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GROUND ZERO

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SPECIAL EDITION: INDIA E-COMMERCE

OFFLINE RETAIL:

'OMNI'OUS OR OBLIVIOUS TO ONLINE?

PhillipCapital

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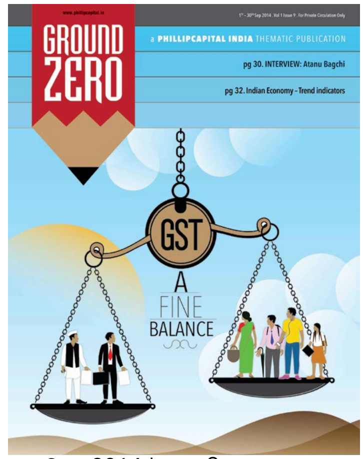

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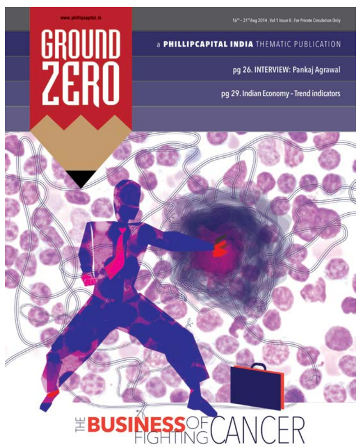

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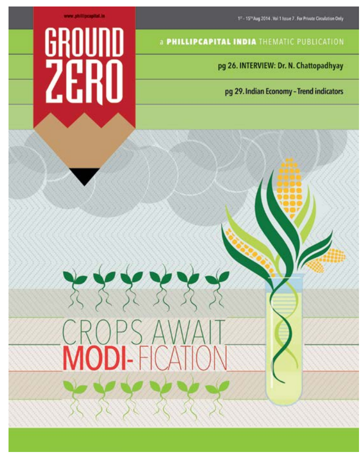

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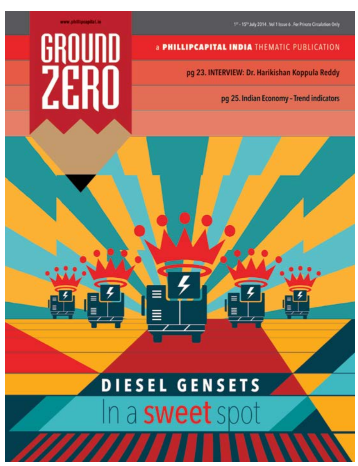

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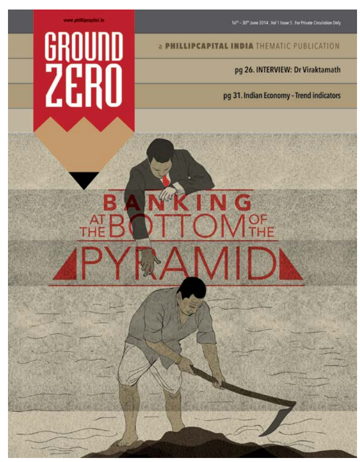

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LETTER FROM THE MANAGING DIRECTOR

The latest buzz in retail is ecommerce or etailing as many call it and it has already reached most cities in India, even the smaller ones. The Indian ecommerce market has grown at a rapid pace over the last couple of years and customers are excited, investors are bullish, and competition is now taking it very very seriously. What was once considered the 'little brother' of Indian retail now seems a lot bigger, accounting for nearly 10% of organised retail in a fragmented market. In October 2014, US$ 300mn worth of goods are estimated to have been sold in a series of big online shopping events held by major etailers in India.

With ecommerce grabbing headlines in India like never before and offline retailers raring to go online, we publish our cover story on ecommerce and omni-channel retailing. The story "Offline retail: 'Omni'ous or Oblivious to Online?" penned by retail analysts Abhishek Ranganathan and Neha Garg is an interesting analysis of the Indian ecommerce market, the business models of these players, and the way ahead for offline retailers. The story provides insights on the dynamics of etailing in India as well as China and the lessons that may lead to the evolution of a sustainable business model. Until then, let's enjoy the deep discounts.

Along with the etail story, we have interviewed Mr Dhruv Goel, MD SteelMint. He highlights various challenges and logistical constraints faced by the steel industry due to the mining restrictions in various states in India.

Best Wishes

Vineet

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Various shopping apps now bring the store to the consumer anywhere and anytime

OFFLINE RETAIL:

'OMNI'OUS OR OBLIVIOUS TO ONLINE?

Online retailing or ecommerce is catching fire in India — while it is less than 1% of overall Indian retail, it is already 10% of organized retail and many predict it will be 8% of the total retail market by 2020!! Chinese online ecommerce giant Alibaba's success seems to have spurred Indian ecommerce players. As the competition hots up, we take a good look at the Indian ecommerce market, its leading players, and their business models including the viability of what all of us love — discounts. We try to understand if Alibaba's business model may have lessons for Indian retailers. We came across uncanny similarities between offline and online retailers, despite their many differences. The fundamentals of doing business online are not radically different from offline and the laws of economics will catch up with the former as well. With many offline retailers looking to bridge the 'online' gap, we looked at the viability of an omni-channel strategy, deployed successfully in developed countries. The competition to offline is real and business models will have to evolve — it will be an ominous threat to those who are oblivious. The online retailers' products may be delivered in a day, but a winner will not emerge so quickly — out of the rollercoaster ride of discounts, mega sales, and promotions may emerge a business model that is unique to India, just as Alibaba's is unique to China.

BY ABHISHEK RANGANATHAN & NEHA GARG

Drivers of e-biz models: opportunities and discounts galore

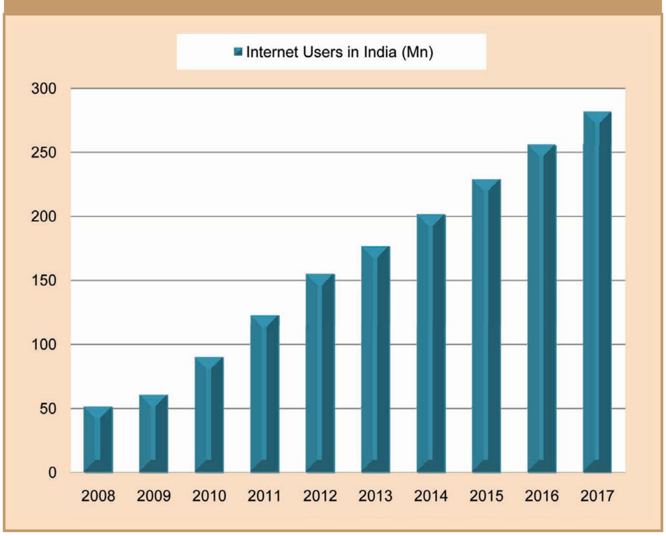
The words 'retail therapy' or 'going shopping' were long associated with physical, brick-and-mortar retail. But with stores and brands going clicky (websites) and appy (mobile apps) these terms have already widened to accommodate online shopping. Over the last couple of years, the Indian ecommerce space has filled up with home-grown players such as Flipkart, Snapdeal, and the big daddy of ecommerce, Amazon. Online shopping has captured the imagination and attention of consumers, media, brick-and-mortar players, brands, and of late, even the tax authorities and the government.

During GOSF 2013 (held over three days in December 2013), over 60mn people visited online shopping sites and 16mn unique customers shopped at the event. Myntra.com claimed that it made over 100,000 shipments for orders placed in those three days.

So how big is the Indian Retail market?

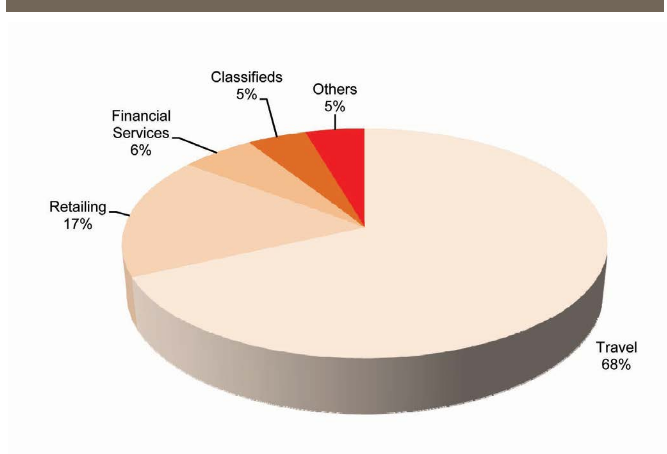
Various studies estimate Indian ecommerce to be about US$ 3bn as of now, which is just 0.8% of the Indian retail market. However, this share is expected to increase rapidly as more people shop online. Of the 200mn people in India who access the internet, 28-30mn (less than 3% of India's population) shop online. However, this number can move up to touch 100mn by 2015 and a whopping 200mn by 2017, which is the same as the number of Indian internet users in India today. Nitin Bawankule, Director, Google India Ecommerce, says that, "Even now, there are at least 200mn people who can purchase online in India". The market is redefining itself rapidly as etailers advertise, reach out, and offer deals and discounts to consumers.

Growth drivers for ecommerce – growing internet users



Source: Euromonitor International

Current online spending



Source: KPMG

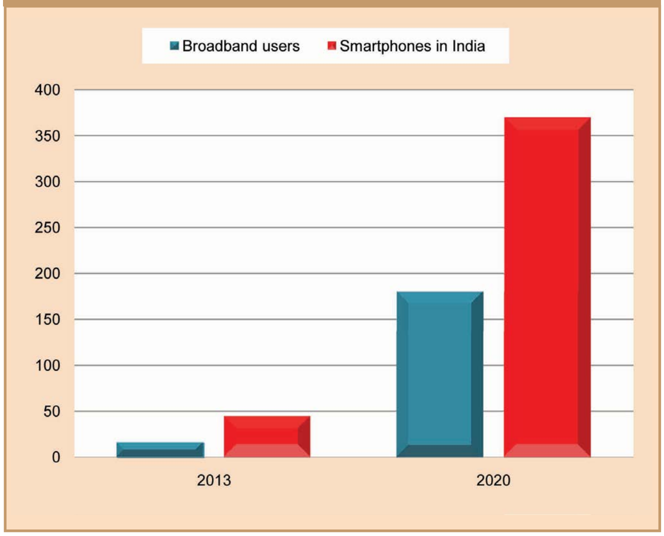
Industry growth forecast for e-commerce

Particulars	2009	2010	2011	2012	2013	2017-20(E)
E-tailing ($ bn)	3.8	5.3	7	9.5	12.6	40-50% CAGR
E-commerce	0.4	0.6	1	1.5	2.3	10-20% CAGR

Source: Crisil, IAMAI, PwC analysis and Industry experts

An interesting example of increasing online shopping is the Great Online Shopping Festival (GOSF) hosted by Google. During GOSF 2013 (held over three days in December 2013), over 60mn people visited online shopping sites and 16mn unique customers shopped at the event. Myntra.com claimed that it made over 100,000 shipments for orders placed in those three days.

Rise in internet penetration



Source: KPMG

Who is buying online?

The average Indian online buyer is between the ages of 25 and 30 and 'affluent' — he/she has access to websites seamlessly through personal computers and smart phones. Interestingly, the share of tier-2 and tier-3 cities is higher for most online players. Snapdeal claims that over 60% of the orders to its website are from tier-2 and tier-3

Interestingly, the share of tier-2 and tier-3 cities is higher for most online players .
62% of Jabong's shipments in Q2FY14 were to tier-2 and tier-3 markets.

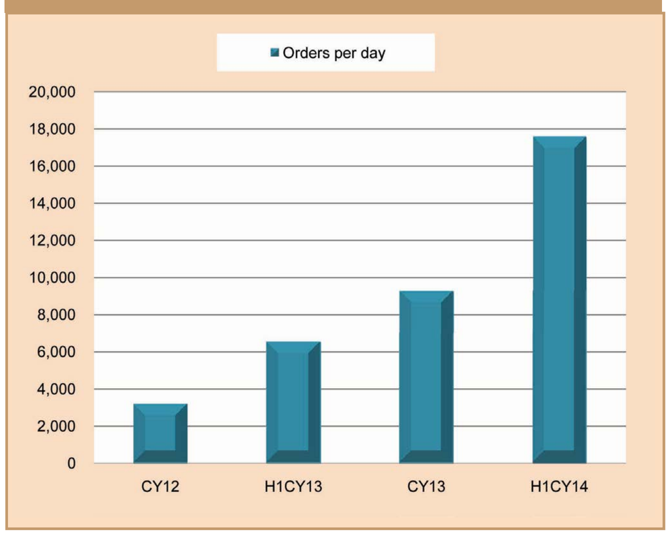
cities. Even in the case of pure-play apparel players such as Jabong, these statistics hold true — 62% of Jabong's shipments in Q2FY14 were to tier-2 and tier-3 markets. This demand is driven by the fact that many of the brands have limited presence in tier-2 and tier-3 markets due to shortage of quality retail space or unviable economics, given limited population in a location.

Snapshot of Jabong's operations

No. of SKUs	139,000
Brands	1,600
Lifestyle Category	9
Facebook followers (mn)	3.2
Postal codes covered	12,000
Order rate on same day delivery	70%
Share of Tier-2 & 3 cities	62%
Current share of sales from smart phones	27%
Monthly average visits using mobile devices (mn)	14

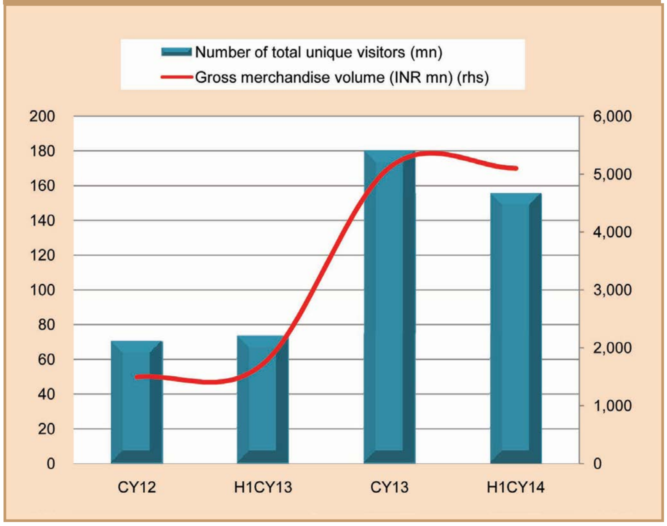
Source: Company, PhillipCapital research

Jabong's growing orders per day



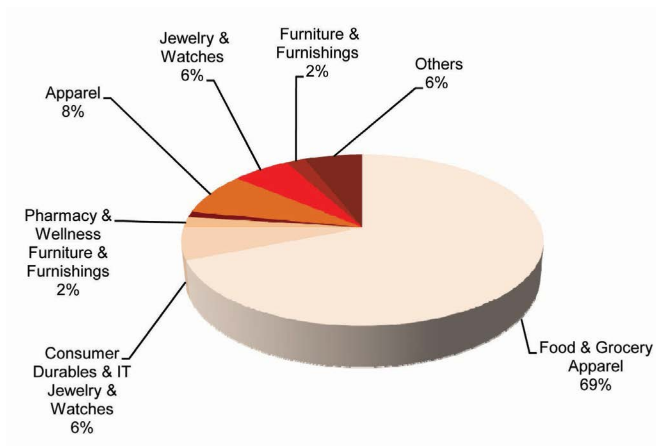
Source: Company, PhillipCapital research

Jabong has had the number of its unique visitors double in the last 2 years



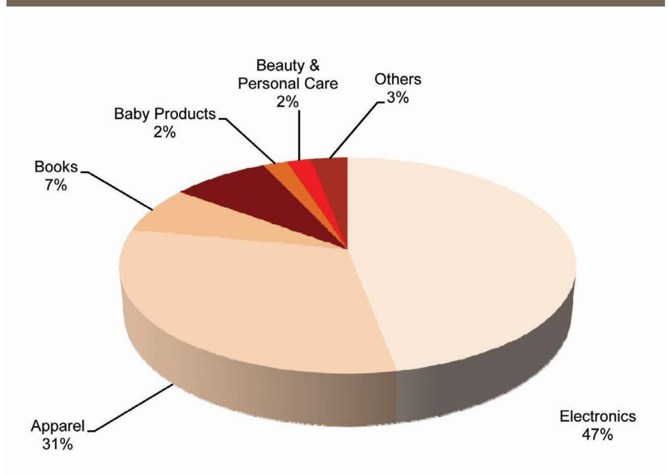
Source: Company, PhillipCapital research

Share of overall retail market, 2013



Source: Technopak Analysis

Online retail market-Category break-up (by value), 2014



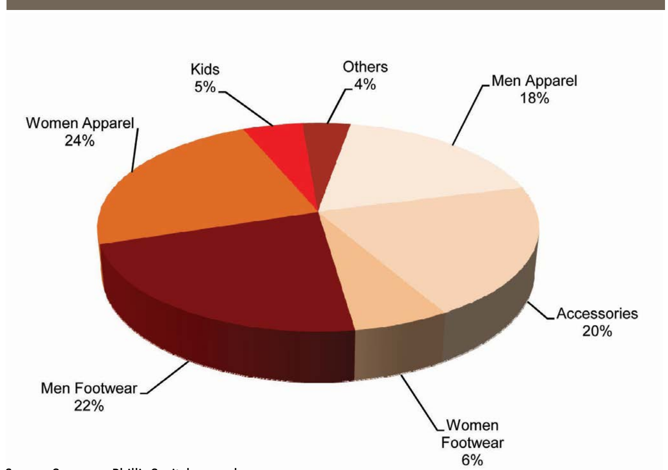
Source: KPMG

What are Indians buying online?

Electronics and CDIT (consumer durables information technology) products dominate the current online buying space. In terms of value, electronics is the largest category — it has a 47% share of the online retail market. Within electronics, mobile phones, laptops, tablets, and cameras are big purchases. A large logistics company that partners with ecommerce players for deliveries said that electronics (and particularly mobiles) form a very large share of their deliveries. Reports said that Flipkart sold over half a million mobiles in just one day on its Big Billion Day sale on 6th October. Flipkart and Snapdeal list over 3,000 stock-keeping units (SKUs) and 5,000 SKUs of mobiles respectively on their portals. The average ticket size in electronics is estimated to be Rs 5,000.

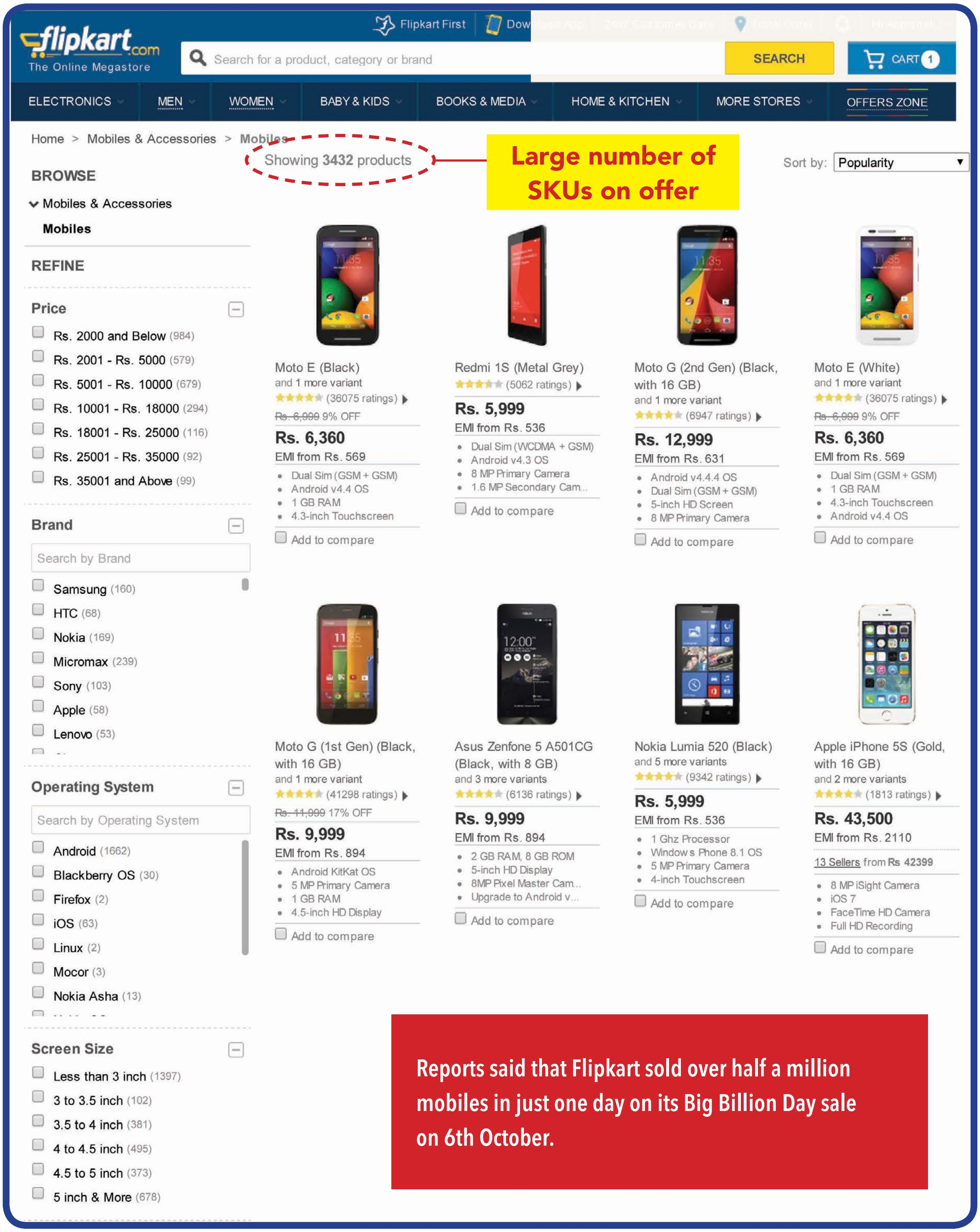
Apparels, footwear, and accessories are the next largest categories bought online, with a 31% share. While this category has a lower share (in value terms) than electronics, it clocks the highest volume amongst all categories. The average ticket size in this segment is around Rs 2,000. The rest of the online pie is fragmented between books, home furnishing, baby products and others.

