



Love their low prices, but
can't say the same for their
stock.

* Disclosure - Not invested

**GOOD PRODUCTS
GREAT VALUE**

Analysed by - safalniveshak.com
Date - 31st Aug. 2017

When top guys are Value investors, it shows!

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KEY HIGHLIGHTS FY 2016-17

2nd Largest retailer in India

And the most profitable

₹ **11,881** cr.
Revenue

₹ **995** cr.
Operating Profit

₹ **483** cr.
Profit After Tax

131 stores
in 10 Indian States and 1 Union Territory

21 stores
New Stores Added

4.06 mn sqft
Retail Business Area

FY12 - 1.6 msqft
FY15 - 2.7 msqft

Good Products Great Value

Personal
experience
suggests this
is true

At DMart, we strive to provide customers a unique shopping experience by offering everyday use products at affordable prices. It is our belief that a majority of our consumers prefer getting value-for-money, quality products in a simple and convenient ambience.

We believe our endeavour to facilitate a one-stop destination for our customers' everyday shopping needs, along with our competitive pricing due to our local market knowledge, careful product assortment and supply chain efficiencies, has helped us achieve consistent growth and profitability.

We ensure that all our work processes are aligned towards delivering good products at great value.



CORPORATE OVERVIEW

- STATUTORY REPORTS
- FINANCIAL STATEMENTS
- NOTICE OF THE AGM

Value Investors' Credo

About DMart

OUR BEGINNING



A focus on financial fundamentals, high levels of patience and strong conviction have been the bedrock, on which the Company's values and business direction have been built.

DMart took eight years to start its first ten stores. This wasn't because of dearth of investment opportunities, but more because of his belief in the importance of validating the business model from a perspective of both profitability and scalability. His beginnings at DMart were frugal. For a number of years since inception, DMart's corporate operations were run from a small space, carved out from one of the early stores. He and his early leadership team worked together as one cohesive unit without any hierarchy or barriers.

A focus on financial fundamentals, high levels of patience and strong conviction have been the bedrock, on which the Company's values and business direction have been built.

By the late 1990s, our founder, Mr. Radhakishan Damani was already established as one of the more successful and well known value investors in the Indian equity markets. Through his investing style he had developed a very keen understanding of the Indian consumer sector and its psyche. He was anxious to start a business beyond investing, which would enable him to test his hypothesis about the Indian consumer. After a couple of years of introspection and research he decided to start a grocery retail chain, focusing primarily on the value segment.

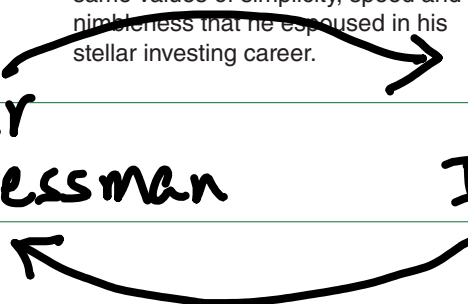
More importantly, from the very beginning he had the foresight to understand and strongly believe that any business needs the right blend of entrepreneurship and professionalism. Entrepreneurship to build and strengthen the concept in its formative years, professionalism to allow a committed team to create, sustain and grow a scalable business model into the future.

Today, DMart continues to focus on this early belief system created during our formative years. We have a great blend of entrepreneurial spirit and high quality execution. We humbly attribute our success to the values and the way of business thinking, that our founder has instilled in us.

DMart, our retail chain, was conceived by him in the year 2000. Mr. Damani imagined the retail business with the same values of simplicity, speed and nimbleness that he espoused in his stellar investing career.

