicks 1kg	446	446	425	446	446	446

Source: PhillipCapital Groundview checks

GV talked to a shopper Mr Kadam about why he shops at D-Mart. He said, "I stay at Kanjurmarg East but travel every week to this store in Kanjurmarg West as it offers the lowest prices for all my grocery needs and helps me save around Rs 1000 per month. I even know of some shopkeepers in my area who buy goods for sale from D-Mart."

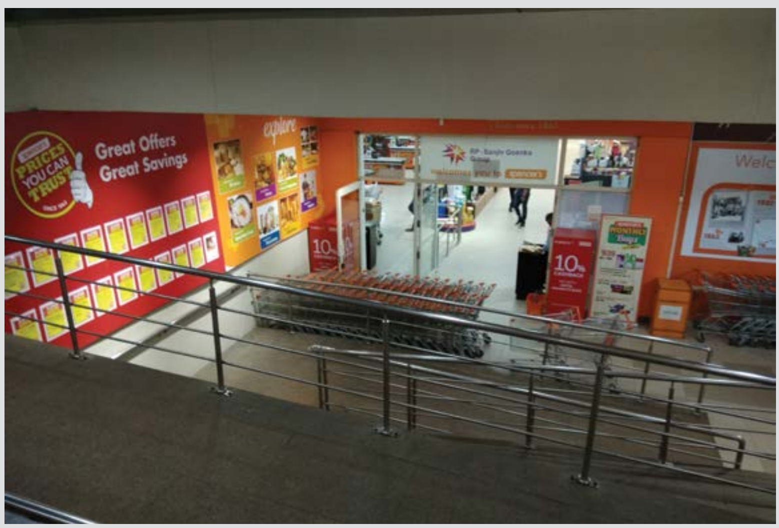
Big Bazaar – South Mumbai

- **Larger than D-Mart or Star Bazaar stores in similar neighbourhoods**
- **Around 60% of space was reserved for grocery and 40% for general merchandise such as apparel**
- **Footfalls were fairly strong on a Tuesday evening**
- **Better store aesthetics, wider lanes, wider product assortment as compared to D-Mart**
- **Had lower discounts compared to other retail chains (Big Bazaar does not offer high discounts every day but offers huge discounts on few special days in a year)**

GV asked one of the storekeepers Miss Rathi about why consumers buy from Big Bazaar and not from nearby grocery outlets. She said, "People come to malls (Big Bazaar) for variety. It offers a huge range of brands, cheap ones as well as expensive ones, and young salaried people shop 15 days to 1 month worth of groceries in one go here."

Spencers Hypermarket – Gurgaon

- The stores were relatively less crowded vs. D-Mart or Big Bazaar on a Monday evening
- Majority of the customers seemed to belong to upper- or upper-middle-class economic groups
- Store aesthetics and ambience were better than other chains – widest lanes between product racks
- Had the widest assortment of brands in most categories
- Prices of most products in the store were higher than those in D-Mart or Reliance Fresh, but comparable or lower than Big Bazaar
- While Spencers has positioned itself as a hypermarket offering the widest assortment of products, it seemed that in some of its categories (green tea, olive oil, noodles), it had more brands than what was optimum



When asked what differentiates Spencers, the store manager said, "Our hypermarkets are positioned on range and variety. People come to our stores for the quality, price, and exotic brands of products – they will not find these in other stores. We also offer discounts on various product categories, which helps customers save money."

Reliance Fresh – Gurgaon

- The store had strong footfalls on Monday evening
- The total retail area was around 10-12,000 sq. ft – minimalistic interiors and plain aesthetics
- Unlike other grocery chains that offer discounts on select brands in select categories, Reliance Fresh offers blanket discounts of 2-5% on all brands in most categories
- This store was offering 2% discount on MRP for any category of product and an additional 3% off on select categories such as biscuits and toothpaste
- While the savings in Reliance Fresh would be higher than Big Bazaar and Spencers, savings in D-Mart would be highest for most shoppers due to higher discounts available on select products in each category
- The variety of brands in each product category was limited in Reliance Fresh, like in D-Mart
- Had products in various categories under own private label

"Reliance Fresh stores are known for the quality of fruits, grains, and vegetables, and the guaranteed savings on MRP on each and every product" – Mr Ritwik, Store Salesman, Reliance Fresh, Gurgaon

What GV took away from shopping

D-Mart and Reliance Fresh best poised to succeed, Big Bazaar needs to work on value proposition, Spencers Hypermarkets needs to work on efficiencies

D-Mart's business model seems best poised for sustainable and profitable growth. It offers lowest prices on most product categories (which leads to higher footfalls and sales), does not operate in expensive locations such as malls or downtown areas of cities (which saves costs), and has tight control on inventory due to limited product assortment (which helps to reduce working-capital needs).

Like D-Mart, **Reliance Fresh** offers low prices, rarely operates in malls, and has a limited product assortment. While its financial details are not available publicly, we believe that Reliance Fresh's business model is sound and the chain can grow sustainably by continuing to control inventory days and operating costs, and not undertaking very aggressive expansions.

While **Big Bazaar** outlets offer a wide product assortment and the convenience of one-stop shopping for all daily needs, it may lose footfalls to other retail chains due to its inability to offer effective savings to customers on a daily basis.

Spencers Hypermarkets seems to have scope to reduce both costs and inventory. These stores are slightly ahead of time - more expansive (area) and expensive (aesthetics) than optimum. Also, the number of brands available at Spencers Hypermarkets may be more than what is optimum.

Quick takeaways:

- **Price:** D-Mart offers the lowest prices for most branded products, followed by Reliance Fresh, followed by Big Bazaar/Spencers. A price-conscious customer will prefer D-Mart over other stores in the same locality.
- **Product assortment:** Spencers Hypermarkets, followed by Big Bazaar, offers a wider assortment of brands compared to D-Mart and Reliance Fresh.
- **Store size:** Spencers and Big Bazaar have larger store sizes, followed by D-Mart, followed by Reliance Fresh.
- **Store aesthetics:** Spencers Hypermarkets, followed by Big Bazaar, have higher focus on aesthetics and ambience compared to D-Mart and Reliance Fresh.
- **Footfalls:** D-Mart had the highest footfalls, followed by Big Bazaar/Reliance Fresh, followed by Spencers.
- **Store location:** Most stores of Big Bazaar and Spencer Hypermarkets were in malls, which have higher rentals. Some stores of Reliance Fresh were in malls. No D-Mart stores are in malls; they are always standalone buildings

Location of modern retail outlets by chain

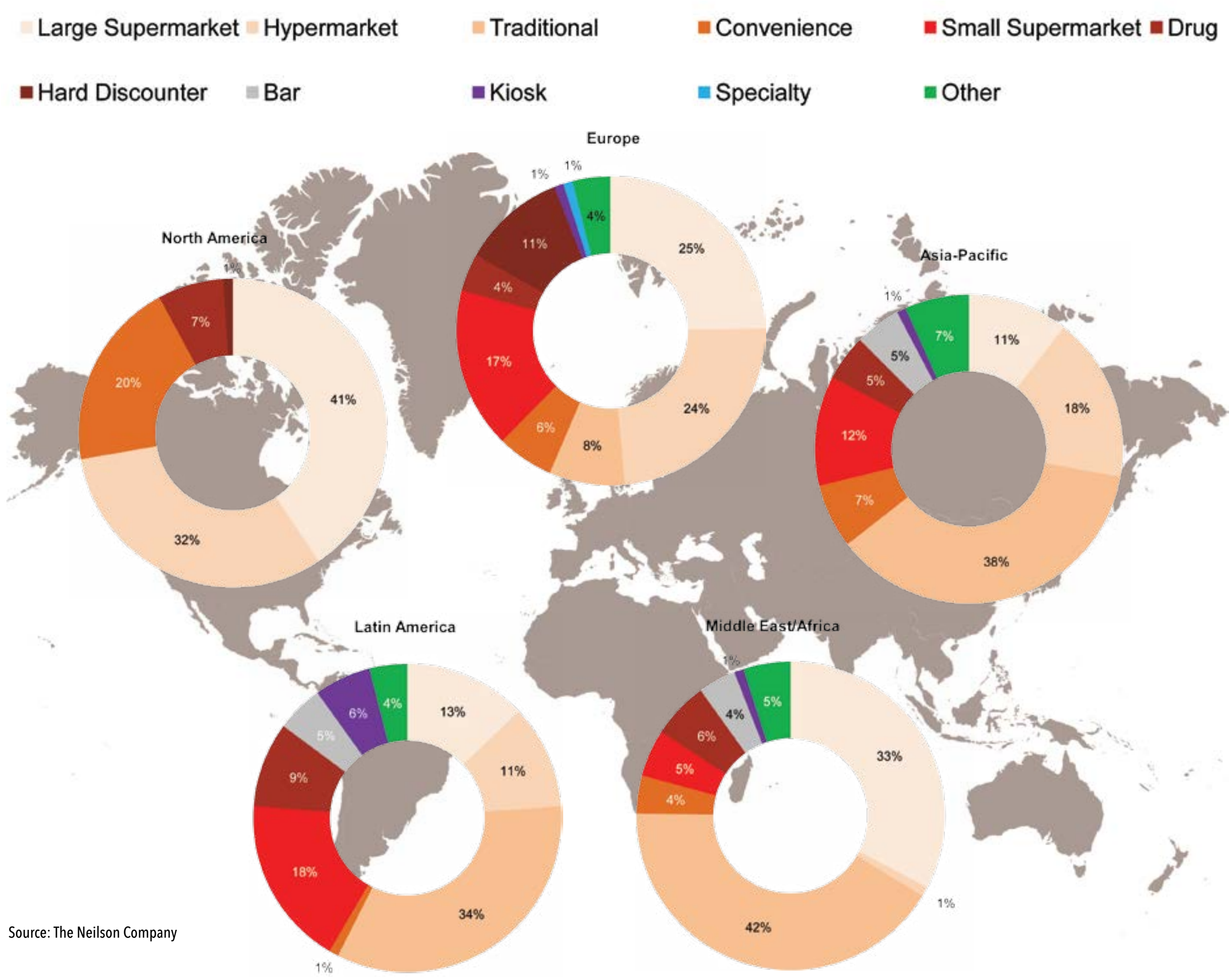
	Big Bazaar outlets in Mumbai	D-Mart outlets in Mumbai	Reliance Fresh – Mumbai	Spencers – NCR + Chennai
Mall	7 outlets	Nil	1 outlet	3 outlets
Non-Mall	2 outlets	21 outlets	14 outlets	29 outlets

Source: Company, PhillipCapital India Estimates

Industry overview

Global retail industry reported sales of US$ 22.6bn in 2015 and is expected to grow to US$ 28bn in 2019 (CAGR of 6%), as per market research firm 'Research and Markets'. There is a huge variation in the structure of the retail industries in different geographies – modern retail dominates in North America and Europe, while traditional retail is more prevalent in Asia, Africa, and South America.

