

Initial Public Offering: A Case Study on Avenue Super marts Ltd

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This case study examines Avenue Super marts Ltd. initial public offering (IPO) and provides insight into a company's journey from private ownership to public listing. Avenue Super marts Ltd, the owner of popular retail chain D-Mart, conducted one of India's most successful IPOs in 2017, garnering significant attention from investors and analysts alike. This overview explores key aspects of the IPO process, including the incentives for a company to go public, the pricing strategy adopted, the regulatory framework governing IPOs in India and the market reaction to the offering. This case study is based on publicly available data, news reports and financial analyses. This case study analyzes the factors influencing the success of Avenue Super marts Ltd's IPO, such as strong business fundamentals, a scalable business model and good financial management. In addition, the challenges and risks associated with disclosure are explored, including increased regulatory oversight, increased disclosure requirements, and market volatility. By providing an in-depth analysis of the initial public offering of Avenue Super marts Ltd, this case study provides valuable information for entrepreneurs, investors and policy makers navigating the dynamics of public offerings in emerging markets.

Keywords: *ipo process, pricing strategy, regulatory framework, market response, success factors, business fundamentals*

0. INTRODUCTION:

Radhakishan Damani and his family started the company to meet the growing needs of the Indian family. The first store was opened in Powai (Mumbai) in 2002 and today the company has 168 locations across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh,

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In 2017, the company went public with an initial public offering of ¹ 18,700 crore. It is considered the most successful IPO from the investors' point of view, as it traded at a price of 114 percent above the issue price on the day of listing [1,2].

The purpose of the matter was:

- Partial repayment or repayment of loans and redemption or early redemption of non-convertible debentures (NCD) used by the company;
- Construction and acquisition costs of new stores;
- General objectives of the company.

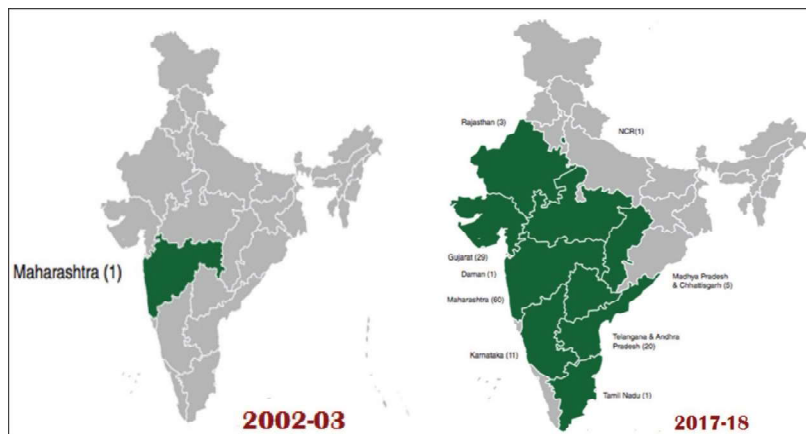


Figure 1: The Growth Story of Avenue Super marts

Source: Authors Compilation.

The decision to list Avenue Super marts was based on a combination of strategic needs, operational considerations and market opportunities. Founded in 2002 by visionary entrepreneur Radhakishan Daman, Avenue Super marts quickly emerged as a disruptive force in the Indian retail landscape, redefining the traditional grocery shopping experience with its D-Mart chain of stores. Focusing on providing customers with quality products at reasonable prices in a convenient shopping environment, D-Mart has created a niche for itself, built a loyal customer base and achieved solid financial results. In this background, the company's management realized the potential benefits of accessing the capital market to accelerate ambitious growth plans expand its store network (as shown in figure 1) and strengthen its market position [4].

Avenue Super marts Ltd. the pricing strategy used had a significant impact on the outcome of its IPO. In a market characterized by volatility and investor skepticism, the company adopted conservative pricing and chose a value that was considered reasonable and consistent with the company's core principles. This well-considered strategy not only instilled confidence in potential investors, but also reduced the risk of post-listing price fluctuations, increasing the long-

term sustainability of the offering. In addition, Avenue Super marts' decision to prioritize private investors and anchor investors in the distribution process underscored the company's commitment to promote broad-based investor participation and ensure a stable investment base post-listing.

An avenue Super mart has demonstrated its commitment to the highest standards of corporate governance and regulatory compliance. However, the regulatory oversight conducted in connection with the IPO also required strict due diligence, extensive documentation and comprehensive risk disclosure, which required significant resources and expertise from the company's management and advisors.

Market Reaction Avenue Super marts Ltd. publication exceeded all expectations and highlighted the company's compelling value proposition and market-leading position. The IPO was oversubscribed several times, reflecting strong investment readiness and confidence in D-Mart's business model, growth prospects and management. The post-IPO performance of Avenue Super marts shares boosted investor optimism as demand for the shares was strong and offered impressive returns to early investors.