Better Businessman

Better Investor



CORPORATE OVERVIEW

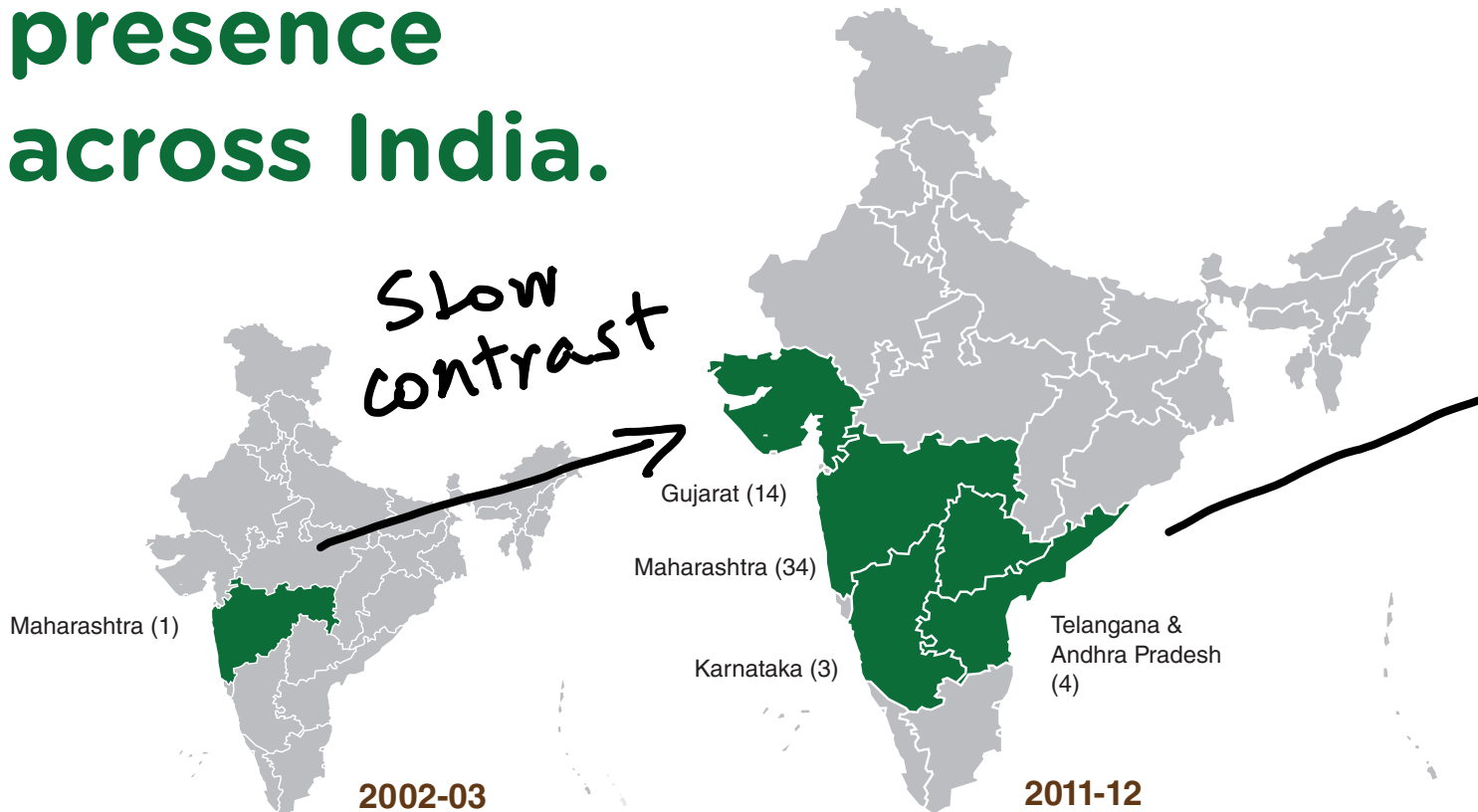
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Presence

DMart has a consistently growing presence across India.

OUR REACH

DMart has a consistently growing presence across India. Today, we have 131 stores in ten states and one union territory. Our larger focus of expansion would be in states where we already have a presence. In FY 2017, we added 21 new stores.

