


Avenue Supermart Ltd (D Mart) 		
Issue Size	Rs.1,870 Cr	IPO Objective:- 1. Repayment or prepayment of a portion of loans and redemption or earlier redemption of NCDs availed by the company of around Rs.1080 Cr. 2. Construction and purchase of fit outs for new stores of Rs.366 Cr. 3. General corporate purposes.
Issue Price Band	Rs.290-299	
Face Value	Rs. 10	
IPO Date	22 Feb-27 Feb 2017	
Issue Shares	62,393,631	
Lot Size	50	
Industry	FMCG	
Business Model:- Avenue Supermart popularly known as D Mart is in grocery retail business, known for low-priced products, low-cost business model and right product categories. Most of the real estate of the company is either owned or on lease for 30 years. This is a significant boost to cost given that rentals are one of the biggest costs for retailers. Also, locations for DMart stores are chosen very carefully and goods are purchased directly from vendors and manufacturers to offer products to the consumer at the lowest price. Company strategy is to sell fast-moving basic products rather than discretionary goods such as fashion and electronic items. Company gives high importance on the pricing of the products. Every product in a store has a discount, which excites the consumer to visit and shop regularly. In fact, the discounts go as far as upto 50%.		
Top 10 Promoters before Pre Issue		
Top 10 Promoters	No. of Equity Shares	In %
Radhakishan S. Damani	245,930,000	43.80%
Bright Star	88,750,000	15.81%
Gopikishan S. Damani	50,980,000	9.08%
Shrikantadevi R. Damani	22,250,000	3.96%
Royal Palm Trust	18,000,000	3.21%
Bottle Palm Trust	18,000,000	3.21%
Mountain Glory Trust	18,000,000	3.21%
Gulmohar Trust	18,000,000	3.21%
Karnikar Trust	18,000,000	3.21%
Kirandevi G. Damani	15,000,000	2.67%
Public	48,522,680	8.64%
Total	561,432,680	100.00%
Company Management:- • Strong and experienced promoter background. One of the key promoters, Radhakishan S. Damani, is seen as a visionary and his leadership quality has been instrumental in D-Mart success. • Entrepreneurial management team and Board of Directors with a proven track record have in depth understanding of the retail business. Management team includes Ignatius Navil Noronha, Managing Director has 18 years of experience in the FMCG sector and Ramakant Baheti, Chief Financial Officer and Executive Director has 19 years of experience in the finance. • Company business is consumer driven; its experienced and stable senior management has helped to offer high standards of customer service, a pleasant shopping experience and implementing development and operating strategies to provide quality service to customers over the years. • Motivated and well-trained employees have enabled to successfully establish a customer-oriented corporate culture, providing a foundation to maintain and enhance company's long-term competitiveness.		
Key Strengths:- 1. Business model is based on the concept of offering value retailing to customers using the Every day low price strategy. 2. Steady footprint expansion using a distinct store acquisition strategy and ownership model. 3. High operating efficiency and lean cost structures through stringent inventory management using IT systems. 4. Strong track record of growth and profitability 5. 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.		
Financial Details:- 1. Reported revenue of Rs 8,606 Cr and net profit of Rs.321 Cr in FY-2016. 2. Revenue and net profit have grown at 52% and 40% CAGR respectively in last five years . 3. EBIT margin is 6.6% for FY2016.		
Journey till now:- 1. Set up the first store in Mumbai in 2002. 2. Scaled to 110 outlets and 21 distribution centers overall India. 3. Operations in Andhra Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Karnataka, Telangana, and Chhattisgarh.		