Jabong's category wise revenue-mix

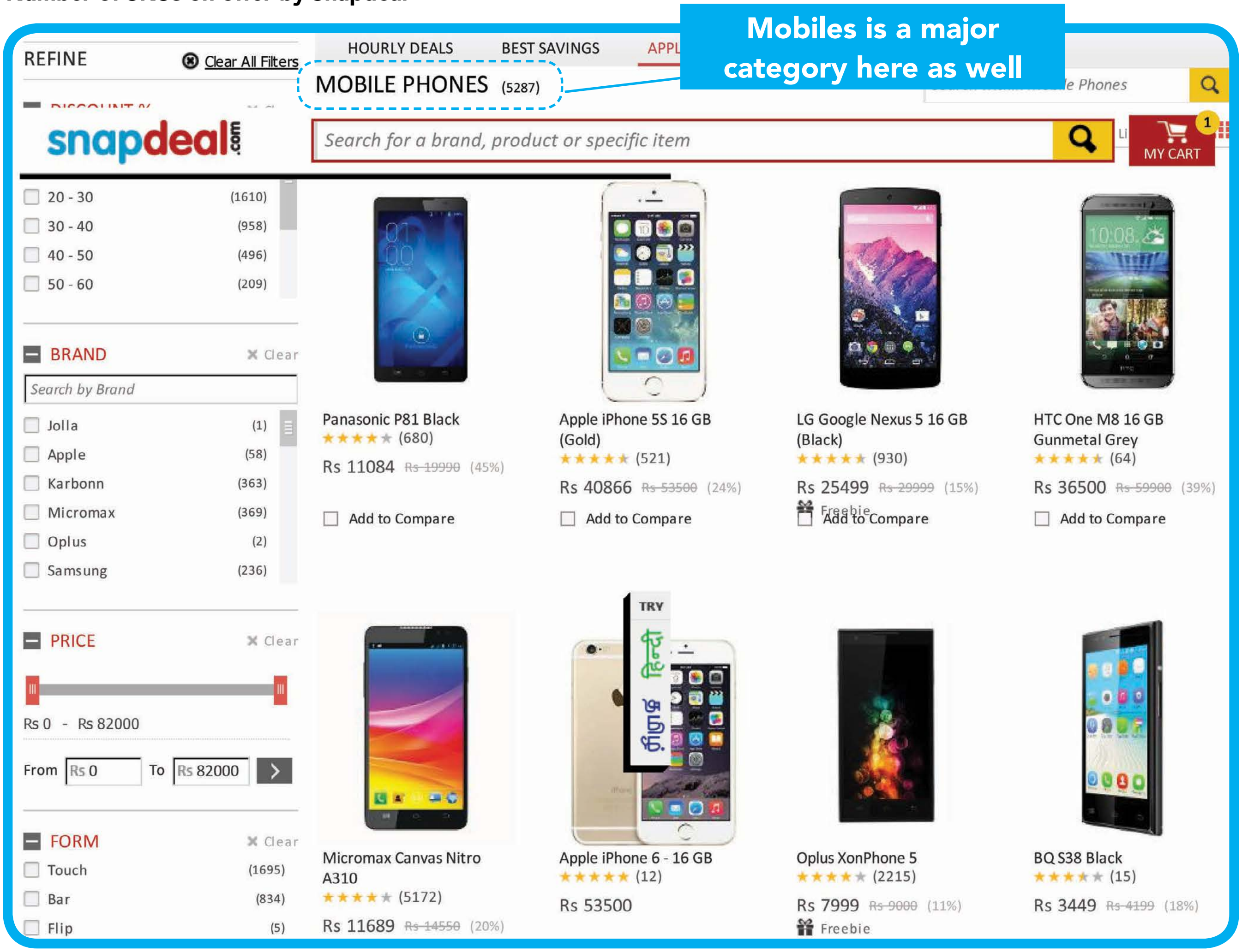


Source: Company, PhillipCapital research

Number of SKUs on offer by Flipkart



Number of SKUs on offer by Snapdeal



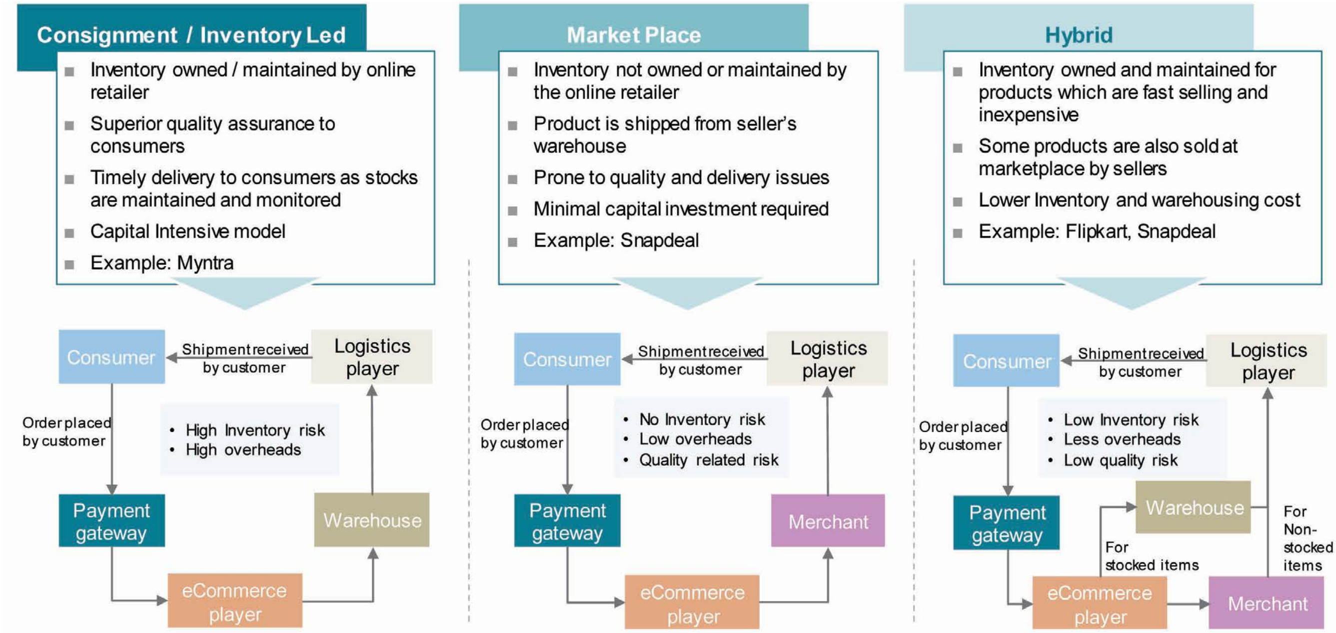
The categories, the major players, and business models

India's online market comprises of various players with different models. Players that retail pretty much everything from electronics to FMCG products follow a version of the 'marketplace' model. Amazon and Snapdeal operate on this kind of a model where their role is to facilitate the sale and fulfil it — that is handle logistics, deliveries, and returns. In this model, the portals do not hold any inventory on their books. Flipkart used to operate on a hybrid model, where it held its own inventory and also acted as a marketplace. However, it has now moved to a marketplace model, albeit with far lower sellers/vendors than Amazon or Snapdeal, since WS Retail (erstwhile Flipkart group company) still contributes a significant portion of its sales. Vendors and sellers usually sign up with these marketplace online retailers for a fee, depending on the category.

Players such as Myntra and Jabong, which are primarily apparel portals, have an inventory model. They have moved to a hybrid market place, but it is still skewed towards the inventory-led model.

Vendors and sellers usually sign up with these marketplace online retailers for a fee, depending on the category.

Online retailers: Different operating models



Source: KPMG

So what is the revenue model?

The marketplace etailers in India operate on a commission-based model, under which they receive a fee for listing plus commission on sales depending on the category. Amazon calls it referral fee. The fee is charged when an order is placed and the amount is disbursed a few days after shipping.

"These portals are not retailers but technology companies and are built on sound technology platforms," says a senior executive of one of India's largest retail chains. "Being pure technology companies, their platforms are well integrated with their back-end". he adds.

Commissions are usually a function of Gross Merchandise Value (GMV) — the value of goods listed (note inventory is not carried by the companies) and sold on these portals. In a hybrid model, the revenues are more conventional as far as the e-tailers own inventory goes.

GMV is one of the benchmarks that retailers use for equity funding. But the GMV is seldom reflected in

Fees charged by Amazon.in

Sell on Amazon Fees / Rate	*Promotional	Standard
Monthly Subscription	Free	Rs.499
Closing Fee (per Unit Sold)	Rs.10	Rs.10
Referral Fee		
Books, Music & Movies	5%	12%
Video Games - Console	5%	8%
Video Games - Games	5%	12%
Consumer Electronics (includes Camera)	5%	8%
Electronic Accessories	5%	12%
Mobile Phones	4%	5%
Personal Computers, Laptops & Tablets	4%	5%
Toys & Baby Products	5%	15%
Personal Care Appliances	5%	15%
Health & Personal Care	5%	15%
Beauty	5%	15%
Pet Supplies	5%	15%
Fashion Jewellery	8%	15%
Watches	8%	15%
Home & Kitchen	5%	15%
Shoes	8%	15%
Sporting Goods	5%	15%
Apparel	8%	15%
Handbags & Luggage	8%	15%
Eyewear	8%	15%
Consumable Physical Gift Cards	5%	5%

*till 31st Dec 2014 Source: amazon.in

Website traffic for Indian e-commerce websites and product offering

Portal	Alexa Rankings for India	Categories	Model	No of Registered users (mn)	No of products on offer (mn)	GMV Rs mn)
Flipkart.com	5	Electonics, Apparel, Accessories, Footwear, General Merchandise, FMCG	Marketplace	22	15	40,000
Amazon.in	7	Electonics, Apparel, Accessories, Footwear, General Merchandise, FMCG	Marketplace	15	17	na
Snapdeal.com	10	Electonics, Apparel, Accessories, Footwear, General Merchandise, FMCG	Marketplace	20	5	30,000
Jabong.com	14	Apparel, Footwear and Accessories	Hybrid	2.9	0.139	6,000
ebay.in	16	Electonics, Apparel, Accessories, Footwear, General Merchandise, FMCG	Marketplace	2.1	NA	na
Myntra.com	30	Apparel, Footwear and Accessories	Hybrid	1mn	0.05	4,000

Source: Similarweb.com, media reports, PhillipCapital research

their books of accounts due to either the holding structure (complicated in the case of Flipkart and Myntra) or because revenue recognised is purely commission based (Snapdeal). However, numbers do talk and the numbers of some of the players talk more and give us an interesting insight into the operations of the sector.

GMV - Grossly misstated value?

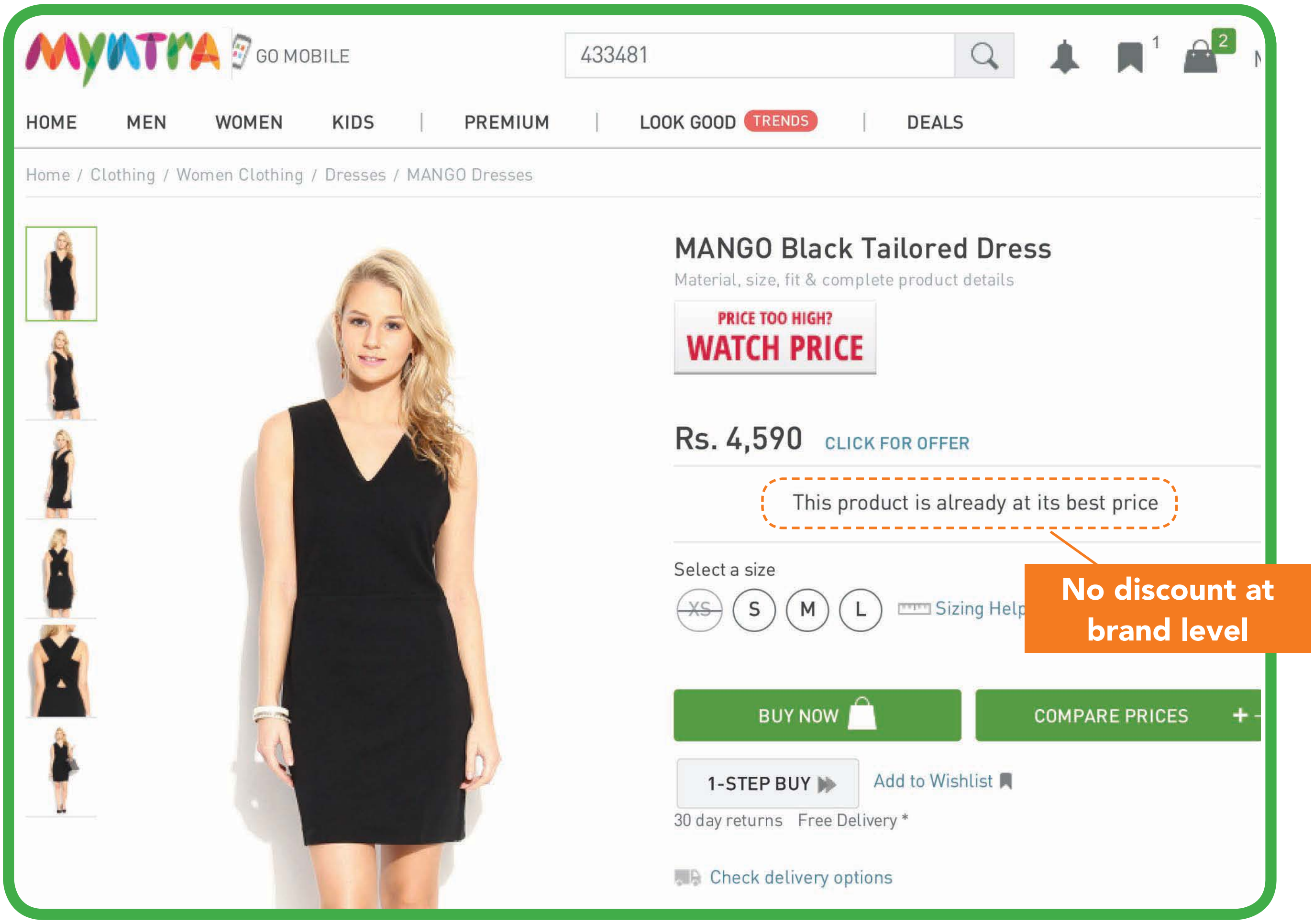
GMV is before all discounts, couponing, vouchers, and taxes. So when we read about a GMV of US$ 100mn in a day or US$ 1bn, it is the gross value of products before discounting and couponing. But what the customer pays is net of all discounts, vouchers, and coupons. GMV is open to interpretation and different retailers may compute it differently. India, unlike many developed countries, follows a maximum retail price (MRP) regime for sale of goods. Discounts are offered on MRPs. But then, one company may choose to compute GMV on MRP while another may compute GMV on the list price (MRP minus discounts that the brands/seller offers). While MRP is relevant in most consumer products sold anywhere in the country, it's the least relevant in electronics. When was the last time anyone sold a mobile or a television or home appliance at MRP? Since electronics form nearly 50% of the e-tail in India, it is natural that the GMV calculated on MRP will be skewed. GMV is reported on the current run rate rather than the achieved figure. So GMVs for Flipkart and Snapdeal could be misleading given the high mix of electronics.

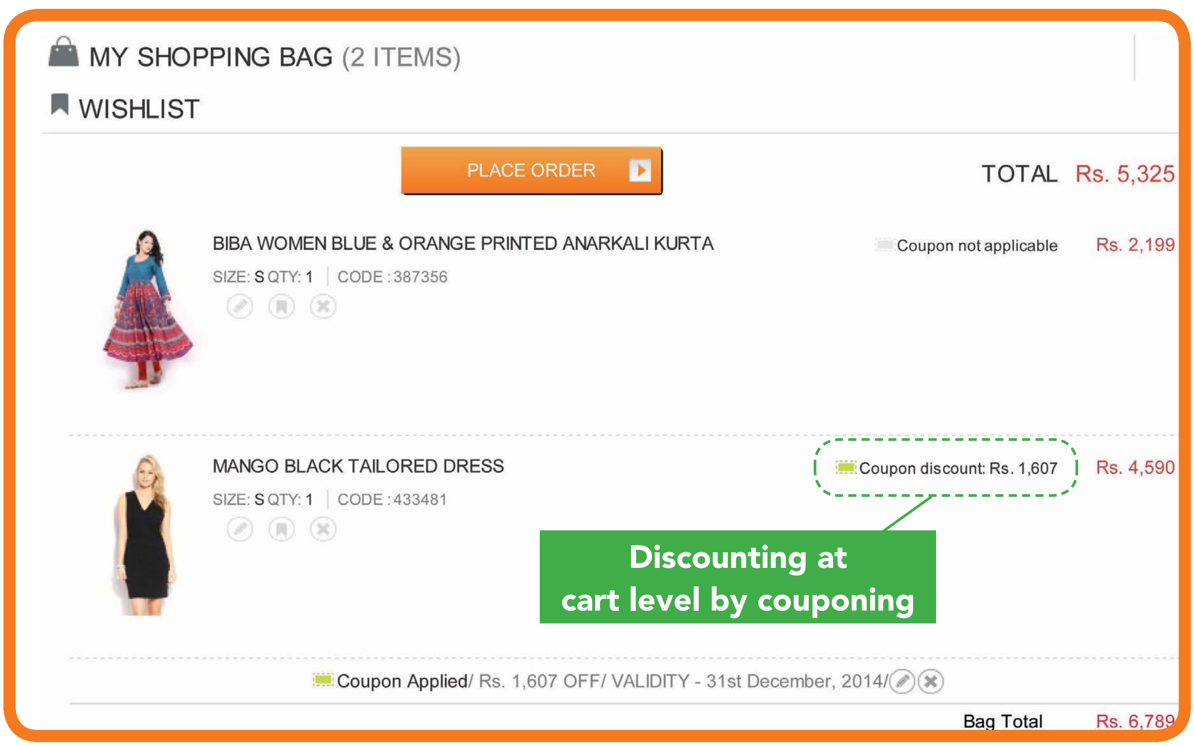
In e-tail shopping, there is almost always a coupon – a coupon or a voucher code is essentially a discount over and above the listed price, which may or may not be discounted. These are at the discretion of the e-tailer and not under the control of the brand. It's more commonly used by apparel e-tailers such as Jabong and Myntra. It's noteworthy that Flipkart and Amazon seldom use couponing. One of the industry observers said that, "Coupons are a mechanism of customer acquisition and in apparels, the customer doesn't necessarily visit the website very frequently, and to get him/her to do this, coupons are offered regularly."

Marketplaces such as Flipkart and Amazon, catering to a large variety of products, rarely offer coupons as the customer ends up visiting the site for some category or the other. Apparels/fashion have the maximum margin. Interestingly, GMV includes the value of vouchers/coupons as well, which means it is calculated before any coupons are offered to the customer. As one of India's largest retailers puts it, "If it were net of any of these discounts then it should be called net merchandising value not GMV."

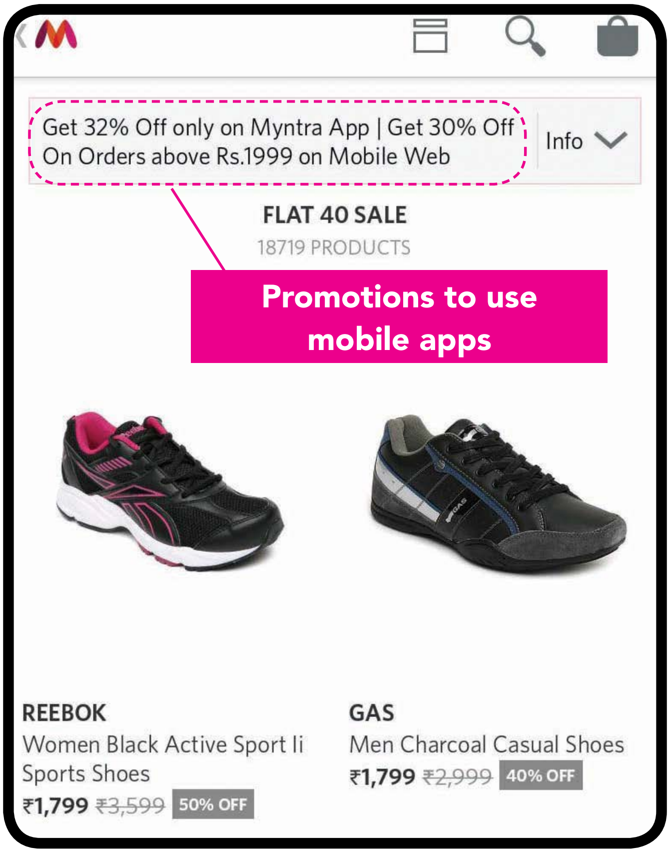
As one of India's largest retailers puts it, "If it were net of any of these discounts then it should be called net merchandising value not GMV." "If you don't want a good price, we will still offer you a coupon."

How to avail of couponing…





How couponing happens …



Couponing between rival portals is continuous. An offline retailers said, "If you don't want a good price, we will still offer you a coupon." What this means is that even if a product is displayed on full price, the customer is still offered a discount coupon when he checks out his purchases (just before the payment stage).

Show me the money

The underlying revenue model of most of the entities that operate e-tailing portals are commissions and gross profits — if they also follow the hybrid model. But the costs of e-tailing are intriguing and they cause of a lot of heartburn to offline retailers as well as brands. Contrary to perception that online retail entails lower costs as there are no costs associated with operating stores, these businesses have high costs in the form of discounts, free delivery for products (where cost of the product is sometimes lower than delivery costs), and customer returns. In e-tailing parlance, some of these costs are known as 'customer acquisition costs'.

Customer acquisitions cost: In-fact, the largest cost for e-tailers in a nascent ecommerce market such as India is customer acquisition costs — this is because it includes discounts offered on owned merchandise or the cost of funding discounts in a marketplace model. These discounts are offered over and above the discounts offered by brands or sellers of the product and are usually offered to customers in the form of coupons. They are known as cart discounts because they can be availed once the customer adds the product to his or her cart. The discounts sometimes tantamount to losses at the gross level (transaction level) in the hybrid model; in a marketplace model, they sometimes exceed the commissions that the e-tailer earns. E-tailers bear these losses for customer acquisition. However, these discounts are not limited to a one-time purchase and are often open for all — they don't distinguish between old and new customers. This implies that they are given not only for customer acquisition but also for customer retention. Of course, there are cases where coupons are offered for registering on the portal. Clearly, the e-tailers' losses are the customer's gains.

"The Prime Minister says 'make in India' ….but given the recent funding the e-tailers have received, one would imagine it's the best time to Buy in India. It's a

Funding received till date by leading ecommerce players

Investee company	Amount raised (US$ mn)
Snapdeal	902
Flipkart	2,090
Amazon	2,000
Myntra	70
Jabong	240

Source: Media Reports

"The Prime Minister says make in India….but given the recent funding the e-tailers have received, one would imagine it's the best time to Buy in India. It's a direct benefit transfer – from shareholders to customers," says a senior executive of one of India's largest retail chains.

Key metrics of leading ecommerce players

For FY14	*Flip-kart	Myntra	Snapdeal	Jabong	**Home shop 18
Revenue (Rs mn)	30,252	2,635	1,682	4,386	2,441
GMV (Rs mn)	40,000	4,000	30,000	6,000	9,988
Profit/Losses of E-tailers	(7,163)	(26)	(2,646)	(2,934)	(1,546)

Source: Company, Media reports, PhillipCapital Research. **FY13
*Flipkart (India) Pvt. Ltd. & Flipkart Internet Pvt. Ltd.

direct benefit transfer – from shareholder to customers," says a senior executive of one of India's largest retail chains.

Discounting is the key driver to buy today. A consumer will buy standardised products for convenience but the first greed is price. Mr Biyani of Future Group explains, "Anything which sells in a matter of seconds is usually a product where the price is lower than the perceived value. For example a Xiaomi mobile (which usually gets sold out in seconds)."

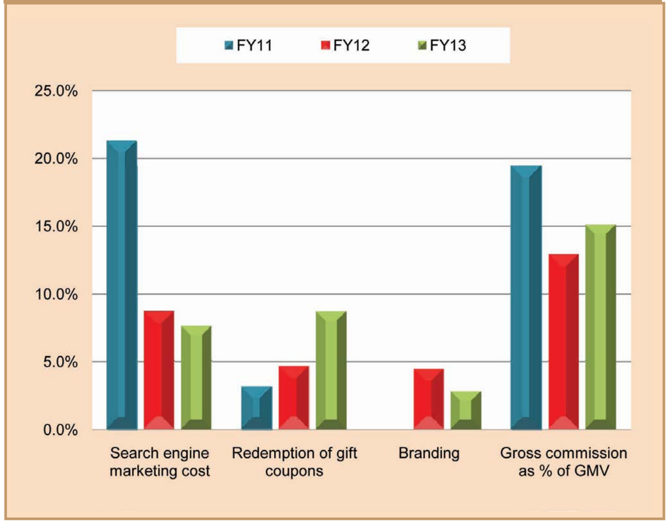
But customer acquisition costs don't end here. The other significant costs are Search Engine Marketing (SEM) costs. These are costs that ecommerce players incur to direct traffic to their portals on leading search engines such as Google. Typically, searches for key words associated with the merchandise on offer on a portal will direct the traffic to the portal. For e.g., if one searches for 'buy shoes' online, the search results will throw up names of portals that sell shoes and to ensure that the e-tailer's name appears in the top-5 search results, or in the first page of search results, these portals incur search engine marketing costs.

Operating metrics of Jabong and Homeshop18

	Jabong (FY14)	*Homeshop18 (FY13)
Revenue (Rs mn)	4,386	460
GMV (Rs mn)	6,000	3,056
Gross Profit (Rs mn)	(447)	140
Gross Margins (rhs)	-10%	30%
EBITDA	(2,492)	(259)
EBITDA Margins	-57%	-56%

Source: Company, PhillipCapital Research *only internet segment

Customer acquisition cost (as % of GMV) for HomeShop18 (internet segment) and gross commision as % of GMV



Source: Homeshop18, PhillipCapital Research

One of the most interesting cases of SEM costs is when flipkart.com ran its big billion day sale on 6th October 2014. When one searched for "big billion day" on Google the search actually led to amazon. in instead of Flipkart!! – it seems like Amazon paid Google to direct the search to their website.

Logistics costs

One of the peculiarities of the Indian ecommerce market is the high share of cash on delivery (CoD) orders. Unlike most other countries, the share of prepaid orders is very low in India for many reasons. Most buyers either don't have a credit card or net banking (not really surprising for a country where more than 40% of the population doesn't have bank accounts). *More than 50% of the orders that are placed on Indian ecommerce websites are CoD orders says Mr Bawankule of Google India.* CoD has inherent problems — it allows customers to change their mind after their purchase has been shipped and sometimes couriers have to wait for customers to make a payment, which in some cases may not happen quickly for want of ready cash. Homeshop18's return rate for COD and non-COD

More than 50% of the orders that are placed on Indian ecommerce websites are CoD orders says Mr Bawankule of Google India.

transactions was approximately 21.4% and 2.8% in FY13, respectively. *A logistics company executive states that there are instances when the customer doesn't have ready cash at home and the courier has to wait till he withdraws cash and returns home for collecting the payment.*

Adding to this complication is the reach of logistics companies to various parts of the country. A KPMG report estimates that most logistics companies service around 6,000 area pin codes out of the 22,000 area pin codes in India (less than 30%). To overcome this problem of reach, some online players such as Flipkart and Amazon have established their own logistics team alongside using third-party logistics companies. However, the rationale for establishing their own logistics network is not reach alone — an executive with a leading logistics player said that CoD deliveries (by third party logistics vendors) cost more because they are more time consuming and need checks and balances (given the cash handling). Some of the checks and balances include mid-day reconciliation and deposit of cash collected. Therefore, the logistics companies are unable to make optimum number of deliveries and this cost is billed into the CoD orders. Moreover, air shipments (more expensive) still constitute over 80% of the total shipments.

