$$\underline{WACC}$$

Ke          (Kd)

$$= \underline{Rf} + (Rm - Rf)Beta.$$

(Risk Averse)

$$Ke = Rf + (Rm - Rf) \, Beta$$

$6\%$

$14\% - 6\%$
$+ 8\% = 14\%$

$6 + (8\%) \times 1.2$
$6 + 9.6 = 15.6\%$

Beta.

Regression → Statistical

Bottom up Beta. → Relative

$(y)$ <span style="color:red">Avenue Supermart</span> = <span style="color:red">Return</span>$_A$

$(v)$ <span style="color:red">Nifty Returns</span> = <span style="color:red">Return</span>$_N$

$$y = (a) + (b \, v)$$
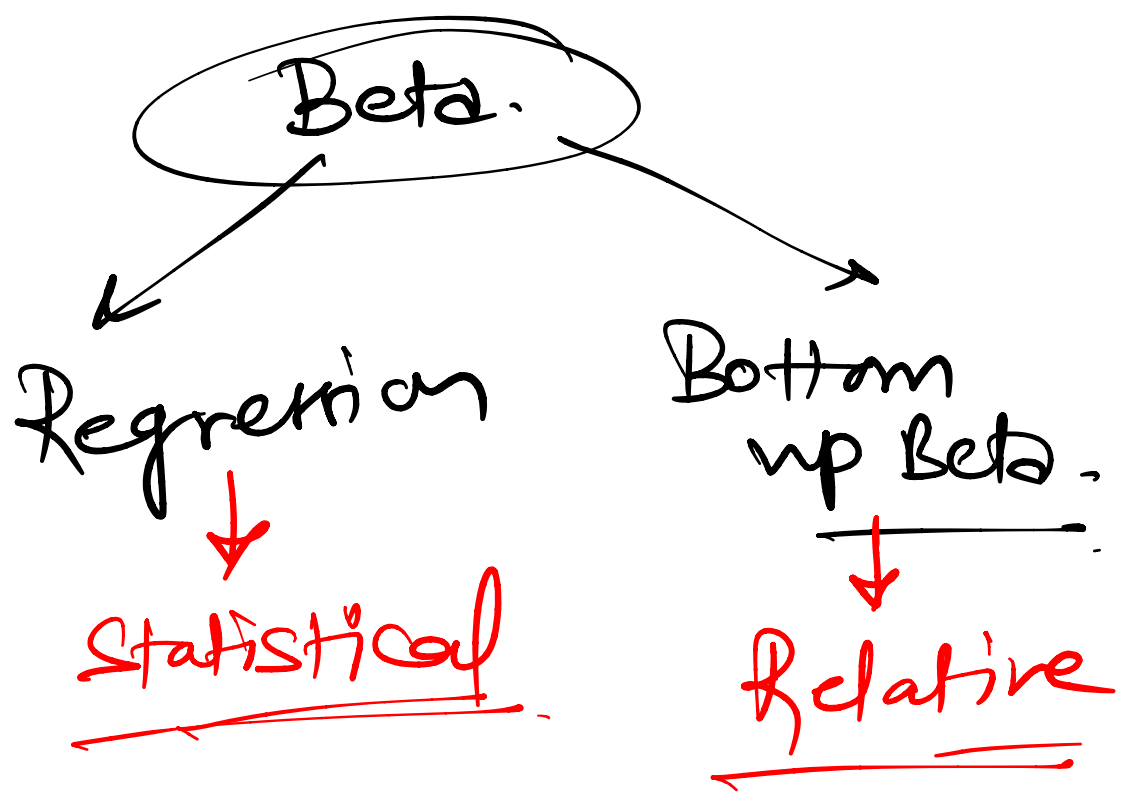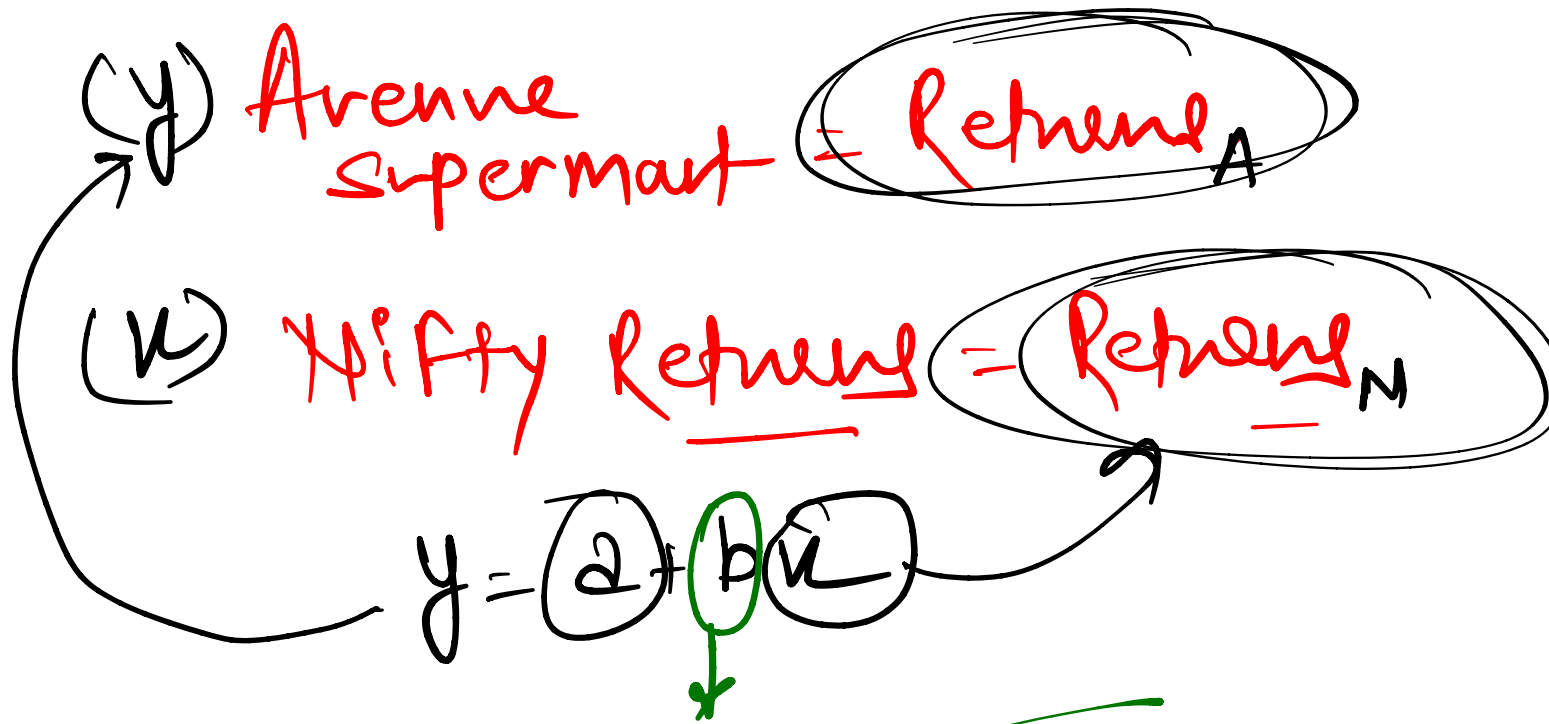
<span style="color:green">slope = Beta</span>