Retail industry sales by channel in various regions



Source: The Neilson Company

Top 10 global retailers - American and European firms dominate the global retail industry

Company	Country	Retail Rev (FY15) (US$ bn)	Retail Rev CAGR (FY10-15) (%)	Net Profit margin (FY15) (%)	Countries present in
Wal-Mart Stores, inc.	US	482	2.7	3.1	30
Costco Wholesale Corporation	US	116	8.3	2.1	10
The Kroger Co.	US	110	6.0	1.9	1
Schwarz Unternehmenstreuhand KG	Germany	94	7.4	na	26
Walgreens Boost Alliance, Inc. (formerly Walgreen Co.)	US	90	5.9	4.1	10
The Home Depot Inc.	US	89	5.4	7.9	4
Carrefour S.A.	France	85	-3.1	1.4	35
Aldi Einkauf GmbH & Co. oHG	Germany	82	8.0	na	17
Tesco PLC	UK	81	-2.3	0.6	10
Amazon.com, Inc.	US	79	20.8	0.6	14

Source: Companies, Deloitte

A brief history of retailing

The word retail comes from an old French word tailler, which means to cut off; the prefix 're' means again. Over time, the noun 'retail' meant to cut off smaller portions from large lumps of goods and sell to consumers. Trading has been an important part of human civilisation and has existed since ancient times – earlier through the barter system or precious stones, and later through money. In ancient and medieval times, open air, public markets operated in town centres in the civilised world throughout Rome, Greece, Babylon, and India. In these markets, the sellers were mostly local (peasantry) and sold or exchanged their surpluses for other necessities or small luxuries. The markets also comprised of a few (probably the very first) entrepreneurs who directly or indirectly procured locally scarce or exotic goods from distant places and sold locally for profits.

The retail landscape changed significantly with the onset of the industrial revolution in Europe and the US. Industrial revolution made possible the mass production and transportation of goods. It also increased urbanisation and created a sizeable middle class, which worked in factories and no longer possessed the facility to grow its own food. This led to the emergence of high-street culture with fixed shops selling multiple brands of single/multiple categories of goods to a variety of consumers. Increasing prosperity and falling production costs helped poor people to get access to goods, which until now were only consumed by upper class.

Rising consumer culture and increasing prosperity gave way to the opening up of the first departmental stores in the US and Europe including – Harrod's in London (1834), Le Bon Marche in Paris (1852), and Macy's in New York (1858). However, retail was never the same after the Walmart retail chain opened its first store in 1962 in Arkansas, USA. This heralded the era of modern retail. Walmart has since then opened more than 11,000 stores in the US and across the world. Today, modern retail dominates the US and European retail industries, and has been among the fastest growing formats in many developing economies such as India and China, during the last decade. Globally, multi-national retail giants such as Walmart, Target, Aldi, Tesco, and others dominate the retail industry in most developed countries.

Major global retail chains across the world

Wal-Mart Stores, Inc

- Started by Sam Walton in 1962
- World's largest – an American multinational retailing giant
- As of January 2017, it has 11,695 stores and Sam's clubs in 28 countries
- 90% of Americans live within 15 miles of a Wal-Mart store
- In 2016, about 62% of Wal-Mart's US$ 486bn revenue came from its US operations
- Wal-Mart India owns and operates '21 Best Price Modern Wholesale' stores

What differentiates Walmart?

- **EDLP (everyday low price):** Wall-Mart pioneered EDLP since its first store in 1962, and captured millions of customers worldwide. EDLP is a pricing strategy that promises consumers that they will get better and lower prices on products than what competitors provide, without the need to wait for promotions or price discounts
- **Retail Link System (RLS):** Wal-Mart revolutionised the way retail companies manage their supply chains in more ways than one. Walmart's RLS is one of the largest B2B supply chain systems in the world and shares its vast trove of real-time sales data and forecasts with its largest suppliers that stock its shelves. This data helps the suppliers to plan their production and product delivery before stock-outs. The system gives the supplier 100 weeks of product sales history and tracks the product's performance globally. For example, Procter & Gamble set up an inventory system with Wal-Mart that included an automatic re-ordering process linking the supplier and retailer. This system alerts P&G when a product is running low at a store, which in turn triggers an order for the nearest P&G factory to ship the item to a distribution center or directly to the store. For P&G, synchronising its product data with Wal-Mart's sales saved the supplier millions annually. The goal is to master the art of knowing what it needed, how much is needed, and when it is needed.
- **Focus on smaller towns:** Wal-Mart's focus is on smaller towns instead of urban and suburban locations where its rivals Target, Costco, and K-Mart are less concentrated.
- **Cross-docking:** To eliminate extra storage costs and maximise efficiency, Wal-Mart's distribution centres use cross-docking. Once goods enter Wal-Mart's distribution centres, they are crossed from one loading dock (inbound) to another (outbound) in 24 hours. This eliminates storage costs, allows drivers to continuously replenish

stock at the retail stores, and helps bring unsold merchandise back to the distribution centre

Costco Wholesale Corporation

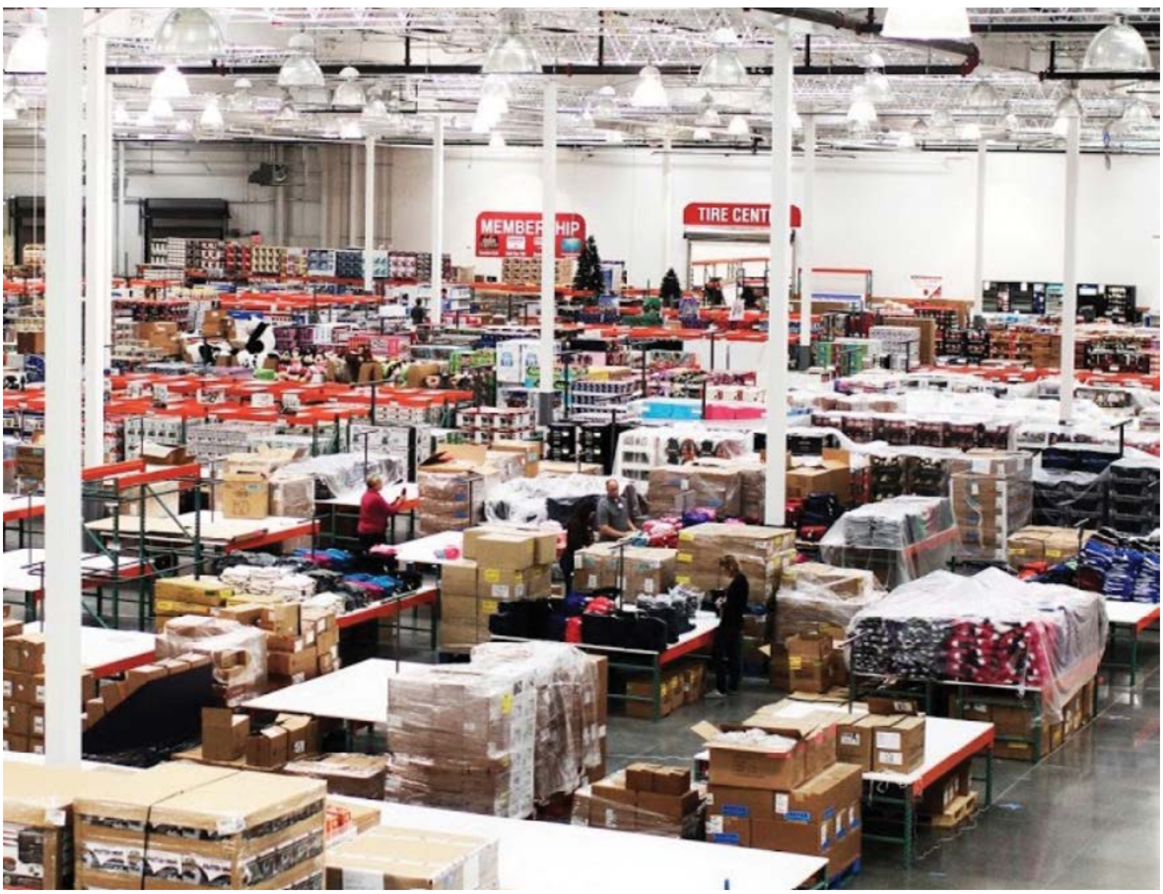
- Founded by James Sinegal in 1976
- Largest American 'membership-only' warehouse club
- Second largest retailer in the world after Wal-Mart
- As of February 2017, Costco had 727 warehouses across nine countries. Its in-house label is called Kirkland Signature

What differentiates Costco?

Costco relies on the following formula: (1) selling a limited number of items, (2) keeping costs down, (3) focusing on high volume, (4) paying workers well, (5) having customers buy memberships, and (6) aiming for upscale shoppers, especially small-business owners. In addition to this, it does not advertise, which results in cost savings of up to 2% of sales per year.

- **Low price-high volume:** Goods at Costco are usually bulk-packaged and marketed primarily to large families and businesses. Costco keeps product prices low and never marks up any product more than 15% (less than the typical 25% at super-markets). It earns lesser margins compared to others, but those low margins are compensated by charging a US$ 55 annual membership fee to its 64mn members.
- **Fewer SKUs and products:** Selling fewer items increase sale volumes and help drive discounts. Costco warehouse typically carries 3,700 products while a typical Wal-Mart super-centre carries approximately 140,000 products. Despite Costco's large store volume, it sells only four toothpaste brands while Wal-Mart sells about 60.

Inside of a Costco store



- **Only members, warehouse shopping, no advertising:** Costco's high sales are achieved without any advertising (no newspapers, radio, TV, or billboards), except target-marketing when it opens a new warehouse. New members are added due to positive word-of-mouth from existing members. 91% of all members currently renew their membership in US/Canada (i.e., attrition rate is only 9%).
- **Lower operational costs:** Costco drops its shipping pallets directly on the warehouse floor, no stocking up products on shelves. This saves millions in labour cost. Its floors are bare concrete slabs, which are more durable and easier to maintain

Weekly ad of Aldi

Aldi

- Aldi is a common brand of two leading global discount supermarket chains – Aldi Nord and Aldi Sud – based in Germany, with over 10,000 stores in 18 countries
- The chain was founded by brothers Karl and Theo Albrecht in 1946
- The two brands operate independently – internationally, Aldi Nord operates in Denmark, France, the Benelux countries, the Iberian Peninsula, and Poland. Aldi Süd operates in Ireland, United Kingdom, Hungary, Switzerland, Australia, Austria, and Slovenia.