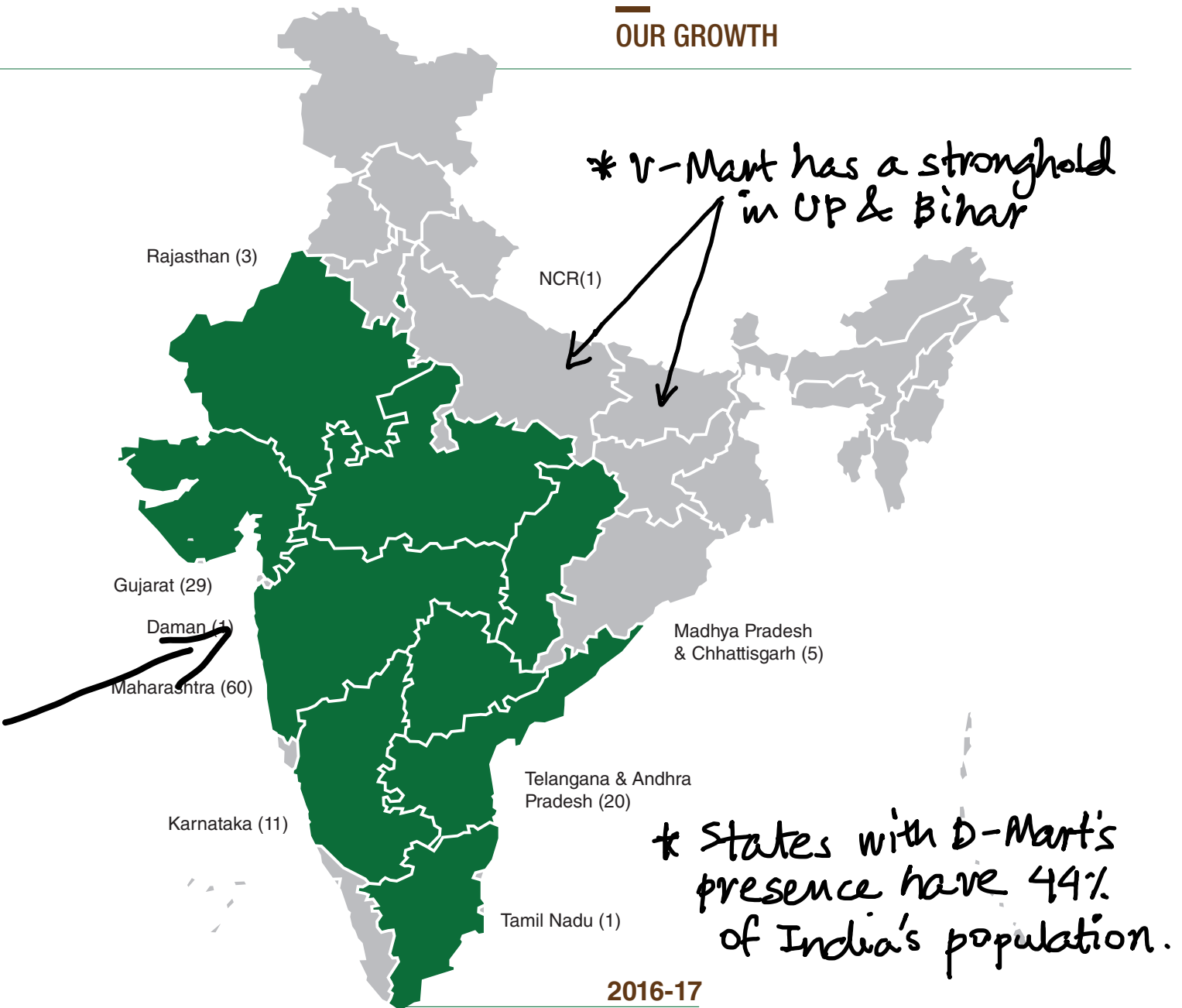
**CUMULATIVE STORES**

Note: Maps not to scale

1 Store

55 Stores

OUR GROWTH



131 Stores

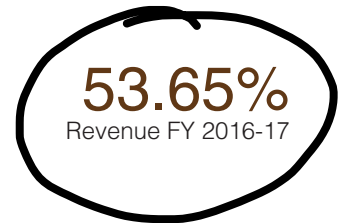
* Sells stuff that form part of basic spending than discretionary spending

THE KEY PRODUCT CATEGORIES CAN BE CLASSIFIED INTO:



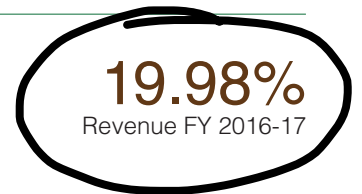
Foods

dairy, staples, groceries, snacks, frozen products, processed foods, beverages & confectionary and fruits & vegetables



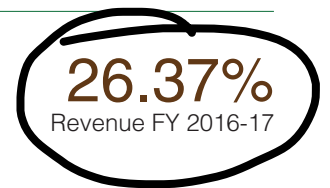
Non-Foods (FMCG)

home care products, personal care products, toiletries and other over the counter products



General Merchandise & Apparel

bed & bath, toys & games, crockery, plastic goods, garments, footwear, utensils and home appliances



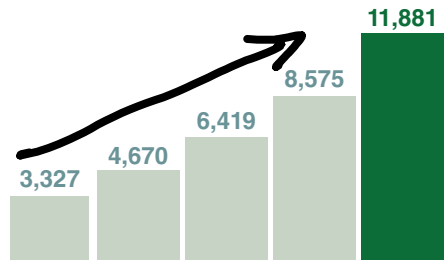
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Key Performance Indicators

* Good overall performance

REVENUE FROM OPERATIONS

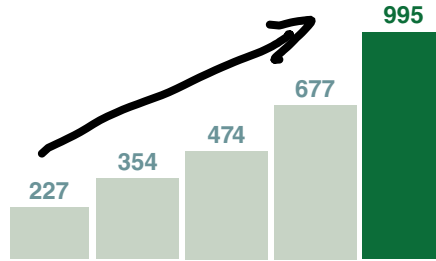
39% Y-o-Y



(in ₹ crores)

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

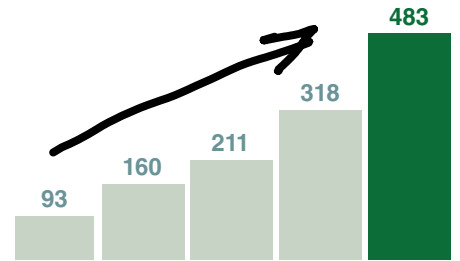
47% Y-o-Y



(in ₹ crores)

PROFIT AFTER TAX (PAT)

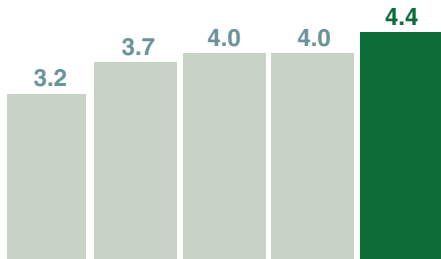
52% Y-o-Y



(in ₹ crores)