# Regression
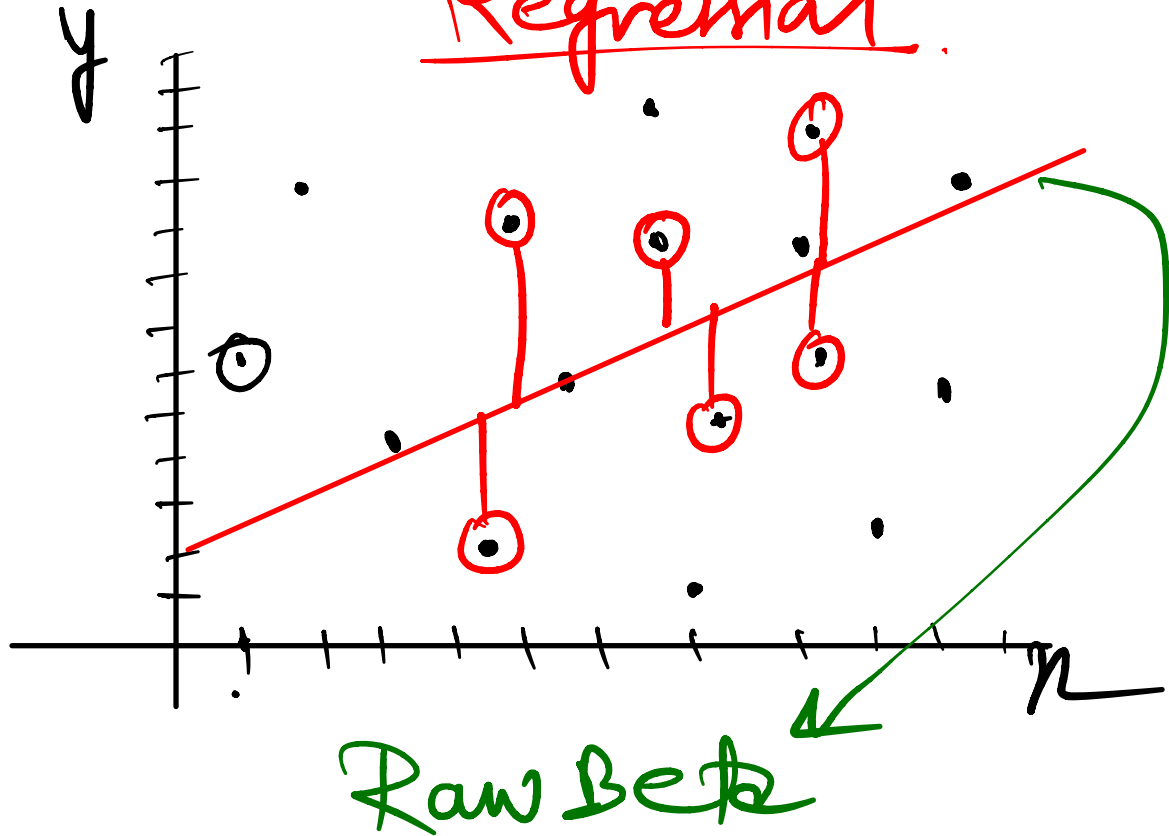


Raw Beta
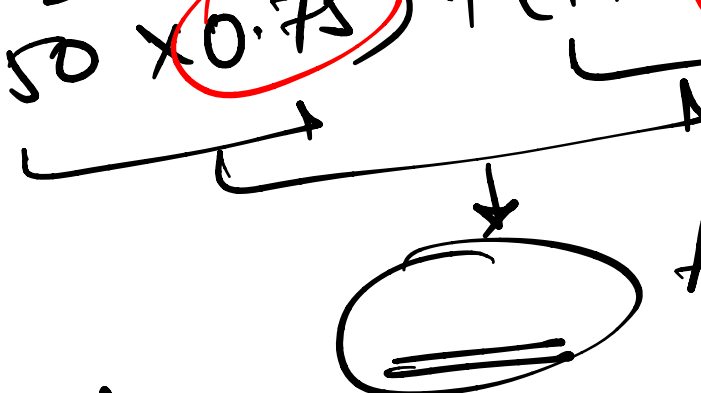
# Mean Reversion.

## Adjusted Beta.



1.2

0.8

$\overline{x}$

(1)
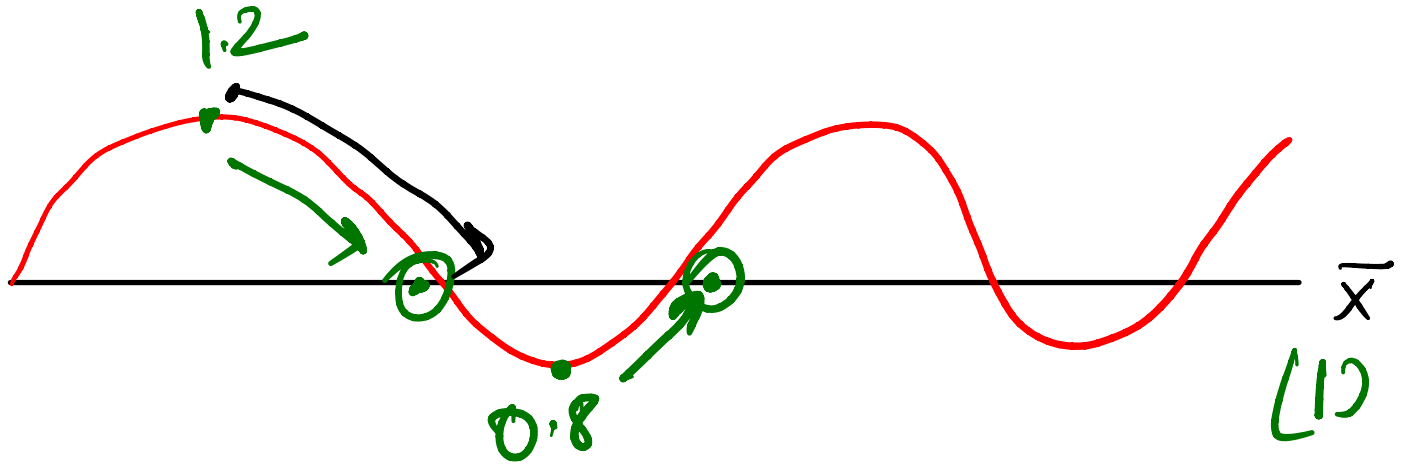
Beta Drifting

# Beta drifting.

Raw Beta
$$(1.50 \times 0.75) + (1 \times 0.25)$$

Adjusted

Raw Beta
$$(0.8 \times 0.75) + (1 \times 0.25)$$

Adjusted

Rm = Return on market

Price Return 12% CAGR

O———————— NIFTY (12%) CAGR ————10

NIFTY ETF $= 12 + x + K_2$   Buy back yield

Dividend Yield