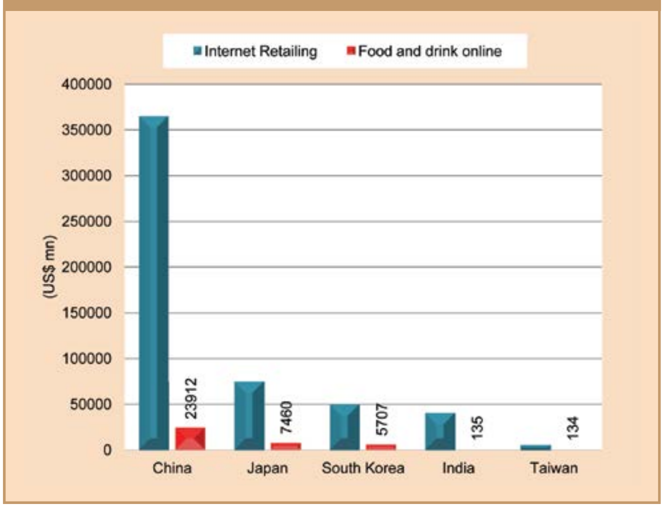
What differentiates Aldi?

- **Fewer products:** Aldi stacks 1,400 high-volume products compared to +40,000 products by supermarkets giants. This leads to less money tied up in stock. Selling fewer items increases sales volumes and helps drives discounts. It also helps Aldi to avoid issues with overstocking and floor space, which tend to impact the bottomline.
- **Lower labour cost:** Customers at Aldi have to "rent" a cart by depositing a quarter. The company says on its website – "By not having to hire someone to police the shopping carts, we are able to pass the savings on to our customers". Aldi uses boxes instead of shelves when possible, which frees up workers from having to stock shelves constantly. Once a product runs out, the workers simply replace it with a box.
- **Efficient workers:** At Aldi, only 3-4 employees are required per shift. They are efficient in stocking, cleaning, and checking out. They are compensated well, but keep overall costs down.
- **Private label:** About 90% of the products at Aldi's are private label. By eliminating the middle-man, Aldi can pass on the savings to customers.
- **High discounts with consistent quality:** The quality of their private labels might be 10% lower than classic brands, but they cost 30% lower than those brands. This means that customers get more value per money spent.

Tiny, but rising fast

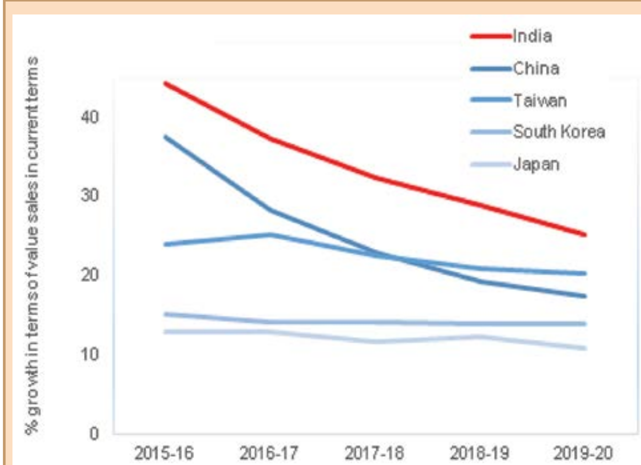
The ecommerce sector in India is expected to have touched about US$ 22bn in 2015 as per IBEF. E-tailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market with a 56% CAGR over 2009-14. PWC pegged the size of the e-tail market at US$ 6bn in 2015. While grocery retailing accounts for almost two-third of the total retail market in India, online grocery accounts for less than 10% of the total e-tailing market. Compared to China, Japan, and South Korea, the online grocery market in India is disproportionately small.

Online grocery market sizes in 2016



Source: Euromonitor 2016

Online grocery growth projections for different countries



Source: Euromonitor 2016

Compared to China, Japan, and South Korea, online grocery market in India is disproportionately small

History of ecommerce in grocery in India

In India, the first e-commerce start-ups in grocery emerged in 2011-12 with the arrival of Zopnow, BigBasket, and LocalBanya. Since then, a multitude of online grocery start-ups have mushroomed across India in the last five years. According to Tracxn, there are at least 490 grocery delivery start-ups in India that have together raised at least US$ 486mn from investors. However, cracking the online grocery model is not easy. Out of the five largest online grocery start-ups in India, two have already gone bust.

Key Indian online grocery companies

	Headquarters	Model	Founded	Current Status	Funding raised
Local Banya	Mumbai	Mix of hyper-local and market place	May-12	Shut down in October 2015; operated in 4 metros	Undisclosed
Pepper Tap	Gurgaon	Pure hyper-local model (100%)	Sep-14	Shut down in April 2016; operated in 17 cities	US$ 51mn from Sequoia Capital, Snapdeal, SAIF Partners, and others
Big Basket	Bangalore	Inventory model	Dec-11	Operational in 29 cities	US$ 220mn in multiple rounds from various investors including Bessemer Venture Partners, International Finance Corp, Abraaj Group
Grofers	Gurgaon	Hyper-local model , but also uses inventory model for fruits and vegetables	Dec-13	Operational in 17 cities currently. In Jan 2016, it shut operations in 9 cities out of 26.	US$ 165mn fromSoftBank Group Corp., Tiger Global Management Llc, and Sequoia Capital
ZopNow	Bangalore	Hyper-local model (tie-ups with only a few big retailers) Tied up with HyperCity, More, Star Bazaar and Metro	Sep-11	Operational in 5 metros (11 cities)	Looking to raise US$ 20-30mn

Source: PhillipCapital India Estimates

What constitutes a successful model for online grocery?

Like the traditional ecommerce space, there are two business models in grocery ecommerce – hyper-local model and inventory. Players using the inventory model (like BigBasket) use low-cost warehouses on the outskirts of cities and deliver products directly to customers. Hyper-local delivery players (like Grofers) procure goods from the local kirana stores and then deliver the goods to customers. While both models have their own benefits and drawbacks, most players use a combination of the two in different proportions.

Zip.in is a Hyderabad-based online grocer that follows the inventory model. In a guest post on website iamwire.com, Zip.in's CEO, Mr Kishore Ganji, highlighted that the hyper-local delivery model is less promising because of its many inherent drawbacks, which continue to remain unresolved. In the post, he wrote that this model suffers from higher transportation and logistics costs, lower margins, lower ticket size, and lower control on quality. The result is that hyper-local start-ups operate on wafer-thin margins and end up losing money on every delivery. Comparatively, inventory-based models, in spite of their higher fixed costs, are more promising as they offer higher margins due to economies of scale and higher quality control, he had said.

Some players like ZopNow claim to have found a solution that includes the best of both models. ZopNow is a Bengaluru-based online grocer that has tied up with big retailers (such as HyperCity, More, Star Bazaar, and Metro) for procurement, instead of with multiple local kirana stores. In media reports, this company has said it believes that its unique model, which it calls 'scale-local', trumps both warehousing (inventory) and hyper-local models as scale-local model offers benefits of both without the drawbacks of either. In a recent interview to vccircle.com, Zop's CEO, Raj Pandey had said, "We have opted for the 'scale-local' model, which gives us access to a wide range and optimises logistics costs as well. While we are not running a warehouse, we have scale and better unit economics. Plus, there is no pilferage, no rent, and no utilities."

While the debate about which model is superior rages on, the success of both Grofers (hyper-local) and BigBasket (inventory) indicates that both models can work with the right strategy

Characteristics of online grocery models

	Hyper-local model	Inventory model
Format	**Procure goods from local kirana stores or other retailers as per orders**	**Own inventory in warehouses**
Benefits	Asset-lean model Lower fixed costs, lower working capital requirements, and lower pilferage	Enables bulk purchases, which brings down procurement costs Provides economies of scale Facilitates large order deliveries
Drawbacks	High transportation and logistics costs Quality of products cannot be controlled Limited choice and limited quantity of products	Higher fixed costs Higher working capital requirement

So what is the right strategy for online grocery in India?

The key differentiating factors between traditional ecommerce and grocery ecommerce are – delivery times (faster delivery expected for grocery due to perishability of goods), gross margins, ticket size, and nature of products (includes perishable goods). Gross margins are lower in groceries (vs. say white goods), but swift deliveries, in fact, cost more – hence grocery companies need an adequate ticket size to generate sufficient gross profits and make each delivery profitable. Currently, even existing online grocery customers order only a portion of their groceries online, and purchase the rest from nearby kirana outlets or modern retail stores. To increase ticket size, companies will have to continually provide highest levels of service and ensure more business from each customer per order.

Lack of well-developed cold-storage infrastructure in India is one of the major challenges for Indian online grocers. Unlike traditional e-commerce players, online grocers need strong cold-storage infrastructure for storing and transportation of perishable goods. As a result, online grocery companies which will invest in cold-storage infrastructures in their target markets will be able to deliver high-quality products to their consumers. This will help ensure repeat orders and also help to increase ticket sizes.

Building a localised supply chain is essential for a business like online grocery

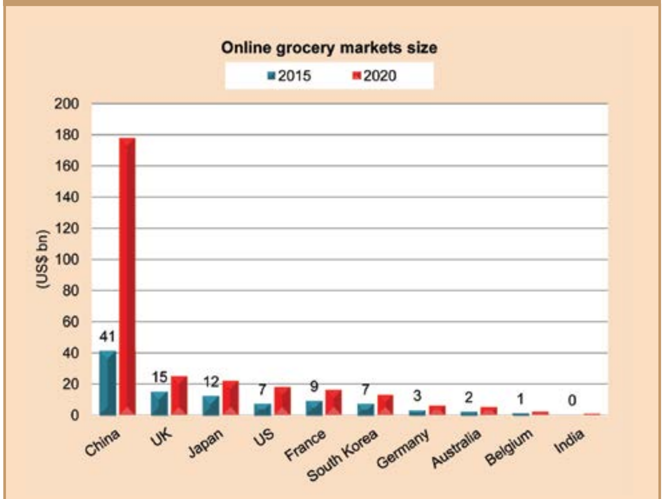
Like many traditional organised retailers who went bust while trying to expand too quickly, many major online grocery players have also gone bust for the same reason. This is because setting up the sourcing, warehousing and distribution of groceries for online sales requires building of infrastructure at the local level. Rapid expansion across the entire country without focus on supply chains will lead to a significant increase in procurement and distribution costs, and make businesses unsustainable. Grofers learnt it the hard way in January 2016 when it had to shut operations in 9 out of 26 cities due to sustainability issues after rapid expansion.