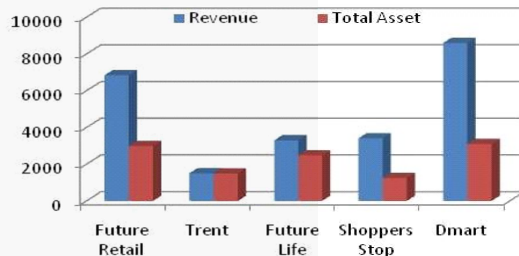
Product Details:-

Company's strategy is to provide customers with a comprehensive range of products at value for money prices and maintain optimal customer service standards. In order to maintain and enhance competitive position, Dmart plan to continue to offer products at everyday low prices achieved through low procurement, supply, operational and other costs. Further, it will continue to introduce new products depending on customer needs. Continuous review of merchandise according to the understanding of customer preferences has helped D-Mart to cater customers' needs in better way, enhance the shopping experience and maximizing sales.

Industry Details:-

Competitors in the industry are Future Retail, Trent, Future Life, Shoppers Stop.

Comparison on the basis of Total Asset and revenue.

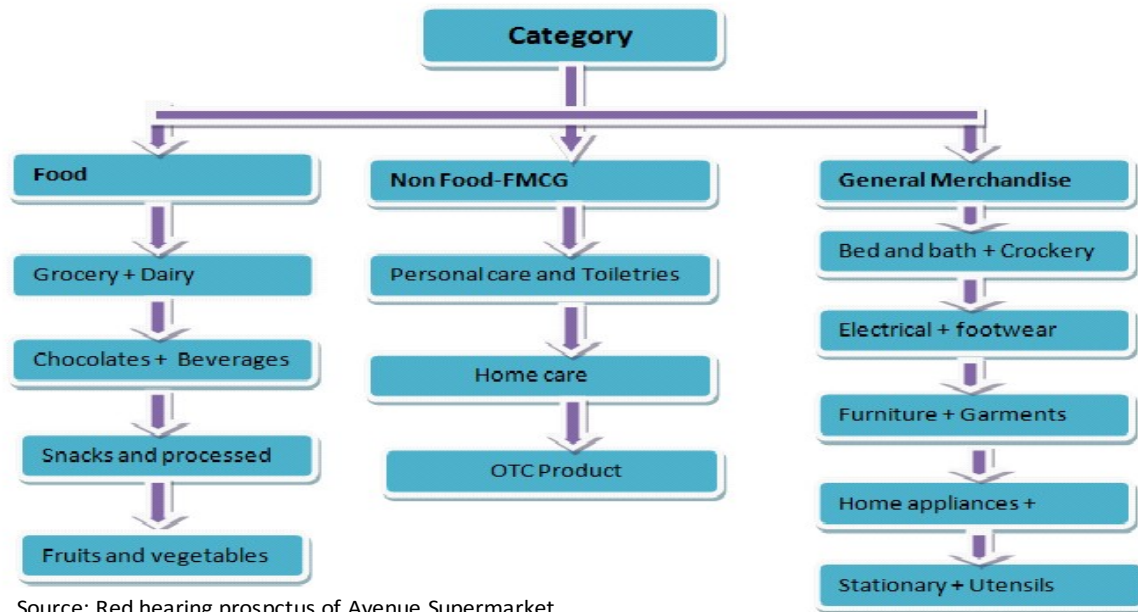


1. Market share is 36% which is highest among competitors.
2. EBIT margin of 6.6% compared with 2.8% for Trent and 1% for Future Retail.
3. RoE for Avenue, Trent and Future Retail was 21%, 4.4% and 0.8%, respectively.
4. Sales growth is 52%, much greater than its peers like Future Retail and Trent.

%of Share in different categories

Product Category	%of share on 2016
Foods	53.06%
Non Foods (FMCG)	20.58%
General Merchandise & Apparel	26.36%
Total	100%

Detail Product Chart:-



Source: Red hearing prospectus of Avenue Supermarket

Future Plans:-

1. IT and data management systems upgradation to improve productivity.
2. Strengthen market position by expanding in store network in existing clusters as well as new clusters.
3. To expand store network in western, southern and central India.

Takeaways:-

1. Low cost-Low price business model on Every day low cost and Every day low price strategy.
2. Focus on fast moving products which have high consumer demand and short shelf life.
3. Strong and efficient management with key personal like Radhakishan damani as promoter.
4. Market leader in retail sector on basis of price, quality and volume.