This does make one wonder if operating your own logistics is viable? The logistics executive's view on the matter is, *"Actually own logistics is not profitable as there is a fixed cost involved and it is seldom able to make optimum orders given the complications of CoD. Our operations are tuned to make deliveries across a designated area irrespective of who the shipper is, hence our efficiencies will be high. The fundamental reason why ecommerce players get into their own delivery logistics apart from handling COD orders is working capital requirements. Logistics companies can take anywhere between 5 days to 15 days to remit the cash collected on delivery to the ecommerce players and that robs them of working capital."* Given that most ecommerce companies are operating on losses, working capital management becomes imperative. Mr Basrur, Head eCommerce at Raymond Ltd (also one of the founding members of Quikr.com – a classifieds website) observes, "In-house logistics capabilities of ecommerce players are not going to be too different from those of third-party vendors. It's a function of where the product is (known as fulfilment centre) and where the customer is. However, costs still may not be justified for own logistics as number of deliveries made are likely to be sub-optimum."

"Actually own logistics is not profitable as there is a fixed cost involved and it is seldom able to make optimum orders given the complications of CoD. Our operations are tuned to make deliveries across a designated area irrespective of who the shipper is, hence our efficiencies will be high."

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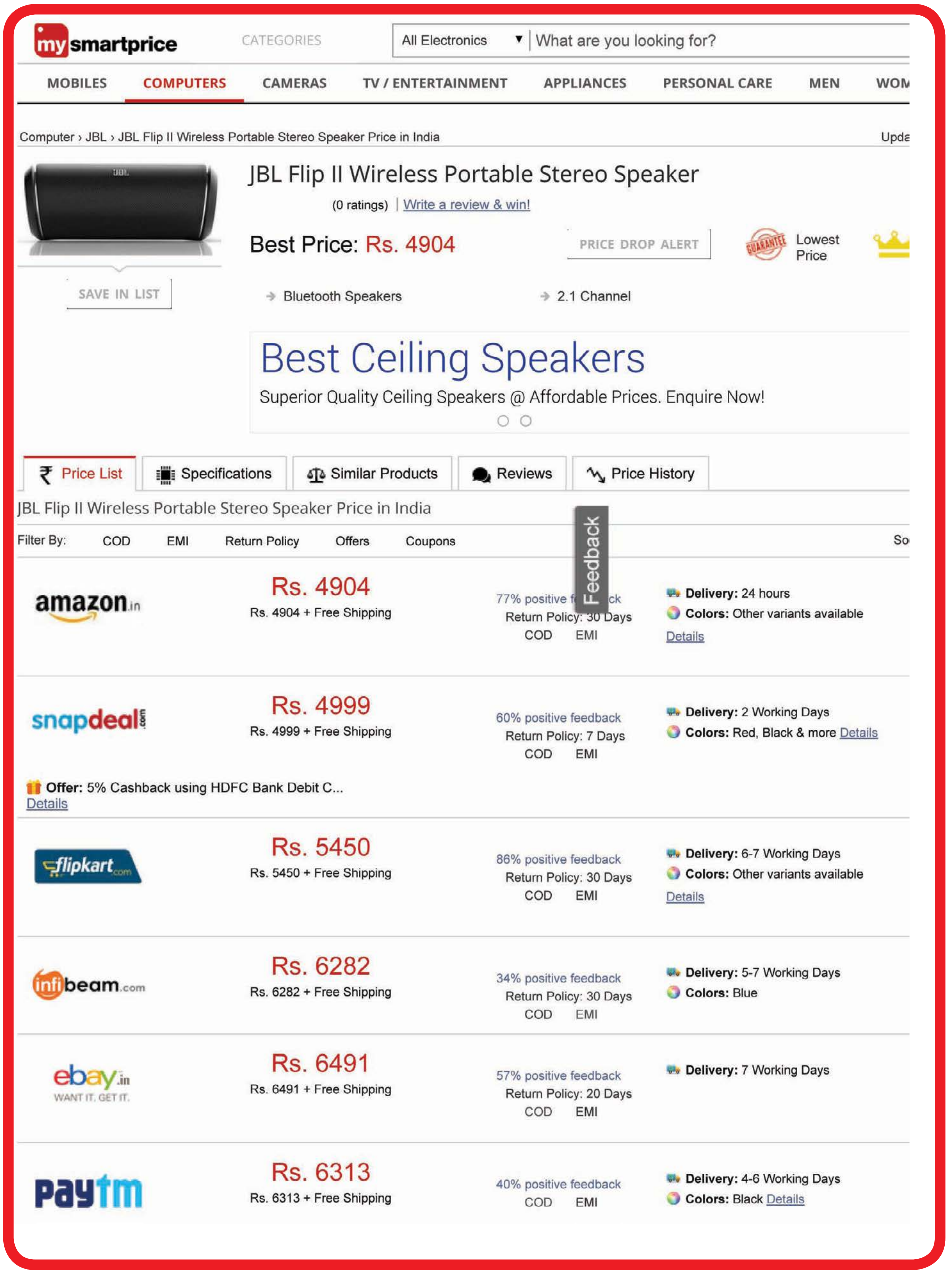
Need more reasons to buy online?

Discounts, free delivery, cash on delivery, easy returns — who wouldn't want to be an online consumer. But one of the main reasons why consumers continue to flock online is the range of products and the convenience of not having to step out of your home and buying everything under one roof, says Mr Bawankule of Google. While for a consumer in developed markets convenience and range are most important, for the Indian consumer it's price and range. Online stores, especially marketplaces, literally bring the store to the consumers' desktop or mobile. The variety and categories on offer at a click or touch are unparalleled. And to top it all, there are apps and websites which guide you on best pricing of the product. Ever tried mysmartprice.com? The website actually aggregates the best prices of the product and sorts the websites retailing the products in ascending order of prices.

Indian e-commerce is rapidly evolving as consumers embrace technology and lap up products available online. While consumers would continue to benefit, offline players seem to have been caught off-guard in most categories. Like any new development, e-commerce has disrupted the market and many players have branded it as an agent of chaos that is unlikely to ever make money and will be one whose ship will sink.

Since March 2014, nearly US$ 4bn of private equity money has been invested in just 3 players – Flipkart, Amazon and Snapdeal. Even if half of it finds its way to customers in the form of discounts, there could be another US$ 5-8bn of discounted sales coming the customers' way. Therefore, offline retailers will have to gear up, adapt, and more importantly, adopt unconventional and possibly untested strategies to counter the disruption caused by ecommerce. If offline retailers do not evolve, they might as well be writing their own obituary.

Illustration of price comparison tool



Lessons from Alibaba for Indian retailers – offline & online

Alibaba Group's FY14 GMV was more than Amazon's and Ebay's combined GMV (US$ 158bn). The group sold a GMV of US$ 296bn, which is nearly 60% of the overall Indian retail market. The company enjoys EBITDA margins of 48% (FY14) while Amazon made operating margins of just 1% and Ebay made 21%. It is pertinent to highlight that Alibaba operates as a pure ecommerce facilitator while Amazon is a B2C player. Also, so far, Alibaba has had lesser competition than others have had in markets outside China; so it has benefited from operating leverage on the scale it has achieved.

The Chinese ecommerce giant also shares its name with one of the famous Arabian Nights fables – Alibaba and the 40 Thieves. The Indian market may turn out to be more competitive than the Chinese one (in fact, it already is) and the chase for the consumers' wallet share may well hold some yet untold lessons for the entire retail space — not just its subset, the ecommerce industry.

Dynamics of the Chinese e-com market

Internet population (Dec 2013)	**618mn**
Online shoppers (Dec 2013)	302mn
Broadband Accounts	130 mn
Mobile Internet user	500mn
Size of e-tailing market ($ billion)	$190–$210
E-tailing as % of retail	5-6%
Marketplaces' share of e-tailing (%)	90%
C2C's share of e-tailing	>70%
Biggest product category	Apparel
Mobile commerce's share of e-tailing	2%
Smartphone penetration in population	10%
Coverage of next-day delivery by major express delivery companies	Mostly in Tier 1 and Tier 2 cities
Cash on delivery by independent B2C	Common
Third-party payment systems/bank cards	Majority

Source: CNNIC, McKinsey Global Institute analysis

The Chinese Ecommerce Market

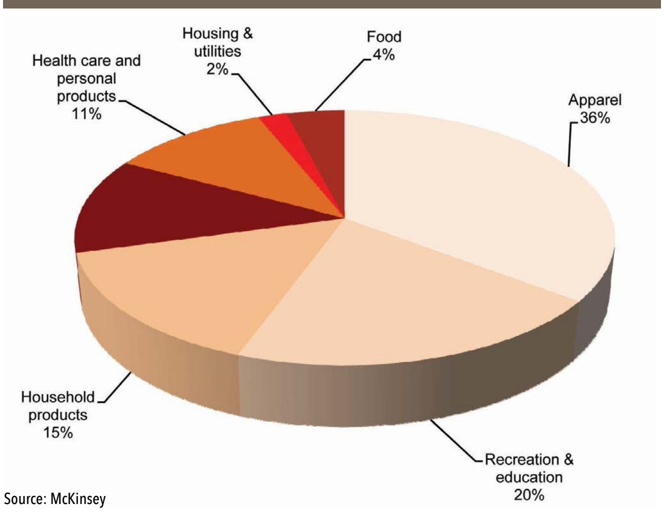
Internet users in China grew from 298mn (23% of China's total population) in 2008 to 618mn (46%) in 2013, according to CNNIC, the administrative agency responsible for internet affairs under the Ministry of Information Industry of the People's Republic of China. The agency reckons there were 302mn Internet shoppers in China in 2013, representing 49% of its total internet users. Mobile

Operating metrics

(USD$ mn)	Amazon	Ebay	Alibaba
Revenue	74,452	16,047	8,583
EBITDA	3,998	4,771	4,351
Net Profit	274	2,856	3,826
ROE (%)	3.1%	12.8%	40.2%
GMV	100,000	83,330	296,000

Source: Company, Media reports

China online retail market: category break-up



Source: McKinsey

According to Euro monitor International, the top-20 offline retailers in China had a combined market share of approximately 11.6% in 2013 vs. 40% in the United States.

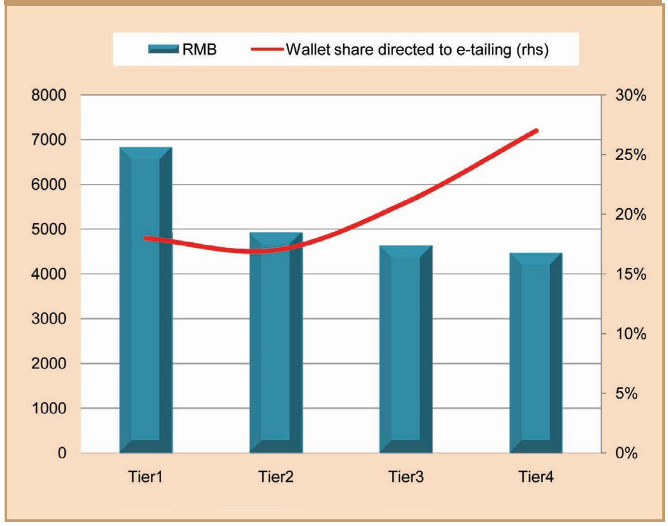
shoppers will bypass the conventional mode of internet purchases and make it more convenient for purchasing online. China's mobile internet user base reached 500mn as of December 31, 2013, according to CNNIC. Smartphone shipments in China reached 351mn in 2013 and will exceed 435mn in 2014, according to projections by IDC (International Data Corporation). Market research company iResearch believes that online shopping, which represented 8% of China's total consumption in 2013, is projected to grow at a CAGR of 36% from 2013 to 2016, as more consumers shop online and e-commerce spending per consumer increases.

Tapping the opportunity in smaller towns and cities

According to Euro monitor International, the top-20 offline retailers in China had a combined market share of approximately 11.6% in 2013 vs. 40% in the United States. This sort of fragmentation in the market is favourable for creating a large online marketplace. For China too (like in India), the online opportunity is not restricted to its big cities. In 2012, approximately 60% of China's online retail sales were in regions outside of tier-1 and tier-2 cities (National Bureau of Statistics of China).

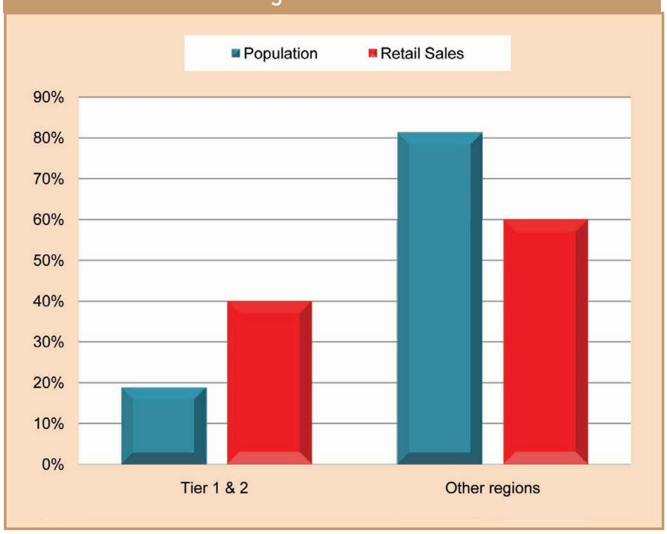
In addition to the 35 tier-1 and tier-2 cities that have populations of over 1 million each, there are 92 other cities with population greater than one million as of December 31, 2012, according to the National Bureau of Statistics of China. In these smaller cities and towns, China's offline retail market faces significant challenges due to few nationwide brick-and-mortar retailers, an underdeveloped physical retail infrastructure, limited product selection, and inconsistent product quality.

Online consumption per online shopper



Source: McKinsey

Macro indicators of tier-1 and tier-2 cities and other regions in China

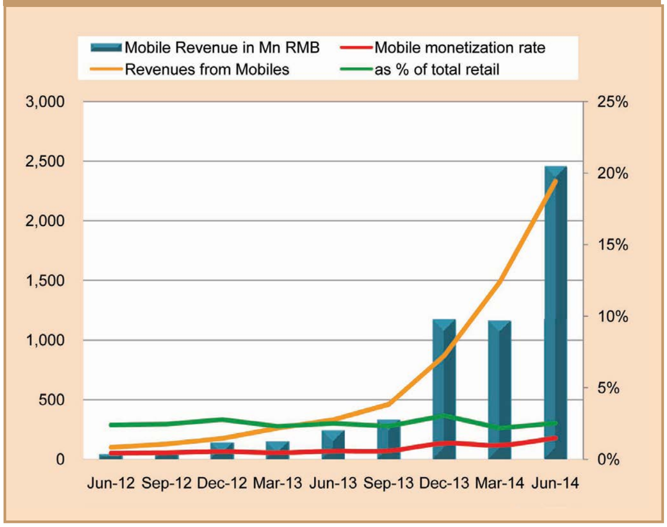


Source: McKinsey

The growth of ecommerce in China and Alibaba

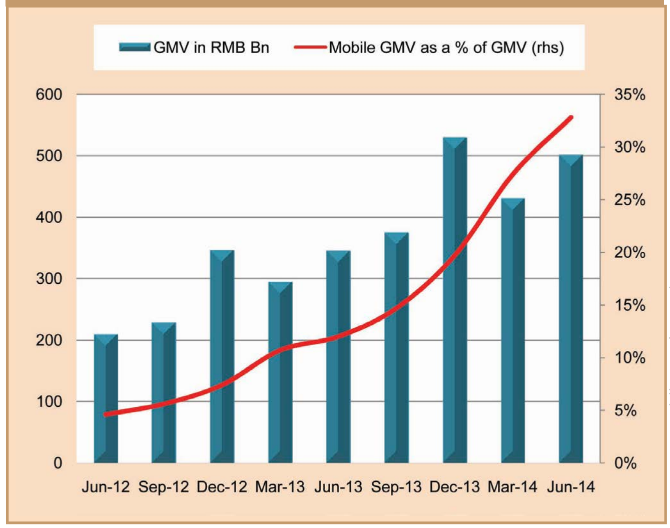
Alibaba's GMV has seen a breakneck speed of 56% CAGR over 2011-14. During this period, the Chinese ecommerce market grew by 52%. Leadership in mobile commerce has played a vital role in its growth. Alibaba is the leader in mobile commerce in China in terms of mobile retail GMV, with mobile GMV transacted on its China retail marketplaces accounting for 86% of the total mobile retail GMV in China (in the three months ended June 30, 2014, according to iResearch).

Alibaba's mobile monetization



Source: Company, PhillipCapital Research

Alibaba's GMV and mobile penetration



Source: Company, PhillipCapital Research

The gateway to Alibaba's treasure – Taobao and Tmall

Taobao (similar to Amazon, C2C retail) and Tmall (sells branded goods, B2C retail) are Alibaba's retail market places — they generated revenues of RMB 500bn for Q1FY15 and RMB 1.83tn in the 12 months ended June 2014 (GMV of US$ 296bn). These marketplaces contributed to 82% of Alibaba's FY14 revenues. Their revenue model is primarily marketing fees and commission, which complement each other. For example, Tmall sources a significant amount of buyer traffic from Taobao's marketplace, thereby substantially reducing its customer acquisition costs. Sellers on Tmall may acquire buyer traffic through

Alibaba's revenue model

Taobao Marketplace

- Local Sellers
  - – Pay for performance marketing fees: bid for key words
  - – Display markeing fees: bid for display position
  - – Taobaoke commissions: using Alipay
  - – Storefront fees
- Tmall Merchants
  - – Pay for performance marketing fees
  - – Display markeing fees
  - – Taobaoke commissions

Tmall

- Tmall Merchants
  - – Commission
  - – Pay for performance marketing fees
  - – Display markeing fees
  - – Taobaoke commissions

Juhuasuan

- Local Sellers / Tmall
  - – Commissions
  - – Placement fees: purchase of promotional slots

Tmall's website and a glimpse of brand stores listed on it

online marketing services displayed on Taobao's marketplace.Taobao means search for treasure in Chinese. This marketplace is a free platform for buyers to explore and discover products and sellers to establish a low-cost online presence. According to iResearch, Taobao was the number one C2C marketplace in terms of gross merchandise volume in China in 2013. Major physical-product categories on Taobao's marketplace include apparel and accessories, electronics and appliances, home furnishings and maternity and baby products. The substantial majority of products listed on Taobao consist of new merchandise. During the twelve months ended June 30, 2014, 173.3 million active buyers, or approximately 62% of all active buyers on China's retail marketplaces, were located outside of tier-1 and tier-2 cities, while approximately 4.5 million sellers, or 52% of total active sellers on China's retail marketplaces, were located outside of tier-1 and 2 cities.

Tmall is an online platform featuring brands and retailers who operate their own stores on the Tmall platform with unique identities and look and feel, enabling sellers to control their own branding and merchandising. According to Alibaba, the strong buyer traffic, autonomy, and flexibility for sellers to operate their own stores, and the fact that Tmall does not operate a direct sale business to compete for customer traffic, makes it the platform of choice for brands and retailers.

Major physical product categories on Tmall include apparel and accessories, electronics and appliances, home furnishings, home appliances and maternity and baby products. Sellers on Tmall and Tmall Global pay commissions based on pre-determined percentages (0.3% to 5% depending on the product category) of GMV for transactions settled through Alipay. Sellers also pay an annual upfront service fee, up to 100% of which may be refunded depending on sales volume achieved by the seller within each year.

For all of Alibaba's success, Indian ecommerce companies seem to follow JD.COM

Alibaba's next biggest (though distant) competitor is JD.com, China's largest online direct sales company. JD clocked a GMV of US$ 20.7bn (63% electronics) in 2013 – less than 10% of Alibaba's GMV. The fundamental difference is that JD procures and manages its own inventories, sells products directly to consumers online, and provides delivery and after-sales services. It is modelled on Amazon with the addition of making the last-mile delivery itself. It had over 50,000 employees in April 2014 and nearly half of those were for delivery of products. JD reported an operating loss of US$ 96mn on a turnover of US$ 11.45bn for the calendar year 2013. Interestingly, its gross margin increased from 8.4% in 2012 to 9.9% in 2013, primarily due to the increase in net revenues from services and others attributable to its online marketplace and higher share of general merchandise.

JD is an important reference point for the Indian context, says an expert. He explained that players such as Flipkart and Amazon are replicating the JD model of last-mile delivery. It possibly explains why Flipkart may end up with 25,000 employees on a US$ 3bn GMV for FY15. The expert gives further insight into Amazon's strategy in India. He says that in the US, Amazon doesn't make the last-mile delivery — however, for the Indian market it seems to have picked up the strategy from JD and is building its own delivery network.

But why is there no model like Alibaba? An expert explains that, "Taobao, a C2C market place like Ebay, succeeded in China because of its huge manufacturing base and export market. In a C2C model, even an individual can sell his product on the platform unlike in a B2C, which restricts itself to vendors and businesses." Alibaba succeeded because it connected Chinese suppliers with overseas buyers. China has a huge manufacturing base and most households manufacture something — it could be toys, furniture, sports goods, just about anything. ***Hence there are multiple sellers that have a large variety of products, thus attracting buyers to the marketplace.*** Taobao is the platform for such producers and buyers. Our expert suggests that in India, software is our biggest exports and we need to have a strong manufacturing base for an Indian Taobao to evolve.

Alibaba's competitors misread the market and went with the wrong business model. What went wrong for Ebay and Amazon in China? The expert explains that Ebay failed to understand local market demands and payment systems, which Taobao leveraged on. Alipay, Alibaba's payment solutions platform is fundamental to its success. For a market where cash-on-delivery payments are high (33% for JD in 2013), Alipay, which functions as an escrow account for buyers and sellers, changed the game. Buyers preferred CoD, whereas sellers were unwilling to ship the products until they were assured that

Comparison between Alibaba and JD

	Alibaba (FY14)	JD.com (CY13)
GMV ($ Bn)	270	20.7
No of Employees (as on 31 March 2014)	22,072	50,122
EBITDA %	50.7%	(0.4%)
Capital Employed ($mn)	13,103	1,627
RoE	40.2%	NA

Source: Company, Bloomberg, PhillipCapital Research

Website traffic ranking of popular e-commerce websites

Amazon China	24
Ebay China	1,081
JD.com	34
Taobao	2

Source: Alexa

payment was forthcoming. This lack of trust posed a stifling challenge for the development of online commerce in China. Alipay introduced its escrow service as a solution to this problem. ***Alipay is Alibaba's password to the treasure cave.***

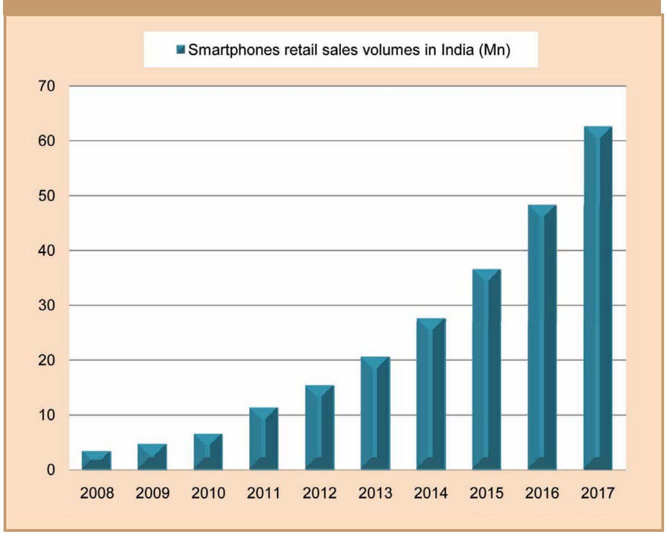
Amazon entered China by acquiring joyo.com; however, it faced integration issues and this perhaps explains why it set up its business from scratch in India instead of acquiring an existing entity.

Lessons for the Indian market – China possibly didn't have the 40 thieves but India sure has

The Indian ecommerce market is smaller at about US$ 4bn and is more competitive. In the Arabian Nights, Alibaba had to contend with the 40 thieves vying for the treasure. The Indian ecommerce market is no different. While almost every player aspires to be the Indian version of the Alibaba Group, there are many learnings for the players in Indian market, both online and offline.