Each market is different

While China and many developed nations have seen a sharp growth in online grocery over the last decade, the US online grocery market stands out as being disproportionately smaller. This could be due to the following reasons: (1) Population density and concentration in the US is lower than in China and other developed nations, which makes grocery ecommerce less feasible due to high delivery and warehousing costs, and (2) the dominance of Walmart and Kroger (42% combined share) over the US grocery markets has reduced the innovation intensity in the industry.

The Indian market seems to have more in common to China than the US – high population density and heavily fragmented retail markets. However, unlike China, the cold storage infrastructure is still in nascent stages in India and there are many other supply-chain bottlenecks in the country, which will only ease with time. As a result, the growth in online grocery market in India is likely to be more gradual than that in China.

Will India go the US way or the China way?



Source: Neilsen, E&Y

The Indian market has high population density and is heavily fragmented (like China) but does not have a developed transport and cold storage infrastructure (unlike China)

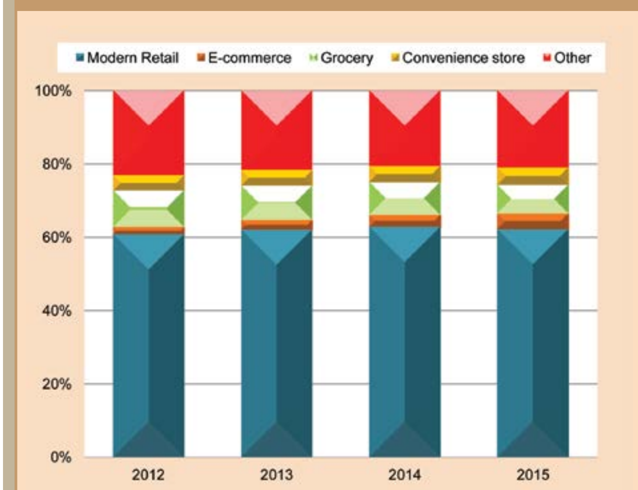
Modern retail and online grocery will both grow faster than the overall grocery market

Online grocery and modern retail have both grown faster than the respective retail markets in China and other countries, by gaining market share from unorganised retailers. Both online grocery and modern retail offer customers a one-stop solution and variety, which is not available in unorganised retail outlets. Also, unorganised retail does not offer huge savings offered by modern retail or home delivery offered by online grocery. Since both online grocery and modern retail offer unique benefits to customers compared to unorganised retailers and target different sets of customers, even in India, both modern retail and online grocery will grow faster than the overall grocery market.

Since both online grocery and modern retail offer unique benefits to customers compared to unorganised retailers, and target different sets of customers, in India, both these formats will grow faster than the overall grocery retail market

Share of modern retail in China continued to grow even as online grocery expanded over 2012-15 – both these segments gained market share from traditional retail channels.

Share of various formats in Chinese retail industry



Source: Kantar world panel report

Precision medicines is the future for Molecular Diagnostics

Could you briefly outline Mapmygenome's business model and service offerings?

Mapmygenome is a genomics company that offers personalised health solutions based on genetic tests. By combining the genetic health profile and health history with genetic counselling, Mapmygenome provides actionable steps for individuals and their physicians towards a healthier life. Mapmygenome is focused on predictive tests, apart from other diagnostics tests.

Under predictive tests, it has a flagship product 'Genomepatri'. It is a once-in-a-lifetime, non-invasive personal genomics test that gives a comprehensive health profile – for better health management. With a simple saliva swab sent from the convenience of a person's home, a customer can learn about genetic predispositions to 120+ conditions – physical attributes, lifestyle, disease risks, inherited conditions, and response to medications.

BY SURYA NARAYAN PATRA

GV spoke to Ms Anu Acharya, the CEO of Mapmygenome, an Indian genomics company whose vision is better health for India using technology. This company provides a range of prognostics, diagnostics, and brain-wellness solutions. With several awards to her name, Ms Acharya has rich experience in telecom, IT, and entrepreneurship. She has studied at IIT (Kharagpur) and University of Illinois, from where she has two post-graduate degrees (Physics, MIS). She is a member of the World Economic Forum's 'Personalized and Precision Medicine Council'.

Unlike the traditional annual physical exam that detects manifested conditions, we assess disease risks and offer mitigation assistance through a genetic-counselling session. Our counsellors correlate test results with family history and current lifestyle to offer actionable steps to better health.

In addition to Genomepatri, we have a range of products and services spanning personal genomics, molecular diagnostics, brain wellness, and TB diagnostic kits. In diagnostic services, we offer full genome sequencing, Whole Exome Sequencing, and different panel tests.

How is your business different from the molecular tests offered by other diagnostic chains?

Other diagnostic chains do not have the range of molecular tests that MapMyGenome provides. Even if the chains are selling complex tests, they would be outsourced (either to MapMyGenome or others). The common molecular test offerings are similar across all diagnostic service providers, but predicative test offerings are what differentiate our company. In fact, our intellectual property (IP) in the predicative test space and over 22,000 gene-expression sample data from genome sequencing tests are our biggest advantage. We see interpretation of genome sequencing data as more important, so our vast database on gene expression gives us an edge over other players, as diagnostic chains may not have such as vast data library. MapMygeneome also provides genetic counselling along with test offerings.

While the Indian diagnostics market is estimated at about US$ 6bn, molecular tests' market share is believed to be marginal. How big is this market in India?

The growth of the molecular test market has been much faster than overall diagnostics – at 28-29% – over the last few years, but the size is relatively small. We estimate the molecular market size at about ~US$ 220mn.

Molecular test offerings in India are largely city-centric due to limited awareness and low affordability. How do you see this industry evolving in India and what are key future growth drivers? What are the key challenges?

We see rapid progress in the Indian genetic tests market and believe that it will see accelerated growth in coming years. MapMyGenome itself has tripled its business over the last four years. However, we believe the molecular market can reach the next level only led by government facilitation in building advanced infrastructure (which is really expensive and is the key challenge for this sector) and wider insurance coverage. In countries such as China, US, and the UK, we have seen the government becoming actively involved in much-needed research and infrastructure creation – but this approach is lacking in India. Unless we see any progress here, the genetic tests market will remain less penetrated and expensive.

What is the prevailing competitive landscape in the Indian molecular tests market and who are your key peers?

Although there are multiple diagnostic chains who offer few common genetic tests, competition in complex genetic tests is limited to a few players – MapMyGenome, Make Genome, and Strand Life Science. Mostly, diagnostic chains outsource complex genetic tests to players like us. For example, diagnostic players and chains including Metropolis, Dr Lal Path Labs, Cryoviva, Cryosafe, Onquest, 1mg, and Lucid Diagnostics outsource the advanced genetic tests to MapMyGenome.

Volume seems to be a key success factor in diagnostics, but that is very low for molecular tests. Do you think doctors play a critical role in the success of any molecular diagnostic business?

Hospitals and doctors are certainly the prime source for volume for our genetic test offerings, but we have more direct walk-in patients. Our focus on the predictive genetic tests drives these walk-ins. Additionally, rising awareness and attitude towards health will gradually drive volume growth.

DNA sequence variations in the human genome alter biological factors such as protein function. Most of these proteins are key catalysts for the metabolism of drug compounds, which translates into inter-individual variability in drug response. The pharmacogenomics that studies an individual's response to drugs for therapeutic benefit and design the medication is called precision medicines

What price trend do you foresee in the molecular diagnostics business and what would drive that?

The price point has already seen a sharp erosion, led by technology advancement over the last 10 years. Genomic tests that used to cost US$ 200mn 10 years ago are now available at US$ 1500-2000. I believe prices can fall further supported by technology and rising awareness about molecular diagnostics. MapMyGenome started offering genome tests at a price of Rs 25,000, which we have now cut to Rs 15,000 over the last couple of years. Technology-led price disruption is a possible trend in molecular diagnostics.

In pathological diagnostics, equipment, reagents, and infrastructure are key cost elements and determine the pricing. This is also the case in molecular diagnostics. So rising volumes would certainly help with falling prices.

Do you believe the concept of 'precision medicines'? Is this the future for molecular diagnostics?

The concept of precision medicine emerged from the fact that one drug does not suit everybody due to the difference in patients' genetic makeups. This relatively new field combines pharmacology (the science of drugs) and genomics (the study of genes and their functions) to develop effective and safe medications as per the patients' genetic makeup.

Inappropriate use of medicines is not only widespread, but it is also costly and extremely harmful – both to individuals and the general population. As per industry surveys, adverse drug events rank among the top-10 causes of death in the USA and are estimated to cost between US$ 30bn and US$ 130bn each year.

Precision medicine is certainly the future of molecular tests and its application is not restricted to only advanced markets. MapMyGenome plays an important role in India in the space of precision medicines under its service offering – MedicaMap, which covers almost 100 different drug compounds spanning 35 pharmacological classes. The test offers comprehensive screening for medicines in major specialties like cardiology, oncology, immunology, psychiatry, infectious diseases, diabetology, neurology, gastroenterology, endocrinology, and toxicology.

Is there any international business potential? Do you find business scope in outsourced biologics services?

Our company is already into exports with a presence in more than 42 countries, but we do not have a presence in advanced markets such as the US or UK. There is vast export opportunity for Indian players. Medical tourism will create a good opportunity for molecular tests.

