

Equentis Scale

1	2	3	4	5
Below Avg.	Avg.	Good	Very Good	Excellent

Sr. No.	Remarks	Rating (Score)
<u>Overall score</u>		<u>3.81</u>
1	Financial Ratios Index	3.57
1.1	Past 5yr (FY14-19) Revenue CAGR of 34%	4
1.2	Past 5yr (FY14-19) EBITDA CAGR of 37%	4
1.3	Past 5yr (FY14-19) PAT CAGR of 41%	4
1.4	RoCE: 26% in FY19 and Past 5yr Average RoCE of 24%	4
1.5	RoE: 18% in FY19 and Past 5yr Average RoE of 20%	3
1.6	D/E: 0.08xs in FY19 & Past 5yr Average Ratio of 0.35xs	4
1.7	Free Cash Flow Generation: Cumulative FCF of negative Rs. 11.6bn in last 5 years	2
2	Management Pedigree Index	3.70
2.1	<i>Ownership: Promoters:</i> As on Sep-2019, Promoter and group companies / entities collectively own 80.21% stake in the company with Nil shares pledged.	3
2.2	<i>Ownership: FIIs & DIIs:</i> As on Sep-2019, Institutional holding stands at 10.82% amongst which FII holding stands at 6.03% and DII at 4.79%. Among institutional investors, the stock is owned by Axis Long Term Equity Fund (2.55%), while the CEO of the company, Mr. Ignatius Navil Noronha owns 2.16%. Besides, the stock is owned by almost all AMCs in India as per ACE Equity. However, their holding being less than the threshold, it doesn't feature in BSE disclosures.	4
2.3	<i>Promoter Shares Pledged:</i> No part of the promoter holding has ever been pledged	5
2.4	<i>Key Management Profile –</i> Avenue Supermarts was founded by Mr. Radhakishan Damani, an extremely respected and successful investor in India, who has made a killing in stock markets through his near-perfect stock picking skills, patience, perseverance and accurate reading of markets. The day-to-day operations of the company are handled by an efficient team of professionals with Mr. Ignatius Navil Noronha as the CEO. He has been with the company since 2006 and has steered its growth through cautious and conservative approach .	4
2.5	Track record towards Capital Discipline, Acquisitions, Capital Expansions	3
2.6	Track record towards Accounting Disclosures & Corporate Governance	4
2.7	Track record towards Business Risk Diversification & Mitigation	4
2.8	Track record towards Business Performance Guidance vs. Actual Performance	3
2.9	Rewarding & Protecting interests of Minority shareholders	3

Sr. No.	Remarks	Rating (Score)
2.10	Business foresight & Prudence – successful scale up of operations	4
3	Opportunity and Growth Index	4.00
3.1	Avenue Supermarts is present in the highly potent and under-penetrated organized retail industry in India. The segment has grown at 10% CAGR over past five years and is expected to grow faster going ahead.	4
3.2	The company has managed to outpace competitors and still remain more profitable compared to peers through its differentiated business model.	4
4	Stakeholder Satisfaction Index	3.80
4.1	<i>Creditors:</i> Creditors at 17 days of sales in FY19 with average of 19 days in last 5 years. The number has declined over the years as Avenue Supermarts pays off its creditors within 8 – 10 days and gets better discounts from them in return.	4
4.2	<i>Minority Interests:</i> The company has not paid any dividend since incorporation and has conserved capital for expansion instead.	3
4.3	<i>Employees:</i> Post listing, Avenue Supermarts has issued ESOPs in November, 2019. Of its total headcount, 80% are contractual to keep costs low.	4
4.4	<i>Regulatory:</i> No adverse qualification from regulatory bodies	4
4.5	<i>Auditors:</i> Nil Auditor Qualifications	4
5	Threat Management	4.00
5.1	Avenue Supermarts has followed the “Ever Day Low Cost, Every Day Low Price” model to keep its procurement costs minimal and sell products at a discount everyday rather than on selected days. It has managed to sell products lower than competition for most of the days, resulting in very high footfalls and high inventory turnover.	4
5.2	The company has preferred to own most of its real estate, thereby saving on cost of lease. In other cases, it has entered into very long term lease agreements to ensure that the risk of rent escalation and store churn is mitigated.	4

** Key risks have been covered in detailed report