

Avenue Supermarts

BSE SENSEX 62,849
S&P CNX 18,635

CMP: INR3,547 **TP: INR4,200 (+18%)** **Upgrade to Buy**

Well placed for earnings revival

DMART has grown its revenues and earnings at a robust CAGR of 23% and 24% over the last five years. After growing the topline at this scorching pace and achieving a turnover of INR 430b, it has just about scratched the surface in our view. We believe it has a long runway for growth as the modern retail space is still in its infancy in India. Weak SSSG has weighed on DMART's stock price performance in the recent past. In this report, we highlight key catalysts that can accelerate the growth from hereon and discuss our thesis for Rating upgrade.

Strong footprint addition in last few years

While most retailers found it difficult to expand their footprint in the last three years due to Covid, DMART, despite operating on an ownership model, clocked a strong 20% CAGR in area addition over FY20-23, translating into 19% revenue growth. However, SSSG was weak due to: 1) the addition of big stores in the last few years (average store size up 23% over FY19-23), which pulled down store productivity; and 2) weak discretionary demand in the value category, which reduced its share to 23% from 27% in FY20. However, we believe SSSG is set to recover in FY24, due to the following factors: 1) easing general inflation, along with RM cost reduction, may help to revive discretionary demand; 2) a change in the company's store strategy — earlier smaller 30-35k sqft stores would mature in 3-4 years and see their SSSG peak out, so the company has started to open larger stores since FY19/20, which continue to contribute even after completing their 3-4 year cycles. Those stores are now in the base and will start contributing to store productivity, with further room to grow footfalls.

Good cost control in weak SSSG environment

Despite weak SSSG, DMART has managed to protect its EBITDA margin, unlike other retailers, which have seen a 200-450bp margin hit. DMART is one of the few retailers to have retained cost efficiencies achieved during the Covid period and benefited from the economies of larger stores. Gross margin was affected by the softness in the margin-accretive discretionary category, offsetting price inflation gains. Yet, it has managed to achieve EBITDA margin closer to the normal pre-Covid level. This is evident from its SG&A and employee costs, which declined 2% per sqft over FY20-23 to INR2,264 in FY23, cushioning the 2% drop in revenue productivity. When SSSG recovers, strong cost control could help DMART improve its margin by 30-50bp or pass on the gains to drive higher offtake.

Competitive position intact

Despite the recent aggressiveness of online/quick commerce platforms, DMART remains one of the most competitive grocery retailers, along with JioMart (Reliance Fresh), with 6% lower pricing (vs. average basket value of nine players) consistently over the last 12 months. As per our monthly grocery price monitor, in May'23, DMART at INR8,500 (basket value) was marginally above JioMart but was 8% cheaper than the pure-play online retailers (such as Zepto, Dunzo, Big Basket, etc.) highlighting its cost competitiveness against the aggressive online players. As per our price monitor, four times in the last 12 months, it had the cheapest basket value with the widest breadth of the lowest price products. This looks commendable, as DMART has protected its margins, yet maintaining its competitive edge.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2023 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Stock Info

| | |
|-----------------------|---------------|
| Bloomberg | DMART IN |
| Equity Shares (m) | 648 |
| M.Cap.(INRb)/(USDb) | 2304.9 / 27.9 |
| 52-Week Range (INR) | 4606 / 3293 |
| 1, 6, 12 Rel. Per (%) | -6/-12/-19 |
| 12M Avg Val (INR M) | 1400 |
| Free float (%) | 25.1 |

Financials Snapshot (INR b)

| Y/E March | FY23 | FY24E | FY25E |
|-------------------|------|-------|-------|
| Sales | 428 | 536 | 689 |
| EBITDA | 36 | 47 | 63 |
| Adj. PAT | 24 | 29 | 40 |
| EBITDA Margin (%) | 8 | 9 | 9 |
| Adj. EPS (INR) | 37 | 45 | 61 |
| EPS Gr. (%) | 59 | 23 | 35 |
| BV/Sh. (INR) | 258 | 305 | 368 |

Ratios

| | | | |
|------------|----|----|----|
| Net D:E | 0 | 0 | 0 |
| RoE (%) | 16 | 17 | 19 |
| RoCE (%) | 16 | 16 | 19 |
| Payout (%) | 0 | 0 | 0 |

Valuations

| | | | |
|----------------|----|----|----|
| P/E (x) | 96 | 78 | 58 |
| EV/EBITDA (x) | 63 | 49 | 36 |
| EV/Sales (X) | 5 | 4 | 3 |
| Div. Yield (%) | 0 | 0 | 0 |
| FCF Yield (%) | 0 | 0 | 1 |

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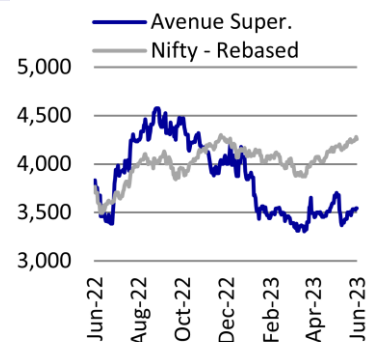
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 74.9 | 75.0 | 75.0 |
| DII | 7.5 | 7.1 | 6.8 |
| FII | 8.2 | 8.6 | 8.8 |
| Others | 9.4 | 9.3 | 9.4 |

FII Includes depository receipts

Stock Performance (1-year)**Online business – not burning cash but well prepared**

DMart Ready has expanded its footprint to 22 cities with store metrics that are close to breakeven. It operates on the next-day delivery model, unlike other quick-service e-grocers, which have lower fill rates and delivery size, mostly catering to daily needs instead of monthly grocery orders. As per [Redseer](#), the online industry reached a sizeable USD8b scale in 2022 and is expected to see a 33% CAGR over 2022-2025 (reaching USD19b by 2025), but most online players have found it difficult to achieve profitability. DMart Ready, on the other hand, has a well-managed model. Although it has not grown rapidly due to weak economics in the online business, it is prepared for any growth opportunities.

Long runway for growth

DMART's well-oiled business model with a strong focus on low procurement costs, cost savings from supply chain efficiencies and rental savings through the ownership model has created a deep moat and a virtuous cycle of growth. In the food and grocery business with wafer-thin margins (15% gross margin), this helps create a highly competitive offering, thus pushing store productivity much ahead of peers and offering a long runway for growth. We believe DMART's SSSG and earnings revision cycle are closer to bottoming out. Tailwinds from robust store additions and consistent cost efficiency could play a key role in SSSG recovery. Subsequently, we estimate a revenue/PAT CAGR of 27%/29% over FY23-25.

Healthy balance sheet and cash flow

DMart's new stores in many virgin markets with an ownership model need lower investments and allow it to leverage growth for the long term. The lean working capital cycle and asset turns have enabled it to garner 18-20% ROIC consistently over the last five years (barring COVID impact). Its healthy annual OCF of INR11.7b/ INR21.8b in FY24E/FY25E should help to add 16% footprint through internal accruals, thus offering a self-funded long runway for growth.