- **Competition –** There are over 30 active ecommerce sites vying for consumers' wallets and models are evolving. The market is big, untapped, and more importantly, open. Amazon was nowhere in the picture till 2013 and has rapidly scaled up operations in India, adopting a marketplace model, something it hasn't been able to do in China.
- **Alibaba is a pure market place –** As highlighted in the earlier section, the Indian market has many hybrid models or companies that have evolved from hybrid models. Snapdeal and Ebay seem to be pure-play marketplace models. Amazon is reported to have an indirect stake in some of its vendors. In any case, all Indian companies are already building up scale. Alibaba, with US$ 300bn GMV had around 26,000 employees in China as on June 2014. Flipkart (with a US$ 1bn GMV in FY14) has 13,000 employees and plans to add another 12,000 employees in FY15. Snapdeal has around 1,300 employees and plans to double the headcount soon.

Indian smartphone penetration



Source: Euromonitor International

- **Mobile is the way ahead –** Access to smartphones bridges the gap of internet availability to India's 150mn (and growing) mobile internet users just as it is has in China. Businesses have to evolve beyond ecommerce – they have to be ecommerce ready - be it mobile websites (websites which are optimised for viewing in smart phones) or mobile apps. ***The share of Jabong's mobile transactions increased from 4.4% in the first quarter of 2013 to 27% in the second quarter of 2014, while its monthly average visits using mobile devices increased from 1.8 million to 13.5 million over the same period.***
- **Striking similarities –** India and China both have underpenetrated retail markets. The opportunity becomes even larger in tier-3 cities and beyond. Technology is the new and one-stop store for these locations. Opening stores rapidly is passé — reaching through technology is the future.
- **The competition for offline is only going to intensify —** Alibaba's success has increased investors' risk appetite to invest in ecommerce companies in India. And these investors are willing to back some players in the hope of winner takes it all. This means funding (that has already touched US$ 4bn in 2014) will only increase.

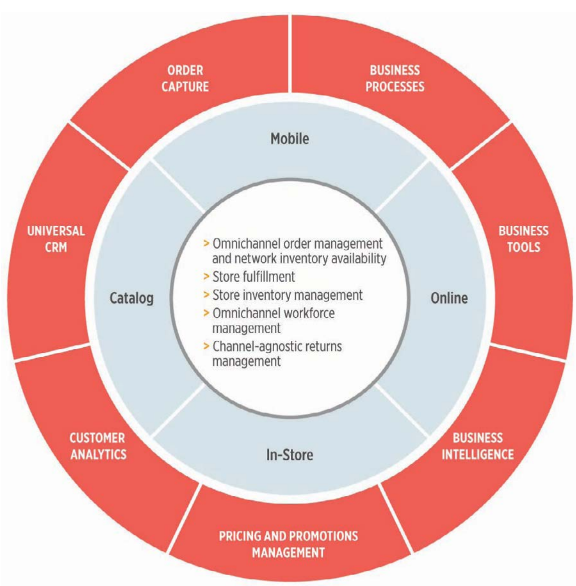
Necessity driven by competition, but is it for every offline retailer?

In developed markets such as the US, 'omni-channel' was a response to the threat posed by low-cost online retailers. Retailers such as Macy's, John Lewis , and Burberry successfully implemented an omni-channel strategy.

What is omni channel retailing?

"Omni channel is a multi-channel touch point. It combines brick and mortar with virtual channels - be it the website or mobile," says Sanjay Chakravarti, CFO, Shoppers Stop. Both formats, i.e., brick and mortar and virtual, are seamlessly synchronised in omni-channel retailing. If the customer doesn't get a particular product in the store, he or she can browse for it on a kiosk or on the website/app and complete the order.

Omni-channel illustration



Why Omni?

"Customers are becoming increasingly agnostic to the channels they are buying from. It's going to be an integrated market, but the reality is that we haven't reached there yet in India," says an industry expert. The industry participants that we interacted with, including leading ecommerce practitioners (each involved in some major initiative) concur that going forward, omni is the future. When asked whether they were already behind the curve, most of them said that it's just the beginning. *Mr Rakesh Biyani, Jt MD Future Retail, says, "We are going online because the customer wants this. Businesses have to fundamentally adapt to technology. We initiated the process over a year ago, when the buzz in Indian online was nowhere near what it is today."* He goes on to say that, "consumers' perception of technology and service has undergone a change and it is only evolving. Consumers today want to shop from anyplace and anywhere, and interestingly, are willing to wait for the product. Online players haven't triggered any decision making for us. The reason we adopted omni-channel is because we had already migrated our operations to run a centralised warehouse/distribution centre, assort-

Mr Rakesh Biyani, Jt MD Future Group, says, "We are going online because the customer wants this. Businesses have to fundamentally adapt to technology. We initiated the process over a year ago, when the buzz in Indian online was nowhere near what it is today."

ment approach, and back end — it just happened to coincide with the noise around ecommerce. We felt the need to invest in technology to move to the next leg."

"Omni channel makes sense for any brand which has a large retail presence", says Mr Vijay Basrur of Raymond. The 89-year old brand has been one of the few Indian brands to have launched its own ecommerce venture Raymondnext.com. The Aditya Birla group has launched trendin.com which retails its brands including some of India's largest brands such as Louis Philippe. *But no one is anywhere close to creating a great shopping experience, says Mr Bawankule of Google.*

Advantages of Omni Channel

Nevertheless, Omni Channel has multiple benefits when executed well. Even in the developed markets (US and UK) 85-90% retail is still offline. The reality is that most of the retail is anchored around physical assets of manufacturing, product strategy, stores, and distribution set up. Omni-channel brings real assets to compliment online stores so that they don't eat into each other's sales but rather, complement each other — sales strategies under omni-channel include click-and-pick, reserve the product, and shipping from the store instead of the distribution centre.

A solution to one of the biggest challenges for retailers – Inventory

A brick-and-mortar retailer holds inventory in the store as well as at the distribution centre (DC). The assortment in the store is limited due to space constraints. The supply chain runs once a day to twice a month depending on the type of store (format, location). Hence, there is limitation to turn the inventory better. Omni-channel gives access to the product (listed on website/app) in the system, store as well as DC, to a customer — it also does this to customers who are beyond the (physical) catchment of the store and possibly where there are no stores. Thus, it helps improve the stock turns. Mr Biyani offers a deeper insight into this. He explains that, "With the omni-approach and by delivering the product to the consumer's home, the replenishment system changes to a certain extent. We can pick a single product from the system (be it a store or the DC) to fulfil a customer's order. Thereby, the space constraint in the store reduces and we can offer twice the assortment (variety) by cutting the depth (number of pieces) and making less of the same product available. Thus, we can improve the store performance."

Omni-channel brings real assets to compliment online stores so that they don't eat into each other's sales but rather, complement each other.

Sale of a product is piece by piece (a shirt, a dress, pair of shoes) basis but replenishment in the store is in batches (economic order quantity). If a single product can be picked to fulfil an order made online then the same capability can be created for the store. The store is also a customer. Extending this capability to the top-performing stores we can maximise the assortment in these stores and use the others to take orders (through website or kiosks or through tablets that showcase the entire range), creating a hub-and-spoke model. This is known as the endless aisle concept in which shelf space is extended to the brand's full catalogue of products.

Logistics and warehousing

Logistics is easier for a store network. "Shipping from a store is cheap," says Mr Vinay Bhatia, Head of Ecommerce & Customer Loyalty Program, Shopper's Stop. Mr Basrur of Raymond concurs and says, "Delivery times are dramatically cut short and are at lower costs as deliveries can be made by the nearest store as there are logistic partners in place. From logistics perspective, there will be cost savings. If the product is there in the city, then it will get dispatched locally."

Geographical dispersion of leading departmental stores in India

Particulars	Lifestyle	Pantaloons	Shoppers Stop	Trent	Central
Tier-1	71%	44%	54%	39%	38%
Tier-2 & 3	29%	56%	46%	61%	62%
Total stores	42	86	71	80	29
No. of cities	26	47	32	53	15

Source: Company, PhillipCapital Research

Most retailers would be keen to popularise click-and-pick, which essentially means that the customer can buy online and opt to collect it from the nearest store. It helps the customer get the product quicker — more so if it's already in a nearby store. A customer is also likely to make more purchases when he or she comes to the shop to collect the order. And of course, there are no shipping costs.

While click-and-pick would be an ideal scenario, it is a function of reach. Not all chains are present across most places in India, and the reality is that to satiate demand from locations where there are no stores or distribution centres, third-party logistics will have to be used. Even for orders from locations where stores are present, retailers may have to use third-party logistics to fulfil orders until the time click-and-pick gets more popular (may have to incentivise the customer). However, Mr Biyani believes that the existing employees in a store can be used to fulfil the delivery to customers in location that have stores. The only incremental cost could be the addition of a few 2-wheelers to facilitate local delivery.

Going omni channel, results in warehousing efficiencies and lower costs. Logically, by more sweating of the store inventory, warehousing needs should reduce. However, it depends on the stage of the business and the format, i.e., brand or third-party retailer, says Mr Basrur. Brands have multiple distribution channels and hence will have a centralised inventory for its online business. So initially, warehousing capacity will be high for brands — this will reduce as they go omni and the stores come into play. Departmental stores are enablers and hence stock more inventories in the store unlike brands as they have longer and diverse supply chains.

Capturing more wallet share

Mr Bhatia of Shoppers Stop states the real benefit from this strategy is from increased customer spreads as the assortment is wider. Internationally, there is enough data to show that omni-channel customers spends are twice single-channel customers'. According to IDC, multi-channel shoppers spend on an average 15-30% more with a retailer than someone who uses only one channel — and omni-channel shoppers will spend 15-30% more than multi-channel consumers.

Mr Biyani of Future Group explains how having a wider variety helps. He gives us "The Dinner Set" example:

Typically in a store we can offer 4-20 designs due to space constraints. But I can have 50 designs in the backend. So a customer may see some colours of a design on display and others on a screen or tablet in the store. If the piece is not in the store, it will get shipped from the backend where the customer will have the option of picking it up from the store or get it delivered home.

Mr Basrur of Raymond explains how Burberry has optimised this channel. "One can walk into any Burberry store and the customer can see the entire collection. One can select the SKUs online and Burberry can make the SKU available at the nearest store. Burberry has almost all of its collection in all its stores in a city. Since it is a luxury brand it doesn't have too many SKUs – this helps."

What will it take to go omni?

To go omni, brands and retailers have to make changes in the backend, technology, and above all, their strategic mind-set. Mr Bawankule of Google surmises, "Brick-and-mortar players have to make technology investments and create internet platforms. Importantly, it (omni) has to be treated as a new business or a new store in a new location."

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Integrating the existing offline business with online is a three-part process:

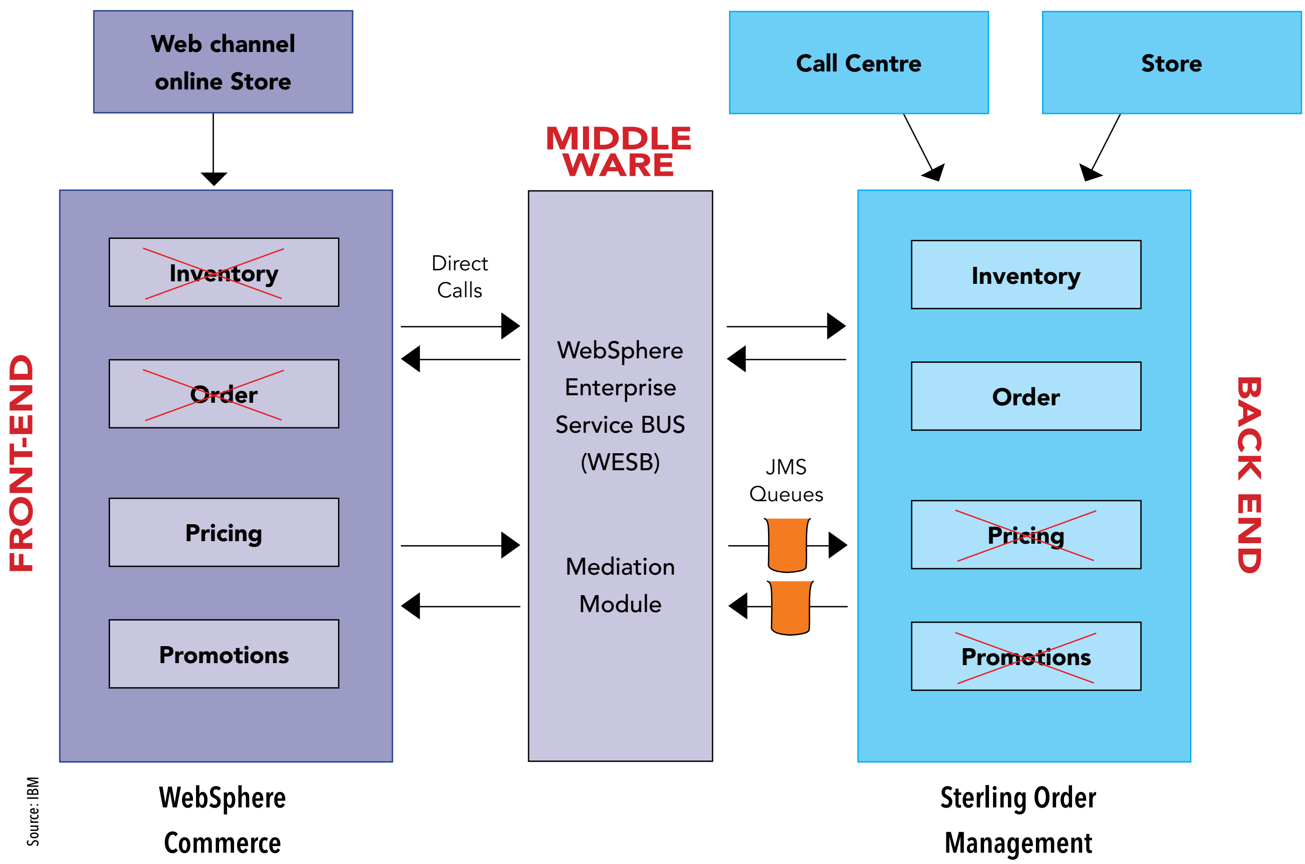
1. Going digital/setting up a website, thereby allowing consumers to buy online. A brand can also sell without a proper back-end. Fila sells online in India through a distributor. Managing website traffic is a function of technology capability. Most companies today rely on amazon web services or cloud services or hosted solutions for managing this. Therefore, scaling up and handling increase/spikes in website traffic is not a major challenge.

2. Centralisation of data/finance. Most of the offline retailers have IT systems that are tuned for brick-and-mortar operations. Once they start selling online, there has to be synchronisation and data has to be viewed real-time as customers buy across channels at different times of the day. That data has to be integrated into in the company's IT system so that it knows where the stock is. Another aspect is stock movement — inventory is in the store and as it gets sold it has reflect in the system real-time so that a consumer shopping online will know if the stock is available or not at any given point of time.

   How is it done? A master data management (MDM) layer is used to integrate old systems. It is essentially a middleware that talks to legacy systems sitting in the stores. The integration is not an easy process and it is not real time to begin with. ERP, designed for stores, was used for end-of-the day processing (e.g. stock taking).

3. Going omni and servicing the customer from the nearest store.

Illustration of the front end, back end and middleware for omni channel



Source: IBM

While middleware is an important cog in the omni-channel wheel, Future Group opted for the alternative, i.e. seamless integration (no middle layer between existing systems and website) using Hybris, a SAP enterprise. A seamless interface using Hybris is possible if one is on SAP. However, not everyone is on SAP and many brands say that it is expensive in the context of their size and operations. However, for an entity like Future Group, when the number of SKUs is high, complexities of integration increase — it deals with over 40,000 SKUs (Shoppers Stop deals with 2,500), seamless integration is preferred over middleware. The others have the option of choosing different vendors for middleware and the front-end — e.g., IBM Websphere (for front end), Oracle ATG (for front end), IBM0 sterling management (middleware).

Warehousing investments

Most brands have large warehousing capabilities as they deal with multiple channels – dealers, departmental stores, franchisees. However, these warehouses may not necessarily support single-piece-picking to satisfy orders from distribution centres (DCs). They need to do so as retailers go omni and establish an online presence. Online presence can be established even before the company goes omni and to service this one would need a new-age DC that can fulfil single-piece picking. Therefore, brands may make short-term (outsource) investments in warehousing. For brands, the warehousing requirement will increase in the short term, as the online channel will be serviced through new-age DCs; but as stores come into play to fulfil orders, the requirement will come down. However, for departmental stores such as Shoppers Stop, most of the stock is in store, and its warehousing requirement will only increase when online crosses 10-15% of their topline; therefore, in the short term, it won't need additional investment for warehousing, says Mr Bhatia of Shoppers Stop.

John Lewis Case Study

John Lewis, UK's largest departmental store, faced competition from online players in the UK and subsequently invested in going omni. However, the journey wasn't easy as it integrated its stores as well as Waitrose stores as fulfilment centres. John Lewis offers added incentives such as free Wi-Fi so customers can check out prices — it has a policy of never knowingly offering a price that is higher than a national high-street competitor. The extended reach of Waitrose stores (over 300) is an important factor in John Lewis's successful implementation of omni-channel.

Things John Lewis did in chronological order:

2009 - 35% increase in the lines offered on the website; started click and collect

2010 - Increased the number of lines available and started express delivery.

2011 - Increased the number of products sold online. Invested further in the development of distribution facility. Extended services such as Click & Collect to all 29 John Lewis branches.

2012 - Online trade fully integrated into the John Lewis multi-channel operations. At the year end, 'Click & collect' was available in all 35 John Lewis shops and 94 Waitrose branches. ***Two-thirds of its shops had free Wi-Fi to enable customers to check prices as they shop.*** Launched over 30 new

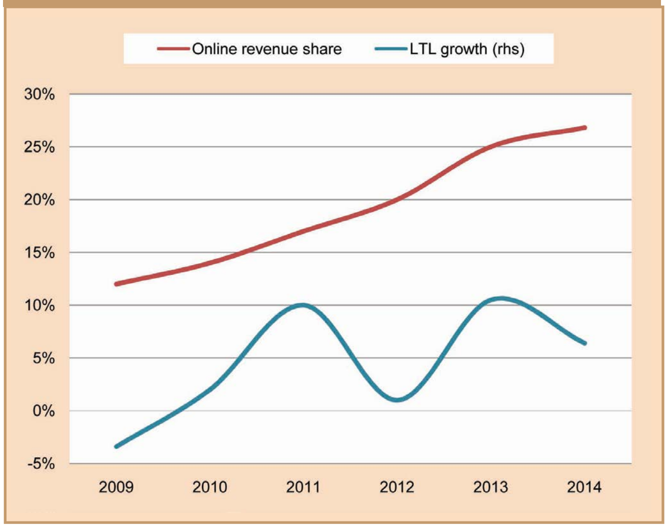
Macy's omni-channel in a nutshell: Macy's website installs 24 different tracking cookies on a visitor's browser. Its TV ads (incidentally, featuring teenage pop sensation Justin Bieber) urge people to download its mobile app, which tells them which of the chain's stores is closest to their location. Once customers are inside the store, they can use the app to get customer reviews and can also scan the QR code to watch videos, visit URLs, and find out more about a product or a promotion for anything – a pillowcase or a pair of shoes. Online orders now ship from the backrooms of 500 Macy's stores that this year began acting as mini distribution centres.

Source: Beyond the check-out cart, MIT Technology Review

brand introductions, new own-brand ranges, and more designer collaborations. ***There was a £ 34.1m decline in profits as a result of the decision to ensure there was absolutely no compromise on quality, service or value for customers.***

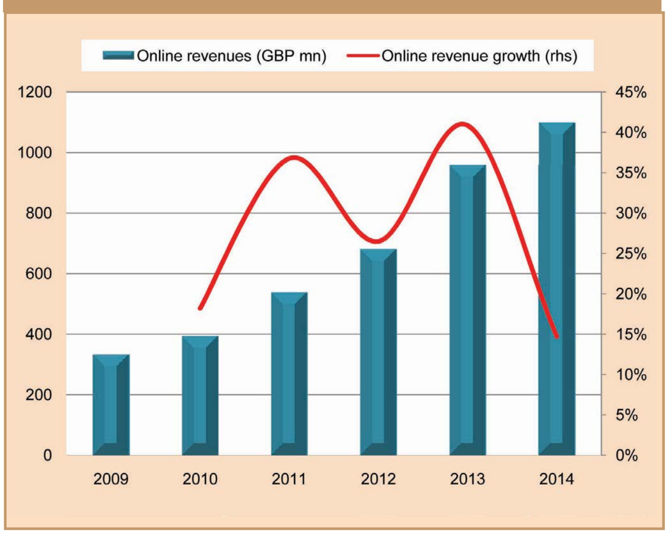
2013 - Nearly two thirds of all transactions involved customers visiting both shops and online channels. Click & collect, available in all 39 John Lewis and 193 Waitrose outlets, was a key part of this change in shopping behaviour. Orders almost doubled year-on-year, with 43% of purchases collected from Waitrose branches.

John Lewis's share of online sales in revenue-mix and LTL growth



Source: Company, PhillipCapital Research

John Lewis's online sales growth



Source: Company, PhillipCapital Research

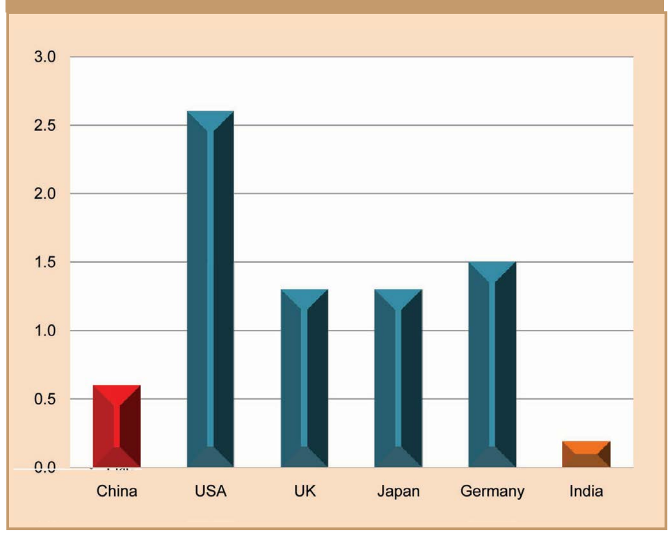
2014 - The 'my John Lewis' membership card was launched with 500,000 members joining in just four months. Click & collect grew by 57%, with the convenience of being able to pick up from Waitrose being particularly appreciated. Collect+ (offering click and pick at corner shops and petrol stations) was successfully launched. Visits from phones and tablets accounted for 50% of traffic to johnlewis.com.

China may be a better example than US to gauge the potential of omni-channel in India

Most players and brands seem to believe that going omni is the way forward; but then, the dynamics in India are very different from the developed world. Retailers who implemented omni-channel strategy in the US and UK have successfully evolved and countered ecommerce. However, the most fundamental aspect for omni-channel is reach and stores. In the US and UK, organised retail is 80% of the market, and per-capita availability of retail assets (i.e. stores) is amongst the highest in the world. This made it easy for retailers and brands who decided to adopt omni-channel, as they are well spread out and logistically offer more convenience to customers. The reach of branded or departmental stores in India is nowhere near what it is in developed countries.

Hence, departmental stores such as Macy's in US and John Lewis in UK have been successful — both were sizeable (high share of organised retail) when they went omni.