The rising global outlook in biologics services could certainly prove key growth drivers for Indian molecular diagnostic, internationally. There are many players who already provide biological services at the global level, and genetic test providers have enough capability to complement Indian biological service providers in the international market.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
IIP	2.0	0.3	-1.3	1.1	2.0	-2.5	-0.7	0.7	-1.8	5.7	-0.1	2.7	-1.2	
PMI	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4	52.3	49.6	50.4	50.7	52.5
Core sector	5.7	6.4	8.5	2.8	5.2	3.0	3.2	5.0	6.6	4.9	5.6	3.4	1.0	
WPI	-1.0	-0.9	0.3	0.8	1.6	3.5	3.9	3.8	3.8	3.2	3.4	5.2	6.5	5.7
CPI	4.4	4.8	5.5	5.8	5.8	6.1	5.0	4.4	4.2	3.6	3.4	3.2	3.7	3.8
Money Supply	11.3	10.3	10.0	10.1	10.4	10.4	10.3	12.1	10.9	8.5	6.2	6.4	6.5	7.3
Deposit	11.0	9.9	9.3	9.5	9.7	9.5	9.2	11.3	9.8	15.3	14.5	13.2	12.1	11.2
Credit	11.6	11.3	9.2	9.8	9.4	9.7	9.6	11.2	8.5	4.7	4.7	4.62	4.4	4.7
Exports	-5.7	-5.5	-6.7	-0.8	1.3	-6.8	-0.3	4.6	9.6	2.3	5.7	4.3	17.5	27.6
Imports	-5.0	-21.6	-23.1	-13.2	-7.3	-19.0	-14.1	-2.5	8.1	10.4	0.5	10.7	21.8	45.3
Trade deficit (USD Bn)	-6.5	-5.1	-4.8	-6.3	-8.1	-7.8	-7.7	-8.3	-10.2	-13.0	-10.4	-9.8	-8.9	-10.4
Net FDI (USD Bn)	2.8	1.4	2.0	1.5	3.3	3.6	4.4	4.6	2.4	2	3	3	0.9	
FII (USD Bn)	-2.4	4.3	1.1	-0.4	-0.2	2.7	1.0	3.0	-1.8	-3.8	-4.0	-0.4	2.5	
ECB (USD Bn)	1.4	1.5	0.3	1.3	1.1	1.2	3.2	1.6	1.5	0.3	2.5	1.8	2.2	
Dollar-Rupee	68.4	66.2	66.3	67.3	67.5	67.0	67.0	66.6	66.8	68.4	67.9	67.9	66.7	64.9
FOREX Reserves (USD Bn)	346.8	355.6	361.6	360.2	360.8	365.5	366.8	372.0	367.2	365.3	360.3	361.6	362.8	370.0

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17
Exports	85.3	79.0	70.8	68.0	67.6	64.9	65.8	66.6	67.4
Imports	123.9	118.3	102.5	102.2	104.7	98.9	90.6	90.4	93.1
Trade deficit	-38.6	-39.3	-31.7	-34.2	-37.2	-34.0	-24.8	-23.8	-25.6
Net Invisibles	28.5	30.9	30.2	28.0	28.6	26.9	24.4	23.5	22.2
CAD	-10.1	-8.4	-1.5	-6.1	-8.6	-7.1	-0.3	-0.3	-3.4
CAD (% of GDP)	2.0	1.7	0.3	1.2	1.7	1.3	0.1	0.0	0.0
Capital Account	16.5	23.6	30.7	18.6	8.1	10.9	3.5	7.1	12.7
BoP	6.9	13.2	30.1	11.4	-0.9	4.1	3.3	7.0	8.5

GDP and its Components (YoY, %)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17
Agriculture & allied activities	-1.7	2.5	2.0	-1.0	2.3	1.8	3.8	6.0
Industry	6.9	7.1	8.5	10.3	9.2	7.7	8.5	10.8
Mining & Quarrying	10.1	8.5	5.0	7.1	8.6	-0.4	-1.3	7.5
Manufacturing	6.6	7.3	9.2	11.5	9.3	9.1	6.9	8.3
Electricity, Gas & Water Supply	4.4	4.0	7.5	5.6	9.3	9.4	3.8	6.8
Services	8.3	8.3	7.9	8.5	8.1	8.4	7.5	5.0
Construction	2.6	5.6	0.8	4.6	4.5	1.5	3.4	2.7
Trade, Hotel, Transport and Communications	13.1	10.0	6.7	9.2	9.9	8.1	6.9	7.2
Finance, Insurance, Real Estate & Business Services	9.0	9.3	11.9	10.5	9.1	9.4	7.6	3.1
Community, Social & Personal Services	4.1	5.9	6.9	7.2	6.4	12.3	11.0	11.9
GDP at FC	6.2	7.2	7.3	6.9	7.4	7.3	6.7	6.6

Annual Economic Indicators and Forecasts

Indicators	Units	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Real GDP/GVA growth	%	6.7	8.6	8.9	6.7	4.9	5.6	7.1	7.2	6.8	7.4
Agriculture	%	0.1	0.8	8.6	5	1.2	4.3	-0.2	1.2	4	3
Industry	%	4.1	10.2	8.3	6.7	5.1	0.4	6.5	8.8	5.5	10.6
Services	%	9.4	10	9.2	7.1	6	8.2	9.4	8.2	7.8	7.4
Real GDP	Rs Bn	41587	45161	49185	52475	54821	90844	97275	104272	111362	119603
Real GDP	US$ Bn	908	953	1079	1096	1008	1503	1595	1604	1662	1772
Nominal GDP	Rs Bn	56301	64778	77841	90097	101133	112728	124882	135762	150594	168176
Nominal GDP	US$ Bn	1229	1367	1707	1881	1859	1864	2047	2089	2248	2491
WPI (Average)	%	8.1	3.8	9.6	8.7	7.4	6	2	-2.5	3	3
CPI (Average)		9	12.4	10.4	8.3	10.2	9.5	6.4	4.9	4.6	4
Money Supply	%	20.5	19.2	16.2	15.8	13.6	13.5	12	10.3	11	11.5
CRR	%	5	5.75	6	4.75	4	4	4	4	4	4
Repo rate	%	5	5	6.75	8.5	7.5	8	7.5	6.75	5.75	5.25-5.5
Reverse repo rate	%	3.5	3.5	5.75	7.5	6.5	7	6.5	5.75	5.25	4.75-5
Bank Deposit growth	%	19.9	17.2	15.9	13.5	14.2	14.6	12.1	9.7	14	8
Bank Credit growth	%	17.5	16.9	21.5	17	14.1	13.5	12.5	10.7	8	9
Centre Fiscal Deficit	Rs Bn	3370	4140	3736	5160	5209	5245	5107	5351	5339	5045
Centre Fiscal Deficit	% of GDP	6	6.4	4.8	5.7	5.2	4.6	4.1	3.9	3.5	3
State Fiscal Deficit	% of GDP	2.4	2.9	2.1	1.9	2	2.2	2.9	2.4	2.7	2.8
Consolidted Fiscal Deficit	% of GDP	8.4	9.3	6.9	7.6	6.9	7.1	6.6	6.3	6.2	5.8-6
Exports	US$ Bn	189	182.4	251.1	309.8	306.6	318.6	316.7	266.4	275.7	279.8
YoY Growth	%	13.7	-3.5	37.6	23.4	-1	3.9	-0.6	-15.9	3.5	1.5
Imports	US$ Bn	308.5	300.6	381.1	499.5	502.2	466.2	460.9	396.4	392.5	412.1
YoY Growth	%	19.7	-2.5	26.7	31.1	0.5	-7.2	-1.1	-14	-1	5
Trade Balance	US$ Bn	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-144.2	-130.1	-116.8	-132.3
Net Invisibles	US$ Bn	91.6	80	84.6	111.6	107.5	115.2	116.2	107.9	102.9	106.5
Current Account Deficit	US$ Bn	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-27.9	-22.2	-13.9	-25.8
CAD (% of GDP)	%	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-1.4	-1.1	-0.6	-1
Capital Account Balance	US$ Bn	7.8	51.6	62	67.8	89.3	48.8	90	41.1	39	63.4
Dollar-Rupee (Average)		45.8	47.4	45.6	47.9	54.4	60.5	61.2	65.5	67	67.5

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**Rs**	**Rs bn**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**
Mahindra CIE	Automobiles	229	86,588	54,170	66,956	6,497	9,384	3,147	5,040	10	13	90.4	37.1	23.5	17.2	3.3	2.0	13.8	9.0	14.0	13.7	12.1	21.6
Ashok Leyland	Automobiles	82	233,789	201,621	238,868	22,794	26,389	12,351	15,063	4	5	11.2	22.0	18.9	15.5	3.6	3.0	10.0	8.2	18.8	19.0	15.7	17.0
Ceat Ltd	Automobiles	1,472	59,543	57,810	69,397	6,815	8,623	3,618	4,802	89	118	-21.0	32.7	16.6	12.5	2.5	2.2	9.2	7.2	15.3	17.3	15.2	17.2
Apollo Tyres	Automobiles	239	121,861	133,058	149,745	19,925	21,437	10,308	11,156	20	22	-1.4	8.2	11.8	10.9	1.7	1.5	7.0	6.5	14.5	13.7	10.9	10.5
Escorts Ltd	Automobiles	550	67,399	41,021	46,888	3,209	4,639	2,162	3,181	18	27	108.1	47.1	30.3	20.6	3.2	2.8	20.7	13.8	10.5	13.5	9.0	12.4
Bajaj Auto	Automobiles	2,828	818,200	220,067	256,225	47,024	54,642	39,729	46,098	137	159	8.8	16.0	20.6	17.8	5.6	4.7	16.9	14.3	27.3	26.5	28.1	27.6
Hero MotoCorp	Automobiles	3,214	641,896	281,283	321,496	48,228	53,656	34,710	38,689	174	194	10.8	11.5	18.5	16.6	6.7	5.6	13.3	11.9	36.5	33.7	35.2	33.2
Tata Motors	Automobiles	447	1,428,430	2,678,907	3,078,324	331,759	434,799	80,112	136,232	25	42	-27.5	70.1	17.9	10.6	1.6	1.4	5.5	4.2	9.2	13.7	4.7	7.3
Maruti Suzuki	Automobiles	6,285	1,898,498	665,340	753,298	106,188	118,994	73,469	82,496	243	273	60.7	12.3	25.8	23.0	5.8	4.8	17.7	15.7	22.3	20.8	22.6	21.2
Mahindra & Mahindra	Automobiles	1,272	789,843	408,712	454,622	54,767	61,829	34,260	39,169	58	66	4.1	14.3	22.0	19.2	3.0	2.7	14.5	12.7	13.8	14.2	11.9	12.6
Bharat Forge	Automobiles	1,088	253,175	71,425	81,204	13,464	16,443	6,084	8,369	26	36	-7.1	37.6	41.6	30.3	6.4	5.6	19.9	16.2	15.4	18.5	11.8	14.8
Siemens	Capital Goods	1,317	468,993	108,089	115,924	9,731	13,305	6,056	8,518	17	24	4.6	40.6	77.4	55.1	7.1	6.7	44.6	32.2	9.2	12.2	38.2	9.8
ABB India	Capital Goods	1,417	300,189	86,484	103,243	7,547	10,342	3,612	5,445	17	26	11.6	50.7	83.1	55.1	9.1	8.3	39.0	28.7	11.0	15.1	9.6	13.1
Thermax	Capital Goods	1,008	120,110	45,603	50,495	4,014	4,655	2,996	3,257	25	27	8.8	8.7	40.1	36.9	4.7	4.3	29.3	24.7	11.6	11.6	10.0	11.0
Engineers India	Capital Goods	170	114,289	13,901	19,553	3,063	2,784	3,350	3,270	5	5	31.8	-2.4	34.1	35.0	4.2	4.1	27.9	30.9	12.2	11.7	13.5	12.8
Inox Wind	Capital Goods	206	45,760	46,885	51,662	7,025	7,765	4,191	4,578	19	21	-8.0	9.2	10.9	10.0	2.1	1.8	7.6	6.4	19.3	18.2	14.1	13.5
Cummins India	Capital Goods	947	262,536	51,137	58,296	8,639	10,179	7,897	9,115	28	33	4.7	15.4	33.2	28.8	6.9	6.3	30.5	25.7	20.8	22.0	20.2	21.3
KEC International	Capital Goods	223	57,318	84,462	91,484	7,607	8,247	2,580	3,102	10	12	14.3	20.2	22.2	18.5	3.3	2.9	10.1	9.2	15.0	15.7	9.9	10.6
Larsen & Toubro	Capital Goods	1,685	1,572,095	1,110,087	1,274,713	120,994	144,127	57,874	67,262	62	72	38.2	16.2	27.1	23.3	3.2	3.0	19.9	16.8	12.0	12.6	5.0	5.6
VA Tech Wabag	Capital Goods	693	37,819	30,147	37,435	2,858	3,557	1,348	1,752	25	32	51.6	30.0	28.1	21.6	3.6	3.2	13.5	11.0	12.7	14.8	9.9	11.4
Voltas	Capital Goods	422	139,518	59,998	71,710	5,626	7,056	4,654	5,383	14	16	47.0	15.7	30.0	25.9	4.3	3.8	24.5	19.4	14.3	14.6	16.5	15.4
BHEL	Capital Goods	176	430,655	299,845	345,430	12,599	29,244	9,466	20,956	4	9	-204.3	121.4	45.5	20.6	1.3	1.2	26.3	11.5	2.8	5.9	2.1	4.4
JK Lakshmi Cement	Cement	469	55,187	37,763	45,175	6,005	8,230	1,503	2,999	21	43	137.1	99.5	21.8	10.9	1.9	1.8	13.6	9.8	8.9	16.3	6.4	9.1
JK Cement	Cement	939	65,666	37,763	45,175	6,005	8,230	1,503	2,999	21	43	137.1	99.5	43.7	21.9	3.9	3.6	15.3	11.0	8.9	16.3	6.4	9.1
Dalmia Bharat Ltd	Cement	2,120	188,576	81,114	86,858	20,304	23,397	5,248	5,845	59	66	174.8	11.4	35.9	32.2	4.3	3.8	12.0	10.0	12.0	11.9	8.4	8.6