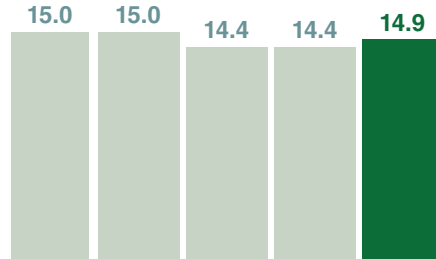
* Grown faster than competitors

FIXED ASSET TURNOVER RATIO



FY12-13 FY13-14 FY14-15 FY15-16 FY16-17

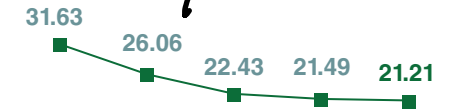
INVENTORY TURNOVER RATIO



FY12-13 FY13-14 FY14-15 FY15-16 FY16-17

LIKE FOR LIKE GROWTH*

* Very imp. no. to analyze retailers



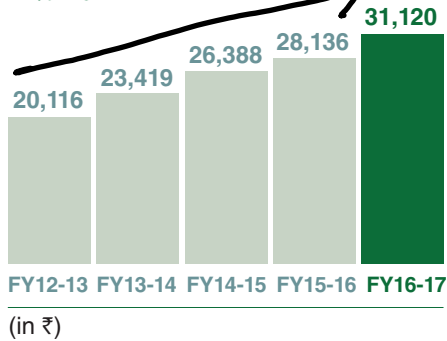
FY12-13 FY13-14 FY14-15 FY15-16 FY16-17

(%) * LFL growth means the growth in revenue from sales of same stores which have been operational for at least 24 months at the end of a Fiscal

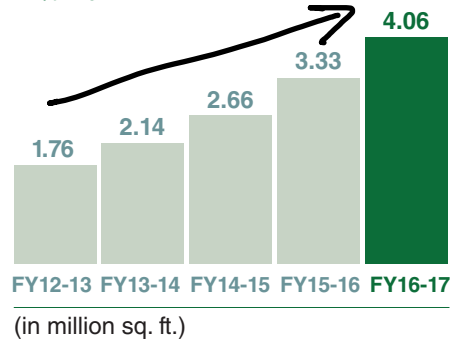
↓
 3x of Shoppers' stop, but good for a value retailer

REVENUE FROM SALES PER RETAIL BUSINESS AREA PER SQ. FT.

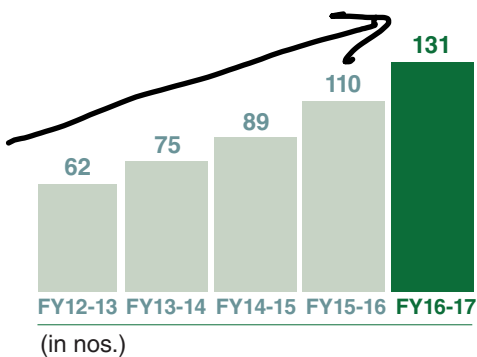
11% Y-o-Y

**RETAIL BUSINESS AREA (AT THE END OF FISCAL)**

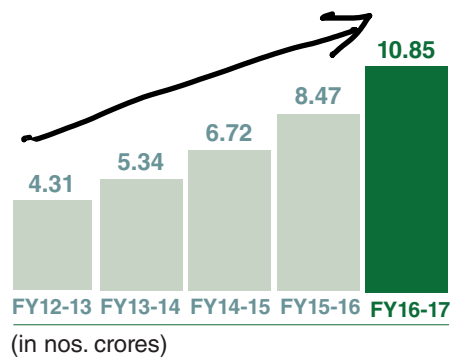
22% Y-o-Y



We have witnessed steady growth across key financial and operating parameters by implementing a distinct store expansion strategy and operating cost efficiencies.

CUMULATIVE NUMBER OF STORES**TOTAL BILL CUTS**

28% Y-o-Y



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Message from the Chairman

Dear Shareholders,

I am pleased to present the Annual Report of your Company for fiscal 2017. The year assumes particular importance in the Company's history as it went public through an Initial Public Offer (IPO), listing on the Stock exchanges successfully. It gives me great pleasure to welcome all our new shareholders to the DMart family. The response to our maiden public issue was heart-warming to say the least. My sincere gratitude for the faith and trust reposed by investors in our Company.

We are at an exciting phase in India's growth journey and organised retail continues to be an attractive sector. At over 7%, India is one of the fastest growing major economies in the world. This coupled with major structural shifts that are underway, point to a long-term opportunity that is of a massive scale. Most macro-economic indicators that measure the health of an economy, continue to be positive in India's context. Major policy measures such as demonetisation and the implementation of GST are likely to formalise the