Availability of retail space worldwide (per capita in sq meters)



Source: Euromonitor International

ECOMMERCE VS. PHYSICAL STORES

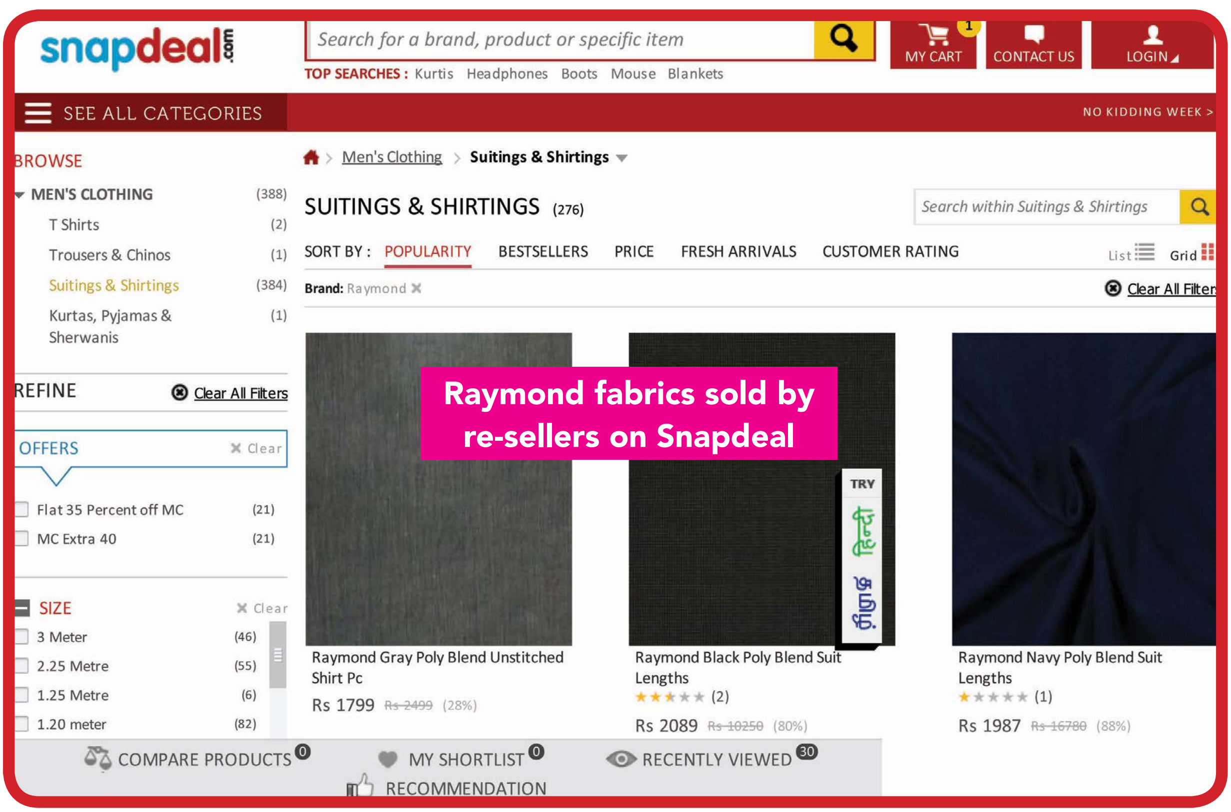
The battle has just begun - discounts and funding to continue

The battle between ecommerce and offline retailers in India intensified after Flipkart's big billion day sale, where the online retailers faced allegations of undercutting and selling below costs. Ecommerce has been branded as a discounting channel by most of its offline peers. The availability of FDI (foreign direct investment) in the form of private equity to ecommerce players through complicated corporate structures is another bone of contention for offline players. Mr Biyani of Future Retail says, "Online market places are funded by foreign money and Indian players don't have access to it."

"Online is just another competition, but the way you react to it is different," says Mr Bawankule of Google.

But not everyone agrees with this. "Online is just another competition, but the way you react to it is different," says Mr Bawankule of Google. "Everyone is saying price is the bogie, but if that were the only case then physical retail should close down as it would lose significant business to online. Ecommerce players also have to make a strategy to acquire customers, then retain them using loyalty, pricing, service, etc."

A catchment area of an offline retailer can be easily disturbed even in physical retail when a competitors sets shop there or for that matter in many



Screen grabs of Raymond fabrics from Snapdeal

such catchments. The retailer (rather than reacting and complaining), then has to respond by changing his strategy (product mix, promotions etc.) to counter competition. Therefore, businesses have to evolve and respond to competition rather than react.

Similarities between online and offline

In many ways, the offline competition from unorganised players is spilling over into online. For example, any MBO (multi-brand outlet) can sell online.

The physical world will mirror itself on the online world. The difference is that the customer will come to the online store instead of the offline store.

The share of national apparel brands online is not significant and it is the same in the offline world, even though these brands have existed for years. Mr Basrur from Raymond says, "It is just that the unorganised segment has got a bit more authenticity selling online." A significant portion of the turnover of online players such as Myntra and Jabong will be from smaller brands (which in the offline world would pass off as unorganized) and private labels, says an industry observer.

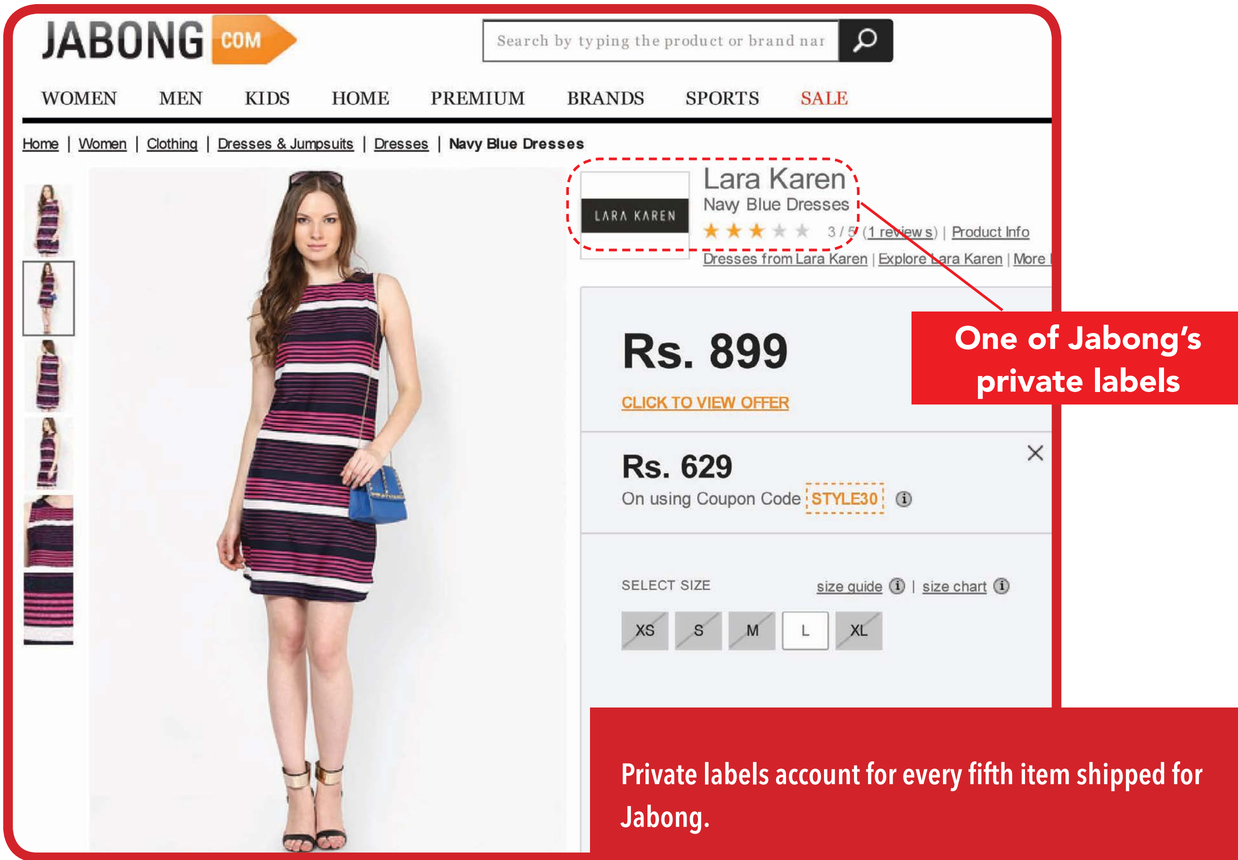
The physical world will mirror itself on the online world. The difference is that the customer will come to the online store instead of the offline store.

Mr Basrur adds, "Doing business online has its own set of costs — warehousing, logistics. The advantage is that it has the ability to showcase the entire inventory to the customer". But customer acquisition online is the most challenging part. Just as for physical stores, a brand or retailer tries to draw the customer from another brand or store by advertising or through new stores and offers, online players have to draw customers. They also incur costs for marketing (website), advertisement, and search engine optimisation. In fact, customers have high expectations from online players such as discounts, free deliveries, and returns. Thus cost of doing business online is mirroring offline. Online is more efficient only if there is vast product range.

Inventory challenges exist both offline and online. Aggressive expansion by offline players to expand their retail footprint resulted in high inventory and debt levels. Some large ecommerce players face these issues too.

However, all said and done, brands need online channels as much as online players need them. A brand cannot survive only on own exclusive brand outlets — most already depend on departmental

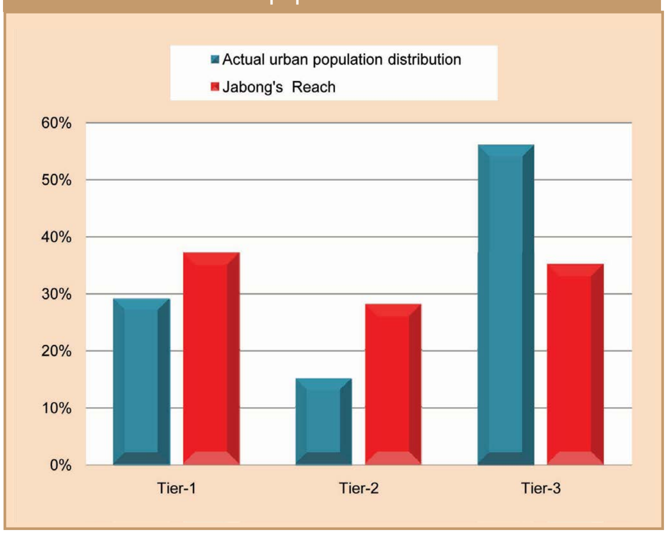
Lesser known brands retailed on Amazon.in...



Private labels account for every fifth item shipped for Jabong.

stores. Similarly, a brand cannot grow only using its own website — they will need to use major ecommerce players as they offer reach into 2/3-tier cities, which will help brands penetrate deeper without investing in stores.

Jabong's reach compared with the distribution of urban population in India



Source: Company, PhillipCapital research

The offline marketplace is getting replicated online

An industry expert explains the disruptive aspects of ecommerce in the context of physical retail — he says ecommerce is disruptive on two counts — technology to reach the consumer anywhere and disintermediation. Explaining further, he says, ecommerce has disruptive power as it can reach any customer, anywhere, and anytime. Therefore it can threaten the fundamentals of the offline businesses — for example, books chains across the world have been wiped out because of online sales. The same thing is happening to mobiles. The degree of invasion will vary and brands have to be careful how they engage online.

There was a time when Target and Macy's were part of Amazon but they didn't benefit and went their separate ways, after which they had to build online platforms from scratch and play catch up. The second aspect is disintermediation - if there are three channel partners sharing total 30% margin, then by reducing the chain, the customer benefits. But it kills the physical stores. Departmental stores and small multi-brand outlets are offline marketplaces in their own right as they sell multiple brands and products under one roof. But online marketplaces have no space constraints and hence can offer many times more stock than even a conventional departmental store. Jabong offers over 139,000 SKUs whereas Shoppers Stop can offer about 2,500 SKUs.

So are Indian retailers behind the curve and is going omni the best way ahead?

"Brick-and-mortar retailers are vulnerable due to internal issues, inefficiencies, and complacency," says Mr Bawankule . He is of the view that discounting is here to stay not just because of PE funding but because of the very nature of the business. He says, *"Discounting will continue for life and discounting is not customer acquisition. Even brick-and-mortar does it. US' Black Friday is the largest sale day because of discounts. Consumers are deal seekers. If you don't discount, then sales velocity may not be high and cash flows will be lower."* He is of the view that retailers must extend their reach and launch exclusive collections like Myntra has done. The success of going omni hinges on many things such as having reach, integrating reach with technology, offering convenience, and exclusive assortment. A retailer like Shoppers Stop with over 20 years of experience, merchandising relations with brands, and long-running customer loyalty program must go omni, says an industry observer.

However, omni-channel retailing, in its current form, may not be the best way ahead for most Indian players. An executive with a large Indian conglomerate explains, *"Retailers outside are of critical size, therefore they can roll out their own omni-channel strategy. Most retailers in India are not of critical size."*

The positioning of the brand also matters. Brands

"The cost of doing good omni-channel platform and associated logistics entails an investment of Rs 800 mn. The brand has to also incur Rs 1bn over 3 years on marketing initiatives to make this channel grow."

"Retailers outside are of critical size, therefore they can roll out their own omni-channel strategy. Most retailers in India are not of critical size."

such as Zara, which have high fashion quotient, fresh designs every fortnight, and emphasis on latest fits, have continued to do well from physical stores model. It is estimated that Zara's draws only 5% of its global turnover from its online channel.

Organised retail is just 8% of India's US$ 500bn retail market and online retail is already US$ 3bn, almost 10% of the organised retail. Therefore, brands as well as retailers face challenges of different kinds. Third-party retailers face price competition from ecommerce players while brands face the conundrum of dilution of brand value due to discounts with benefits of reach. To face these challenges, there is no formula. The third-party retailers have to go omni to face up to the challenge. However, for brands, omni might turn out to be expensive. An expert explains," The cost of doing good omni-channel platform and associated logistics entails an investment of Rs 800 mn. The brand has to also incur Rs 1bn over 3 years on marketing initiatives to make this channel grow."

An executive with a leading national brand says, "It will be ideal for brands if departmental stores go online. Departmental stores will feel the heat from ecommerce. Even though physical retail is still major for all the players, ecommerce could be big and hence brands have to gear up. If these players (departmental stores) don't gear up then we have to be prepared. As this market evolves, it makes sense for brands to go online as there are better margins from disintermediation."

Brands continue to engage with ecommerce players because of the reach they offer and also because they are a channel for liquidation of old inventory. If third-party retailers such as departmental stores can offer them the reach, brands would be happy to support them as they have more rational pricing norms and don't discount recklessly on the back of PE funding.

Shop till you drop or till the website drops – sustainability remains ignored

Questions on sustainability of existing ecommerce models?

The jury is still out on the sustainability of existing ecommerce models in India. However, one thing that most experts concur on is that a lean model is likely to make money. The likes of Ebay and Alibaba have been profitable because they are pure ecommerce facilitators offering technology solutions and logistics support to buyers and sellers. But the economics of ecommerce is still suspect according to some experts. One of the experts whom we interacted with gave interesting insights into the current business models. He says there two primary costs for a pure ecommerce model:

1. Cataloguing costs: These are the costs associated with creating online catalogues. The photographing cost for one SKU is Rs 1600-1700. If this were to be billed to the brand, it is unlikely to offer the product on consignment to online players.

Amazon India has 3rd party providers who are trained on Amazon's imaging and cataloguing guidelines and assist you in creating high impact listings. They also have preferential rates and offers for Amazon sellers

2. Operating costs (% of GMV):
   a. Marketing: 14-15%
   b. Man power: 7-8 %
   c. Logistics: 10%
   d. Corporate: 5%

According to the expert, *"An ecommerce player needs to have a gross margin of at least 40%, but because a reseller seldom earns 40% margin, there is the need to have private labels.* The only other way to make money is when other players have dropped off and you are the last man standing. Then, attaining scale can drive operating leverage. If a player has a GMV run rate of US$ 1bn and losses of US$ 200mn, then mathematically, they have to do US$ 6bn (at 5% commission rate) in GMVs to break even as most costs (as mentioned above) are variable."

The industry expert adds that many of these businesses have had significant inventory write offs

Analysis of Jabong's income statement

RS MN	FY13	FY14
Net revenues	1,433	4,386
Year-on-yeargrowth	n/a	206%
COGS	1,811	4,833
Gross profit	(378)	(447)
Gross profit margin	-26%	-10%
Overheads	2,498	2,044
EBITDA	(2,876)	(2,492)
EBITDA margin	-201%	-57%
Depreciation	(78)	(82)
EBIT	(2,954)	(2,574)
Net loss	(3,187)	(2,934)

Source: Company, PhillipCapital Research

The gross margin improvement is attributable to increase in scale, more efficient pricing by partners, and an increase in the share of private label sales.

The reduction in overheads appears counterintuitive in a business, which is rapidly growing. It could possibly be due to sale of Jabong's logistics division JaVas (Jabong Value Added Services) resulting in reduction of employees in the business.

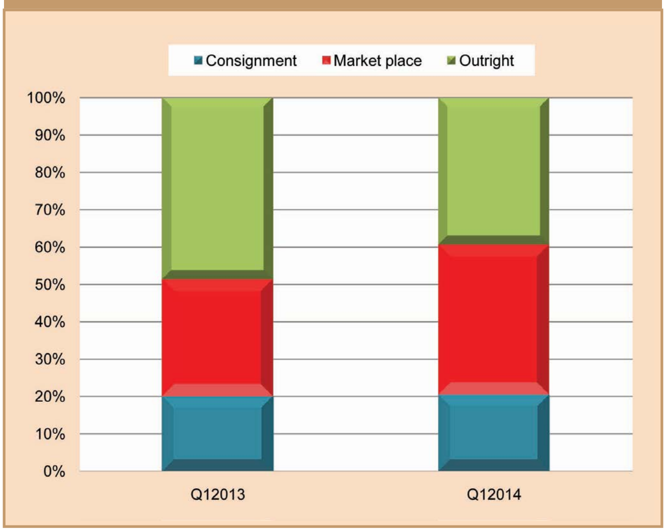
EBITDA margins improved in FY14 party due to better gross margins and de-growth in overheads.

because in their scramble to offer range, brands, and assortment, they were left with dead inventory. *A physical store has to write of 10-12% of its inventory after running an efficient inventory model. When one sells everything and every size under the sun, the inventory risk is huge.* He claims that on the international brands retailed by some of ecommerce players, they carry over 1,000 days of inventory. He estimates that the amount of PE money written off in the sector would be at least US$ 1bn. He cites examples of acquisitions of online brands and portals which were then discontinued. The primary reason is that investment write offs of the investors (who are common investors in the acquirer and target) would get camouflaged under acquisitions. Some 50-70 ecommerce websites have gone down — some of the prominent ones are India Plaza and Yebhi.

Rs 27bn of accumulated losses for leading ecommerce players*

Source: Company, PhillipCapital Research
*Flipkart (India) Pvt. Ltd. & Flipkart Internet Pvt. Ltd.

There has been an increasing trend of inventory /consignment led online retailers moving towards a hybrid model
Jabong's inventory mix (based on volume)



Source: Company, PhillipCapital Research

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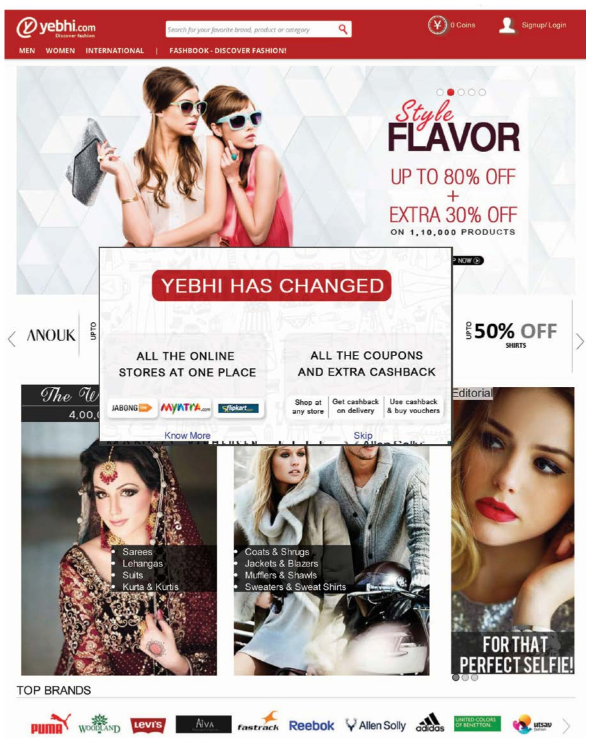
The cumulative losses of top-5 ecommerce players till 2014 (companies that operate the platforms and excluding their vendors and logistics arms if any) in India is Rs 27 bn. The losses could be even higher considering losses of critical vendors/suppliers, logistics manpower etc. which may have been created as separate legal entities.

Even Mr Bawankule of Google is of the opinion that out of the 150 websites started in three years, only 30 exist today. He says it is about technology, learnings, and an understanding of what works and what doesn't.



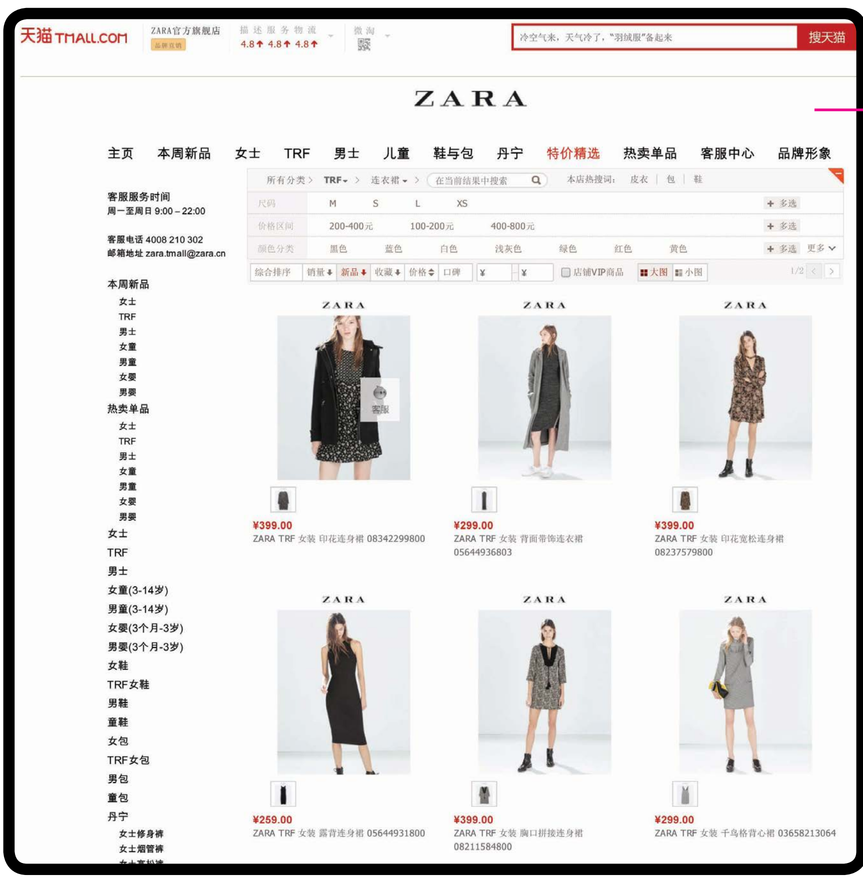
Yebhi.com has shut operations and has now become a web-traffic referral portal

The most sustainable ecommerce models are possibly yet to be seen in India

Then what is the right model for India where everyone makes money? An expert bats for a market place around brands like Tmall. He says the world's second largest retailer Tesco's ecommerce venture is turning into a marketplace. Tesco also sells brands that it doesn't list in its stores. The whole space is about getting the customer to buy more categories. After spending Rs 1,000 (in the form of discounts) to acquire a customer, if he/she just buys a Rs 50,000 mobile and nothing else from the site, then the 4% margin on the mobile doesn't even cover the marketing costs. It is when he shops for more products across the basket — from apparel to general merchandise on the same portal — the margin accretion is commensurate with the customer acquisition costs. Therefore, individual deep sites (selling only electronics or mobiles) which are visited only for specific purchases, are unlikely to be economically viable.

There is immense opportunity on building a brands-centric market place such as Alibaba's Tmall. There is space for an alternate marketplace, which will be driven by strong brands.

The expert says unlike most PE players who are betting on the last man standing game in this space, there will be at least 4-5 players in a free market like India. He sees immense opportunity on building a brands-centric market place such as Alibaba's Tmall.



Zara's store on Tmall offers same merchandise and price as it offers on its own website

He believes there is space for an alternate marketplace, which will be driven by strong brands. Logically, any conglomerate which has its portfolio brands across categories can anchor this market place.

Snapdeal is one of the few pure-play market places that don't carry inventory and are a pure B2C player modelled around ebay. Such players are likely to emerge as strong and long-term players in the industry.

Tmall is so popular that even Zara in China entered Tmall in October 2014 to gain a stronger foothold in China. Zara has been operating its own ecommerce portal since 2010. It is interesting to note that Zara's china website traffic ranking is at 6685 as against Tmall's 5th rank.