Valuation and view: Reaching closer to sanity

DMart's remarkable consistency in achieving industry-leading growth, margins and ROCE despite having a relatively asset-heavy model warrants rich valuations. In the last five years, it has traded at 60x EV/EBITDA and 99x PE. After a 25% correction since Sept'22, DMART is now trading at 36x EV/EBITDA and 58x PE on FY25E, which represents a 30% discount to historical multiples. This is mainly attributed to weak SSSG in the recent past. We believe that concerns about a growing online grocery market are unwarranted, as the share of both online and modern retail is miniscule in the total grocery market, and the market opportunity is huge. We believe SSSG improvements in FY24 should boost valuation multiples. We value DMART at 40x FY25E EV/EBITDA and an implied P/E of 64x on Jun'25 to arrive at a TP of INR 4,200. This reconciles with our three-stage DCF valuation, building long-term cash flows and assuming a 4% terminal growth rate and 11.5% cost of capital. **We upgrade the stock to BUY.**

Exhibit 1: Valuation based on Jun'25E EBITDA

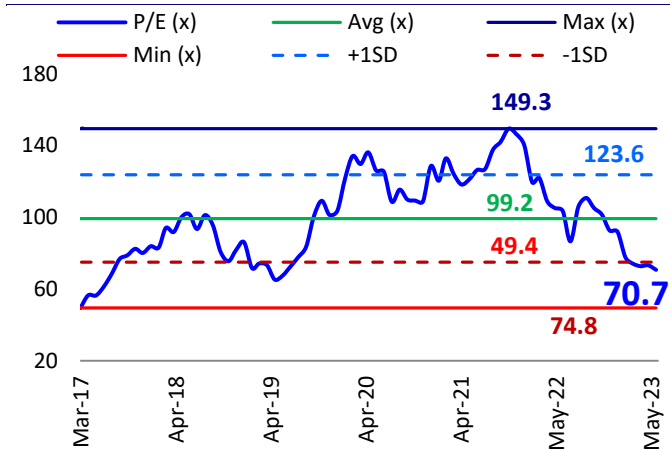
| | Methodology | Driver (INR b) | Multiple (x) | Fair Value (INR b) | Value/share (INR) |
|--------------------|-------------|----------------|--------------|--------------------|-------------------|
| EBITDA | EV/EBITDA | 67 | 40 | 2,696 | 4,169 |
| Less Net debt | | | | -20 | -31 |
| Total Value | | | | 2,716 | 4,200 |
| Shares o/s (m) | | | | 648 | |
| CMP (INR) | | | | | 3,547 |
| Upside (%) | | | | | 18 |

Source: MOFSL, Company

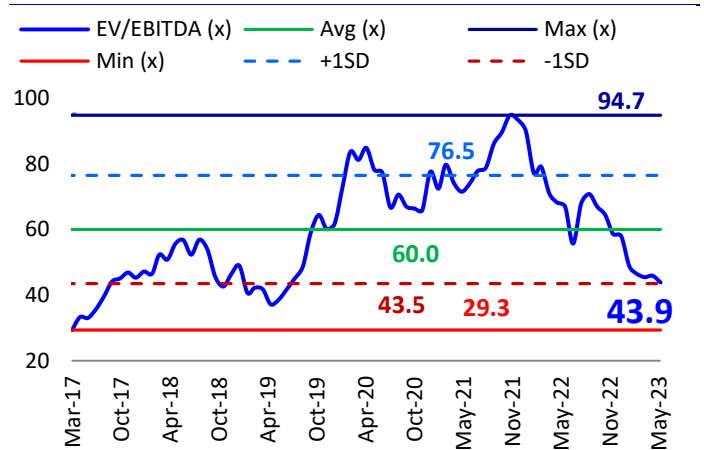
Exhibit 2: Implied PE

| Implied PE | Methodology | Driver (INR b) | Multiple |
|---------------------------|-------------|----------------|--------------|
| EPS (INR) | June'25 EPS | 66 | 64 |
| Target Price (INR) | | | 4,200 |

Source: MOFSL, Company

Exhibit 3: DMART: 1-year forward P/E

Source: Bloomberg, MOFSL

Exhibit 4: DMART: 1-year forward EV/EBITDA

Source: Bloomberg, MOFSL

Exhibit 5: Snapshot of Retail coverage

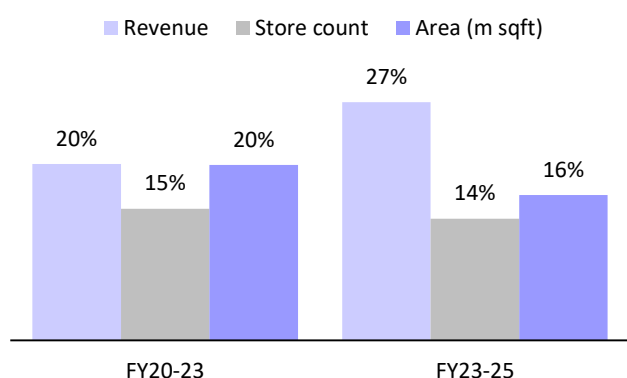
| Retail | Reco | M.Cap (INR b) | TP (INR) | Up/ downside | Revenue (INR b) | | EBITDA margins (%) | | PAT (INR m) | | ROE (%) | | ROCE (%) | | P/E | | EV/EBITDA | |
|-------------------|------------|---------------|--------------|--------------|-----------------|------------|--------------------|------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| DMART | Buy | 2,298 | 4,200 | 18% | 536 | 689 | 8.8 | 9.1 | 29,332 | 39,706 | 16.7 | 18.9 | 16.4 | 18.5 | 78.3 | 57.9 | 48.8 | 36.4 |
| Apparel | | | | | | | | | | | | | | | | | | |
| Trent | Buy | 565 | 1,835 | 15% | 108 | 137 | 14.6 | 14.9 | 7,784 | 10,430 | 26.1 | 26.8 | 13.9 | 14.8 | 72.6 | 54.2 | 38.1 | 29.7 |
| ABFRL | Neutral | 192 | 235 | 16% | 148 | 173 | 13.3 | 13.9 | 317 | 806 | 0.8 | 1.7 | 6.4 | 6.7 | 644.9 | 253.6 | 13.1 | 11.3 |
| VMART | Buy | 40 | 2,375 | 18% | 29 | 35 | 12.5 | 13.2 | 536 | 1,249 | 6.1 | 12.9 | 6.4 | 9.5 | 95.3 | 40.9 | 17.1 | 13.4 |
| Shoppers Stop | Neutral | 109 | 705 | -10% | 46 | 52 | 18.0 | 18.5 | 1,739 | 2,366 | 54.5 | 45.1 | 12.5 | 13.3 | 37.5 | 27.6 | 12.5 | 10.5 |
| Vedant Fashions | Buy | 311 | 1,435 | 12% | 16 | 20 | 50.2 | 50.3 | 5,198 | 6,360 | 19.2 | 26.8 | 33.4 | 33.4 | 57.9 | 40.0 | 37.4 | 30.7 |
| Footwear | | | | | | | | | | | | | | | | | | |
| Metro Brands | Buy | 262 | 1,070 | 11% | 26 | 33 | 29.4 | 31.3 | 4,047 | 5,448 | 24.2 | 27.6 | 16.9 | 18.7 | 64.9 | 48.2 | 34.6 | 26.1 |
| Campus Activewear | Buy | 98 | 425 | 33% | 17 | 21 | 18.8 | 21.1 | 1,633 | 2,342 | 22.8 | 24.7 | 19.9 | 22.4 | 59.8 | 41.7 | 30.0 | 22.1 |
| Relaxo | Neutral | 224 | 810 | -10% | 32 | 39 | 14.9 | 16.5 | 2,605 | 3,631 | 13.3 | 16.6 | 12.6 | 15.5 | 86.0 | 61.7 | 46.4 | 34.7 |
| Bata India | Neutral | 203 | 1,660 | 5% | 39 | 44 | 13.9 | 16.1 | 4,052 | 5,259 | 24.7 | 25.0 | 16.8 | 18.1 | 50.2 | 38.7 | 22.2 | 18.7 |
| QSR | | | | | | | | | | | | | | | | | | |
| Devyani | Buy | 219 | 200 | 10% | 39 | 48 | 23.5 | 23.8 | 3,292 | 4,309 | 29.4 | 30.5 | 16.3 | 17.3 | 67.8 | 51.6 | 23.7 | 18.9 |
| Sapphire | Buy | 89 | 1,585 | 14% | 29 | 35 | 19.8 | 20.6 | 1,374 | 2,040 | 10.4 | 13.6 | 9.9 | 11.4 | 64.5 | 43.5 | 15.0 | 11.4 |
| Jubilant | Buy | 321 | 560 | 15% | 57 | 65 | 22.8 | 24.4 | 4,461 | 5,975 | 18.0 | 25.1 | 12.1 | 14.0 | 71.9 | 53.7 | 23.7 | 19.7 |
| Westlife | Neutral | 127 | 800 | -2% | 27 | 32 | 16.6 | 17.0 | 1,464 | 2,033 | 22.9 | 25.0 | 11.6 | 13.1 | 86.7 | 62.4 | 30.9 | 25.3 |
| Barbeque | Neutral | 26 | 700 | 7% | 14 | 16 | 19.0 | 19.5 | 398 | 511 | 9.0 | 10.4 | 7.8 | 8.8 | 64.4 | 50.1 | 11.6 | 9.7 |