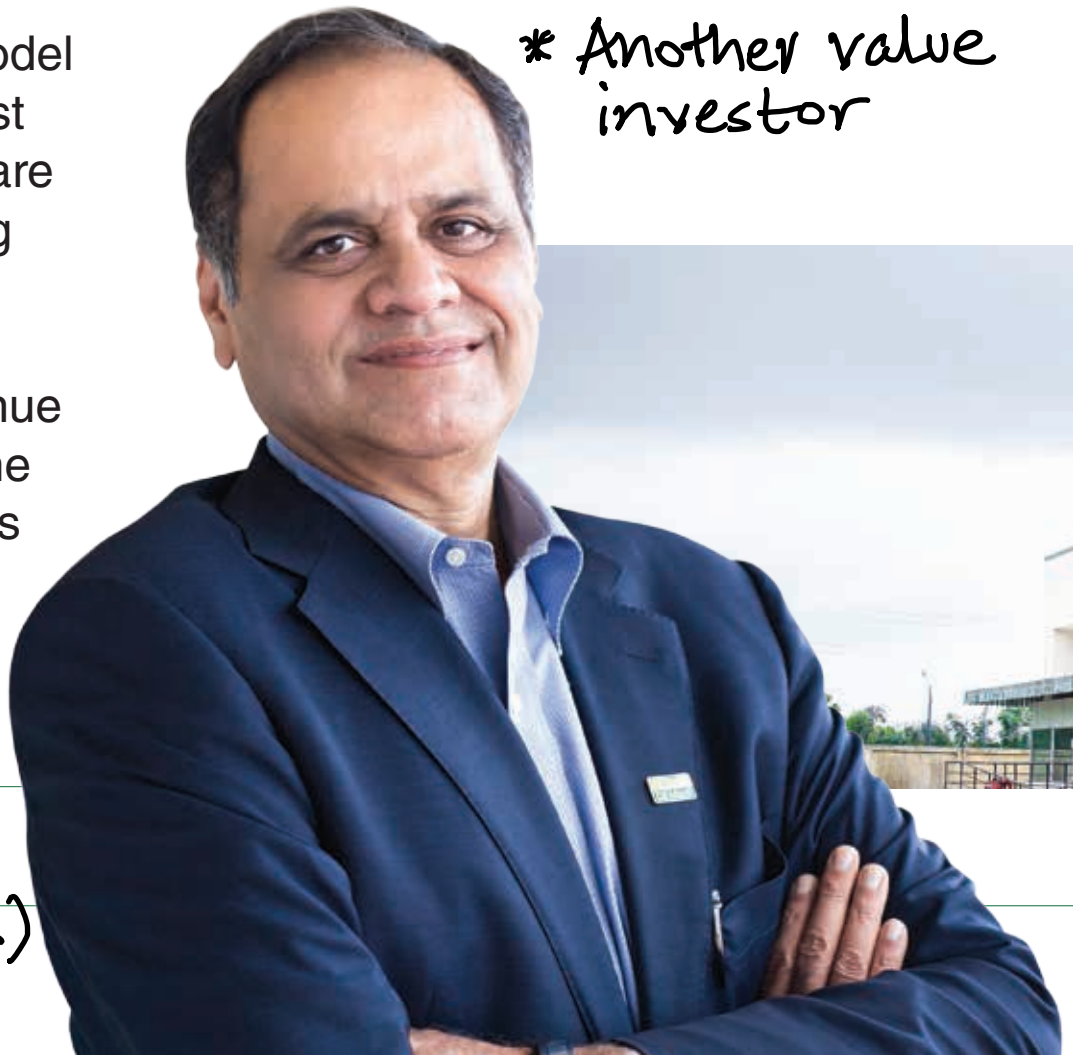
economy even further. Seen together, this points towards brighter days ahead for the retail sector.

Value retail is a tough business. There is intense competition, and a constantly evolving dynamic in the form of market forces and consumer preferences. For nearly 15 years, we have focused on the core needs of our customers, aligned our systems & processes in line with their needs, and delivered steady growth in our revenues and profitability.

Our business model has stood the test of time, and we are focused on doing a few things but doing it well and ensure we continue to be amongst the preferred retailers in India.

* Do Less,
Do well
(Another rule
for investors)

* Another value investor



The retail sector has long hoped for a level playing field. We believe that GST is a good step towards that, and yet, its effect on our business is likely to be neutral. This is because the tax rates have been cut for mass consumption products and hiked for higher-end products.

In India, private consumption constitutes 60% of India's GDP, of which retail is around 50%. Organised Retail was 9% of total retail in FY 2016 and is expected to touch 12% by FY 2020. Our business model has stood the test of time, and we are focused on doing a few things but doing it well and ensure we continue to be amongst the preferred retailers in India. This is our guiding mantra for the business.

We are keen to protect value and hence take a cautious, measured approach towards expansions. Guided by the aspirations of our internal and external stakeholders, we focus on ensuring smooth operations and staying true to our core, which allows us to widen and deepen our customer base. At the same time, we maintain an excellent rapport with our suppliers, ensuring that we source the best quality products at the most competitive prices.

In our business, we consider the community and environment as key stakeholders. Towards this end, we strive to be cleaner and greener. Similarly, our well-focussed CSR initiatives in the education sector ensure impactful results for beneficiaries of the economically marginal communities.

As we continue in our endeavour to aspire to be a respected and responsible enterprise, we commit to being focussed on our core positioning of value-retail and remain accountable to all our stakeholders and society at large. We will constantly pursue to delight and surprise our customers with good products at great value every single day.

I hereby thank all the other Board members, the Senior Management team and our Founder for their help in discharging my duties.

I solicit your continued cooperation in materialising this vision.

Best Regards,
Ramesh Damani
Chairman



We will constantly pursue to delight and surprise our customers with good products and great value every single day.

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Message from the Managing Director & CEO

Dear Shareholders,

Our first DMart store opened in 2002, our 10th store in 2008, our 100th store in 2016 and we are now at 131 stores.