In conclusion, Avenue Super marts Ltd. going public is a testament to the transformative power of public markets to drive growth, unlock value and democratize investment opportunities. By diving into the complexities of this case study, we can glean valuable insights into the reasons, challenges and consequences of going public. At the same time, we are inspired by the journey of Avenue Super marts to chart our way to success in the dynamic world of capital markets and trade.

1. OBJECTIVES

The purpose of this case study is to analyze Avenue Super marts Ltd. IPO (Initial Public Offering) motivation, strategic considerations, regulatory framework and market dynamics. It provides valuable insights into understanding the factors that influence its success and lessons for navigating the complexities of public offerings in emerging markets.

2. RESEARCH METHODOLOGY

This case study uses a mixed method approach that includes both qualitative and quantitative methods. Qualitative methods include document analysis of company announcements, news reports and regulatory documents, supplemented by interviews with company executives, financial advisors and industry experts. Quantitative analysis involves examining financial data, market performance metrics and IPO valuation models to assess the financial impact and market reaction of the Avenue Super marts Ltd IPO. By triangulating findings from qualitative and quantitative sources, this study aims to provide a

comprehensive understanding of the factors influencing the success of Avenue Super mart's public offering.

Table1: DMart Stock Price Progression (2017-2023): Key Milestones and Trends [7]

Year	Month	Stock Price (₹)
2017	March	Rapid surge after listing; closed the year around ₹1,100
	Year-end	More than tripled from issue price
2018	January	Crossed ₹1,500
	June	Touched around ₹1,700
	December	Finished the year around ₹1,600-₹1,700
2019	January	Around ₹1,700-₹1,800
	July	Crossed ₹2,000 for the first time
	December	Closed the year around ₹2,300-₹2,400
2020	March	Dropped to around ₹1,900 amid COVID-19
	July	Rebounded strongly, crossing ₹2,800
	December	Reached around ₹2,900-₹3,000
2021	January	Surged past ₹3,000
	September	Crossed ₹4,000 for the first time
	December	Closed the year around ₹4,500-₹4,800
2022	January	Peaked at ₹5,000
	June	Dropped to around ₹3,500-₹3,800
	December	Recovered to around ₹4,000-₹4,200
2023	January	Trading around ₹4,000-₹4,200
	July	Floated around ₹4,200-₹4,500
	December	Continued in the range of ₹4,000-₹4,500

Over the six-year period from 2017 to 2023, DMart's stock illustrated (Table1) noteworthy instability and development, reflecting broader showcase conditions and company execution. Taking after its fast surge post-listing in 2017, the stock experienced unfaltering development, cresting at ₹ 5,000 in January 2022. In spite of vacillations, especially amid the COVID-19 widespread and consequent advertise redresses, DMart's stock kept up solid recuperation patterns, closing 2023 inside the ₹ 4,000-₹ 4,500 extend. This period underscores DMart's strength and showcase nearness in the Indian retail division [6].

3. RESULT AND ANALYSIS

The initial public offering (IPO) of Avenue Super marts Ltd is a significant event in the company's history and provides valuable insights into the dynamics of public offerings in emerging markets. The analysis of this case study reveals several key findings:

- **PRE-IPO SCENARIO**

Market Position: Some time recently the IPO, D-Mart had as of now set

up a solid toehold in the Indian retail showcase with a arrange of over 100 stores. The company was known for its cost-efficient operations and steady profitability.

Financial Execution: Avenue Super marts had appeared vigorous budgetary execution, characterized by solid income development and productivity. The company's incline working demonstrate, tall stock turnover, and center on taken a toll control contributed to its budgetary health.

Growth Methodology: The company's technique was to develop naturally by including unused stores in high-potential ranges. This development was supported fundamentally through inner gatherings and a traditionalist obligation approach, which kept the company's use at sensible levels.

- REASONS FOR THE IPO

Expansion Plans: Avenue Super marts required extra capital to support its extension plans, counting opening modern stores, upgrading supply chain capabilities, and overhauling existing stores.

Debt Lessening: Portion of the continues from the IPO was planning to decrease the company's obligation, which, in spite of the fact that unassuming, would make strides its monetary flexibility.

Enhancing Brand Esteem: Going open would increment the perceivability of the D-Mart brand, possibly drawing in more clients and moving forward showcase positioning.

- IPO DETAILS

Date of IPO: The Avenue Super marts IPO was propelled between Walk 8 and Walk 10, 2017.

Issue Price: The IPO was estimated in the extend of ₹ 295 to ₹ 299 per share.