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
HeidelbergCement	Cement	133	30,242	18,244	19,946	2,454	3,182	676	1,164	3	5	74.9	72.2	44.7	26.0	3.2	2.8	15.1	10.9	7.1	10.9	6.6	8.6
OCL India	Cement	1,000	56,900	29,529	33,165	5,857	6,592	3,224	3,721	57	65	57.5	15.4	17.7	15.3	3.5	2.9	9.2	7.7	19.5	19.3	17.5	20.6
India Cement	Cement	188	57,673	60,035	66,592	10,226	11,472	2,601	3,949	8	13	80.1	50.9	22.2	14.7	1.6	1.5	7.9	6.6	7.3	10.4	7.5	9.3
Ultratech Cement	Cement	4,014	1,101,916	279,403	352,815	54,309	69,379	28,669	29,712	104	108	25.4	3.6	38.4	37.1	4.7	4.2	20.7	19.0	12.2	11.4	9.8	8.6
Mangalam Cement	Cement	385	10,277	8,801	9,835	1,168	1,555	280	617	11	23	-237.0	119.8	36.6	16.7	2.0	1.8	13.1	9.4	5.4	10.9	5.3	8.1
Ambuja Cement	Cement	242	480,427	98,754	108,682	17,340	21,077	10,163	12,052	6	6	10.3	5.6	42.1	39.9	5.4	5.7	26.9	22.0	12.8	14.3	9.9	12.7
ACC	Cement	1,507	282,958	109,456	129,581	11,988	14,977	6,430	7,696	34	41	-14.5	19.7	44.1	36.8	3.3	3.2	22.0	17.8	7.4	8.6	7.0	7.5
Shree Cement	Cement	17586	612,656	90,772	98,584	31,833	35,748	18,381	20,311	528	583	203.1	10.5	33.3	30.2	8.0	6.6	18.7	16.2	24.0	21.9	23.2	23.1
KEI Industries	ELECTRICALS	212	16,485	26,328	29,983	2,797	3,231	2,522	2,940	33	38	16.2	16.6	6.5	5.6	3.6	3.0	7.8	6.6	56.0	53.4	26.6	28.3
Finolex Cables Ltd	ELECTRICALS	543	82,985	5,154	6,278	657	861	281	400	8	12	-12.3	42.6	66.3	46.5	8.1	7.1	128.0	97.8	12.2	15.3	12.9	14.3
VGuard Industries Ltd	ELECTRICALS	186	78,773	5,154	6,278	657	861	281	400	8	12	-12.3	42.6	22.7	15.9	2.8	2.4	121.6	92.9	12.2	15.3	12.9	14.3
Bajaj Electricals Ltd	ELECTRICALS	355	35,948	46,946	50,568	2,605	2,989	1,069	1,284	11	13	11.8	20.0	33.5	27.9	4.3	3.8	15.7	13.5	12.7	13.5	10.6	11.1
Havells India Ltd	ELECTRICALS	493	308,179	59,506	85,191	8,118	10,619	5,662	6,558	9	10	10.4	15.8	54.4	47.0	10.6	9.4	38.3	29.2	19.5	20.1	16.1	17.3
Shriram Transport Finance	Financials	1,080	244,965	57,120	61,055	44,322	44,772	15,940	17,479	70	77	35.3	9.7	15.4	14.0	0.0	0.0	5.5	5.5	14.7	14.2	2.2	2.0
Cholamandalam Inves	Financials	1,052	164,357	25,095	30,640	15,417	18,778	7,487	9,427	48	60	31.7	25.9	21.9	17.4	0.0	0.0	10.7	8.8	18.8	19.9	2.5	2.6
Manappuram Finance	Financials	98	82,759	18,570	23,348	10,454	13,306	6,539	8,415	8	10	93.9	28.7	12.6	9.8	2.5	2.1	7.9	6.2	21.9	23.4	4.9	5.1
Mahindra & Mah Fin	Financials	338	192,356	32,302	38,176	18,552	22,912	4,625	8,735	8	15	-31.2	88.9	41.3	21.9	0.0	0.0	10.4	8.4	7.5	13.3	1.1	1.8
Shriram City Union Fin	Financials	2,290	151,033	28,474	33,582	16,675	19,758	6,286	7,725	95	117	18.6	22.9	24.0	19.5	0.1	0.1	9.1	7.6	13.2	14.5	2.8	2.9
Muthoot Finance	Financials	416	166,142	29,972	34,858	18,191	21,430	11,592	13,627	29	34	43.2	17.6	14.3	12.2	2.6	2.2	9.1	7.8	19.1	19.4	4.0	4.1
Union Bank	Financials	156	107,447	134,300	139,742	70,560	70,010	5,727	10,305	8	12	-60.4	53.8	20.1	13.1	0.5	0.5	1.5	1.5	2.7	4.5	0.1	0.2
Oriental Bank of Com	Financials	155	53,483	79,612	79,078	44,505	40,013	2,845	4,653	8	12	69.3	49.2	18.8	12.6	0.4	0.4	1.2	1.3	2.0	3.1	0.1	0.2
ICICI Bank	Financials	273	1,592,036	412,489	374,367	268,614	210,817	85,083	71,498	15	12	-12.7	-16.1	18.7	22.3	1.7	1.6	5.9	7.6	9.2	7.4	1.7	1.6
Repco Home Finance	Financials	772	48,294	4,038	5,068	3,326	4,163	1,802	2,354	29	37	20.0	29.8	26.8	20.7	0.1	0.1	14.5	11.6	17.4	19.2	2.0	2.1
State Bank of India	Financials	286	2,319,419	915,543	930,647	454,303	423,106	102,503	132,582	13	16	-0.6	27.8	22.4	17.6	1.3	1.2	5.1	5.5	6.7	8.0	0.4	0.5
Bank of Baroda	Financials	180	414,057	193,981	201,585	103,533	101,905	15,693	28,916	7	13	-129.1	84.3	26.5	14.4	1.1	1.0	4.0	4.1	4.3	7.5	0.2	0.4