As I reflect on the past at each of these milestones, one singular thought that comes to my mind repeatedly is that tomorrow has larger opportunities and newer challenges than today's achievements. A lot has been achieved and yet, there is so much more to be done. There are very few sectors that gives one such a feeling. Retail sector in India is one such opportunity. The magnanimity and scale of this opportunity continues to keep us awake at night. My team and I are fully aware of this and are striving to build the DMart for tomorrow.

DMart is an outcome of a visionary founder and a simple & passionate leadership team who gets out there to get things done, with enthusiasm and care towards all stakeholders.

I am delighted to share our annual report for 2016-17 – the first one post our IPO. It was another satisfactory and successful year for us at DMart, which saw us grow our presence, revenues, operating profit and net profit. It is yet another validation of our approach towards being a value retailer. These indicators act as motivating factors for our employees, to strive harder and

maintain our identity as a customer-first business. Year-after-year, we have stayed on the path of providing value through good products at great value, in a functional and convenient environment.

Our challenge and opportunity is to retain the same level of commitment and relevance among our employees, suppliers and partners to ensure we remain rooted to our core philosophy of value retailing. We also aspire to play an active and responsible role towards our environment and society. Our on-going expansion and growth initiatives will be underpinned by our values & philosophy of prudence and entrepreneurship, as we carve out a larger footprint for our business.

Our employees are the torchbearers of our success and crucial stakeholders in our growth. The organisation strives to ensure a motivated team through initiatives such as employee engagements, employee satisfaction surveys and deploying appropriate competency framework models. These measures help us keep productivity and employee morale high. These initiatives also help us map capabilities in employees to the right roles and also build a talent pool for the future. We strongly believe that spending disproportionate time and efforts to

up-skill and enhance competencies of existing employees brings significant tangible and intangible long-term benefits to the organisation.

At DMart, we recognise the local community and society at large as an integral part of our corporate citizenship. Driven by our value systems, we strive to inculcate a socially responsible corporate culture to address social and environmental challenges in the areas we operate. As a proactive measure, we are attempting to have most of our new stores endorsed under the Green Building Certification by IGBC (Indian Green Building Council). We constantly endeavour to use energy efficient construction materials and techniques that help us reduce our carbon footprint in our day-to-day operations.

Our social transformation initiatives focus on better quality of education in public schools of Mumbai. We have helped create modern infrastructure and better learning systems, positively impacting the lives of over 50,000 children.

As we garner more footfalls to our stores, we look to further build scale and thus benefit from the resulting economics. Through our 'Every Day Low Cost / Every Day Low Price' strategy,

As we garner more footfalls in our stores, we look to build further scale and thus benefit from the resulting economics.

* Key reason for good growth in a price conscious mkt. Like India



↓

We always focus on achieving higher volumes in our business and at the same time, keep our procurement and operating costs low. This has helped in offering our customers lower prices consistently. Our business model is thus based on the concept of offering higher value-for money, through our 'Every Day Low Cost / Every Day Low Price' credo.

Over the years, this credo has created an obvious win-win for our customers and other stakeholders. We try harder each day, offering customers more than just delight. We positively surprise them with a pattern of constant and new discounts on a regular basis. At the same time, we are focused on expansion to leverage a better buying power and economies of scale, that allow us to retain margins while offering fantastic prices.

In our journey of good products at great value, we are encouraged by our customers. Through our interactions and engagements, we learn more about them, and their needs. This enables us to serve them better, and in turn, widen and deepen our loyal customer base.

At DMart, the concept of value is all-encompassing. It pervades our organisation and is a central theme of all that we stand for.

Our Credo: Every Day Low Cost / Every Day Low Price

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Standalone Balance Sheet (Looks Clean)

* Just a glance of the B/s tells it's a good business

		Note	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
(₹ in Lakhs)					
I ASSETS					
1 Non-current assets					
(a)	Property, plant and equipment	2	251,518.06	206,126.63	150,567.40
(b)	Capital work - in - progress		15,289.36	8,168.70	9,159.04
(c)	Other intangible assets	3	635.08	417.68	399.21
(d)	Investment properties	4	2,737.16	1,365.09	1,455.65
(e)	Investments in subsidiaries and associate	5	3,661.74	1,599.61	210.00
(f) Financial assets					
(i)	Other financial assets	6	4,535.48	2,876.00	2,070.44
(g)	Current tax assets (net)		5.74	173.16	265.15
(h)	Other non - current assets	7	5,021.53	8,432.86	6,420.51
2 Current assets					
(a)	Inventories		93,315.99	66,020.05	52,991.67
(b) Financial assets					
(i)	Trade receivables	9	2,099.79	837.74	707.26
(ii)	Cash and cash equivalents	10	3,025.92	3,197.36	3,526.95
(iii)	Bank Balances other than cash and cash equivalents		185,105.42	61.33	59.28
(iv)	Loans	12	105.13	93.41	82.01
(v)	Other financial assets	13	7,375.90	4,006.68	2,866.17
(c)	Other current assets	14	5,782.99	4,777.00	4,047.17
Total Assets			580,215.29	308,153.30	234,827.91
II EQUITY AND LIABILITIES					
1 Equity					
(a)	Equity share capital	15	62,408.45	56,154.27	56,154.27
(b)	Other equity		321,297.88	95,032.21	63,213.15
2 Liabilities					
Non-current liabilities					
(a) Financial liabilities					
(i)	Borrowings		98,092.44	90,846.87	71,377.52
(ii)	Other non - current liabilities	17	138.35	1,805.68	1,844.71
(b)	Deferred tax liabilities (net)	18	5,174.50	4,009.30	3,060.31
Current liabilities					
(a) Financial liabilities					
(i)	Borrowings	19	12,266.04	11,349.11	2,693.57
(ii)	Trade payables	20	26,675.52	20,046.96	13,703.94
(iii)	Other financial liabilities	21	49,283.28	25,352.15	19,548.01
(b)	Short term provisions	22	816.43	537.64	415.60
(c)	Liability for current tax (Net)		841.77	1,082.15	1,324.94
(d)	Other current liabilities	23	3,220.63	1,936.96	1,491.89
Total Equity and Liabilities			580,215.29	308,153.30	234,827.91

