

AVENUE SUPERMARTS LTD (DMART)

Issue Details	
Issue Opens	08-Mar-17
Issue Closes	10-Mar-17
Issue Size (Rs. Crore)	1865.57
Face value (per equity share)	10
Price Band (Rs.)	295- 299
Lot Size (No of Share)	50
No of Shares on Offer (crore)	6.23
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	21-Mar-17

Issue Date: 08th Mar – 10th Mar 2017
Price Band (Rs.) : 295 - 299
Lot Size (No. of Share) : 50
Company Background

Incorporated in 2002, Avenue Supermarts Limited is Mumbai based supermarket chain *D-Mart* owned by top notch stock market investor Radhakishan Damani. D-Mart is an emerging national supermarket chain, with a focus on value-retailing. Company is among the largest and the most profitable F&G retailer in India. It offers a wide range of products with a focus on the Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	31,002	23,548	18,076	14,921	11,909
Total Revenue	86,061	64,577	47,023	33,551	22,224
Profit After Tax	3,212	2,117	1,614	939	604

Concerns

- Increase in competition may adversely affect our business and financial condition.

- Unable to continue to offer daily low prices.

- Inability to maintain optimal level of inventory in stores.

- Inability to promptly identify changing consumer preferences.

Strengths

- Value retailing to a well defined target consumer base.

- Expansion with store acquisition strategy and ownership model.

- Strong promoter background and an experienced and entrepreneurial management team.

- Strong track record of growth and profitability.

- High operating efficiency and lean cost structures through stringent inventory management using IT systems.

Our View

On the higher price band of Rs.299 and on FY16 EPS of Rs.5.68, P/E ratio works out to 56x. Similarly, on the last 3 years EPS of Rs.4.61, P/E Ratio works out to be 69x. Means company is asking the upper band of issue price of Rs.299 for a P/E Ratio between 56x and 69x. Its peer Future Retail is trading at P/E ratio of 240 and Trent limited trading at P/E ratio of 123.83. Hence DMart IPO higher price band of Rs299 is reasonably priced.

Company revenues grew at 40% CAGR in last 5 years. It generated profits of 3.7% in FY16. Dmart IPO price is reasonably priced. Dmart Brand is buzzing now in the stock market. Investors may consider short to long term investment.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	91.36	82.20
Public (incl institutions and employees)	8.64	17.80
Total	100.0	100.0

Objects of the Issue

The net proceeds of the IPO are proposed to be used as set forth below:

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