Size of the Issue: The IPO pointed to raise around ₹ 1,870 crore (₹ 18.7 billion).

Lot Measure: Speculators were required to offered for a least of 50 shares.

Listing: The company got recorded on both the Bombay Stock Trade (BSE) and the National Stock Trade (NSE) on Walk 21, 2017 [3].

- ADVERTISE RESPONSE

Oversubscription: The IPO was oversubscribed by 104 times, reflecting solid financial specialist request. The retail portion was oversubscribed 7.4 times, the qualified organization buyers (QIBs) fragment was oversubscribed by 144 times, and the non-institutional speculators (NIIs) portion was oversubscribed by 277 times.

Listing Day Execution: On its listing day, the stock opened at ₹ 604.40 on NSE, about multiplying its issue price. This strong execution on listing day

was an sign of the solid financial specialist certainty in the company.

- POST-IPO EXECUTION ANALYSIS

Introductory Surge and Proceeded Growth:

Post-listing Execution: DMart offers saw a considerable rise on their listing day, multiplying the IPO price, which was an early sign of financial specialist certainty in the company's trade show and development potential.

Growth Direction: Over the long time (as shown as figure 2), DMart's stock has been a steady entertainer, conveying vigorous returns to its shareholders. The company's center on benefit, proficient taken a toll administration, and progressive but consistent extension has been well-received by investors [5].

Budgetary Execution and Advertise Sentiment:

Revenue and Benefit Development: Avenue Super marts has appeared steady development in its income and benefits since the IPO. The company's center on low-cost operations and tall stock turnover has contributed to keeping up solid benefit margins.

Investor Opinion: The stock has by and large exchanged at a premium valuation, reflecting tall speculator certainty. The company has been seen as a solid player in the Indian retail segment, with a flexible trade show, indeed amid financial downturns or showcase corrections.

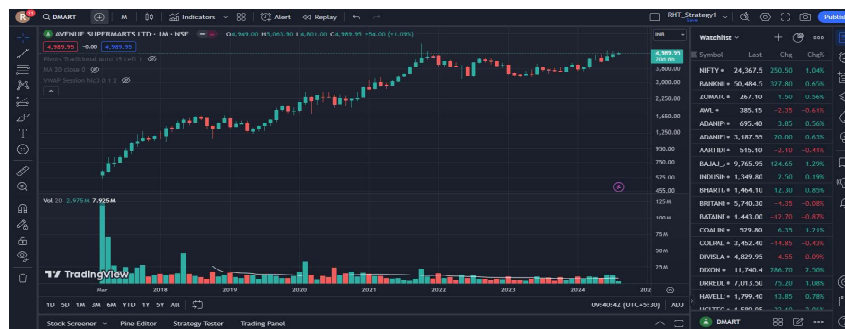


Figure2: Share Price on NSE of Avenue Supermart Ltd (DMART).

Key Activities and Expansion:

Store Extension: Post-IPO, Avenue Super marts has proceeded to grow its impression over India, opening modern stores and entering modern markets. The company's cautious and calculated approach to extension has guaranteed that it keeps up benefit whereas developing its store count.

E-commerce: DMart moreover wandered into the e-commerce space with DMart Prepared, adjusting to changing shopper behaviors and expanding online shopping patterns, in spite of the fact that the center remains essentially on

physical stores.

Challenges and Risks:

High Valuations: One of the concerns for financial specialists has been the tall valuations at which DMart's stock exchanges. Whereas the company legitimizes its premium with solid execution, any lull in development or benefit seem lead to sharp corrections.

Competition: The retail division in India is exceedingly competitive, with both conventional players and unused participants (like Reliance Retail, Amazon, etc.) competing for showcase share. Overseeing competition whereas maintaining edges and development will be a key challenge.

Other key analysis are as follows:

Strategic Motives: The decision to go public was motivated by the strategic needs of Avenue Super marts, including the need for capital to expand expansion plans, strengthen and improve market position, brand visibility. The company's success, strong business model and growth prospects attracted investor interest and supported its IPO strategy.

Pricing strategy: Avenue Super marts adopted a conservative pricing strategy and chose a value that was considered reasonable and consistent with its core principles. This approach instilled confidence in investors, reduced the risk of post-IPO price fluctuations and contributed to the long-term sustainability of the offering.

Regulatory Compliance: The regulatory framework for IPOs in India required strict adherence to the strict compliance requirements and compliance standards of the Securities and Exchange Board of India (SEBI). Avenue Super marts' commitment to transparency, governance and regulatory compliance has strengthened investor confidence and facilitated a smooth listing process.

Market Reaction: The IPO received an enormous response from investors and the offering was oversubscribed several times, underlining the high level of investor readiness and confidence in Avenue Super marts' business model and growth prospects. The company's post-IPO performance boosted investor optimism and offered impressive returns to early investors.

