

APRIL 12, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE PROPOSED CP ISSUE OF AVENUE SUPERMARTS LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Commercial Paper /Short term debt (CP/STD)	20.00	CARE A1+ (A One Plus)	Reaffirmed
Total	20.00 (Rupees Twenty Crore Only)		

Rating Rationale

The rating assigned to the short-term instrument of Avenue Supermarts Ltd (ASL) continues to derive strength from the established track record of the promoters and management, significant traction in the operational performance backed by a portfolio of the existing stores and new stores which have translated into improvement in the financial performance of the company in FY15 (refers to the period April 01 to March 31) notwithstanding its presence in value retail. The favourable liquidity profile characterised by lean working capital cycle attributed to an efficient inventory management and low credit period continues to be a credit positive. Besides, the benefits derived from operating out of asset heavy model by maintaining variable costs under control along with comfortable capital structure arising from augmented equity base and reinvestment of healthy profits in stores addition are other rating strengths.

The above strengths are, however, partially offset by stiff competitive landscape in the value retail segment and debt-funded expansion plans.

The ability of ASL to maintain comfortable capital structure below unity and adequate liquidity, primarily driven through accruals from its existing stores and successful achievement of break-even on new stores remain the key rating sensitivities.

Background

Avenue Supermarts Ltd. (ASL), previously known as Avenue Supermarts Private Limited, is engaged in organized retail business through its “DMart” branded chain of stores. ASL offers value products viz. daily household products, including grocery items, fast-moving consumer goods and apparels, at affordable prices and caters to the mass segment. As on 31st March 2015, ASL has 89 retail stores in 26 cities spread across 7 states (Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Telangana, Madhya Pradesh and Rajasthan) in India.

During FY15, (refers to the period April 1 to March 31), Avenue Supermarts Limited achieved a total operating income of Rs. 6,450.37 crore (PY Rs. 4,697.51 crore) and posted a net profit of Rs. 211.29 crore (PY Rs. 159.63 crore). During 9M FY16 Avenue Supermarts Limited recorded a total income from operations of Rs. 6363.81 crore and a PBT of Rs. 370.61 crore.

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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