Source: MOFSL, Company

Strong footprint addition in last few years

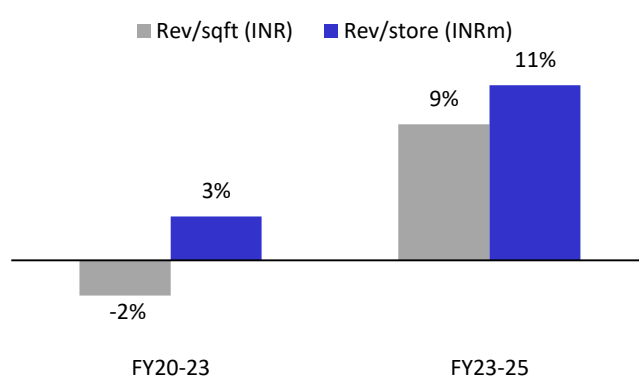
- DMART has reported a 19% revenue CAGR over FY20-23, supported by 20% area addition and 15% store addition. With an improvement in the discretionary segment and more stores maturing (34% stores added during the last three years including two Covid impacted years), we expect these stores will add more value to revenue over FY23-25 since older stores are doing better.
- **Mature stores doing well:** Before the pandemic, DMART reported SSSG of 20%+ YoY in stores older than 24 months. The company reported that stores older than two years saw 24.2% SSSG YoY in FY23.
- The reasons behind low SSSG could be subdued demand in the discretionary portfolio and larger store size. The company's average store size has increased to 41k sqft from a mere 34k sqft in FY20.
- The company is in the process of commencing a pharmacy shop-in-shop business at one of its stores through a subsidiary, Reflect Healthcare and Retail Private Limited. This is yet another pilot that will complement the brick-and-mortar business, leveraging the existing store infrastructure.

Exhibit 6: Revenue growth in FY20-23 led by area addition



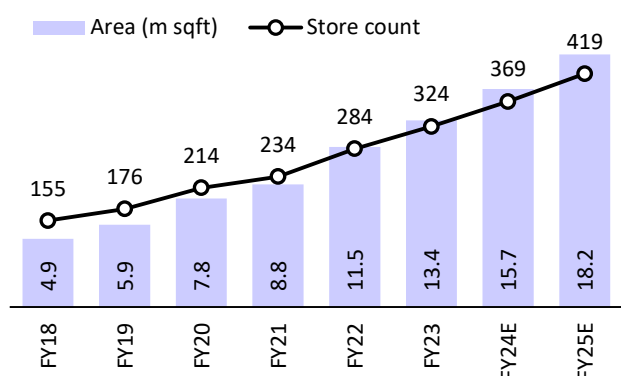
Source: MOFSL, Company

Exhibit 7: Expect Rev/store and Rev/sqft to grow in FY23-25E



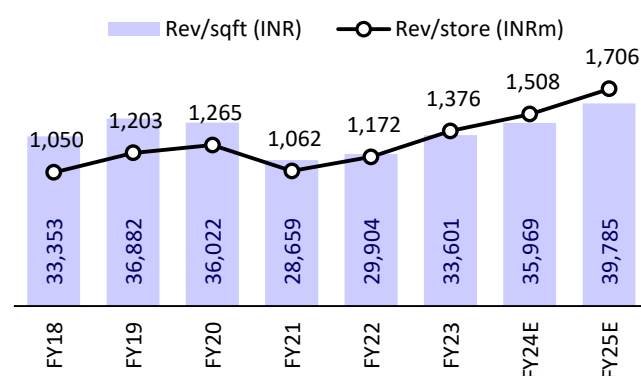
Source: MOFSL, Company

Exhibit 8: 15%/20% store/area added during FY20-23, expect 14%/16% store/area add in FY23-25E

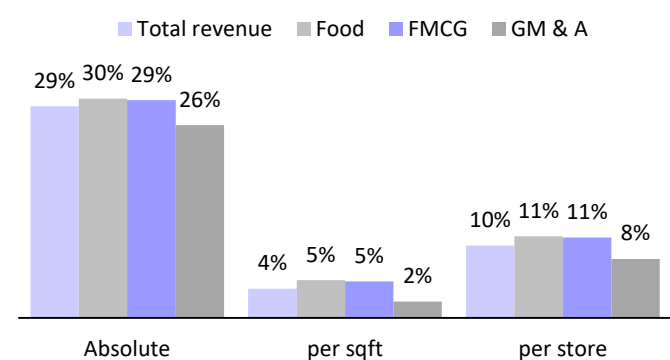


Source: MOFSL, Company

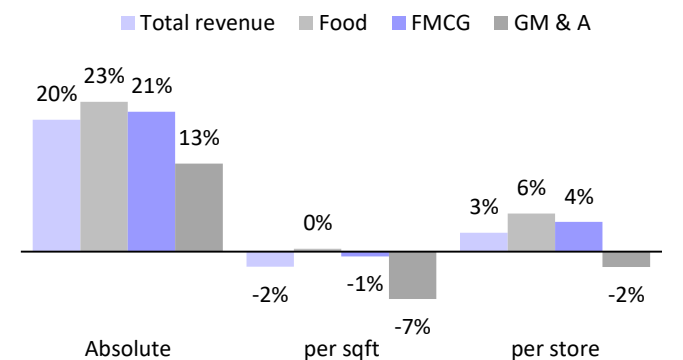
Exhibit 9: Subdued demand and large stores have affected Rev/sqft; expected to recover FY24E onward



Source: MOFSL, Company

Exhibit 10: Revenue CAGR over FY18-20 across verticals

Source: MOFSL, Company

Exhibit 11: Revenue FY20-23 CAGR; total revenue supported by Food and FMCG segment

Source: MOFSL, Company

Exhibit 12: Bill Cuts productivity much below pre-Covid level

| | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | vs pre-Covid (FY20) |
|----------------------------|------|------|------|------|------|------|-------|-------|-------|------|------|---------------------|
| Bill cuts (m) | 43 | 53 | 67 | 85 | 109 | 134 | 172 | 201 | 152 | 181 | 258 | |
| YoY | | 23.9 | 25.8 | 26.0 | 28.1 | 23.5 | 28.4 | 16.9 | -24.4 | 19.1 | 42.5 | 28.4 |
| Bill cuts per store (in k) | 695 | 780 | 820 | 851 | 900 | 937 | 1,039 | 1,031 | 679 | 699 | 849 | |
| YoY | | 12.1 | 5.1 | 3.9 | 5.8 | 4.1 | 10.9 | -0.8 | -34.2 | 3.0 | 21.4 | -17.7 |
| Bill cuts per sqft | 24 | 27 | 28 | 28 | 29 | 30 | 32 | 29 | 18 | 18 | 21 | |
| YoY | | 12.1 | 3.1 | 1.8 | 3.9 | 2.2 | 7.0 | -7.9 | -37.6 | -2.6 | 16.2 | -29.4 |
| ABV (INR) | 775 | 877 | 957 | 1012 | 1095 | 1120 | 1158 | 1228 | 1565 | 1677 | 1621 | |
| YoY | | 13.1 | 9.2 | 5.7 | 8.2 | 2.3 | 3.4 | 6.0 | 27.5 | 7.2 | -3.3 | 32.1 |