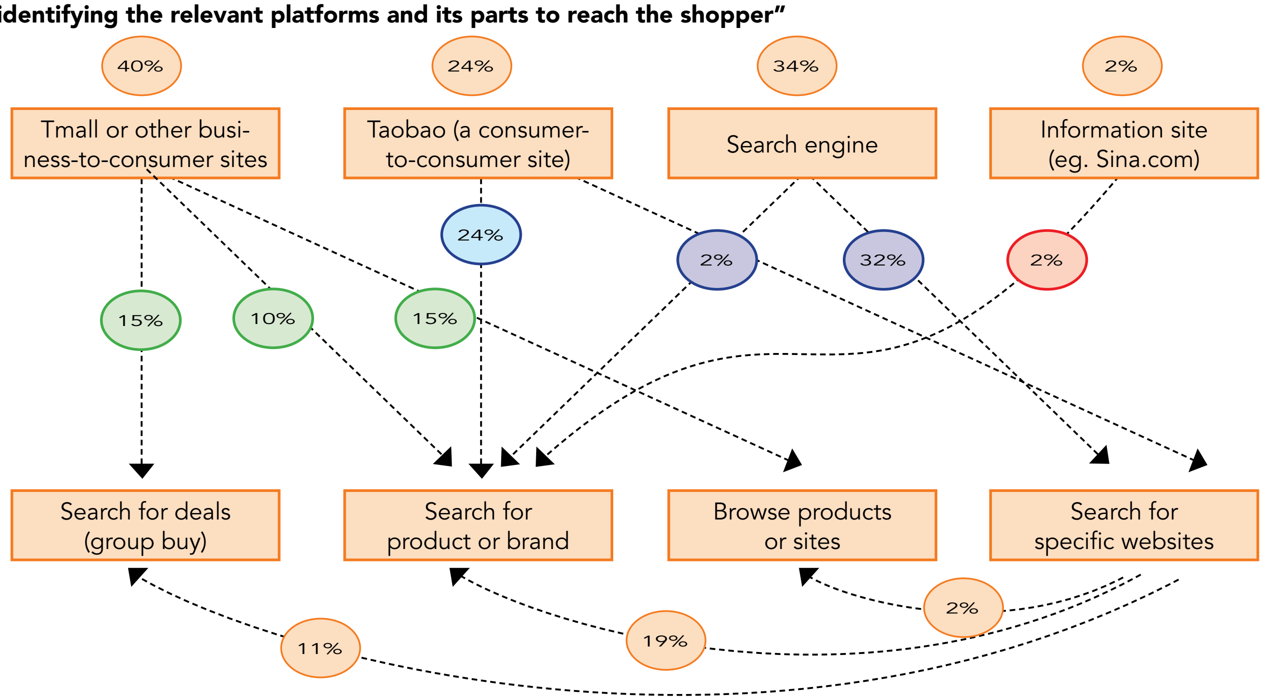
Tmall of India

"The Tata group has such a wide presence that logically it can anchor a market place — it depends on how it wants to position itself (single platform or multiple)," says Mr Bawankule of Google.

"Individual brands or retail formats may not have appetite to make high investments in building a brand-centric marketplace. Retail companies' forte is product and merchandise and they should focus on it. They don't have to get drawn into technology, scientific marketing and data analytics that goes into building a credible online marketplace. These are distractions for retailers."

An industry expert explains, *"Individual brands or retail formats may not have appetite to make high investments in building a brand-centric marketplace. Retail companies' forte is product and merchandise and they should focus on it. They don't have to get drawn into technology, scientific marketing and data analytics that goes into building a credible online marketplace. These are distractions for retailers."* But then, why hasn't any major retailer abroad started its own marketplace? The industry expert says that, "Organized retail is 85% of the retail market in developed markets and hence retailers individually are of critical size and scale — it does not make sense for them to be marketplaces —it made more economic sense for them to evolve their own online business models — for example, Wal-Mart had 11.4% of US retail sales — no Indian retailer will be anywhere close to that number."

"Official brand sites in China account for very small % of searches made by consumers...underscoring the importance of identifying the relevant platforms and its parts to reach the shopper"



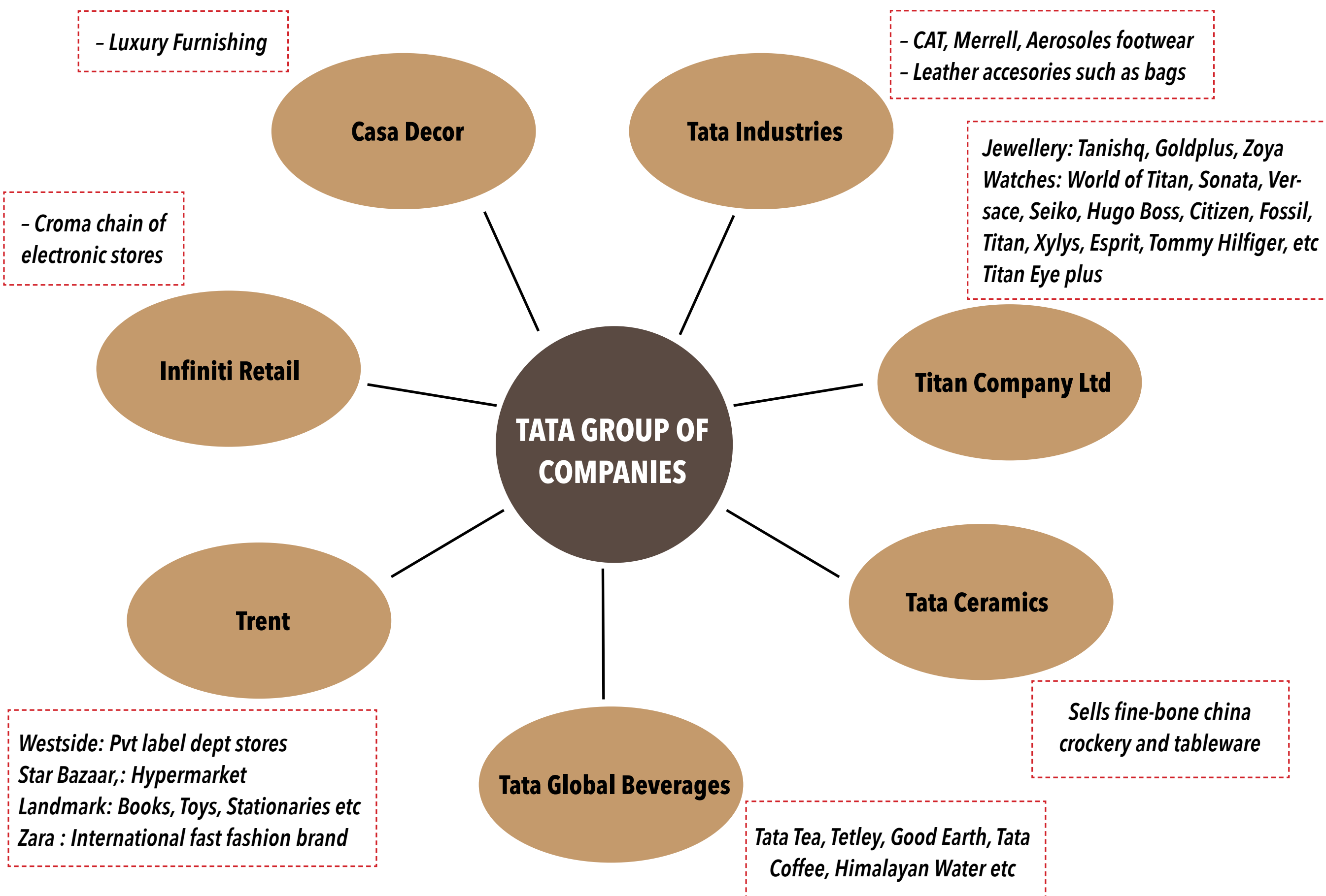
Source: BCG

So what will the Tmall of India look like?

The advantage a new player entering the market will have is that it can learn from the mistakes the existing players have made and hence the learning curve will be shorter.

The marketplace needs to have as many categories as possible. The Indian Tmall, with an omni-channel proposition, will be a unique offering. A marketplace is like a mall and will always draw more visitors than a standalone website (a store) selling one category. If a certain conglomerate is present in multiple categories, then it would be logical for it to anchor such a brand-centric market place and subsequently tie up with players in categories that are not in the portfolio. An expert emphasises that, "It is how efficiently one takes the brand to the consumer." He cites the example of Aditya Birla and Tata groups, which can leverage on such platforms as they are present in multiple categories. The Tata group is present in all major categories from apparel (Westside) to books to watches and jewellery (Titan) and enjoys tremendous brand equity. *Trent's Westside is a private label driven departmental store and it controls the entire experience from the product to retailing. Titan's Mia range (daily wear & small ticket sizes) of jewellery could find wider markets when sold online, supported by Tanishq's strong store network, supply chain and customer trust.* Tata group's association with international brands such as Zara is an added advantage. *The advantage a new player entering the market will have is that it can learn from the mistakes the existing players have made and hence the learning curve will be shorter,* says the expert.

In a platform such as Tmall, responsibilities are demarcated and divided between brands and marketplace on the basis of inherent strengths and capabilities. Some of the things that brands have



Source: Tata Group, PhillipCapital Research to manage will be pricing, merchandise range, and ecosystem. Brands will have to provide the full-range to the platform, while the marketplace manages the technology and logistics and sets up an omni-channel infrastructure. Therefore, the realisation per SKU is higher and margin shared will be commensurate. The absolute investment will be just 5% of what one would have incurred if it were to go omni on its own, as even the marketing expenses will be managed by the marketplace (due to the multiple categories it offers).

Customer acquisition for such a marketplace may be easier due to the existing loyalty programs of the brands under a group's umbrella. Customers can continue to get loyalty on purchasing from this platform. Using points to buy other categories will be stage two, as the entire loyalty program needs to integrate.

Going omni alone has its pitfalls. When an offline retailer goes online, it's not his forte or area of strength to operate a shopping website. There is always a channel conflict of offline vs. online - what stock to offer, how much discount to offer — all of these conflicts get addressed usually in favour of offline. Therefore, the online business grows in the shadow of the big tree. The online business requires a different mind-set and skill set hence has to be separately funded entity and with a team of specialists. That perhaps explains why Tata Group's ecommerce initiative is said to be under Tata Industries and is being driven independently with a dedicated team of specialists. The venture is reportedly being put together by Ashutosh Pandey, former COO of Landmark and it has also reportedly roped in Sarvesh Dwivedi, who was heading the lifestyle division of eBay India.

In a platform such as Tmall, responsibilities are demarcated and divided between brands and marketplace on the basis of inherent strengths and capabilities. Brands will have to provide the full-range to the platform, while the marketplace manages the technology and logistics and sets up an omni-channel infrastructure.

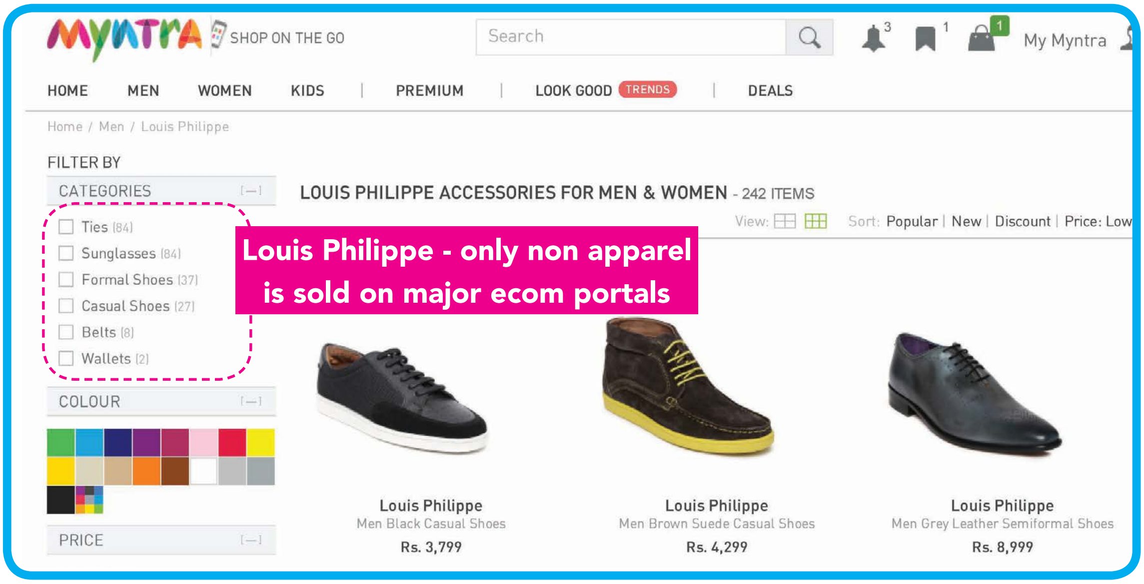
One of the key draws for brands to participate in a marketplace or give preference to a particular market place is providing data analytics — for example, providing data on best-selling stocks to the brands. This helps the brands plan their next season's inventory better. Existing market places don't share the data with the brands as - their currency is customer data.

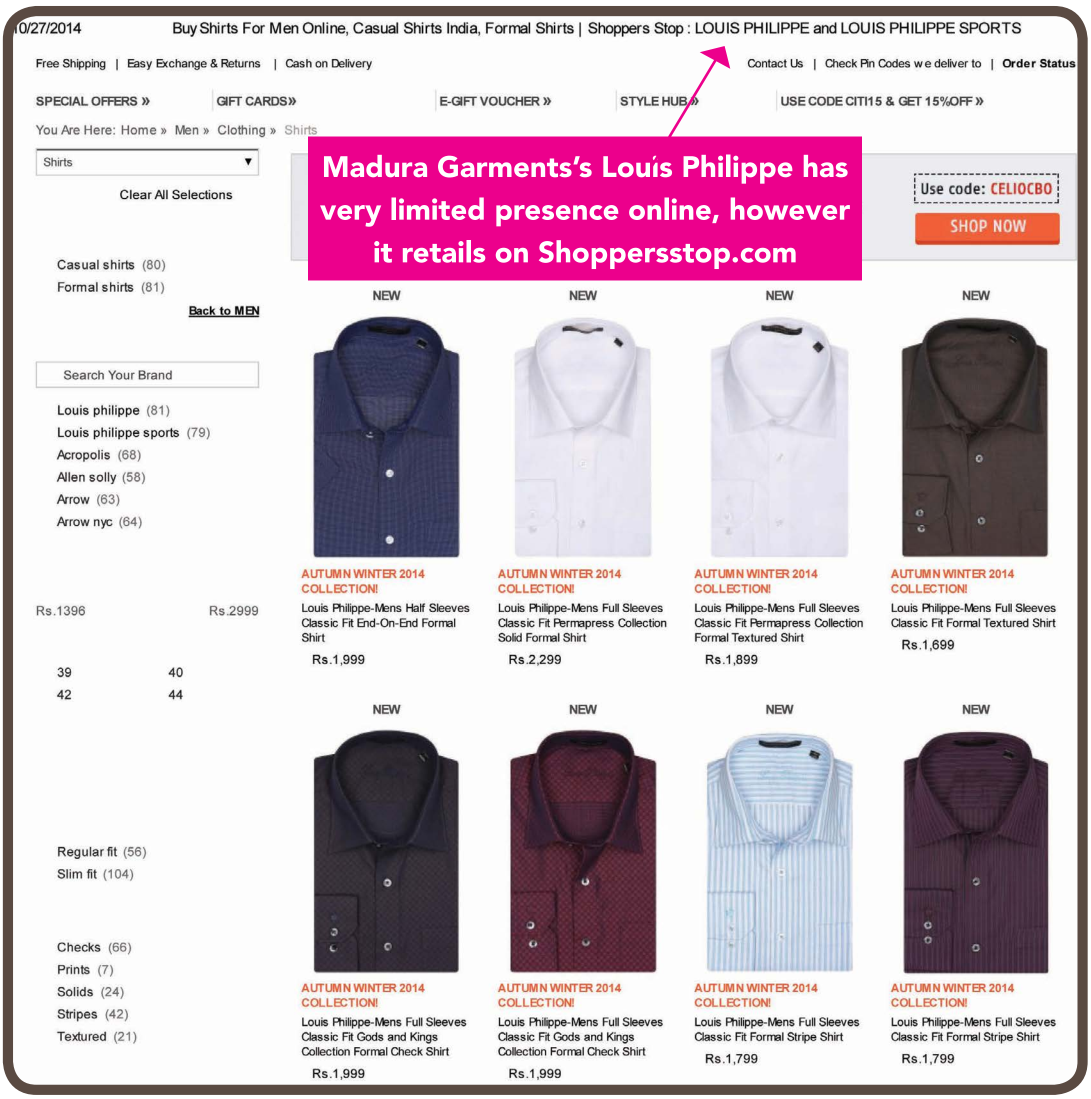
Threat to departmental stores is clear but not present

"In the month of October 2014, the 3 big online sales by Flipkart (including Myntra), Snapdeal and Amazon clocked a turnover of Rs 10 bn in the fashion category, accounting for nearly 5% of overall category sales for the period," says Mr Sanjay Behl, CEO Lifestyle Business, Raymond.

Online players don't have significant advantage on sourcing merchandise, says an executive with a national brand. Shopper's Stop may carry limited lines due to limited shelf space. Online players don't have constraints to display, but they still have to buy inventory. Online player are scouring products from mainline brands but brands are wary of launching new introductions and better lines online. For e.g., Van Heusen introduces new lines every week. Myntra or Jabong, like any other sellers with inventory models, have to buy from the brand — they will take a call on which lines to buy, thus narrowing the collection. Thereafter, if they get stuck with some inventory, it limits the ability to buy the next round of inventory, thus limiting the lines of the brand it can carry.

We came across interesting patterns and cues on brands and their relationship with ecommerce players. Madura Garments' largest brand Louis Philippe doesn't retail on Myntra, Jabong, or Flipkart. However it does retail on Snapdeal, courtesy a reseller. These are possibly measures taken by the brands to protect the brand image and the interests of its offline partners (from unreasonable discounting).


Myntra SHOP ON THE GO
Search
My Myntra
HOME MEN WOMEN KIDS | PREMIUM | LOOK GOOD TRENDS | DEALS
Home / Men / Louis Philippe
FILTER BY
CATEGORIES
Ties (84)
Sunglasses (84)
Formal Shoes (37)
Casual Shoes (27)
Belts (8)
Wallets (2)
COLOUR
PRICE
LOUIS PHILIPPE ACCESSORIES FOR MEN & WOMEN - 242 ITEMS
View:
Sort: Popular | New | Discount | Price: Low
Louis Philippe - only non apparel is sold on major ecom portals
Louis Philippe
Men Black Casual Shoes
Rs. 3,799
Louis Philippe
Men Brown Suede Casual Shoes
Rs. 4,299
Louis Philippe
Men Grey Leather Semiformal Shoes
Rs. 8,999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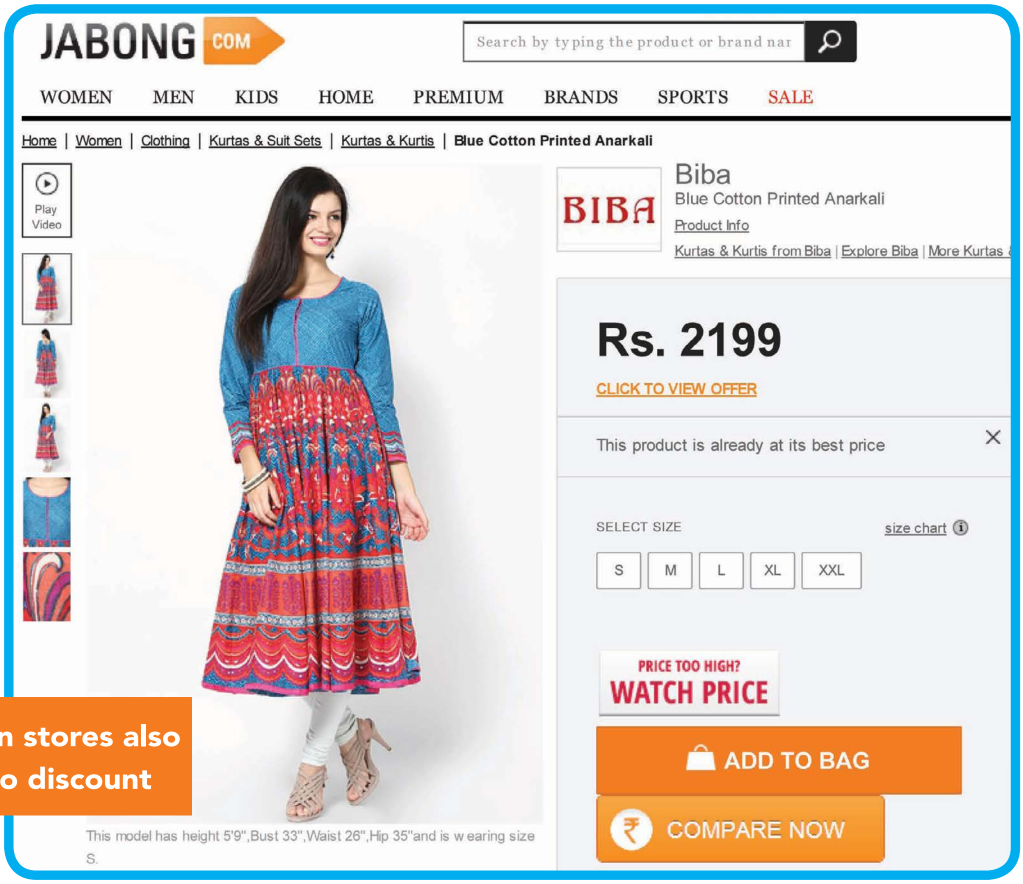
New Biba collection sold online at no discounts



New Biba collection in stores also sold online but at no discount

Brands are wary of online channels – for an online portal, a product is a product (that is, it will not differentiate between black shoes of two different brands) and it will discount it despite the brand proposition. However, brands do use online channels for liquidating inventory. These two reasons put together conspire to create a small range for online stores by any brand. Therefore, there is no direct competition yet in merchandise as far as apparel is concerned.

"In the month of October 2014, the 3 big online sales by Flipkart (including Myntra), Snapdeal and Amazon clocked a turnover of Rs 10 bn in the fashion category, accounting for nearly 5% of overall category sales for the period," says Mr Sanjay Behl, CEO Lifestyle Business, Raymond.

Conclusion: The Winner may not be born yet

The entire retailing space is rapidly changing and businesses will reinvent and new models will emerge challenging even the existing disrupters. From the existing bunch of ecommerce players, structurally sound and lean business models will thrive. Third-party retailers have the opportunity to revolutionise their businesses and become relevant online marketplaces for the brands. India could see a brand-based market place akin to Tmall, with strong logistics and technology support — this could help Indian brands grow. A brand such as Bata, with a large physical store network of over 1,400 stores, is conceptually well suited for such an omni-channel enterprise and maybe the Tata group's ecommerce initiative (with Trent and Titan playing vital roles) could very well be a rewarding offering for its participants as against the current winner takes it all charade.

Dhruv Goel, *MD, SteelMint*

Highlights operating challenges for steel producers post mining restrictions in iron ore

Dhruv Goel is the MD of SteelMint, a comprehensive online portal for steel news, prices, analysis, and policy matters in India. SteelMint is a dedicated information service provider for all those involved in the steel industry, covering the entire market from producers and manufacturers to traders and end users. It publishes news, commentary, fundamental market data and analysis, and daily price assessments that are widely used as a reference price for many steel manufacturing companies, traders and brokers in the physical markets.With a 4-year operating history, SteelMint has more than 5000 customers in India across the entire steel and steel related raw materials (iron ore, coal, ferro alloys) space. Its customers include various steel participants (producers, consumers, importers, exporters and domestic traders), iron ore miners, iron ore intermediaries, and coal

BY DHAWAL DOSHI

What is the current iron-ore mining situation in various states?

The iron ore situation in India has been going from bad to worse because various restrictions are being imposed and there are delays in getting approvals to start mining. In FY15, iron ore output and availability will see a sharp drop across major states except Chhattisgarh. Although Karnataka will see its output increase from 18mn tonnes in FY14 to around 20-21mn tonnes in FY15 this is a bit misleading —10mn tonnes of dumps (that is 5mn tonnes of usable iron ore) were auctioned in FY14, which is why FY15 will see a drop in iron ore availability.

For Karnataka, in FY16, iron ore output should move up to 24-25mn tonnes because some mines may get approvals to start operations. Mineral Enterprises is waiting for final approval — this will see a 3mn-tonne mine opening up. Sesa Sterlite is waiting for MoEF's clearance and lease renewals after which it will be able to re-start its iron ore mine—this is expected to take around 6 months.

Orissa will see a sharp fall in its output in FY15 if there are further delays in opening up the 18 mines that are shut because they haven't got lease renewals yet. Orissa's iron ore output should fall by at least 15-20mn tonnes in FY15 (it was 72mn tonnes in FY14). In the first half of FY15, output was 22mn tonnes, which is a yoy fall of 25-30%.

We haven't seen any further progress in the process of renewing the leases of these 18 mines after CEC submitted its report to the Supreme Court. Orissa's government has requested a 3-month extension to the Supreme Court's deadline of 16th November 2014 for taking a final call on renewing the leases. The state is trying to partly compensate for the drop in output by increasing the mining done by Orissa Mining Corporation (OMC). OMC plans to increase its iron ore production from 1.8mn tonnes in FY14 to 3.3mn tonnes in FY15 and 4mn tonnes in FY16. Its eventual plan is to increase the capacity to 18mn tonnes by FY20.

The situation is similarly bad in Jharkhand where large iron ore mines have been shut for want of lease renewals. This issue will probably find some kind of solution only after state elections or court interventions.

Can iron ore imports meet the domestic shortages? What has been the trend of iron ore imports into India?

Iron ore imports into India have seen a significant jump over the past few months and JSW Steel and Tata group are the leading importers. But, these imports face various logistic bottlenecks and the inland freight costs are also very high — these are deterrents for large-scale imports. Iron ore imports into India between April and October 2014 were 5.2mn tonnes – in the same period last year, they were just 300,000 tonnes. Total imports in FY15 should come up to 10-11mn tonnes — and even these will not be sufficient enough to meet domestic shortages.