General Information & Significant Accounting Policies

1

The accompanying notes are an integral part of these financial statements

As per our report of even date

For Dalal & Shah LLP

Firm Registration Number 102021W/ WIP/0118

Chartered Accountants

S. Venkatesh

Partner

Membership No.037942

* Stable Cash Conversion cycle (21 days)
 * Good inventory management
 * Leverage to come down
 * ROE ~ 18% ; ROA ~ 11%

For and on behalf of Board of Directors

Ignatius Navil Noronha

Managing Director

Ramakant Baheti

Chief Financial Officer and Executive Director

Ashu Gupta
 Company Secretary

Statement of Standalone Profit and Loss

	Note	Year ended 31 st March, 2017	(₹ in Lakhs) Year ended 31 st March, 2016
INCOME			
Revenue from Operations	24	1,188,111.90	857,517.64
Other Income	25	3,128.86	2,005.02
		1,191,240.76	859,522.66
EXPENSES			
Purchase of Stock-in-trade		1,036,895.42	744,417.23
Change in Inventory of Stock-in-trade	26	(27,295.94)	(13,028.38)
Employment Benefit Expense	27	18,947.32	14,621.88
Finance Costs	28	12,180.39	9,123.45
Depreciation and Amortisation Expense	29	12,602.09	9,709.64
Other Expenses	30	63,200.21	45,843.67
		1,116,529.49	810,687.49
Profit before tax		74,711.27	48,835.17
Tax Expense			
Current tax	31	25,124.37	16,081.81
Deferred tax charge/(credit)		1,165.20	948.99
Tax in respect of earlier years		157.85	13.21
Profit for the year		48,263.85	31,791.16
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit plans	45	119.65	42.67
Less : Income tax relating to above		(41.41)	(14.77)
Total Comprehensive Income for the year		48,342.09	31,819.06
Earnings per equity share of ₹ 10 each: (in ₹)			
Basic		8.56	5.66
Diluted		8.55	5.66

The accompanying notes are an integral part of these financial statements

As per our report of even date

For Dalal & Shah LLP
Firm Registration Number 102021W/ W100110
Chartered Accountants

S. Venkatesh
Partner
Membership No.037942

For and on behalf of Board of Directors

Ignatius Navil Noronha
Managing Director

Ramakant Baheti
Chief Financial Officer and Executive Director

Ashu Gupta
Company Secretary

Thane, 6th May, 2017

Thane, 6th May, 2017

Statement of Standalone Cash Flows

* This looks clean too. CF is the most important statement to analyze. They can fake 'profits', but rarely 'cash'.

	Year ended 31 st March, 2017	Year ended 31 st March, 2016
(₹ in Lakhs)		
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax	74,711.27	48,835.17
Adjustments for:		
Depreciation and amortization expenses	12,602.09	9,709.64
Finance cost	12,180.39	9,123.45
Dividend income	(1.90)	-
Interest income	(721.68)	(256.25)
Profit on sale of investments	(755.56)	(251.75)
Remeasurements of net defined benefit plans	119.65	42.67
Expense on Employee Stock Option Scheme	114.27	-
Rent Income	(1,614.00)	(1,399.22)
(Profit)/ loss on sale of fixed assets (net)	84.81	78.11
	22,008.07	17,046.65
Operating profit before working capital changes	96,719.34	65,881.82
Adjustments for:		
Increase/(decrease) in trade payables	6,628.56	6,343.02
Increase/(decrease) in provisions	278.79	122.04
Increase/(decrease) in other current financial liabilities	1,444.56	1,915.44
Increase/(decrease) in other current liabilities	1,283.67	445.07
Increase/(decrease) in other non current Liabilities	(1,667.33)	(39.03)
(Increase)/decrease in trade receivables	(1,262.05)	(130.48)
(Increase)/decrease in inventories <i>(More stores = More inventory)</i>	(27,295.94)	(13,028.38)
(Increase)/decrease in other non current financial assets	(1,659.48)	(805.56)
(Increase)/decrease in Bank Balances other than cash and cash equivalents	(3.98)	(2.05)
(Increase)/decrease in current loans	(11.72)	(11.40)
(Increase)/decrease in other current assets	(1,005.99)	(729.83)
(Increase)/decrease in other current financial assets	(3,169.67)	(1,174.49)
	(26,440.58)	(7,095.65)
Cash (used in) / from operations	70,278.76	58,786.17
Direct taxes paid (net of refunds)	25,396.59	16,260.59
Net cash (used in) / from operations	44,882.17	42,525.58
CASH FLOW FROM INVESTING ACTIVITIES:		
Add: Inflows from investing activities		
Sale proceeds of property, plant and equipment	963.59	199.08
Interest Income	522.13	290.23
Dividend received from others	1.90	-
Profit on sale of investments	755.56	251.75
Rent Income Received	1,614.00	1,399.22
	3,857.18	2,140.28
Less: Outflows from investing activities		
Purchase of property, plant and equipment/ intangible assets/investment properties	(64,218.15)	(63,250.16)
IPO Proceeds in Bank, Pending Utilisation	(185,040.11)	-
Investment in associate	(2,062.13)	(1,389.61)
	(251,320.39)	(64,639.77)
Net cash (used in) / from investing activities	(247,463.21)	(62,499.49)