Source: MOFSL, Company

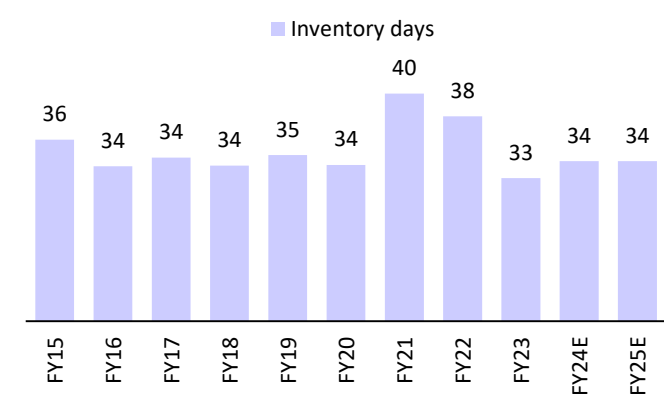
Good cost control in weak SSSG environment

- The company has a track record of keeping expenses under control.
 - Historically, the gross margin has remained near 15%, even in the Covid period.
 - During FY20-23, the cost of retailing (COR)—where a majority of expenses are fixed in nature—was under control, in line with the revenue/GP CAGR.
- On the YoY basis, we have seen the company's ability to control the cost, as revenue grew by 38% in FY23, while the COR grew by 35% in absolute terms (when revenue was subdued and most of the costs were fixed).
 - On the per sqft basis, the COR grew by 10% YoY and on the per store basis, it grew by 15% YoY (vs. 17% increase in sales per store YoY).
- With the costs remaining under control, we expect a revenue CAGR of 27% and a COR CAGR of 24% over FY23-25.
- Hence, with ~15% GM and controlled COR, we expect a PAT CAGR of 29% over FY23-25.

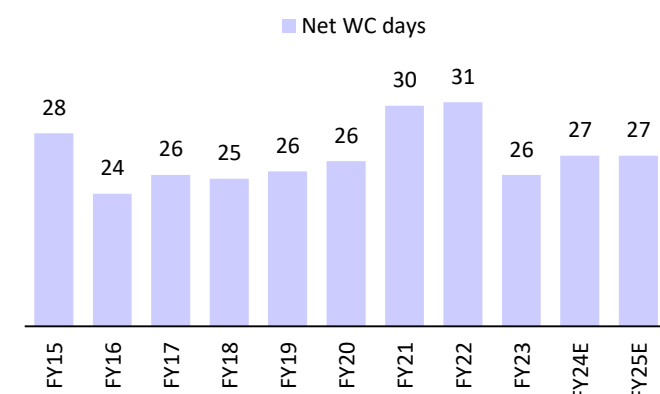
Exhibit 13: Cost management- COR growth is less/flat compared with Revenue/GP growth

| | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY22-23 YoY | FY20-23 (pre-Covid) | FY23-25 (expected) | FY18-23 (historical) |
|----------------------------------|------------|------------|------------|------------|------------|------------|----------------|------------------------|-----------------------|-------------------------|
| Revenue (INR b) | 249 | 241 | 310 | 428 | 536 | 689 | 38% | 20% | 27% | 23% |
| YoY (%) | 24% | -3% | 28% | 38% | 25% | 29% | | | | |
| Rev/sqft (INR) | 36,022 | 28,659 | 29,904 | 33,601 | 35,979 | 39,785 | 12% | -2% | 9% | 0% |
| YoY (%) | -2% | -20% | 4% | 12% | 7% | 11% | | | | |
| Rev/store (INR m) | 1,265 | 1,062 | 1,172 | 1,376 | 1,508 | 1,706 | 17% | 3% | 11% | 6% |
| YoY (%) | 5% | -16% | 10% | 17% | 10% | 13% | | | | |
| GP (INR b) | 38 | 36 | 46 | 65 | 81 | 106 | 41% | 20% | 28% | 22% |
| YoY (%) | 25% | -5% | 28% | 41% | 26% | 30% | | | | |
| Gross margin | 15.1% | 14.9% | 14.8% | 15.1% | 15.2% | 15.4% | | | | |
| GP/sqft (INR) | 5,500 | 4,323 | 4,511 | 5,185 | 5,607 | 6,286 | 15% | -2% | 10% | -1% |
| YoY (%) | -1% | -21% | 4% | 15% | 8% | 12% | | | | |
| GP/store (INR m) | 193 | 160 | 177 | 212 | 235 | 270 | 20% | 3% | 12% | 5% |
| YoY (%) | 6% | -17% | 10% | 20% | 11% | 15% | | | | |
| Cost of Retailing (INR b) | 16 | 18 | 21 | 28 | 35 | 44 | 35% | 20% | 24% | 22% |
| YoY (%) | 20% | 13% | 13% | 35% | 23% | 26% | | | | |
| Cost of Retailing /sqft (INR) | 2,393 | 2,223 | 2,050 | 2,264 | 2,378 | 2,582 | 10% | -2% | 7% | -1% |
| YoY (%) | -6% | -7% | -8% | 10% | 5% | 9% | | | | |
| Cost of Retailing /store (INR m) | 84 | 82 | 80 | 93 | 100 | 111 | 15% | 3% | 9% | 5% |
| YoY (%) | 2% | -2% | -2% | 15% | 8% | 11% | | | | |
| EBITDA (INR b) | 21 | 17 | 25 | 36 | 47 | 63 | 46% | 20% | 31% | 22% |
| YoY (%) | 30% | -18% | 43% | 46% | 29% | 33% | | | | |
| EBITDA Margin | 8.6% | 7.2% | 8.1% | 8.5% | 8.8% | 9.1% | | | | |
| EBITDA /sqft (INR) | 3,107 | 2,100 | 2,462 | 2,921 | 3,229 | 3,704 | 19% | -2% | 13% | -1% |
| YoY (%) | 3% | -32% | 17% | 19% | 11% | 15% | | | | |
| EBITDA/store (INR m) | 109 | 78 | 96 | 120 | 135 | 159 | 24% | 3% | 15% | 5% |
| YoY (%) | 11% | -29% | 24% | 24% | 13% | 17% | | | | |

Source: MOFSL, Company

Exhibit 14: Inventory days expected to remain near 34 days

Source: MOFSL, Company

Exhibit 15: Net WC days remain within range

Source: MOFSL, Company

Ownership model - Winning against the tide

Unlike the leased store model adopted globally to achieve scale, DMART has chosen the owned store model. Though owned stores have a longer payback period, DMART has achieved healthy scale without severe pressure on the balance sheet. This model has enabled it (a) to keep operating cost low, allowing high sales velocity and store productivity, (b) to de-risk itself from store churn due to the lease model, allowing it to take advantage of a store's best years of profitability (RoCE of ~25% from the fifth year), and (c) to open stores in clusters, resulting in scale-related supply chain and marketing cost benefits, as well as higher brand recall. The lease model has better ROCE on paper given the low capex requirement, but in the ownership model, the benefits in terms of store productivity and inventory churn go unnoticed, which create a sticky competitive edge over the long term of the business.

Exhibit 16: DMART's RoCE generation over store lifecycle (INR m per store)