Can you highlight the various logistic bottlenecks in importing iron ore into India?

The major issues that iron ore importers face are higher waiting time for vessels to berth (at ports) and rake availability. Within ports, Krishnapatnam has emerged as the best to import iron ore. The waiting time for berthing in ports like Paradeep and Haldia is 10-15 days but in Krishnapatnam it is just 1-2 days. This higher waiting time not only leads to higher demurrage costs, but it also leads to uncertainty, given that global iron ore and steel prices are so volatile —see, a 4-day wait for a vessel carrying 50,000-60,000 tonnes of iron ore increases the total cost by about US$ 1 per tonne!

Rake availability is also a major issue for importing iron ore, because preference is given to coal supplies. Except Krishnapatnam port (which is currently loading 20-21 rakes a day) other ports are getting only 4-5 rakes a day for loading iron ore. Krishnapatnam is expected to handle the largest quantum of iron ore imports in FY15. It has already exceeded its full-year target of handling 3mn tonnes of ore during the first seven months of FY15. April-October 2014 iron ore imports at the port stand at 3.5mn tonnes, which represents 62% of total iron ore imports into India.

Has the recent jump in pellet capacities partially offset shortage of iron ore lumps?

Pellet capacities in India (merchant and captive) have jumped from 67mn tonnes in FY14 to 88mn tonnes in FY15. However,these increases have not helped ease off the scarcity in iron ore lumps because most of the merchant pellet plants across India are operating at just around 40-50% utilisations. Shortage of iron ore fines has forced various producers to cut back on their production. Pellet producers situated at Barbill (hub for iron ore trading in Orissa) are also finding it difficult to source fines and hence they have limited production. Pellet production using imported fines is not economical, even if the logistics are arranged.

How are iron ore prices expected to behave, given the scarcity in India?

Because of the domestic shortages, its price is firm in India even when international iron ore prices are falling. There is strong demand from various pellet producers and blast furnace operators and this has helped iron ore miners in Orissa and Jharkhand to hike iron ore fines prices recently. In fact, these prices can go up by another 300-500 rupees per tonne if the lease renewal issue for iron ore mines in Jharkhand is not resolved soon. Because of higher fines prices and shrinking volumes, the margins of pellet producers have seen significant erosion.

Unlike fines, there is not much room for price increases in iron ore lumps prices, despite the shortages. This is because sponge iron producers are already operating at thin margins and this has limited miners' ability to hike prices. If the miners hike lumps prices any further, sponge iron production will get affected negatively, and this will pull down volumes. This has been the major factor in the 200 rupees per tonne price cut by NMDC for November 2014 shipments.

How have the secondary steel and sponge iron sectors performed given the constraints in sourcing iron ore and coal?

A fall in e-auction coal volumes and iron ore shortages have significantly impacted sponge iron producers in the eastern belt of India. Sponge iron production is estimated to be around 21mn tonnes in FY15 compared to 24mn tonnes in FY14. The smaller producers have felt the impact badly — they are larger in number and account for 50% of sponge production. Small producers include plants with a per day capacity of 100/200/300 tonnes. The larger guys have managed their production levels. Higher cost and falling realisations (which have corrected by Rs 400-500 per tonne compared to Rs 1000-1500 for long steel products) have significantly pressured the margins for these small sponge iron producers. Any further fall in prices or increase in cost will see further production cuts from them.

Declining steel scrap prices is a major risk to sponge iron prices and production. Imported scrap prices have corrected by US$ 40 per tonne over the last month. This can pressure sponge iron prices and eventually impact production.

Have production disruptions of the secondary sector benefitted larger steel producers?

The lower steel demand over the past year has already seen primary producers capture a good amount of market from the secondary producers. However, further disruptions in secondary steel production will not significantly benefit primary producers as these are getting replaced via imports. Long steel imports have seen a strong pickup in the past couple of months because of the fall in global steel prices. April-October 2014 long-steel imports have touched 720,000 tonnes as against insignificant imports in prior years. These are not expected to jump much further from current levels (monthly rate) as expectation of anti-dumping duty has been acting as a deterrent for any large scale imports. The Central Board of Excise & Customs has also recently issued a circular asking for steel imports to be compliant with BIS norms. This will make the rate of imports slow down further as only a few Chinese steel mills are BIS compliant.

Full year long-steel imports are expected to be in the range of 1mn to 1.5mn tonnes in FY15. To give you a perspective, total long-steel production in India in FY14 has been 30mn tonnes and in the first half of FY15, it has been 15mn tonnes. Of the total long production, around 2/3rd is produced by the secondary steel sector.

At what premium/discount are the domestic steel prices quoting compared to imports? Can the domestic prices see further declines?

Domestic steel prices are still trading at significant premiums to the imported prices, especially in the long-steel segment. These subdued prices (internationally) along with lower demand can put pressure on local prices going ahead.

Primary producers can see further price falls to the tune of Rs 500-1000 per tonne in flats as well as long products. Import offers from China for Longs vary between US$ 440-450 CIF India, which is similar to secondary steel prices, but still at a significant discount to primary producer prices. Offers from primary producers are currently at Rs 39,000/39,500 per tonne in Mumbai. Relatively lower import volumes (compared to size of the longs industry) and pre-qualification for primary producers in various government projects will see this premium continuing.

Import offers from China for flat products vary around US$ 490-500 CIF India. This amounts to a premium of Rs 3000 per tonne, much higher than the normal premiums to imported prices, which range between Rs 1500 and Rs 2000 per tonne.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
IIP	2.7	-1.2	-1.3	0.1	1.1	-2.0	-0.5	3.7	5.6	4.3	0.4	0.5	2.5	-
PMI	49.6	49.6	51.3	50.7	51.4	52.5	51.3	51.3	51.4	51.5	52.2	50.6	51.0	51.6
Core sector	9.0	-0.6	1.7	2.1	1.6	4.5	2.5	4.2	2.3	7.3	2.7	5.8	1.9	-
WPI	7.0	7.2	7.5	6.4	5.1	5.0	6.0	5.5	6.2	5.7	5.4	3.9	2.4	1.8
CPI	9.8	10.2	11.2	9.9	8.8	8.0	8.3	8.6	8.3	7.5	8.0	7.7	6.5	5.5
Money Supply	12.5	13.0	14.5	14.9	14.5	14.5	13.5	13.9	13.2	12.2	12.7	13.0	12.7	12.0
Deposit	14.1	14.4	16.1	15.8	15.7	15.9	14.6	15.1	13.8	12.2	12.7	13.2	13.0	12.4
Credit	17.8	16.6	15.5	14.5	14.7	14.4	14.3	14.1	12.8	13.1	13.1	10.6	9.4	10.8
Exports	13.0	13.5	5.9	3.5	3.8	-3.7	-3.2	5.3	12.4	10.2	7.3	2.4	2.7	-
Imports	-18.5	-14.5	-16.4	-15.2	-18.1	-17.1	-2.1	-15.0	-11.4	8.3	4.3	2.1	26.0	-
Trade deficit (USD Bn)	-6.1	-10.6	-9.2	-10.1	-9.9	-8.1	-10.5	-10.1	-11.2	-11.8	-12.2	-10.8	-14.2	-
Net FDI (USD Bn)	4.5	1.8	2.4	1.9	0.4	-0.1	2.1	2.0	4.8	2.4	3.6	2.5	3.6	-
FII (USD Bn)	0.2	-0.4	0.0	2.9	2.6	1.5	5.4	-0.1	7.7	4.8	5.4	2.1	2.4	-
ECB (USD Bn)	3.3	1.9	2.2	4.6	1.8	4.3	3.6	3.2	1.5	1.9	3.7	0.5	3.2	-
NRI Deposits (USD Bn)	5.9	4.5	14.6	2.0	0.7	0.7	2.5	1.4	1.1	0.0	0.0	0.0	0.0	0.0
Dollar-Rupee	63.8	61.6	62.6	61.9	62.1	62.2	61.0	60.4	59.3	60.2	60.1	60.9	61.8	61.4
FOREX Reserves (USD Bn)	276.3	283.0	291.3	295.7	292.2	294.4	303.7	309.9	312.4	315.8	320.6	318.6	314.2	315.9

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Exports	75.0	72.6	74.2	84.8	73.9	81.2	79.8	83.7	81.7
Imports	118.9	120.4	132.6	130.4	124.4	114.5	112.9	114.3	116.4
Trade deficit	(43.8)	(47.8)	(58.4)	(45.6)	(50.5)	(33.3)	(33.2)	(30.7)	(34.6)
Net Invisibles	26.8	26.7	26.6	27.5	28.7	28.1	29.1	29.3	26.8
CAD	(17.1)	(21.1)	(31.8)	(18.2)	(21.8)	(5.2)	(4.1)	(1.3)	(7.9)
CAD (% of GDP)	4.0	5.1	6.5	3.5	4.9	1.2	0.8	0.3	1.7
Capital Account	16.5	20.7	31.5	20.5	20.6	(4.8)	23.8	9.2	19.8
BoP	0.5	(0.2)	0.8	2.7	(0.3)	(10.4)	19.1	7.1	11.2

GDP and its Components (YoY, %)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Agriculture & allied activities	1.8	1.8	0.8	1.6	4.0	5.0	3.7	6.3	3.8
Industry	(0.6)	0.1	2.0	2.0	(0.9)	1.8	(0.9)	(0.5)	4.0
Mining & Quarrying	(1.1)	(0.1)	(2.0)	(4.8)	(3.9)	-	(1.2)	(0.4)	2.1
Manufacturing	(1.1)	(0.0)	2.5	3.0	(1.2)	1.3	(1.5)	(1.4)	3.5
Electricity, Gas & Water Supply	4.2	1.3	2.6	0.9	3.8	7.8	5.0	7.2	10.2
Services	6.7	6.5	6.1	5.8	6.5	6.1	6.4	5.8	6.6
Construction	2.8	(1.9)	1.0	2.4	1.1	4.4	0.6	0.7	4.8
Trade, Hotel, Transport and Communications	4.0	5.6	5.9	4.8	1.6	3.6	2.9	3.9	2.8
Finance, Insurance, Real Estate & Business Services	11.7	10.6	10.2	11.2	12.9	12.1	14.1	12.4	10.4
Community, Social & Personal Services	7.6	7.4	4.0	2.8	10.6	3.6	5.7	3.3	9.1
GDP at FC	4.5	4.6	4.4	4.4	4.7	5.2	4.6	4.6	5.7

Annual Economic Indicators and Forecasts

Indicators	Units	FY6	FY7	FY8	FY9	FY10	FY11	FY12	FY13	FY14E	FY15E
Real GDP growth	%	9.5	9.6	9.3	6.7	8.6	8.9	6.7	4.5	4.7	5.4
Agriculture	%	5.1	4.2	5.8	0.1	0.8	8.6	5	1.4	4.7	1.6
Industry	%	8.5	12.9	9.2	4.1	10.2	8.3	6.7	0.9	(0.1)	2.8
Services	%	11.1	10.1	10.3	9.4	10	9.2	7.1	6.2	6.0	7.0
Real GDP	Rs Bn	32,531	35,644	38,966	41,587	45,161	49,185	52,475	54,821	57,418	60,691
Real GDP	US$ Bn	733	787	967	908	953	1,079	1,096	1,008	950	1,012
Nominal GDP	Rs Bn	36,925	42,937	49,864	56,301	64,778	77,841	90,097	101,133	113,551	127,643
Nominal GDP	US$ Bn	832	948	1,237	1,229	1,367	1,707	1,881	1,859	1,878	2,127
Population	Mn	1,106	1,122	1,138	1,154	1,170	1,186	1,202	1,219	1,236	1,254
Per Capita Income	US$	753	845	1,087	1,065	1,168	1,439	1,565	1,525	1,519	1,697
WPI (Average)	%	4.5	6.6	4.7	8.1	3.8	9.6	8.7	7.4	6.0	4.0
CPI (Average)	%	4.2	6.8	6.4	9	12.4	10.4	8.3	10.2	9.5	7.0
Money Supply	%	15.5	20	22.1	20.5	19.2	16.2	15.8	13.6	13.5	14.0
CRR	%	5	6	7.5	5	5.75	6	4.75	4.0	4.0	4.0
Repo rate	%	6.5	7.5	7.75	5	5	6.75	8.5	7.5	8.0	8.0
Reverse repo rate	%	5.5	6	6	3.5	3.5	5.75	7.5	6.5	7.0	7.0
Bank Deposit growth	%	24	23.8	22.4	19.9	17.2	15.9	13.5	14.4	14.6	15.0
Bank Credit growth	%	37	28.1	22.3	17.5	16.9	21.5	17.0	15.0	14.3	16.0
Centre Fiscal Deficit	Rs Bn	1,464	1,426	1,437	3,370	4,140	3,736	5,160	5,209	5,245	5,312
Centre Fiscal Deficit	% of GDP	4	3.3	2.9	6	6.4	4.8	5.7	5.2	4.6	4.1
Gross Central Govt Borrowings	Rs Bn	1,310	1,460	1,681	2,730	4,510	4,370	5,098	5,580	5,639	5,970
Net Central Govt Borrowings	Rs Bn	954	1,104	1,318	2,336	3,984	3,254	4,362	4,674	4,689	4,573
State Fiscal Deficit	% of GDP	2.4	1.8	1.5	2.4	2.9	2.1	2.3	2.2	2.5	2.5
Consolidted Fiscal Deficit	% of GDP	6.4	5.1	4.4	8.4	9.3	6.9	8.1	7.4	7.1	6.6
Exports	US$ Bn	105.2	128.9	166.2	189.0	182.4	251.1	309.8	306.6	318.6	331.4
YoY Growth	%	23.4	22.6	28.9	13.7	-3.5	37.6	23.4	-1.0	3.9	4.0
Imports	US$ Bn	157.1	190.7	257.6	308.5	300.6	381.1	499.5	502.2	466.2	482.0
YoY Growth	%	32.1	21.4	35.1	19.7	-2.5	26.7	31.1	0.5	-7.2	3.4
Trade Balance	US$ Bn	-51.9	-61.8	-91.5	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-150.6
Net Invisibles	US$ Bn	42.0	52.2	75.7	91.6	80.0	84.6	111.6	107.5	115.2	114.9
Current Account Deficit	US$ Bn	-9.9	-9.6	-15.7	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-35.7
CAD (% of GDP)	%	-1.2	-1.0	-1.3	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-1.7
Capital Account Balance	US$ Bn	25.5	45.2	106.6	7.8	51.6	62.0	67.8	89.3	48.8	59.5
Dollar-Rupee (Average)		44.4	45.3	40.3	45.8	47.4	45.6	47.9	54.4	60.5	60.0

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 mn	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Chambal Fertilisers	Agri Inputs	62	25,844	89,840	87,436	7,036	7,824	3,328	3,257	8.0	7.8	46.9	-2.1	7.8	7.9	1.2	1.1	8.8	7.2	16.6	14.7	5.7	5.9
Coromandel Fert Ltd	Agri Inputs	330	94,311	100,586	109,967	7,757	9,349	3,694	5,134	12.9	18.0	-15.4	39.0	25.5	18.4	4.1	3.4	13.7	12.3	16.2	18.6	14.9	18.7
Tata Chemicals Ltd	Agri Inputs	406	103,342	157,353	153,438	18,094	20,867	3,882	6,961	15.2	27.3	-55.3	79.3	26.6	14.8	1.9	2.2	9.5	8.0	7.0	15.1	14.3	7.2
Deepak Fertilisers	Agri Inputs	156	13,773	39,204	32,744	5,636	4,882	2,519	2,309	28.6	26.2	95.1	-8.3	5.5	6.0	0.9	0.9	3.7	4.0	18.4	15.0	13.1	10.9
Kaveri Seeds	Agri Inputs	918	63,274	10,112	12,210	2,213	3,241	2,092	3,049	30.4	44.5	64.5	46.2	30.2	20.6	12.3	8.3	28.6	19.1	40.6	40.3	46.5	46.7
PI Industries	Agri Inputs	445	60,776	15,955	18,928	2,892	3,480	1,884	2,337	13.8	17.2	92.6	24.0	32.1	25.9	8.9	6.9	21.2	17.3	27.6	26.6	25.3	25.5
Rallis India	Agri Inputs	230	44,767	17,466	19,423	2,613	3,140	1,519	1,813	7.8	9.3	23.2	19.3	29.5	24.7	6.2	5.3	17.3	14.3	21.2	21.5	20.0	20.5
United Phosphorus	Agri Inputs	347	148,511	105,800	121,145	20,196	20,948	10,145	12,153	23.7	28.4	29.4	19.8	14.6	12.2	2.8	2.3	8.3	7.9	19.7	20.3	13.1	14.5
Bajaj Auto	Automobiles	2600	752,354	197,176	218,108	41,057	44,476	32,433	34,364	112.1	118.8	6.6	6.0	23.2	21.9	7.8	6.6	18.2	16.8	33.8	30.3	35.4	31.5
Bharat Forge	Automobiles	818	190,414	66,435	69,505	10,271	12,329	4,179	6,060	17.9	26.0	83.4	45.0	45.6	31.4	7.3	6.3	20.2	16.5	16.1	19.9	10.8	14.2
Hero MotoCorp	Automobiles	3095	618,033	251,249	291,252	35,401	39,735	23,475	27,120	117.6	135.8	7.0	15.5	26.3	22.8	11.0	9.4	17.4	15.5	41.9	41.3	44.3	45.6
Ashok Leyland	Automobiles	46	131,764	95,404	107,936	1,664	6,582	(4,764)	(417)	-1.8	-0.2	-431.2	-91.2	-25.9	-295.4	2.7	2.8	107.2	26.7	-10.6	-0.9	-1.9	2.2
Mah & Mah	Automobiles	1304	809,718	395,934	433,653	47,680	52,264	36,459	37,608	59.4	61.3	8.5	3.2	22.0	21.3	4.7	4.0	17.2	15.8	21.6	19.0	16.2	16.3
Maruti Suzuki	Automobiles	3334	1,007,135	426,448	502,634	50,959	62,821	27,830	35,840	92.1	118.6	16.3	28.8	36.2	28.1	4.8	4.2	20.0	15.9	13.3	15.0	13.0	14.6
Apollo Tyres	Automobiles	221	112,316	133,127	137,896	17,762	18,561	9,526	9,973	18.9	19.8	64.8	4.7	11.7	11.2	2.5	2.1	7.4	6.6	24.5	20.6	16.7	15.9
Tata Motors	Automobiles	533	1,597,928	2,306,771	2,742,017	374,029	433,713	139,910	180,577	43.9	56.6	41.4	29.1	12.2	9.4	3.2	2.4	4.8	4.2	26.1	25.3	16.7	16.2
ABB India	Cap Goods	1167	247,223	76,316	79,450	4,036	5,733	1,899	3,452	9.0	16.3	-28.0	81.8	130.2	71.6	9.2	8.6	62.0	43.7	7.1	12.0	7.6	11.0
BHEL	Cap Goods	256	626,463	383,888	341,574	47,064	40,737	36,534	31,809	14.9	13.0	-44.8	-12.9	17.1	19.7	1.9	1.8	11.4	11.2	11.1	9.0	8.6	7.0
Alstom T&D	Cap Goods	371	94,916	35,171	43,610	3,102	4,720	1,142	2,261	4.5	8.8	-9.0	98.0	83.1	42.0	7.6	6.7	31.8	20.9	9.1	15.9	10.9	15.1
Crompton Greaves	Cap Goods	188	117,703	134,806	144,370	6,820	7,360	2,443	3,448	3.9	5.5	195.7	41.1	48.2	34.1	3.2	3.0	19.3	16.5	6.7	8.9	5.3	6.7
Engineers India	Cap Goods	264	88,783	18,236	16,234	3,766	2,246	4,789	3,686	14.2	10.9	-23.8	-23.0	18.5	24.1	3.6	3.4	18.9	31.3	19.5	14.2	20.4	14.6
KEC International	Cap Goods	111	28,473	79,018	83,453	4,933	6,117	849	2,069	3.3	8.0	30.3	143.6	33.5	13.8	2.4	2.1	9.1	6.9	7.1	15.3	8.2	11.0
Larsen & Toubro	Cap Goods	1636	1,518,217	565,990	621,239	66,671	70,459	49,047	48,210	52.9	51.8	18.7	-2.2	30.9	31.6	4.5	4.1	23.6	22.1	14.6	12.9	12.6	11.0
Siemens	Cap Goods	873	310,893	111,452	112,300	4,831	6,718	4,313	4,478	12.1	12.6	-18.8	3.8	72.1	69.4	7.7	7.3	63.1	45.2	10.7	10.5	7.8	8.1
Cummins India	Cap Goods	729	202,093	38,991	44,643	6,192	7,576	6,000	7,305	21.6	26.4	-9.5	21.7	33.7	27.7	7.9	7.0	32.5	26.4	23.4	25.2	20.2	22.6
Thermax	Cap Goods	900	107,276	50,999	56,347	4,373	4,371	2,544	2,591	21.3	21.7	-20.5	1.9	42.2	41.4	5.3	4.8	25.2	24.9	12.5	11.7	10.1	9.2
VA Tech Wabag	Cap Goods	1605	43,004	22,301	26,971	1,800	2,556	1,083	1,490	40.7	56.0	19.6	37.6	39.4	28.7	5.1	4.5	22.7	16.1	12.9	15.6	11.7	13.7
Voltas	Cap Goods	252	83,499	52,660	54,852	2,656	3,656	2,243	2,721	6.8	8.2	15.0	21.3	37.2	30.7	4.6	4.2	31.4	22.8	12.3	13.6	11.9	13.5
ACC	Cement	1503	282,181	109,084	124,747	13,690	19,901	10,947	11,876	58.2	63.2	-21.5	8.5	25.8	23.8	3.6	3.4	18.8	13.9	14.0	14.3	11.7	11.4
Ambuja Cement	Cement	226	350,656	91,180	231,471	15,689	43,739	12,538	21,587	8.1	10.9	-20.6	34.3	27.9	20.8	3.7	2.4	19.8	7.6	13.3	11.5	11.8	15.7
India Cement	Cement	111	34,097	50,848	57,302	5,914	7,517	(646)	754	-2.1	2.5	-131.0	-216.7	-52.8	45.2	0.9	0.9	11.0	8.2	-1.7	2.0	2.3	4.0
Mangalam Cement	Cement	276	7,367	6,997	10,689	582	1,496	418	651	15.7	24.4	-46.0	55.7	17.6	11.3	1.5	1.3	19.4	7.7	8.2	11.7	5.0	8.3
Shree Cement	Cement	8845	308,135	61,817	73,661	14,288	19,555	7,102	10,178	203.9	292.1	-29.3	43.3	43.4	30.3	6.9	5.7	21.1	15.3	15.8	18.7	14.8	17.8
Ultratech Cement	Cement	2547	698,891	214,437	268,219	38,264	56,545	22,060	33,943	80.4	123.8	-17.6	53.9	31.7	20.6	4.1	3.5	18.9	12.8	12.8	16.9	9.0	13.1
OCL India	Cement	310	17,642	19,366	22,057	2,992	3,536	1,075	1,359	18.9	23.9	-32.6	26.4	16.4	13.0	1.5	1.4	7.4	6.0	9.4	10.9	8.8	9.2
JK Lakshmi Cement	Cement	377	44,362	20,566	22,994	3,018	4,318	1,123	2,091	9.5	17.8	-41.3	86.2	39.5	21.2	3.4	3.1	18.0	13.2	8.6	14.4	6.1	9.6
HeidelbergCement	Cement	89	20,237	13,648	17,256	864	2,598	(407)	591	-1.8	2.6	-232.1	-245.0	-49.7	34.3	2.4	2.3	37.1	12.1	-4.9	6.6	1.3	5.4

