

The Company is an emerging national supermarket chain, with a focus on value-retailing. According to Technopak, in Fiscal 2016 the Company was one of 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. It opened our first store in Mumbai, Maharashtra in 2002. As of September 15, 2016, we had 112 stores with Retail Business Area of 3.40 million sq.ft, located across 41 cities in Maharashtra (58), Gujarat (26), Telangana (13), Karnataka (7), Andhra Pradesh (3), Madhya Pradesh (3), Chhattisgarh (1) and NCR (1). At the end of Fiscals 2014, 2015 and 2016, it had 75, 89 and 110 stores with Retail Business Area of 2.14 million sq. ft., 2.66 million sq. ft. and 3.33 million sq. ft., respectively. It plans to deepen the store network in southern and western India and gradually expand its network in other parts of India pursuant to its cluster-focused expansion strategy.

### Issue Snapshot

<b>Issue Open</b>	08 March,2017
<b>Issue Close</b>	10 March,2017
<b>Issue Type</b>	Book Building Issue
<b>Price Band</b>	290-299
<b>Issue Size</b>	1870 cr (approx)
<b>Minimum Application</b>	50 share (Rs 14950)
<b>Listing</b>	NSE & BSE
<b>Face Value</b>	10/- per share
<b>QIBs</b>	50% of Net Issue
<b>Non Institutional</b>	15% of Net Issue
<b>Retail</b>	35% of Net Issue

### Key Ratio

Particular	FY 16	FY15	FY14
EPS	5.67	3.76	2.91
BVPS	26.92	21.24	17.47
RONW	21.04%	17.78%	16.85%
Debt Equity Ratio	0.6	0.61	0.5
Current Ratio	1.17	1.61	1.37
PE Ratio*	52.73	79.52	102.74

**\*PE Ratio has been calculated on basis of Upper band issue price**

### 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

### Investment Rationale

- Value retailing to a well defined target consumer base
- Deep knowledge and understanding of optimal product assortment and strong supplier network enabling procurement at predictable and competitive pricing, leading to an overall efficient cycle
- High operating efficiency and lean cost structures through stringent inventory management using IT systems
- Strong track record of growth and profitability
- It operates and manages all its stores. It operates predominantly on an ownership model (including long-term lease arrangements, where lease period is more than 30 years and the building is owned by it) rather than on a rental model.
- It opens 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.

### Peer Comparison (Rs in Cr)

Particulars	Avenue Super Mart	Future Retails	Trent Ltd
Total Income	8599 cr	6844 cr	2397 cr
EBITDA	678.4 cr	85.55 cr	136 cr
PAT	318.19 cr	14.55 cr	65 cr
Face Value	10	2	10
Net Worth	1511.8 cr	1874 cr	1413 cr
CMP	299*	238	246
Market Capitalization	1865 cr	1035 cr	8175 cr
EPS per share	5.67	3.34	23.43
Book Value	26.92	411.38	425.43
P/BV Ratio	11.1	0.58	0.58
PE Ratio	52.73	71.26	10.50

### Valuations

Avenue Super marts are considered as one of the most prominent player in the F&G market with a presence among 41 cities. The company has total 117 stores as on Dec'16 with a large revenue penetration from Maharashtra (63% of rev in FY16) followed by Gujarat (19% of rev), Telangana (10% of rev) etc. We believe that although the company has been following different business model such as ownership (higher capex against lease model) vis-à-vis rental by other large players like Future retail and Trent, the key ratios such as average ROE & ROCE has been lingering higher at 15% & 10% between FY12-16 against industry average of 7% & 5% respectively. Further, the company has total debt of Rs.12.4bn at the end of 9MFY17, which is expected to reduce by Rs. 10.8bn over FY18-20. This in turn could result company to stand at almost debt free level, which could improve return ratios further going ahead. Apart from this, we believe that company has also witnessed a decent growth in terms of sales per store (CAGR: 18%) and sales per sq feet (CAGR: 16%) over the period of FY12-16. Any further progress in terms of store addition and increase in more penetration among existing market could result in strong revenue growth over medium to long term. Despite the management has indicated gross margins to be at 15%, while OPM & NPM to remain at 8-9% & 4-5% respectively, we expect that any further progress for augmenting the revenue share from General Merchandise & Apparel segment (28% of overall rev during 9MFY17) could aid further margins, which in turn could result in improvement in the financial performance further.

### Summary of financial Information

Particulars	For the year/period ended (in Rs. Million)				
	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Total Assets	31,001.94	23,548.12	18,076.48	14,920.74	11,908.76
Total Revenue	86,061.05	64,576.89	47,023.25	33,551.04	22,224.09
Profit After Tax (PAT)	3,212.07	2,116.89	1,613.72	938.55	604.06