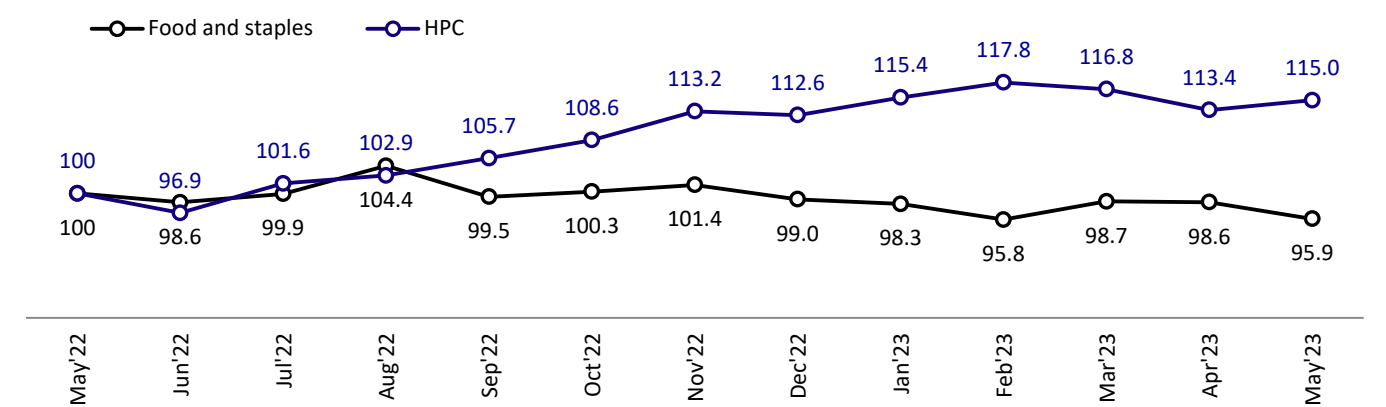
| Year of Operation | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------------|------|-----|-----|------|-------|-------|-------|-------|-------|-------|
| Sales Capacity (new store Trajectory) | 40% | 60% | 80% | 100% | 110% | 113% | 118% | 124% | 131% | 138% |
| Sales | 399 | 599 | 799 | 998 | 1,098 | 1,128 | 1,178 | 1,238 | 1,308 | 1,378 |
| Gross Margins % | 13% | 13% | 14% | 14% | 15% | 15% | 15% | 16% | 16% | 16% |
| GM | 52 | 80 | 110 | 144 | 167 | 174 | 182 | 192 | 204 | 217 |
| Operating Costs | 71 | 74 | 77 | 80 | 83 | 87 | 90 | 94 | 97 | 101 |
| Growth in Op expenses | | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| EBITDA (excl. rent) | (20) | 6 | 32 | 64 | 84 | 87 | 92 | 99 | 107 | 115 |
| margin | -5% | 1% | 4% | 6% | 8% | 8% | 8% | 8% | 8% | 8% |
| Pre Tax Cash RoCE % - Tier 1 | -5% | 2% | 9% | 18% | 23% | 24% | 26% | 27% | 30% | 32% |
| Pre Tax Cash RoCE % - Tier 2 | -9% | 3% | 15% | 31% | 40% | 41% | 44% | 47% | 51% | 55% |

Source: MOFSL, Company

Pricing monitor- DMART among the cheapest selling players

We have been running the pricing monitor for the last several months and have identified some notable things:

1. The pure-play online players (such as Bigbasket, Amazon pantry, etc.) are 8% costlier than the traditional offline players (DMART, JioMart, etc). This suggests that DMART is maintaining price competitiveness (Exhibit 17).
2. We saw almost flat impact of inflation on prices of the staples basket from May'22 to May'23, but prices of the HPC basket increased 15% (Exhibit 16).
3. In total DMART revenue, the staples segment contributes 56%, FMCG contributes 21%, and General Merchandise and Apparel contributes 23%.

Exhibit 17: Price movement in the Staples and HPC baskets in last 12 months

*Rebased to 100, Source: MOFSL

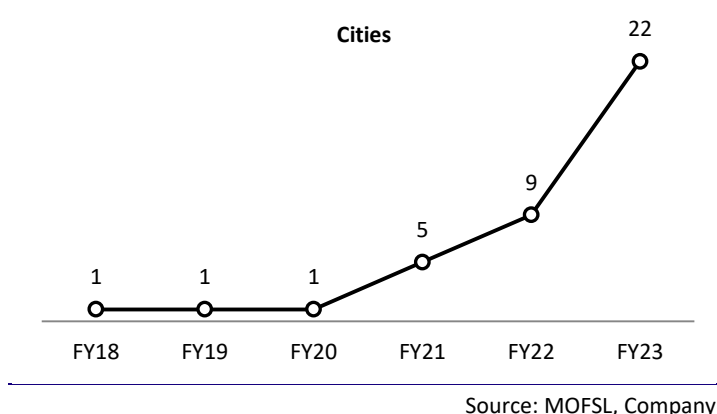
Exhibit 18: Price monitor- DMart/JioMart among the cheapest

| Adjusted basket amount | DMart Ready | JioMart | Big Basket | Amazon Pantry | Flipkart Supermart | Star Quik | Blinkit | Dunzo | Zepto | Instamart |
|--------------------------------------|-------------|---------|------------|---------------|--------------------|-----------|---------|--------|-------|-----------|
| May'22 | 8,002 | 8,195 | 8,343 | 9,297 | 9,238 | | 8,576 | | | |
| June'22 | 7,974 | 8,313 | 8,169 | 9,255 | 8,547 | | 8,238 | | | |
| July'22 | 8,110 | 8,272 | 8,064 | 9,303 | 9,592 | | 8,681 | | | |
| Aug'22 | 8,250 | 8,407 | 8,416 | 9,951 | 8,472 | | 8,513 | 10,135 | 8,738 | 9,346 |
| Sep'22 | 8,340 | 8,199 | 8,800 | 9,301 | 8,304 | | 8,892 | 9,151 | 9,086 | 9,188 |
| Oct'22 | 8,399 | 8,740 | 8,529 | 9,869 | 8,424 | | 9,202 | 9,139 | 8,795 | 9,548 |
| Nov'22 | 8,879 | 8,546 | 8,929 | 9,731 | 8,617 | | 9,170 | 9,999 | 9,734 | 9,167 |
| Dec'22 | 8,807 | 8,472 | 8,722 | 9,724 | 8,663 | 8,775 | 9,045 | 10,141 | 9,412 | 8,956 |
| Jan'23 | 8,481 | 8,277 | 9,181 | 9,920 | 9,005 | 8,565 | 9,312 | 9,595 | 9,467 | 9,763 |
| Feb'23 | 8,733 | 8,540 | 9,080 | 9,482 | 8,485 | 8,779 | 9,311 | 10,003 | 9,255 | 9,360 |
| Mar'23 | 8,943 | 8,524 | 8,759 | 10,347 | 8,785 | 8,834 | 9,204 | 10,235 | 9,389 | 9,285 |
| Apr'23 | 8,267 | 8,170 | 9,078 | 10,309 | 8,752 | 8,605 | 8,902 | 9,946 | 9,597 | 9,262 |
| May'23 | 8,544 | 8,414 | 9,108 | 9,107 | 8,631 | 8,338 | 9,250 | 10,481 | 9,360 | 9,113 |
| MoM difference (%) | 3 | 3 | 0 | -12 | -1 | -3 | 4 | 5 | -2 | -2 |
| May to Mar difference (%) | -4 | -1 | 4 | -12 | -2 | -6 | 0 | 2 | 0 | -2 |
| MoM difference with the Cheapest (%) | 2 | 1 | 9 | 9 | 4 | 0 | 11 | 26 | 12 | 9 |

Source: MOFSL

DMart Ready- Loss widens due to expansion

- The company has expanded its e-commerce footprint to **22 cities in FY23** from 9 cities in FY22 and 1 city (Mumbai in FY20) before the pandemic.
- **Top 5 cities** (Mumbai, Pune, Bangalore, Hyderabad and Ahmedabad) **generate more than 90% of total revenues.**
 - It added 4 smaller cities in FY22 (Surat, Vadodara, Bhopal and Indore) and around 13 cities in FY23.
- As of FY21, when the company operated in 5 cities mentioned above, the loss remained restricted to 6-7% of total PAT of DMart.
- With the addition of new cities, it seems the loss widened to 10% in FY22 since the new cities were on the pilot version.
- Since most of the new cities are on pilot/just experiments with capital allocations commensurate with outcomes, the loss reported by DMart Ready would be a key monitorable.