Note: For banks, EBITDA is pre-provision profit

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 mn	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
JK Cement	Cement	589	41,177	27,815	38,437	3,384	6,831	749	2,111	10.7	30.2	-67.5	181.6	55.0	19.5	2.4	2.2	19.1	9.9	4.3	11.1	4.2	7.7
Dalmia Bharat Ltd	Cement	423	34,343	28,670	35,227	3,263	5,524	(84)	225	-1.0	2.8	-104.3	-367.1	-407.9	152.7	1.1	1.1	21.3	14.2	-0.3	0.7	2.4	4.0
Andhra Bank	Financials	83	49,115	37,373	43,330	37,373	43,330	4,356	8,459	7.4	14.3	-67.9	94.2	11.3	5.8	0.6	0.5	NM	NM	5.1	9.4	0.3	0.5
Bank of Baroda	Financials	927	398,218	119,653	142,328	119,653	142,328	45,411	55,498	105.4	128.9	-2.2	22.2	8.8	7.2	1.1	1.0	NM	NM	13.8	15.0	0.8	0.8
Bank of India	Financials	284	182,210	106,289	128,652	106,289	128,652	30,691	37,211	47.7	57.9	3.6	21.2	5.9	4.9	0.7	0.6	NM	NM	12.6	13.6	0.6	0.6
Canara Bank	Financials	402	185,195	89,444	108,973	89,444	108,973	24,382	38,125	52.9	82.7	-18.5	56.4	7.6	4.9	0.8	0.7	NM	NM	10.0	14.4	0.5	0.7
Corporation bank	Financials	339	56,864	38,502	43,359	38,502	43,359	7,290	12,466	43.5	74.4	-53.6	71.0	7.8	4.6	0.6	0.5	NM	NM	7.4	11.9	0.4	0.5
HDFC Bank	Financials	910	2,197,395	184,234	222,367	184,234	222,367	85,364	101,908	35.9	42.8	26.9	19.4	25.4	21.3	5.1	4.3	NM	NM	21.6	21.8	2.0	2.0
ICICI Bank	Financials	1609	1,861,796	164,756	194,794	164,756	194,794	98,105	112,400	84.9	97.1	17.7	14.3	18.9	16.6	2.5	2.3	NM	NM	14.0	14.6	1.7	1.8
IOB	Financials	58	71,959	55,768	64,783	55,768	64,783	6,017	6,907	5.1	4.9	-16.5	-4.1	11.4	11.8	0.5	0.5	NM	NM	4.6	4.6	0.2	0.2
Oriental Bank	Financials	284	85,082	51,271	57,669	51,271	57,669	11,394	16,435	38.0	52.3	-16.5	37.7	7.5	5.4	0.7	0.6	NM	NM	9.2	12.0	0.5	0.7
PNB	Financials	931	337,160	161,460	185,043	161,460	185,043	33,426	47,217	92.3	130.4	-31.3	41.3	10.1	7.1	1.0	0.9	NM	NM	10.2	12.9	0.6	0.8
SBI	Financials	2693	2,010,521	675,834	758,227	675,834	758,227	141,738	171,548	189.7	229.6	-27.6	21.0	14.2	11.7	1.3	1.2	NM	NM	10.1	10.8	0.6	0.7
Union Bank	Financials	225	143,336	78,793	93,265	78,793	93,265	16,962	23,974	26.9	35.0	-25.6	29.9	8.4	6.4	0.8	0.8	NM	NM	10.4	12.9	0.5	0.6
HDFC	Financials	1099	1,725,403	70,030	81,419	75,402	87,013	54,402	62,753	34.9	40.2	11.2	15.4	31.5	27.3	6.3	5.6	NM	NM	20.5	21.1	2.7	2.7
Indian Bank	Financials	169	78,745	43,604	51,425	43,604	51,425	11,589	13,209	24.9	28.4	-32.2	14.0	6.8	6.0	0.7	0.6	NM	NM	10.5	11.0	0.7	0.7
Dev Credit Bank	Financials	91	25,534	3,684	4,310	3,684	4,310	1,505	1,730	6.0	6.9	47.3	15.0	15.1	13.1	2.1	1.8	NM	NM	14.7	14.6	1.2	1.2
AXIS Bank	Financials	439	1,036,377	119,516	134,633	119,516	134,633	62,177	74,366	26.5	31.5	19.6	19.0	16.6	13.9	2.7	2.3	NM	NM	17.4	17.9	1.7	1.8
Indusind Bank	Financials	715	377,566	28,907	34,150	28,907	34,150	14,080	17,580	26.8	33.4	32.0	24.9	26.7	21.4	4.3	3.7	NM	NM	17.5	18.7	1.8	1.8
Shriram TranS. Fin	Financials	942	213,826	33,759	41,418	28,621	32,264	12,642	14,893	55.7	65.7	-7.1	17.9	16.9	14.3	2.6	2.2	NM	NM	16.3	16.7	2.7	2.8
LIC Housing Finance	Financials	360	181,679	18,989	22,433	18,470	21,630	13,172	15,644	26.1	31.0	28.7	18.8	13.8	11.6	2.4	2.1	NM	NM	18.8	19.1	1.5	1.5
Hindustan Unilever	FMCG	731	1,581,803	274,083	301,232	50,963	55,860	36,983	38,703	17.1	17.9	10.5	4.7	42.7	40.8	48.2	33.2	30.6	27.8	112.9	81.3	125.1	96.9
Marico Industries	FMCG	320	206,488	46,767	56,735	7,467	8,635	4,866	5,518	7.5	8.6	35.0	13.4	42.4	37.4	15.2	11.6	28.0	23.9	35.8	30.9	20.1	24.8
Jubilant Foodworks	FMCG	1273	83,444	17,235	21,971	2,551	2,781	1,258	1,289	19.2	19.7	-7.1	2.5	66.2	64.6	14.8	12.0	32.6	30.1	22.3	18.6	23.4	19.1
Godrej Consumer	FMCG	965	328,493	75,826	86,588	11,765	13,426	7,815	8,849	23.0	26.0	5.1	13.2	42.0	37.1	8.7	7.5	29.3	25.5	20.7	20.2	14.9	16.9
ITC	FMCG	357	2,847,912	328,826	367,047	124,548	139,193	87,850	94,407	11.1	11.9	17.4	7.5	32.2	29.9	10.8	9.3	22.6	20.0	33.5	31.1	27.7	26.2
Nestle	FMCG	6180	595,849	90,619	102,688	19,804	21,701	11,171	12,201	115.9	126.5	4.6	9.2	53.3	48.8	26.3	22.1	30.2	27.4	49.4	45.3	37.0	35.2
Colgate	FMCG	1703	231,630	35,449	40,023	6,640	7,982	4,920	5,509	36.2	40.5	-0.9	12.0	47.1	42.0	37.8	35.5	34.5	28.8	80.4	84.4	98.0	84.4
Glaxo Smithkline	FMCG	5475	230,254	35,640	41,250	5,271	6,586	5,165	6,289	122.8	149.5	18.3	21.8	44.6	36.6	14.3	12.4	40.6	32.3	32.1	33.9	34.6	36.2
Agro Tech Foods	FMCG	626	15,255	7,622	8,083	676	706	429	440	17.6	18.1	2.8	2.6	35.6	34.7	5.4	4.8	22.7	21.5	15.2	13.8	16.1	14.5
Dabur	FMCG	221	388,683	70,732	80,697	12,003	13,703	9,233	10,395	5.3	6.0	19.8	12.6	41.8	37.1	13.8	11.3	32.7	28.3	32.9	30.4	25.6	24.8
Emami	FMCG	813	184,434	18,208	22,031	4,413	5,205	4,095	4,509	18.0	19.9	30.3	10.1	45.0	40.9	19.1	14.8	41.2	34.6	42.4	36.2	40.4	36.5
Britannia	FMCG	1529	183,367	68,293	79,363	5,448	6,698	3,962	4,669	33.1	39.0	52.2	17.8	46.2	39.2	22.9	16.0	33.8	27.2	49.6	40.7	41.1	38.0
Bajaj Corp	FMCG	285	42,067	6,707	7,553	1,834	1,949	1,770	1,902	12.0	12.9	5.8	7.5	23.8	22.1	8.0	8.1	22.2	21.1	33.8	36.8	30.1	27.5
Zydus Wellness	FMCG	630	24,612	4,246	4,898	1,057	1,208	1,101	1,232	28.2	31.5	13.4	11.8	22.4	20.0	7.4	5.8	20.8	17.5	32.9	29.2	37.2	32.7
Asian Paints	FMCG	656	629,282	125,816	147,204	19,979	24,587	12,267	14,977	12.8	15.6	10.1	22.1	51.3	42.0	15.6	12.6	31.2	25.4	30.4	30.1	30.5	31.4
Balrampur Chini	FMCG	55	13,532	31,031	33,081	2,677	3,261	374	773	1.5	3.2	-76.8	106.7	36.1	17.5	1.0	1.0	9.3	7.8	2.9	5.7	4.4	6.1

Note: For banks, EBITDA is pre-provision profit

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 mn	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Tilaknagar	FMCG	36	4,434	8,242	8,597	1,699	1,788	588	582	4.8	4.7	-4.4	-1.1	7.5	7.6	0.7	0.7	6.6	6.9	9.8	9.1	10.5	9.5
Radico Khaitan	FMCG	90	12,033	14,188	16,122	2,217	2,612	957	1,204	7.2	9.1	23.8	25.8	12.6	10.0	1.5	1.3	8.9	7.7	11.8	13.1	11.0	11.9
Berger Paints	FMCG	398	137,963	38,697	45,885	4,341	5,482	2,582	3,170	7.5	9.1	18.2	22.7	53.4	43.5	12.4	10.3	32.7	25.8	23.3	23.7	20.3	20.0
GMR Infrastructure	Infrastructure	22	94,203	87,095	97,535	25,654	37,581	(11,512)	(4,364)	-3.0	-1.1	152.5	-62.1	-7.3	-19.3	1.0	1.1	19.8	12.0	-13.1	-5.2	3.6	2.5
GVK Power	Infrastructure	12	18,208	28,209	23,865	9,461	13,157	(3,687)	(7,893)	-2.3	-5.0	9.7	114.1	-4.9	-2.3	0.7	0.8	23.8	17.6	-13.3	-36.1	0.7	0.3
IRB Infrastructure	Infrastructure	253	84,138	37,319	41,699	17,537	23,604	4,591	5,831	13.8	17.5	-17.5	27.0	18.3	14.4	2.4	2.0	10.2	8.5	12.9	14.0	7.0	4.5
Adani Ports & SEZ	Infrastructure	283	585,825	43,458	43,259	28,006	31,001	22,527	22,748	10.9	11.0	23.3	1.0	26.0	25.8	6.3	5.2	24.0	20.0	24.1	20.4	13.8	12.5
NCC	Infrastructure	54	29,937	61,173	68,512	4,049	5,138	405	715	1.6	2.8	-35.3	76.5	34.1	19.3	0.5	0.5	13.3	10.0	1.6	2.8	7.0	6.7
Ashoka Buildcon	Infrastructure	139	22,008	17,949	21,815	3,945	5,174	1,084	1,062	6.9	6.7	-62.0	-2.0	20.2	20.7	1.8	1.6	13.7	12.8	8.7	8.0	3.2	3.6
HCL Technologies	IT Services	1610	1,128,936	329,180	363,108	86,660	89,666	63,700	71,852	90.1	101.8	58.4	12.9	17.9	15.8	5.7	4.7	13.2	12.7	31.7	29.6	32.8	29.7
Infosys	IT Services	4027	2,312,363	535,468	602,183	146,569	163,389	118,789	131,753	207.9	230.6	11.6	10.9	19.4	17.5	4.3	3.7	13.6	11.9	22.2	21.5	23.5	22.9
TCS	IT Services	2589	5,070,167	955,387	1,124,987	276,306	324,176	217,671	262,857	111.1	134.2	13.9	20.8	23.3	19.3	9.2	7.3	18.3	15.6	39.4	38.0	37.9	40.4
Tech Mahindra	IT Services	2509	590,973	188,313	218,077	41,836	48,255	26,821	32,303	112.9	135.7	26.4	20.2	22.2	18.5	5.7	4.4	13.3	11.4	25.8	23.9	30.7	26.2
Wipro	IT Services	564	1,391,986	434,269	476,274	99,942	110,582	77,966	88,971	31.7	36.1	27.0	14.1	17.8	15.6	4.0	3.5	13.4	12.0	22.7	22.2	23.7	22.8
Persistent Systems	IT Services	1300	51,994	16,692	18,825	4,303	4,677	2,493	3,114	62.3	77.9	32.9	24.9	20.9	16.7	4.3	3.6	11.9	10.9	20.4	21.4	19.4	21.1
KPIT Technologies	IT Services	165	32,216	26,940	29,219	4,233	4,248	2,391	2,738	12.8	14.7	18.5	14.8	12.9	11.2	2.4	2.0	8.2	7.7	18.8	18.0	17.3	15.6
NIIT Technologies	IT Services	388	23,595	23,050	23,745	3,516	3,503	2,307	2,159	38.2	35.6	7.1	-6.9	10.1	10.9	1.8	1.6	6.2	6.2	17.4	14.6	17.7	14.5
Zee Entertainment	Media	345	330,971	44,217	47,118	12,043	12,854	8,938	7,792	9.3	8.1	24.2	-12.8	37.0	42.5	8.5	7.0	27.0	25.3	22.9	16.4	23.1	19.8
HT Media	Media	113	26,289	22,007	23,979	3,125	3,444	1,607	1,962	6.9	8.4	-3.7	22.7	16.4	13.4	1.5	1.3	9.4	7.9	8.8	9.7	14.0	11.3
Sun TV Network	Media	326	128,314	22,236	24,386	11,244	12,054	7,480	7,908	19.0	20.1	5.4	5.7	17.2	16.2	4.1	3.8	11.0	10.1	24.2	23.2	24.5	23.4
Jagran Prakashan	Media	127	41,665	17,027	18,641	3,826	4,507	2,363	2,638	7.5	8.3	-8.4	11.7	17.1	15.3	4.2	3.1	12.0	9.4	24.6	20.2	17.2	15.8
Den Networks	Media	167	29,813	10,507	17,950	2,685	5,351	227	1,301	1.6	8.9	-68.2	472.7	107.9	18.8	1.4	1.3	8.5	5.6	1.3	6.8	5.4	8.9
Dish TV	Media	57	60,809	25,090	28,762	6,240	6,904	(1,576)	(266)	-1.5	-0.2	138.8	-83.1	-38.6	-228.8	-19.5	-17.9	11.8	10.4	50.4	7.8	-5.1	7.3
Hathway Cable	Media	308	49,630	15,832	22,938	3,015	5,243	(1,293)	799	-8.8	5.2	-645.1	-159.8	-35.1	58.7	4.7	3.5	20.5	11.6	-13.5	6.0	-2.3	4.9
Hindalco Inds	Metals	163	336,785	872,279	1,002,075	82,863	111,100	25,710	27,052	12.5	13.1	-21.2	5.2	13.1	12.4	0.8	0.8	11.1	8.2	6.3	6.3	3.7	4.6
NALCO	Metals	59	152,057	66,488	75,523	9,342	13,656	6,917	10,383	2.7	4.0	16.7	50.1	22.0	14.6	1.3	1.2	11.9	7.9	5.7	8.2	4.8	7.6
Hindustan Zinc	Metals	172	726,121	134,590	140,442	69,615	71,828	69,663	71,227	16.5	16.9	0.7	2.2	10.4	10.2	1.9	1.7	6.8	6.0	18.6	16.8	18.6	16.7
Tata Steel	Metals	491	476,381	1,486,136	1,500,889	164,110	171,520	36,225	34,796	37.3	35.8	990.3	-3.9	13.2	13.7	1.2	1.1	7.3	6.8	8.9	7.8	6.3	6.8
JSW Steel	Metals	1258	304,135	512,196	529,925	91,655	110,157	21,647	30,915	89.6	127.9	43.4	42.8	14.0	9.8	1.4	1.3	7.1	6.0	10.2	12.9	4.6	8.4
SAIL	Metals	83	344,654	463,345	511,913	43,534	59,861	19,639	19,884	4.8	4.8	-16.7	1.2	17.6	17.3	0.8	0.8	12.9	10.3	4.6	4.5	4.6	3.8
Sesa Sterlite	Metals	257	760,735	661,524	824,314	203,597	278,912	72,624	78,753	24.5	26.6	-7.5	8.4	10.5	9.7	1.0	1.0	7.3	5.1	9.9	9.9	14.5	9.4
Jindal Steel & Power	Metals	161	146,979	200,040	283,720	54,568	89,167	19,104	23,997	20.9	26.2	-32.9	25.6	7.7	6.1	0.7	0.6	9.2	5.7	8.4	9.7	4.4	5.7
Jindal Saw	Metals	78	21,545	65,531	70,919	6,474	7,751	1,572	2,222	5.7	8.0	-13.4	41.4	13.7	9.7	0.6	0.5	11.3	9.9	4.1	5.6	3.6	4.1
ONGC	Oil & Gas	404	3,458,557	1,732,345	1,885,087	549,854	634,577	265,049	292,863	31.0	34.2	9.4	10.5	13.0	11.8	2.0	1.8	6.7	5.6	15.4	15.3	11.2	10.6
Petronet LNG	Oil & Gas	199	149,325	377,476	439,670	14,984	16,821	7,119	7,438	9.5	9.9	-38.1	4.5	21.0	20.1	3.0	2.7	11.3	10.3	14.3	13.5	10.5	10.3
Cairn India	Oil & Gas	284	533,010	188,927	181,491	142,095	130,605	118,238	107,476	62.2	56.5	2.4	-9.1	4.6	5.0	0.9	0.8	3.6	3.6	20.6	16.5	21.8	16.1
GAIL	Oil & Gas	515	652,695	572,451	585,034	67,012	72,358	43,753	42,599	32.5	33.6	7.4	3.5	15.9	15.3	2.4	2.2	10.9	10.1	15.2	14.2	11.7	10.6

Note: For banks, EBITDA is pre-provision profit

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 mn	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Indraprastha Gas	Oil & Gas	397	55,545	39,174	46,089	7,776	8,397	3,603	4,052	25.7	28.9	1.7	12.5	15.4	13.7	3.2	2.7	7.4	6.5	22.1	21.4	16.0	15.8
Gujarat State Pet	Oil & Gas	98	55,151	10,473	10,129	9,255	8,833	4,187	4,070	7.4	7.2	-22.2	-2.8	13.2	13.5	1.7	1.5	6.9	6.9	12.7	11.2	10.0	9.3
Oil India	Oil & Gas	631	379,287	96,127	106,104	42,638	49,997	29,813	31,801	49.6	52.9	-16.9	6.7	12.7	11.9	1.8	1.7	8.5	7.2	14.4	14.0	10.7	10.1
HSIL Ltd	Other	375	24,767	18,582	21,805	2,533	3,259	340	878	5.1	13.3	-41.8	158.5	72.9	28.2	2.4	2.3	13.8	10.4	3.3	8.1	1.7	4.0
Greenply Industries	Other	1030	24,860	21,595	24,308	2,773	3,257	1,145	1,352	47.4	56.0	0.3	18.1	21.7	18.4	4.3	3.5	11.4	9.6	19.6	19.0	12.3	12.7
Transformers & Rec	Other	161	2,316	6,659	7,216	330	432	132	192	10.2	14.9	178.9	45.3	15.8	10.9	0.6	0.6	10.4	8.0	3.8	5.3	4.4	5.6
Kajaria Ceramics	Other	608	45,932	18,400	22,051	2,807	3,462	1,243	1,588	16.4	21.0	15.7	27.8	37.0	28.9	8.7	7.3	17.0	14.0	23.5	25.3	26.5	28.2
Havells Ltd	Other	285	178,166	47,197	55,179	6,500	7,421	4,787	4,978	38.4	39.9	28.9	4.0	7.4	7.2	1.7	1.5	26.7	23.1	22.5	20.7	22.7	20.5
Aurobindo Pharma	Pharma	962	280,258	80,998	118,519	21,328	23,111	13,922	14,016	47.8	48.2	221.9	0.7	20.1	20.0	7.5	5.4	14.8	13.5	31.2	27.0	23.8	22.6
Biocon	Pharma	449	89,790	28,513	31,907	7,111	7,648	4,324	4,899	21.6	24.5	24.1	13.3	20.8	18.3	3.0	2.7	12.7	11.7	13.7	14.6	11.8	12.6
Cadila Healthcare	Pharma	1408	288,296	71,151	82,638	12,360	15,662	7,897	10,072	38.6	49.2	14.9	27.5	36.5	28.6	8.4	6.8	25.1	19.7	24.4	23.7	14.4	16.2
Divi's Laboratories	Pharma	1861	247,019	25,321	30,054	10,145	12,112	7,344	9,058	55.4	68.3	22.3	23.3	33.6	27.2	8.3	6.9	24.4	20.3	26.1	25.4	0.0	0.0
Dr Reddy's Labs.	Pharma	3115	530,482	132,170	153,231	32,630	35,396	21,512	22,055	126.5	129.7	27.2	2.5	24.6	24.0	5.8	4.6	17.4	15.6	23.7	19.2	14.8	12.9
Glenmark Pharma	Pharma	716	194,277	59,839	70,372	13,101	15,485	7,236	8,656	26.7	31.9	15.4	19.6	26.8	22.4	6.4	5.1	16.7	13.6	23.8	22.6	10.8	14.4
Ipca Laboratories	Pharma	740	93,366	31,994	35,196	8,106	8,544	5,274	5,336	42.1	42.6	34.1	1.2	17.6	17.4	4.7	3.8	12.1	11.6	26.9	21.7	19.7	18.9
Lupin	Pharma	1358	609,731	110,866	128,978	30,028	35,880	18,364	22,054	41.0	49.2	38.1	20.1	33.2	27.6	8.8	6.9	20.3	16.7	26.5	25.0	36.4	34.2
Sun Pharma	Pharma	837	1,733,825	160,372	179,198	72,285	76,001	53,526	52,590	25.8	25.4	47.3	-1.7	32.4	33.0	9.2	7.4	23.3	22.0	30.6	22.6	27.7	20.1
Phoenix Mills	Real Estate	383	55,499	14,485	17,219	6,783	8,306	1,200	2,087	8.3	14.4	41.5	73.9	46.2	26.6	2.6	2.6	13.1	10.4	7.0	11.0	8.6	8.1
DLF	Real Estate	124	220,870	82,980	79,399	24,854	24,413	9,980	5,281	5.8	3.1	30.3	-47.1	21.2	40.1	0.7	0.7	14.6	15.8	3.4	1.8	5.5	3.8
Unitech Ltd	Real Estate	21	53,599	29,333	32,505	1,662	3,968	696	3,377	0.3	1.3	-66.8	385.3	77.1	15.9	0.5	0.5	67.4	28.1	0.6	2.8	1.1	2.0
Oberoi Realty	Real Estate	247	81,123	7,985	12,710	4,348	6,710	3,112	4,195	9.5	12.8	-38.4	34.8	26.1	19.3	1.8	1.8	17.7	13.1	7.1	9.1	7.1	10.2
Future Retail	Retail	116	28,508	116,051	105,209	10,674	9,995	(1)	380	0.0	1.5	-100.2			77.4	0.8	0.8	7.6	8.2	0.0	1.1	4.6	4.3
Shoppers Stop	Retail	545	45,361	37,709	44,506	1,334	1,833	(75)	75	-0.9	0.9	-28.5	-200.0	-603.9	604.2	9.2	9.1	38.6	28.4	-1.5	1.5	-0.7	2.1
Raymond Ltd	Retail	467	28,653	45,480	53,017	4,800	5,673	1,430	1,648	23.3	26.8	147.9	15.2	20.0	17.4	2.0	1.8	8.8	7.6	9.8	10.1	7.0	8.3
Bata India	Retail	1285	82,579	20,319	23,395	2,887	3,673	1,677	2,217	26.1	34.5	-2.5	32.1	49.2	37.3	9.8	8.4	27.7	21.1	20.0	22.5	20.6	23.4
Titan Company	Retail	396	351,208	109,274	125,396	10,443	12,163	7,346	8,433	8.3	9.5	1.4	14.8	47.8	41.6	13.9	11.1	33.5	28.3	32.7	29.6	31.0	26.8
Trent	Retail	1335	44,352	23,713	25,129	94	1,238	243	718	7.3	21.6	5.9	195.7	182.6	61.8	4.5	3.7	499.5	34.9	2.5	5.9	2.0	5.1
Bharti Airtel	Telecom	402	1,605,756	858,635	952,570	277,770	319,557	27,188	52,004	6.8	13.0	101.9	91.3	59.1	30.9	2.7	2.4	8.3	7.5	4.5	7.6	5.0	6.1
Reliance Comm	Telecom	104	249,240	218,800	230,333	72,850	81,473	11,370	13,534	5.5	6.6	52.4	19.0	18.8	15.8	0.8	0.8	8.9	7.4	4.2	4.8	4.3	4.2
Bharti Infratel	Telecom	290	548,227	65,790	73,300	44,046	49,148	15,224	17,738	8.1	9.4	52.2	16.5	36.0	30.9	3.0	3.0	13.2	10.9	8.4	9.6	7.3	7.7
Idea Cellular	Telecom	164	588,627	265,189	310,381	83,336	101,534	18,513	25,054	5.6	7.0	83.1	24.6	29.3	23.5	3.3	2.6	9.4	8.5	11.2	11.1	7.1	6.8
OnMobile Global	Telecom	36	4,056	8,970	10,361	1,569	2,207	241	626	2.0	5.1	-52.1	159.9	17.9	6.9	0.4	0.4	1.4	0.6	2.4	5.8	2.6	5.8
Tata Communication	Telecom	397	113,231	196,659	213,551	30,880	32,762	352	2,491	1.2	8.7	-104.8	607.7	321.7	45.5	14.2	12.8	6.3	5.7	4.4	28.2	3.4	5.1
Concor	Logistics	1350	263,264	49,846	58,489	11,019	13,416	9,848	11,569	50.5	59.3	4.8	17.5	26.7	22.8	3.8	3.3	21.6	17.6	14.1	14.7	13.8	14.6

Note: For banks, EBITDA is pre-provision profit

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