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**Rs**	**Rs bn**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**	**FY17E**	**FY18E**
Indian Bank	Financials	260	124,756	73,085	79,100	39,912	43,322	14,413	16,492	30	34	102.6	14.4	8.7	7.6	0.8	0.8	3.1	2.9	10.5	10.5	0.7	0.7
HDFC Bank	Financials	1,468	3,761,817	448,760	533,934	252,200	304,517	146,389	176,839	58	70	19.1	20.8	25.4	21.0	0.9	0.8	14.9	12.4	18.7	19.4	2.0	2.0
Indusind Bank	Financials	1,440	861,375	100,156	125,481	53,020	67,915	29,683	38,413	50	64	29.4	29.4	29.0	22.4	4.3	3.7	16.2	12.7	15.7	17.5	2.0	2.1
HDFC Limited	Financials	1,525	2,422,716	115,002	126,802	106,625	117,385	73,588	81,113	47	51	3.7	10.2	32.7	29.7	0.0	0.0	22.7	20.6	20.4	20.1	2.5	2.4
LIC Housing Finance	Financials	643	324,549	38,395	41,105	32,208	33,989	19,217	20,805	38	41	15.7	8.3	16.9	15.6	0.0	0.0		9.5	19.4	18.0	1.4	1.3
Punjab National Bank	Financials	156	332,069	248,616	251,656	129,150	118,386	15,749	30,400	7		-135.8	-100.0	21.6	#DIV/0!	0.9	0.8	2.6	2.8	77.5	113.1	0.2	0.4
DCB Bank	Financials	182	51,836	10,486	12,403	4,146	4,814	2,076	2,458	7	8	6.7	8.8	24.9	22.9	2.7	2.2	12.5	10.8	11.0	10.6	1.0	1.0
AXIS Bank	Financials	492	1,178,597	293,256	296,043	173,334	159,630	30,300	45,498	13	19	-63.3	49.4	38.9	26.0	0.4	0.4	6.8	7.4	5.6	8.2	0.6	0.8
Canara Bank	Financials	326	194,746	172,544	185,946	86,732	91,806	14,816	24,569	26	41	-149.4	62.1	12.7	7.9	6.6	6.2	2.2	2.1	5.4	8.2	0.3	0.4
Colgate	FMCG	1,012	275,358	43,472	49,506	10,005	11,546	6,010	6,934	22	25	-1.1	15.4	45.8	39.7	21.3	16.9	27.2	23.4	46.4	42.6	52.0	47.5
Bajaj Corp	FMCG	402	59,361	8,709	9,631	2,692	2,979	2,438	2,631	17	18	0.2	7.9	24.4	22.6	12.7	13.0	21.8	19.8	52.3	57.8	48.5	57.0
Nestle	FMCG	6,342	611,473	101,096	112,742	21,507	24,159	12,459	14,162	129	147	17.1	13.7	49.1	43.2	18.5	16.1	28.3	24.7	37.6	37.2	40.5	39.7
Glaxo Smithkline Con	FMCG	5,265	221,439	39,742	42,703	8,427	9,403	7,014	7,747	167	184	-0.7	10.5	31.6	28.6	8.0	7.1	22.6	19.7	25.3	24.8	26.9	26.3
ITC	FMCG	281	3,409,770	388,213	427,304	149,626	168,404	103,012	114,830	9	10	9.6	11.5	32.8	29.4	9.8	9.3	22.3	19.8	29.8	31.7	23.2	24.5
Godrej Consumer Pro	FMCG	1,694	576,824	101,171	112,021	18,447	20,852	12,895	14,922	38	44	12.5	15.7	44.7	38.6	9.5	8.0	32.1	28.0	21.2	20.7	16.5	17.2
Dabur India Ltd	FMCG	292	514,364	86,850	96,506	15,605	17,221	12,800	14,269	7	8	2.2	12.5	40.1	35.7	10.5	9.1	32.9	29.7	26.3	25.4	24.3	23.8
Britannia	FMCG	3,381	405,723	93,599	105,653	12,116	14,203	8,943	10,404	75	87	9.6	16.3	45.3	39.0	17.5	13.7	33.2	28.0	38.6	35.2	40.9	37.4
Apcotex Industries	FMCG	366	7,588	5,640	6,557	798	1,074	500	691	24	33	30.2	38.0	15.2	11.0	3.4	2.8	9.1	6.0	22.7	25.8	25.0	28.7
Emami	FMCG	1,018	231,098	28,121	31,637	8,047	9,198	5,602	6,466	25	28	5.8	15.4	41.3	35.7	15.7	14.2	29.3	25.5	38.1	39.8	18.3	23.3
Jubilant Foodworks	FMCG	1,032	68,059	26,187	29,231	2,630	3,018	889	1,102	14	17	-22.4	23.9	76.0	61.3	7.9	7.0	25.6	21.9	10.4	11.4	10.4	11.5
Asian Paints	FMCG	1,060	1,016,702	164,341	188,343	31,859	35,405	20,334	22,752	21	24	14.3	11.9	50.0	44.7	15.4	13.2	31.7	28.2	30.8	29.6	31.4	30.2
Agro Tech Foods	FMCG	566	13,781	8,066	8,585	651	769	316	421	13	17	35.2	33.1	43.6	32.7	3.8	3.5	21.8	18.2	8.7	10.7	8.2	8.9
Marico Industries	FMCG	303	391,142	65,107	73,527	12,389	14,084	8,573	9,762	7	8	18.3	13.9	45.6	40.1	15.5	13.0	31.2	27.1	34.0	32.5	31.7	30.8
Hindustan Unilever	FMCG	920	1,990,985	322,609	363,026	65,022	72,675	42,027	47,864	19	22	2.5	13.9	47.5	41.7	50.4	45.7	30.2	27.0	106.1	109.6	117.2	121.8
Hindustan Construction	Infrastructure	44	44,521	36,188	41,616	4,343	4,994	-1,276	2,005	-1	2	-188.3	-257.1	-34.9	22.2	1.7	1.6	14.8	11.4	-5.6	7.3	4.7	7.4

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
NCC	Infrastructure	97	53,786	83,510	94,526	7,349	8,744	2,421	3,469	4	6	2.1	43.3	22.2	15.5	1.5	1.4	9.7	8.2	6.7	8.9	9.1	10.1
PNC Infratech Ltd	Infrastructure	150	38,481	20,142	24,170	2,618	3,190	1,971	1,849	8	7	-17.7	-6.2	19.5	20.8	2.5	2.2	14.8	12.1	13.6	11.3	13.4	11.1
Adani Ports & SEZ	Infrastructure	333	688,902	84,450	94,589	55,535	62,504	37,017	41,420	18	20	30.0	11.9	18.6	16.6	4.1	3.3	16.2	14.1	22.1	20.1	11.6	11.6
IRB Infrastructure	Infrastructure	243	85,420	57,142	63,658	30,815	35,748	6,734	6,561	19	19	5.9	-2.6	12.7	13.0	1.5	1.3	7.8	6.8	11.5	9.9	3.6	3.8
Ashoka Buildcon	Infrastructure	209	39,114	30,066	35,089	8,938	10,989	1,087	1,214	6	6	10.5	11.6	36.0	32.2	2.0	1.9	9.0	7.3	5.5	5.9	5.7	6.4
ITD Cementation	Infrastructure	180	27,975	33,059	38,018	2,645	3,231	948	1,291	6	8	97.1	36.2	29.5	21.7	4.4	3.7	11.7	9.9	14.8	16.9	15.0	16.3
Ahluwalia Contracts	Infrastructure	361	24,183	13,808	15,879	1,864	2,144	1,001	1,226	15	18	18.5	22.6	24.2	19.7	4.8	4.0	13.2	11.1	21.5	22.0	20.0	20.9
KNR Construction	Infrastructure	206	28,967	14,441	16,607	2,094	2,408	1,524	1,629	11	12	-5.4	6.9	19.0	17.8	3.3	2.8	14.6	12.7	19.1	17.2	16.4	15.7
NIIT Technologies	IT Services	430	26,361	27,710	30,444	4,574	5,088	2,593	2,917	42	48	-3.1	12.4	10.1	9.0	1.5	1.4	4.2	3.4	15.2	15.3	12.9	15.0
Mindtree Ltd	IT Services	448	75,343	52,286	58,027	7,116	8,294	4,107	5,428	26	32	-19.4	23.6	17.1	13.9	2.7	2.5	10.4	8.7	15.5	18.3	17.3	19.3
Wipro	IT Services	500	1,214,730	548,281	578,512	112,324	116,869	83,199	89,682	34	37	-5.5	8.3	14.6	13.5	2.4	2.2	11.9	11.0	16.7	16.1	15.9	15.7
Persistent Systems	IT Services	572	45,736	28,986	32,029	4,585	5,233	3,099	3,460	39	43	4.2	11.6	14.8	13.2	2.4	2.1	9.7	8.4	16.2	16.1	16.0	15.8
KPIT Technologies	IT Services	128	25,230	33,087	35,534	3,628	4,282	2,196	2,593	11	14	-23.9	18.1	11.1	9.4	1.5	1.3	6.6	5.2	13.8	14.2	14.4	12.9
Infosys Technologies	IT Services	929	2,133,747	689,083	771,203	187,458	211,257	144,440	164,449	63	72	7.0	13.9	14.7	12.9	3.1	2.8	9.3	8.0	21.2	21.3	22.1	22.6
HCL Technologies	IT Services	819	1,169,035	467,000	530,604	103,070	114,765	81,791	89,906	58	63	50.0	8.8	14.2	13.0	3.3	2.9	11.2	10.0	25.5	25.2	25.4	25.0
Tech Mahindra	IT Services	423	412,188	293,050	320,768	44,036	50,112	29,803	32,613	34	37	-2.6	9.4	12.4	11.4	2.4	2.1	9.2	7.8	19.2	18.4	15.3	14.9
Tata Consultancy	IT Services	2,321	4,572,674	1,188,280	1,295,824	326,828	343,999	264,902	275,357	134	140	9.4	3.9	17.3	16.6	5.5	4.7	13.9	13.0	32.0	28.3	33.0	29.6
Navkar	Logistics	212	30,247	3,875	7,048	1,458	2,710	896	1,664	6	12	-19.8	85.8	33.8	18.2	2.2	1.9	23.3	12.3	6.4	10.3	5.8	9.8
Gateway Distripacks	Logistics	278	30,216	10,902	12,342	2,411	3,262	1,081	1,782	10	16	-1.3	64.9	27.9	16.9	3.1	2.9	14.9	11.0	11.3	17.2	8.3	11.9
Allcargo Logistics	Logistics	174	43,915	56,674	61,740	4,788	5,943	2,248	3,007	9	12	-19.2	33.7	19.5	14.6	2.5	2.2	10.1	8.1	13.0	15.3	9.3	12.7
Container Corp Of India	Logistics	1,199	292,132	54,668	60,835	10,442	11,715	7,322	8,136	38	42	-7.0	11.1	31.9	28.7	2.7	2.6	27.6	24.6	8.6	9.0	8.4	8.8
VRL Logistics Ltd	Logistics	346	31,561	18,056	19,661	2,335	2,657	836	1,042	9	11	-18.3	24.7	37.8	30.3	5.8	5.4	14.4	12.5	15.4	17.8	11.1	13.2
Ortel Communication	Media	115	3,477	2,533	3,025	844	1,084	125	88	4	3	4.2	-29.9	27.7	39.5	2.3	2.2	6.2	4.8	8.3	5.5	8.5	8.1
HT Media	Media	84	19,632	27,311	29,520	3,781	4,329	2,310	2,750	10	12	32.6	19.0	8.5	7.1	0.8	0.7	6.7	5.1	9.9	10.4	9.1	9.3
Hindustan Media Vent	Media	293	21,490	9,343	10,320	1,913	2,320	1,824	2,139	25	29	0.7	17.3	11.8	10.0	2.0	1.7	11.0	8.3	16.9	16.7	19.2	18.8