Exhibit 19: DMart Ready — City network**Exhibit 20: DMart Ready proportion in revenue/PAT**

| DMart Ready (INR m) | FY18 | FY19 | FY20 | FY21 | FY22 |
|--------------------------------------|-----------|-----------|-----------|-----------|------------|
| Revenue | 441 | 1,436 | 3,540 | 7,913 | 16,672 |
| YoY% | | 225 | 147 | 124 | 111 |
| Consol revenue (INR b) | 150 | 200 | 249 | 241 | 310 |
| YoY% | | 33 | 24 | -3 | 28 |
| DMart ready revenue share (%) | 0 | 1 | 1 | 3 | 5 |
| DMart Ready Loss | -481 | -508 | -797 | -806 | -1,421 |
| Consol PAT (INR b) | 8.1 | 9.0 | 13.0 | 11.0 | 14.9 |
| DMart ready loss share (%) | -6 | -6 | -6 | -7 | -10 |

Source: MOFSL, Company

Treading cautiously in e-commerce through DMart Ready stores

While other players are aggressively moving into the e-grocery space, DMart is treading cautiously through its DMart Ready stores. Online players are largely present in metro/Tier I cities, where DMart already has physical stores. It is leveraging this presence with delivery/pick-up options at an attractive pricing (refer Exhibit 17) through DMart Ready. Our price monitor indicates that it is able to compete with bigger players on pricing through operational efficiencies.

DMart Ready: Store economics

We calculated the store economics of DMart Ready stores based on inputs from our channel checks. Our workings indicate that a typical store generates an annual revenue of INR9m at 17 daily orders worth INR1,500. At 13% gross margin, this should deliver a gross profit of INR1.2m. Apart from that, a store has operational expenses of INR1.4m, assuming three employees per store at a monthly expense of INR23k, monthly rent of INR150/sqft for a 250sqft area store, and utilities/marketing expenses of INR4k/INR5k per month. The company posts an operational loss of INR0.2m at the store level, i.e. -2% margin. To be profitable, a store needs to service about 20 daily orders worth INR1,500, or its average order value should increase to INR1,750 at the current level of 17 daily orders to achieve revenue of ~INR11m.

Delivery cost a bone of contention

The company delivers orders in two ways: 1) pick-up points, and 2) home delivery. It utilizes DMart Ready stores as pick-up points, wherein customers can place an order and receive it at a scheduled time. The company does not charge for the pick-up service. However for home delivery, the company charges a flat delivery charge of INR49. It is utilizing fulfillment centers to service its online orders – orders are shipped directly from fulfillment centers to DMart Ready stores or the delivery location (DMart Ready stores are not utilized for home delivery). This helps in saving overheads and logistic costs by utilizing these stores. As a result, its e-commerce operations enjoy superior supply chain efficiencies.

Exhibit 21: DMart Ready store economics

| Particulars | Annual Amount (INR) |
|----------------------------|---------------------|
| Daily order (n) | 17 |
| Order size | 1,500 |
| Annual Revenue | 91,80,000 |
| COGS | 79,86,600 |
| Gross margin | 13% |
| Gross profit | 11,93,400 |
| Employee cost | 8,28,000 |
| Rent | 4,50,000 |
| Others | 1,08,000 |
| Operational expense | 13,86,000 |
| EBITDA | (1,92,600) |
| Margin (%) | -2.1% |

Source: Company, MOFSL

Exhibit 22: E-commerce players' unit economics

| Particulars | % shared | How change impacted profitability |
|----------------------|----------|--|
| Commission/margin | 12% | ❖ Higher sales of private labels led to higher margin during COVID |
| Cashback | (-) 6% | ❖ Drop in discount during COVID |
| Supply chain cost | (-) 9% | ❖ Higher AOV during COVID, thus lower cost of delivery |
| Payment gateway cost | (-) 1% | ❖ No major change |
| Marketing expense | (-) 8% | ❖ Significant reduction during COVID |
| Contribution margins | (-) 12% | |

Source: RedSeer report

Exhibit 23: Comparison of business models of F&G online players

| Particulars | Inventory led | Hyper local | Multi-channel | Dark store |
|---------------------|---|---|--|---|
| Inventory storage | Inventory heavy model as it involves outright purchase of inventory | Inventory light model as it provides only infra & logistic support. | Hybrid model combine features of inventory and hyper local model | Inventory heavy model as it involves outright purchase of inventory |
| Capital requirement | Capital intensive | Capital light | Moderate capital | Capital intensive |
| SKU's | High | Low | Moderate | Low |
| Lead Time | High | Low | Moderate | Low |
| Margin potential | High | Low | Moderate | Low |
| Quality checks | High | Low | Moderate | High |

Source: MOFSL, Company

DCF-based valuation indicates DMART is trading at fair value

Given the strong cash flows in DMART, we project cash flows for 25 years (FY26-50) to plot the supernormal growth period followed by normalized periods.

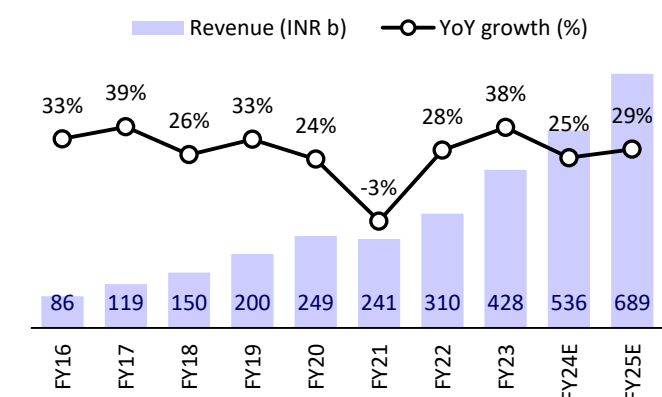
- During the supernormal growth period of FY26-30E, we have modeled a 25% revenue CAGR assuming 8% SSSG, with same EBITDA margin of FY25, along with 3.2% capex to sales and 1.4% working capital requirements of sales.
- After that, for FY31-41E, we have slowed down revenue growth by 100bp per year and taken a 10bp improvement in EBITDA margin per year. We have assumed 2.9% capex to sales and 1.4% working capital requirements of sales;

- And then growth staggered to a 10% CAGR over FY42-50E assuming 5% SSSG and keeping the margins at 10%.
- Assuming a terminal growth rate of 4% and WACC of 11.5%, we arrive at a TP of INR4,200, offering 21% upside.

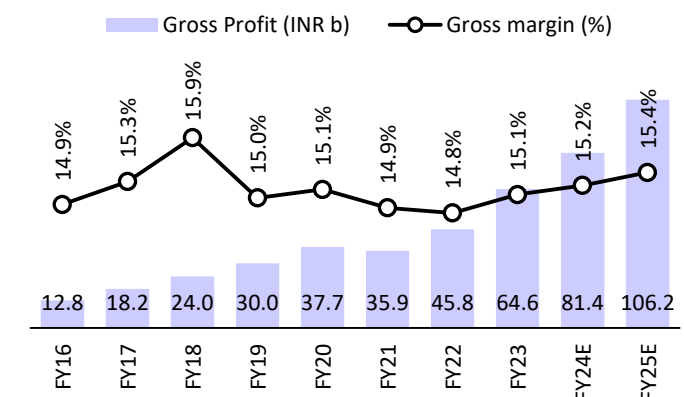
Exhibit 24: DCF Valuation

| DCF Valuation | INR b |
|---------------------------|--------------|
| Enterprise Value | 2,749 |
| Net Debt | -16 |
| Equity Value | 2,765 |
| No. of Shares (m) | 648 |
| Target Price (INR) | 4,200 |
| CMP (INR) | 3,547 |
| Upside (%) | 18% |

