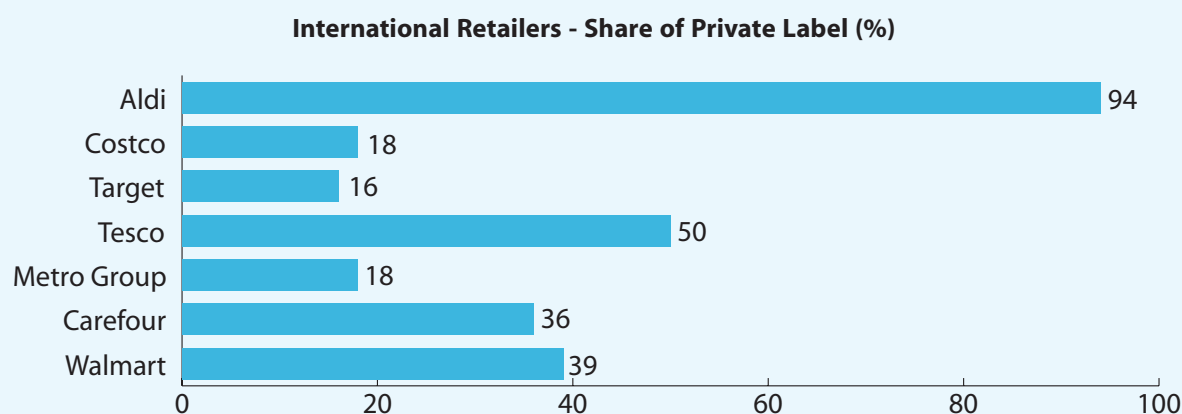


Consistent with commentary in the previous report, the plan and key initiatives in respect of the Star Bazaar format include:

- The intent is to scale up the number of stores in the country to about 50 over the medium term.
- Large box format - as with the existing store portfolio, the intent in the medium term is to continue to focus on rollout of greater than fifty thousand square feet Star Bazaar stores, especially given the need to contain per square foot rentals.
- Local sourcing and consumer catchment - establishing robust regional sourcing arrangements is seen to be inevitable in-order to service a chain of large hypermarkets in a profitable manner. Also, primarily from a traffic and consumer behavior perspective, we do not see 'outside city limits' stores being sustainable and hence the intent is to continue to focus on the immediate hinterland of a proposed store and the catchment it affords.
- Emphasis in Star Bazaar to be on Food as well as Non-Food merchandize - this from a gross margin as well as from range availability perspective for the customer.
- Own label offerings - over time as the branding of the stores get entrenched, emphasis would be on increasing the contribution of 'own label' offerings across categories, as we do not see undue resistance from customers in respect of value offerings and this again should contribute to making the business more economically sustainable. This emphasis is also consistent with the estimated share of private label merchandize seen in the case of entrenched international retailers as summarized in the following chart.



Source: Analyst/ media reports (approx. estimates)

As observed earlier, though the Star Bazaar business is still a mid-sized operation, the results have broadly been in line with expectations and mostly encouraging - with existing stores reporting strong same store sales growth in recent quarters, the economic backdrop in the first half of FY09-10 notwithstanding. We see increasing visibility of scaling up this operation into a consequential and eventually profitable business over the next few years, aided by the strategies being pursued and the expertise accessed from Tesco through the franchise and wholesale supply arrangements. However, in the interim this business warrants significant investment of capital and is expected to take 2 to 3 years before the shared services & central costs get covered by the contribution generated from stores.