(Almost same as net profit, which is good) ←

Statement of Standalone Cash Flows

	Year ended 31 st March, 2017	(₹ in Lakhs) Year ended 31 st March, 2016
CASH FLOW FROM FINANCING ACTIVITIES:		
Add: Inflows from financing activities		
Proceeds from issue of shares (net of IPO Expenses)	184,061.55	-
Proceeds from long term borrowings	20,000.00	-
Proceeds from Non convertible debentures	25,000.00	35,000.00
Proceeds from Commercial papers	-	5,000.00
Proceeds of short term borrowings (net)	5,916.93	3,655.54
	234,978.48	43,655.54
Less: Outflows from financing activities		
Repayment of long term borrowings	(15,530.65)	(14,680.12)
Repayment of commercial papers	(5,000.00)	-
Interest paid	(12,018.66)	(9,327.34)
	(32,549.31)	(24,007.46)
Cash (used in) / from financing activities	202,429.17	19,648.08
Net Increase/(Decrease) In Cash And Bank Balances	(151.87)	(325.83)
Cash and cash equivalents at beginning of the year	3,177.60	3,503.43
Cash and cash equivalents at end of the year	3,025.73	3,177.60
Cash and cash equivalents as per above Comprises of the following		
Cash and cash equivalents (Refer Note : 10)	3,025.92	3,197.36
Bank Overdrawn (Refer Note : 21)	0.19	19.76
Balance as per Statement of cash flows	3,025.73	3,177.60

The accompanying notes are an integral part of these financial statements

Notes:

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

The accompanying notes are an integral part of these financial statements

As per our report of even date

For **Dalal & Shah LLP**
Firm Registration Number 102021W/ W100110
Chartered Accountants

S. Venkatesh
Partner
Membership No.037942

For and on behalf of Board of Directors

Ignatius Navil Noronha
Managing Director

Ramakant Baheti
Chief Financial Officer and Executive Director

Ashu Gupta
Company Secretary

Thane, 6th May, 2017

Thane, 6th May, 2017

* Disclosure - Not invested.
SEBI registered Research Analyst
(Regn. No. - INH000000578)

Notes

- * Overall, a clean fast-growing business led by people who understand the essence of long term compounding.
- * Focus on value retailing has helped growth over the years. Business efficiency, esp. working capital management has been good.
- * Continued growth in same store sales is a boost for continued expansion.
- * A business that doesn't lead to a lot of difficult questions for the analyst, except on the valuations front.
- * Business has long runway for growth, and also has capacity to suffer.
- * Key risks — Competition from other value retailers, online retailers... though value retailing and spending on discretionary items in India is still an offline story.

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Analysed by - safalniveshak.com
Date - 31st August 2017

* Note on Valuations -

D-Mart - P/E - 122x ; ROE - 18%.

V-Mart - P/E - 48x ; ROE - 13%.

Wal-Mart - P/E - 18x ; ROE - 17%.

* Wal-Mart in 1988 when Warren Buffett skipped buying it -

P/E - 30x (WB wanted to pay max. 21x)

ROE - 28%.

Net margin - 4% (same as D-Mart now)

Opportunity lost by WB \sim 35x in 30 years



* If you look this way, you may want to buy D-Mart at any price now and wait for next 30 years

* BUT... how does one justify paying 120x for a business in an industry that has undergone a massive change since 1980s?

* Of course, Looking at the crowd at D-Mart's stores even on weekdays... and also assuming that we're 30 years behind the western world... and that consumption is only going to go up in the future, the business and potential looks good. But that's also what the consensus says... and thus $120 \times P/E$.

But as Buffett says - "You pay a very high price in the stock market for a cheery consensus."

* In short, D-Mart is like that beautiful lady every man would aspire to marry, but is always in a dilemma given that he also realizes that he may not be able to afford her. In investing, these are the most difficult decisions to make... or not make. And then, one must be ready & happy to live with the decision and the outcome.

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