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
DB Corp Limited	Media	380	69,862	22,761	25,196	6,484	7,586	3,814	4,690	21	26	28.3	23.0	18.3	14.9	4.6	4.0	10.5	8.7	25.0	26.8	22.5	24.6
Dish TV	Media	100	106,967	30,446	34,089	10,324	12,614	2,729	3,844	3	4	-61.3	40.9	39.2	27.8	16.1	10.2	10.5	8.4	41.1	36.7	51.3	40.1
Zee Entertainment	Media	537	516,097	65,355	67,083	17,749	22,115	10,784	15,312	11	16	18.1	42.0	47.8	33.7	7.4	4.9	27.9	20.8	15.4	14.7	17.4	18.2
Jagran Prakashan	Media	197	64,402	22,853	24,721	6,265	7,084	3,656	4,266	12	13	11.4	16.7	17.1	14.6	3.3	2.8	10.4	8.8	19.1	19.3	15.8	15.6
Tata Steel	Metals	457	444,234	1,131,725	1,233,158	148,444	191,073	25,031	60,512	26	62	170.1	141.8	17.8	7.3	1.5	1.3	8.5	6.3	8.4	17.3	4.3	6.6
Hindalco Inds	Metals	188	421,395	1,006,128	1,072,513	128,588	137,886	28,502	34,367	14	17	265.5	20.6	13.6	11.3	0.9	0.9	7.9	7.0	6.9	7.8	5.2	5.4
Vedanta Ltd	Metals	235	695,814	728,043	905,686	215,276	272,640	62,913	103,528	21	28	101.1	31.3	11.1	8.4	1.4	1.1	6.4	4.7	12.8	12.7	8.5	10.4
NALCO	Metals	67	130,183	72,858	86,399	10,387	18,962	6,636	12,333	3	6	30.6	85.8	19.6	10.6	1.3	1.2	10.0	5.3	6.5	11.2	4.7	10.0
SAIL	Metals	61	252,555	444,652	528,855	11,285	46,874	-21,685	-3,237	-5	-1	-47.4	-85.1	-11.6	-78.0	0.7	0.7	53.8	13.3	-5.9	-0.9	-1.1	1.6
JSW Steel	Metals	191	460,601	560,481	617,282	125,234	139,556	36,024	44,652	15	18	160.4	23.9	12.8	10.3	2.2	1.8	7.1	6.1	16.9	17.6	8.9	9.4
Hindustan Zinc	Metals	284	1,199,991	172,674	212,335	96,656	128,835	82,298	110,986	19	26	0.4	34.9	14.6	10.8	2.8	2.4	9.5	6.4	19.3	22.3	19.4	22.4
PEBS	Midcap	143	4,886	5,154	6,278	657	861	281	400	8	12	-12.3	42.6	17.4	12.2	2.1	1.9	9.1	7.1	12.2	15.3	12.9	14.3
KDDL	Midcap	210	2,273	4,760	5,513	296	459	36	98	3	9	-31.7	170.6	62.8	23.2	2.2	1.9	11.6	7.4	3.5	8.4	4.8	7.2
Pennar Inds.	Midcap	52	6,258	15,320	19,035	1,777	2,278	488	749	4	6	11.4	53.3	12.8	8.4	1.1	1.0	4.9	3.9	8.9	12.4	12.9	15.1
Praj Inds.	Midcap	82	14,786	9,089	11,264	637	1,431	409	967	2	5	-40.2	136.4	35.7	15.1	2.3	2.2	22.3	10.1	6.5	14.5	6.1	14.1
Sintex Industries	Midcap	114	59,988	83,702	99,494	14,455	17,540	5,209	6,706	10	13	-30.0	28.7	11.4	8.9	0.9	0.8	8.4	7.2	8.1	9.5	5.4	5.9
Gulf Oil Lubricants	Oil & Gas	744	36,934	11,168	12,742	1,803	2,116	1,187	1,415	24	29	18.4	19.2	31.1	26.1	11.6	9.2	20.3	17.2	37.4	35.4	27.9	28.8
Castrol India	Oil & Gas	432	213,700	36,836	40,418	10,985	12,207	7,412	8,241	15	17	13.6	11.2	28.8	25.9	31.9	28.4	18.6	16.7	110.6	109.5	129.7	130.2
Gujarat State Petronet	Oil & Gas	185	104,264	10,517	12,190	9,127	10,698	4,931	5,998	9	11	10.9	21.7	21.1	17.4	2.4	2.2	11.6	9.6	11.4	12.5	9.3	10.4
Petronet LNG	Oil & Gas	453	339,938	260,010	321,633	24,031	29,828	14,565	17,666	19	24	36.2	21.3	23.3	19.2	4.6	3.9	14.2	11.2	19.6	20.3	14.1	15.9
GUJARAT GAS LTD	Oil & Gas	850	117,040	50,872	55,774	7,677	10,623	2,245	4,304	16	31	13.1	91.7	52.1	27.2	5.1	4.5	18.1	12.9	9.9	16.5	6.4	9.1
GUJARAT GAS LTD	Oil & Gas	850	117,040	50,872	55,774	7,677	10,623	2,245	4,304	16	31	13.1	91.7	52.1	27.2	5.1	4.5	18.1	12.9	9.9	16.5	6.4	9.1
Indraprastha Gas	Oil & Gas	1,072	150,066	37,965	37,552	10,040	10,899	5,790	6,568	43	47	38.5	10.3	25.2	22.8	5.3	4.5	14.1	12.7	21.0	19.9	17.8	17.5
Reliance Industries	Oil & Gas	1,382	4,491,879	3,079,673	3,807,884	462,012	565,352	284,344	224,753	96	76	4.4	-21.1	14.3	18.2	1.5	1.4	14.2	12.8	10.6	7.8	6.7	5.2
Divi's Laboratories	Pharma	634	168,320	44,131	41,444	16,117	13,791	11,870	9,584	45	36	9.2	-19.3	14.2	17.6	3.3	2.9	10.4	12.2	23.0	16.5	-	-

PhillipCapital India Coverage Universe: **Valuation Summary**

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Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Aurobindo Pharma	Pharma	643	376,722	154,569	180,376	37,097	45,815	23,759	29,253	41	50	16.5	23.1	15.8	12.8	4.1	3.2	11.0	8.8	26.0	24.9	24.5	24.3
Glenmark Pharma	Pharma	910	256,717	91,779	101,909	22,884	24,733	13,052	15,322	46	54	41.9	17.4	19.7	16.8	4.7	3.7	12.5	11.3	23.7	22.0	16.3	16.7
Lupin	Pharma	1,428	644,807	171,486	194,101	47,459	53,237	28,598	33,907	63	75	29.2	18.6	22.5	19.0	4.8	3.9	14.3	12.4	21.3	20.6	-	-
Sun Pharma	Pharma	648	1,554,942	313,372	339,916	106,640	118,461	69,690	77,227	29	32	20.4	10.8	22.3	20.1	4.3	3.6	13.3	11.5	19.1	17.9	15.7	15.4
Dr Reddy's Labs.	Pharma	2,624	434,699	141,792	156,917	27,649	36,875	13,793	21,184	81	124	-31.7	53.6	32.4	21.1	3.7	3.2	16.7	12.2	11.3	15.1	7.0	10.7
Cadila Healthcare	Pharma	451	461,298	94,489	116,314	19,795	26,579	13,251	18,276	13	18	-10.0	37.9	34.8	25.2	7.3	5.9	23.9	17.7	19.9	22.4	14.3	17.0
Ipca Laboratories	Pharma	599	75,551	31,516	37,397	4,712	6,900	1,962	3,898	16	31	44.0	98.7	38.2	19.2	3.0	2.6	16.9	11.4	7.9	13.6	6.3	11.4
Cipla Ltd	Pharma	572	460,341	14,889	17,116	3,871	4,621	1,369	1,832	17	23	-12.7	33.9	33.6	25.1	3.5	3.1	120.0	100.4	20.3	22.2	-	-
Biocon	Pharma	1,119	223,700	39,924	47,040	9,830	10,405	6,196	5,553	31	28	37.4	-10.4	36.1	40.3	4.7	4.3	23.2	22.1	12.6	10.2	11.7	10.0
Titan Company	Retail	481	426,892	128,390	146,821	11,986	14,271	7,785	9,640	9	11	12.9	23.8	54.8	44.3	10.0	8.7	35.5	29.5	20.1	21.0	20.7	21.6
Meghmani Organics	Specialty Che	42	10,554	15,491	17,440	3,005	3,575	880	1,136	3	4	6.6	29.1	12.0	9.3	1.4	1.3	5.0	4.0	12.0	13.6	10.6	12.3
Camlin Fine Sciences	Specialty Che	96	10,003	5,251	7,606	570	1,217	24	533	0	5	-94.5		414.8	18.7	4.3	3.6	20.9	9.8	3.5	20.4	-	-
Aarti Industries	Specialty Che	797	65,458	29,884	35,607	6,515	7,940	3,253	4,108	40	50	26.6	26.3	20.1	15.9	5.2	4.2	12.2	10.0	27.1	27.2	-	-
SRF Ltd	Specialty Che	1,717	98,602	49,383	55,040	10,000	11,834	4,730	5,647	82	98	9.1	19.4	20.8	17.5	3.2	2.8	12.0	10.2	15.4	15.8	9.4	10.4
Vinati Organics	Specialty Che	816	42,101	7,167	8,379	2,157	2,609	1,356	1,670	26	32	41.3	23.1	31.0	25.2	6.5	5.3	19.4	16.8	20.8	21.0	-	-
Atul Ltd	Specialty Che	2,450	72,670	28,860	32,128	5,195	5,976	2,982	3,507	100	118	10.7	17.6	24.4	20.7	4.7	3.9	14.0	11.7	19.4	18.9	-	-
Bharti Infratel	Telecom	350	646,993	84,732	88,529	58,942	61,502	26,398	28,609	14	15	13.5	8.4	24.5	22.6	3.9	3.8	10.0	9.3	15.7	16.6	11.8	12.8
Bharti Airtel	Telecom	342	1,365,312	990,357	1,063,683	349,654	378,037	37,404	57,520	9	14	-4.2	53.8	36.5	23.8	2.0	1.8	7.3	6.8	5.4	7.5	5.5	5.9
Tata Communications	Telecom	714	203,362	220,447	237,790	36,115	40,386	1,401	3,882	5	14	-35.7	177.1	145.2	52.4	-39.6	-75.7	7.8	6.7	-27.3	-144.5	4.8	6.6
Idea Cellular	Telecom	85	306,453	365,055	367,334	107,246	91,945	-4,173	-27,805	-1	-8	-113.6	566.4	-73.4	-11.0	1.2	1.4	6.9	8.8	-1.7	-12.5	2.3	-0.1

Source: PhillipCapital India Research Estimates

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