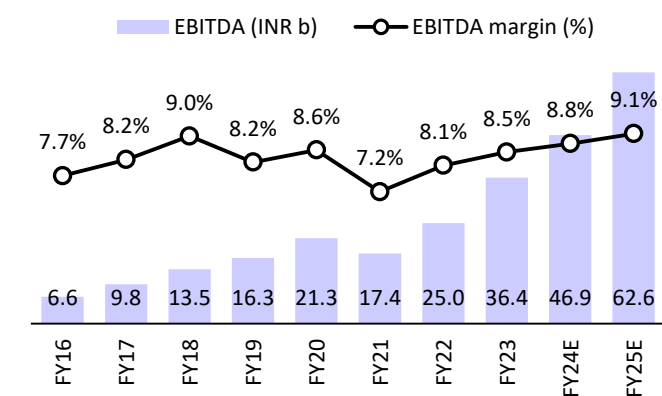
Source: MOFSL, Company

Exhibit 25: Expect 27% revenue CAGR over FY23-25

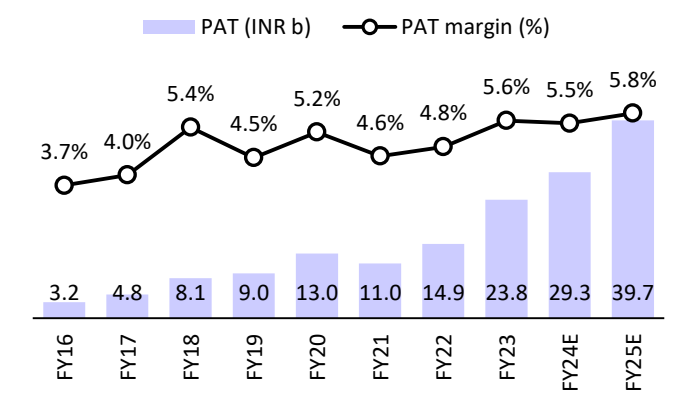
Source: MOFSL, Company

Exhibit 26: Expect 28% GP CAGR over FY23-25

Source: MOFSL, Company

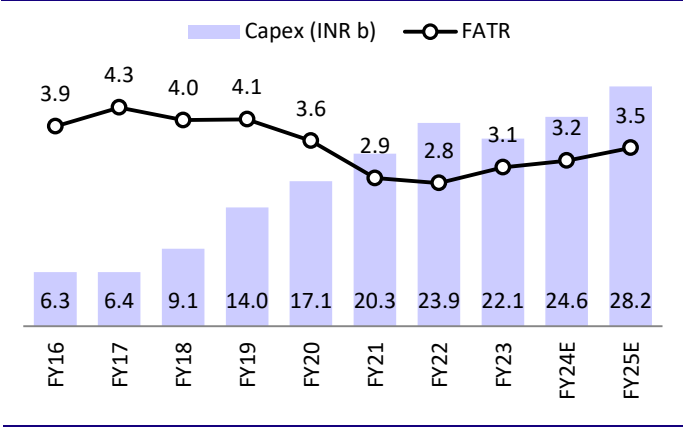
Exhibit 27: Expect 31% EBITDA CAGR over FY23-25

Source: MOFSL, Company

Exhibit 28: Expect 29% PAT CAGR over FY23-25

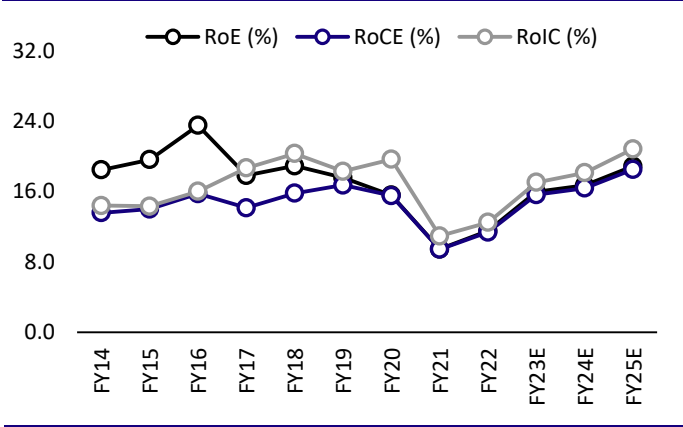
Source: MOFSL, Company

Exhibit 29: Expect FATR to improve



Source: MOFSL, Company

Exhibit 30: Expect improvement in RoE / ROCE



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Income from Operations | 1,50,332 | 2,00,045 | 2,48,702 | 2,41,431 | 3,09,763 | 4,28,396 | 5,35,526 | 6,89,367 |
| Change (%) | 26.4 | 33.1 | 24.3 | -2.9 | 28.3 | 38.3 | 25.0 | 28.7 |
| Raw Materials | 1,26,356 | 1,70,008 | 2,11,029 | 2,05,547 | 2,63,974 | 3,63,840 | 4,54,080 | 5,83,139 |
| Gross Profit | 23,976 | 30,037 | 37,673 | 35,884 | 45,789 | 64,556 | 81,445 | 1,06,228 |
| Margin (%) | 15.9 | 15.0 | 15.1 | 14.9 | 14.8 | 15.1 | 15.2 | 15.4 |
| Employees Cost | 2,826 | 3,554 | 4,561 | 5,366 | 6,162 | 7,470 | 9,104 | 11,375 |
| Other Expenses | 7,622 | 10,150 | 11,829 | 13,088 | 14,642 | 20,716 | 25,437 | 32,262 |
| Total Expenditure | 1,36,804 | 1,83,712 | 2,27,419 | 2,24,000 | 2,84,778 | 3,92,025 | 4,88,622 | 6,26,775 |
| % of Sales | 91.0 | 91.8 | 91.4 | 92.8 | 91.9 | 91.5 | 91.2 | 90.9 |
| EBITDA | 13,528 | 16,333 | 21,283 | 17,431 | 24,985 | 36,370 | 46,904 | 62,592 |
| Margin (%) | 9.0 | 8.2 | 8.6 | 7.2 | 8.1 | 8.5 | 8.8 | 9.1 |
| Depreciation | 1,590 | 2,125 | 3,744 | 4,142 | 4,981 | 6,389 | 7,647 | 9,049 |
| EBIT | 11,938 | 14,208 | 17,539 | 13,289 | 20,004 | 29,982 | 39,257 | 53,543 |
| Int. and Finance Charges | 595 | 472 | 691 | 417 | 538 | 674 | 742 | 742 |
| Other Income | 693 | 484 | 600 | 1,962 | 1,175 | 1,293 | 1,665 | 1,591 |
| PBT after EO Exp. | 12,036 | 14,219 | 17,448 | 14,835 | 20,641 | 30,601 | 40,181 | 54,392 |
| Total Tax | 4,158 | 5,195 | 4,438 | 3,840 | 5,717 | 6,818 | 10,849 | 14,686 |
| Tax Rate (%) | 34.5 | 36.5 | 25.4 | 25.9 | 27.7 | 22.3 | 27.0 | 27.0 |
| Minority Interest | -185 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 8,063 | 9,024 | 13,009 | 10,994 | 14,924 | 23,783 | 29,332 | 39,706 |
| Adjusted PAT | 8,063 | 9,024 | 13,009 | 10,994 | 14,924 | 23,783 | 29,332 | 39,706 |
| Change (%) | 68.4 | 11.9 | 44.2 | -15.5 | 35.7 | 59.4 | 23.3 | 35.4 |
| Margin (%) | 5.4 | 4.5 | 5.2 | 4.6 | 4.8 | 5.6 | 5.5 | 5.8 |