Industry Impact: Avenue Super marts' successful IPO catalyzed a resurgence of IPOs in the Indian retail sector and inspired other companies to explore public listings as an opportunity to raise capital and unlock shareholder value. The company's IPO set the stage for future retail offerings and highlighted opportunities for value creation through public markets. **Lessons Learned:** Analysis of the Avenue Super marts IPO provides valuable lessons for entrepreneurs, investors and policy makers navigating complex IPOs in emerging markets. The most important considerations are the importance of strategic planning, conservative pricing, regulatory compliance and market

position for the success of an IPO.

Issue period	8 March 2017 to 10 March 2017
Issue size	62,541,806 Equity Shares of ₹10 each
Face value	₹10
Price band	₹295–299 per equity share
Market lot	50 shares
Issue price	₹299
Industry	Trading (including exports)
Products/Services	Operating supermarket chain

4. FINDINGS

- **Strategic Motives:** Avenue Super marts Ltd conducted an IPO to raise capital for expansion, strengthen its market position and increase brand visibility. The company's success and growth prospects attracted investor interest and supported its IPO strategy.
- **Conservative Pricing Strategy:** Avenue Super marts adopted a conservative pricing strategy in its IPO, choosing a valuation that was considered reasonable and consistent with its core principles. This approach instilled confidence in investors, reduced the risk of post-IPO price fluctuations and contributed to the long-term sustainability of the offering.
- **Regulatory Compliance:** The Company has strictly adhered to the strict disclosure requirements and compliance standards set by the Securities and Exchange Board of India (SEBI). Avenue Super marts' commitment to transparency, governance and regulatory compliance has strengthened investor confidence and facilitated a smooth listing process.
- **Huge market response:** The IPO received an overwhelming response from investors and the offering was oversubscribed several times, underscoring the strong investor appetite and confidence in Avenue Super marts' business model and growth prospects. The company's post-IPO performance boosted investor optimism and offered impressive returns to early investors.
- **Impact on Industry:** The successful IPO of Avenue Super marts had a major impact on the Indian retail sector and inspired other companies to explore public listing as a way to raise capital. and unlock value for shareholders. The company's IPO set the stage for future-retail

offerings and highlighted opportunities for value creation through public markets.

- **Lessons Learned:** The results of the Avenue Super marts IPO provide valuable lessons for entrepreneurs, investors and policy makers navigating complex public offerings in emerging markets. The most important considerations are the importance of strategic planning, conservative pricing, regulatory compliance and market position for the success of an IPO.

5. RECOMMENDATIONS AND SUGGESTIONS

The successful listing of Avenue Super marts is a valuable case study for companies considering a future listing. To replicate their success, companies must prioritize strategic planning and ensure a thorough assessment of their readiness to list, including assessment of growth prospects, market position and capital requirements. Adopting a conservative pricing strategy, as Avenue Super marts did, is critical to instilling investor confidence and reducing post-IPO price volatility. Compliance is also crucial, as companies must adhere to strict disclosure requirements and governance standards to increase investor confidence. Effective communication with investors before, during and after the listing is essential, which requires clear and transparent information about the business model, growth prospects and risks. A strong market position and differentiation are essential to attract investor interest by highlighting a compelling value proposition and sustainable competitive advantages. In addition, post-IPO performance is critical to maintaining investor confidence, which requires companies to focus on executing growth plans, achieving financial goals, and maintaining open communication with investors. Continuous improvement is key as companies learn from their IPO experience, adapt to changing market dynamics and continuously innovate to create long-term shareholder value. By considering these recommendations, prospective companies can improve their chances of a successful IPO, unlock shareholder value, and position themselves for sustainable growth in the public markets.

6. CONCLUSION AND FUTURE DIRECTION

In conclusion, the initial public offering (IPO) of Avenue Super marts Ltd, marked by a successful transition from a private company to a listed company, offers valuable insights and lessons for both aspiring entrepreneurs and experienced investors. Avenue Super marts' strategic planning, conservative pricing strategy, regulatory compliance, effective communication with investors and strong market position contributed to the success of its IPO. In addition, the company's post-IPO performance highlights execution of growth plans, achievement of financial targets and maintaining transparency with investors

to maintain market confidence. By examining the Avenue Super marts case study, stakeholders can glean valuable guidance for navigating the complexities of public offerings, improving their chances of conducting successful IPOs, unlocking shareholder value, and fostering sustainable growth in the dynamic landscape of public markets. Various Statistics Analysis, Machine Learnings and time series analysis will be performed in future on this market prices of Avenue Super Mart Ltd. So that we can take decision making predictive analysis on this domain.

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