

Avenue Supermarts Ltd : Very Good Issue

IPO Note : Company is among the largest and the most profitable F&G retailer in India

: Ranking****



Issue details

Price band (Rs)	Rs.290-299
IPO Opening Date	08/03/17
IPO Closing Date	10/03/17
Issue Size	Rs. 1870 Cr.

Recommendation

Total revenue grew at a **CAGR of 36.99%** from Rs.3340.85 Cr for the FY 2013 to Rs.8588.11 Cr for FY 2016 and Net Profit grew at a **CAGR of 50.32%** in the same period. For the nine months ended on 30.12.16, it has earned restated net profit of Rs.387.47 cr. on a turnover of Rs. 8803.22 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.624.08 crore then **asking price Rs.299 is at a P/E of 36+**. As per RHP, There are listed peer like Future Retail and Trent Ltd. The stocks of the Future Retail and Trent are trading at a PE of 37 and 80 respectively. We recommend to invest for listing gain as well as long term gain.

Highlights

- Avenue Supermarts Limited is supermarket chain D-Mart. Company is among the largest and the most profitable F&G retailer in India
- Company has 112 stores located across 41 cities in India
- As of January 31, 2017, company has 22 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.
- Company's topline and bottmeline grew at CAGR of 37% and 50% respectively.
- It has debt equity ratio is 0.78.

Company Introduction

Incorporated in 2002, Avenue Supermarts Limited is Mumbai based supermarket chain D-Mart. Company is among the largest and the most profitable F&G retailer in India. Comppany offer a wide range of products with a focus on the Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories. Company has 112 stores located across 41 cities in India. Company operate and manage all its stores. Company also operate distribution centres and packing centres which form the backbone of the supply chain to support its retail store network. Company has 21 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.

The company operate predominantly on an ownership model (including long-term lease arrangements, where lease period is more than 30 years and the building is owned by us) rather than on a rental model. It open new stores using a cluster approach on the basis of adjacencies and focusing on an efficient supply chain, targeting densely-populated residential areas with a majority of lower-middle, middle and aspiring upper-middle class consumers. It operate distribution centres and packing centres which form the backbone of our supply chain to support retail store network. As of January 31, 2017, the company has



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Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2016	FY2016	FY2015	FY2014
Total Income	8803.22	8606.1	6457.69	4702.32
Net Profit	387.47	318.76	211.67	93.85
EPS (Rs)	6.2*	5.1	3.39	1.5

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

22 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.

State wise Revenue

For Fiscal 2016, Maharashtra contributed a majority of Revenue from Sales (62.57%) followed by Gujarat (18.83%), Telangana (10.15%), Karnataka (6.14%) Andhra Pradesh (1.03%), Madhya Pradesh (0.85%) and Chhattisgarh (0.43%).

Company Promoters:

Radhakishan S. Damani, Gopikishan S. Damani, Shrikantadevi R. Damani, Kirandevi G. Damani, Bright Star, Royal Palm Trust, Bottle Palm Trust, Mountain Glory Trust, Gulmohar Trust and Karnikar Trust

The object of the issue

- Repayment or prepayment of a portion of loans and redemption or earlier redemption of NCDs availed by the Company
- Construction and purchase of fit outs for new stores
- General corporate purposes.

IPO Issue Proceed

To part finance its plans of repayment/prepayment of loans, redemption/early redemption of NCDs, construction and purchase of fit out for new stores and corpus fund needs, the company is coming out with a maiden IPO of 62541806 equity shares of Rs. 10 each (based on upper price band) with a price band of Rs. 290-299 via book building route to mobilize Rs. 1870 crore based on upper price band. Issue opens for subscription on 08.03.17 and will close on 10.03.17. Minimum application is to be made for 50 shares and in multiples thereon, thereafter.

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