Consolidated - Balance Sheet

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital | 6,241 | 6,241 | 6,478 | 6,478 | 6,478 | 6,483 | 6,483 | 6,483 |
| Total Reserves | 40,450 | 49,634 | 1,04,320 | 1,15,359 | 1,30,299 | 1,54,304 | 1,83,636 | 2,23,343 |
| Net Worth | 46,691 | 55,875 | 1,10,797 | 1,21,837 | 1,36,776 | 1,60,787 | 1,90,119 | 2,29,825 |
| Total Loans | 4,393 | 4,298 | 37 | 0 | 0 | 0 | 0 | 0 |
| Lease Liabilities | | | 2,955 | 3,927 | 6,469 | 6,430 | 6,767 | 7,292 |
| Deferred Tax Liabilities | 452 | 633 | 474 | 512 | 640 | 770 | 770 | 770 |
| Capital Employed | 51,541 | 60,811 | 1,14,268 | 1,26,281 | 1,43,890 | 1,67,987 | 1,97,656 | 2,37,887 |
| Gross Block | 37,223 | 49,352 | 68,484 | 83,178 | 1,10,486 | 1,37,680 | 1,65,216 | 1,96,633 |
| Less: Accum. Deprn. | 4,006 | 6,131 | 9,786 | 13,873 | 18,669 | 25,058 | 32,704 | 41,753 |
| Net Fixed Assets | 33,217 | 43,221 | 58,698 | 69,305 | 91,817 | 1,12,622 | 1,32,512 | 1,54,880 |
| Right to use assets | | | 7,173 | 9,602 | 13,887 | 15,049 | 15,930 | 16,860 |
| Capital WIP | 1,471 | 3,768 | 3,644 | 10,196 | 11,293 | 8,292 | 8,292 | 8,292 |
| Total Investments | 682 | 165 | 31,374 | 30 | 59 | 2,022 | 1,618 | 1,294 |
| Curr. Assets, Loans&Adv. | 20,330 | 22,118 | 26,264 | 56,237 | 50,758 | 57,327 | 69,089 | 91,457 |
| Inventory | 11,634 | 16,087 | 19,474 | 22,483 | 27,427 | 32,435 | 42,298 | 54,320 |
| Account Receivables | 335 | 644 | 196 | 436 | 669 | 622 | 796 | 1,024 |
| Cash and Bank Balance | 5,602 | 2,191 | 1,079 | 14,456 | 2,986 | 14,083 | 15,809 | 25,926 |
| Loans and Advances | 2,758 | 3,197 | 5,516 | 18,863 | 19,677 | 10,187 | 10,187 | 10,187 |
| Curr. Liability & Prov. | 4,942 | 9,246 | 6,497 | 10,280 | 10,838 | 13,076 | 14,655 | 18,836 |
| Account Payables | 3,173 | 4,633 | 4,335 | 5,781 | 5,892 | 7,538 | 9,568 | 12,287 |
| Other Current Liabilities | 1,642 | 4,474 | 1,996 | 4,236 | 4,533 | 4,965 | 4,552 | 5,860 |
| Provisions | 127 | 139 | 167 | 262 | 413 | 573 | 536 | 689 |
| Net Current Assets | 15,387 | 12,872 | 19,767 | 45,958 | 39,920 | 44,251 | 54,434 | 72,621 |
| Deferred Tax assets | 1 | 2 | 3 | 10 | 17 | 18 | 18 | 18 |
| Appl. of Funds | 51,541 | 60,811 | 1,14,268 | 1,26,281 | 1,43,890 | 1,67,987 | 1,97,656 | 2,37,887 |

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS (diluted from FY17) | 12.9 | 14.5 | 20.1 | 17.0 | 23.0 | 36.7 | 45.3 | 61.3 |
| Cash EPS (diluted from FY17) | 15.5 | 17.9 | 26.8 | 24.3 | 31.9 | 48.3 | 59.3 | 78.1 |
| BV/Share (diluted from FY17) | 74.8 | 89.5 | 177.5 | 195.2 | 219.2 | 257.6 | 304.6 | 368.3 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valuation (x) | | | | | | | | |
| P/E | 274.6 | 245.3 | 176.6 | 209.0 | 154.0 | 96.6 | 78.3 | 57.9 |
| Cash P/E | 229.3 | 198.6 | 132.1 | 146.2 | 111.2 | 73.4 | 59.9 | 45.4 |
| P/BV | 47.4 | 39.6 | 20.0 | 18.2 | 16.2 | 13.8 | 11.6 | 9.6 |
| EV/Sales | 14.7 | 11.1 | 9.2 | 9.5 | 7.4 | 5.3 | 4.3 | 3.3 |
| EV/EBITDA | 163.5 | 135.6 | 106.6 | 131.2 | 92.1 | 63.0 | 48.8 | 36.4 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF per share | -2.9 | -9.5 | -6.6 | -10.1 | -15.7 | 6.5 | 4.6 | 18.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 18.9 | 17.6 | 15.6 | 9.5 | 11.5 | 16.0 | 16.7 | 18.9 |
| RoCE | 15.8 | 16.8 | 15.5 | 9.4 | 11.4 | 15.7 | 16.4 | 18.5 |
| RoIC | 20.4 | 18.3 | 19.7 | 11.0 | 12.5 | 17.1 | 18.2 | 20.9 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 4.0 | 4.1 | 3.6 | 2.9 | 2.8 | 3.1 | 3.2 | 3.5 |
| Asset Turnover (x) | 2.9 | 3.3 | 2.2 | 1.9 | 2.2 | 2.6 | 2.7 | 2.9 |
| Inventory (Days) | 34 | 35 | 34 | 40 | 38 | 33 | 34 | 34 |
| Debtor (Days) | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 |
| Creditor (Days) | 9 | 10 | 7 | 10 | 8 | 8 | 8 | 8 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 4.1 | 2.4 | 4.0 | 5.5 | 4.7 | 4.4 | 4.7 | 4.9 |
| Interest Cover Ratio | 20.0 | 30.1 | 25.4 | 31.9 | 37.2 | 44.5 | 52.9 | 72.2 |
| Net Debt/Equity | 0.0 | 0.0 | -0.3 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 |

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Consolidated - Cash Flow Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OP/(Loss) before Tax | 12,036 | 14,219 | 17,448 | 14,835 | 20,641 | 30,601 | 40,181 | 54,392 |
| Depreciation | 1,590 | 2,125 | 3,744 | 4,142 | 4,981 | 6,389 | 7,647 | 9,049 |
| Interest & Finance Charges | 595 | 472 | 691 | 417 | 538 | 674 | 742 | 742 |
| Direct Taxes Paid | -4,027 | -5,018 | -4,924 | -2,616 | -5,603 | -7,089 | -10,849 | -14,686 |
| (Inc)/Dec in WC | -2,427 | -3,507 | -3,762 | -1,271 | -5,825 | -3,199 | -8,458 | -8,070 |
| CF from Operations | 7,767 | 8,292 | 13,197 | 15,506 | 14,733 | 27,376 | 29,262 | 41,427 |
| Others | -467 | -224 | -395 | -1,754 | -1,009 | -1,073 | -1,665 | -1,591 |
| CF from Operating incl EO | 7,300 | 8,068 | 12,801 | 13,751 | 13,724 | 26,303 | 27,597 | 39,836 |
| (Inc)/Dec in FA | -9,087 | -13,970 | -17,060 | -20,275 | -23,895 | -22,065 | -24,628 | -28,185 |
| Free Cash Flow | -1,787 | -5,902 | -4,259 | -6,524 | -10,172 | 4,238 | 2,969 | 11,651 |
| (Pur)/Sale of Investments | -247 | 0 | 0 | 7,830 | 10,500 | -1,500 | 404 | 324 |
| Others | 13,970 | 4,386 | -29,505 | 1,345 | 500 | 434 | 1,665 | 1,591 |
| CF from Investments | 4,635 | -9,584 | -46,566 | -11,100 | -12,895 | -23,131 | -22,558 | -26,271 |
| Issue of Shares | 0 | 0 | 41,869 | 0 | 0 | 155 | 0 | 0 |
| Inc/(Dec) in Debt | -10,791 | 2,600 | -6,615 | -1,359 | 0 | 0 | 0 | 0 |
| Interest Paid | -800 | -510 | -682 | -436 | -538 | -674 | -742 | -742 |
| Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | -998 | 0 | -1,255 | -1,533 | -2,572 | -2,707 |
| CF from Fin. Activity | -11,591 | 2,090 | 33,574 | -1,795 | -1,792 | -2,051 | -3,313 | -3,448 |
| Inc/Dec of Cash | 345 | 574 | -190 | 856 | -964 | 1,120 | 1,725 | 10,117 |
| Opening Balance (without bank bal.) | 329 | 674 | 1,249 | 1,059 | 1,915 | 951 | 2,072 | 3,797 |
| Closing Balance | 674 | 1,249 | 1,059 | 1,915 | 951 | 2,072 | 3,797 | 13,914 |
| Other bank balance | 4,928 | 942 | 20 | 12,541 | 2,035 | 12,012 | 12,012 | 12,012 |
| Closing Balance (including bank bal) | 5,602 | 2,191 | 1,079 | 14,456 | 2,986 | 14,083 | 15,809 | 25,926 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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