



Avenue Supermarts Limited

About the company

Incorporated in 2002, Avenue Supermarts Limited (ASL) is a Mumbai based supermarket chain under the name of D-Mart. The company is among the largest and the most profitable F&G retailers in India. It offers a wide range of products with a focus on the Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories. The company has 118 stores with total retail business area of 3.59 mn sq. ft in 45 cities spread across 9 states and 1 Union Territory in India. It also operates distribution centres and packing centres which form the backbone of the supply chain to support its retail store network. The company has 21 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.

Issue Details

Issue Opens	8 Mar'17
Issue Closes	10 Mar'17
Issue Size (Rs Cr.)	1,870
Face Value	10
No. of Shares Offered	62,393,631
Price Band(Rs)	295 - 299
Market Lot	50
Listing	NSE,BSE

Financial Highlights

Y/E March (Rs in Cr)	FY2014	FY2015	FY2016
Total Revenue	4699	6454	8599
Net Profit	161	212	321
OPM (%)	7.3	7.1	7.7
P/E (x)	104	79	53

Peer Comparison (based on annualised EPS for 9MFY17)

Particulars	Shoppers Stop Ltd	Future Retail	Trent Limited	ASL
Price Earning Ratio	125	38	75	32

Investment rationale

- The Indian Retail industry is valued at US\$616bn and is mainly dominated by the unorganized sector (accounting for 91% share). Industry reports indicate that the retail sector is expected to grow at a CAGR of approximately 12% over FY2016-20E to approximately US\$960bn, within which, the organized segment is expected to grow at a faster pace than the unorganized segment. The share of organized players is expected to improve from 9% to 12% in FY2020E, thus benefitting organised players like D-Mart.
- ASL has increased its store count from 45 in FY2011 to 118 in 9MFY2017 with total retail business area of approximately 3.9mn sq. ft in 45 cities. Further, the company has plans to increase total retail space by 2.1mn sq. ft by 2020, which will support its growth.



- In the modern retail, Food & Grocery (F&G) has lower penetration compared to other categories like apparel & accessories, footwear, jewellery & watches, consumer electronics, etc. Going forward, the penetration in this category is expected to improve, which will benefit the organized players like D-Mart.
- ASL has reported revenue CAGR of approximately 40% over FY2012-16 on the back of same store growth and expansion of its business by adding new stores. On the bottom-line front, the company has reported CAGR of approx 52% over FY2012-16 due to good business and gradual improvement in the operating margins. Return on equity has also improved from 9% in FY2012 to 32% in FY2016.

Risks

- Increase in penetration of e commerce in retails could affect the company's profitability
- Due to low entry barrier in business, the company could face increased competition which would affect company's profitability.

Outlook

The issue is available at the pre-issue P/E of 32x based on annualised 9MFY2017 earnings, which is lower compared to P/E multiple of its peers. Promoter's strong background, strategically located stores, intense focus on maintaining lower costs and strong brand perception are the compelling factors for the company. Investor can subscribe for the issue for listing gains as well for medium to long term investment.

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