




Avenue Supermarts Ltd.

BUY

Sector: Retail stores

29th October 2024

Key Changes	Target		Rating		Earnings		Target	Rs. 4,471
Stock Type	Bloomberg Code		Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 3,986
Large Cap	DMART:IN		80,005	DMART	540376	12 Months	Return	+12%

Data as of: 28-10 2024

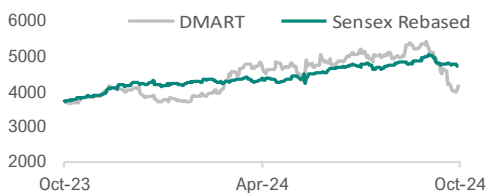
Company Data

Market Cap (Rs. cr.)	2,59,381
52 Week High — Low (Rs.)	5,484-3,621
Enterprise Value (Rs. cr)	2,58,008
Outstanding Shares (Rs cr)	65
Free Float (%)	0.35
Dividend Yield (%)	0.0
6m average volume (cr)	0.02
Beta	0.9
Face value (Rs)	10.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	74.7	74.7	74.7
FII's	8.0	8.3	9.2
MFs/Institutions	8.5	8.6	8.0
Public	6.0	5.7	5.3
Others	2.8	2.8	2.8
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-18%	-9%	11%
Absolute Sensex	-1%	9%	25%
Relative Return	-17%	-17%	-14%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	49,533	58,298	70,442
Growth (%)	18.4	17.7	20.8
EBITDA	4,099	4,851	6,146
EBITDA Margin (%)	8.3	8.3	8.7
Adj. PAT	2,695	3,178	4,083
Growth (%)	11.6	17.9	28.5
Adj. EPS	41.4	48.8	62.7
Growth (%)	11.1	17.9	28.5
P/E	96.2	81.6	63.5
P/B	12.9	11.1	9.4
EV/EBITDA	63.1	53.2	41.8
ROE (%)	15.1	15.2	16.7
D/E	0.0	0.0	0.0

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Topline growth slowed, gross margin improved

Avenue Supermarts Ltd. (DMart) owns & operates India's most profitable supermarket chain, DMart. It provides products like food, non-food (FMCG), general merchandise & apparel through 377 stores (total 15.8mn sq. ft).

- Revenue grew by 14%YoY, while gross margin improved by 20bpsYoY to 14.2% due to an improved product mix. Like-for like growth (for stores operational for at least 24months) declined to 5.5% from 8.6% YoY.
- EBITDA grew by 10%YoY as EBITDA margin declined by 30bps YoY to 7.9% due to higher employee costs and other expenses.
- General merchandise & apparel category mix which commands a higher margin has improved to 23.45% in H1FY25 vs. 23.21% YoY. The upcoming festive season is expected to support further improvement in the mix.
- DMart added 12 stores in H1FY25 vs. 12 YoY (41 stores in FY24), which, along with the likely improvement in demand, will aid improvement in topline growth.
- DMart is gradually improving its E-Com business channel, 'DMart Ready', currently available in ~24 cities, which now contributes ~2.7% of total revenue. DMart Ready business grew by 21.8% YoY in H125.

Outlook & Valuation

The rise of online grocery formats especially in large metro cities which operate at a very high revenue per sq.ft has caused a moderation in the topline growth. We expect the demand to improve in H2FY25 given upcoming festive season. DMart has strong growth potential given its healthy balance sheet with no debt and strong operational efficiency. Strong store additions will aid future revenue growth, while lower inflation will improve discretionary demand and margins. We expect Revenue/PAT to grow at a 20%/23% CAGR over FY24-26E. **DMart currently trades at 71x 1Yr Fwd PE. We revised our target to Rs.4,471 (earlier Rs. 5,310) by valuing on a DCF basis which implies 64x on Sept 2026 EPS.**

Quarterly Financials Standalone

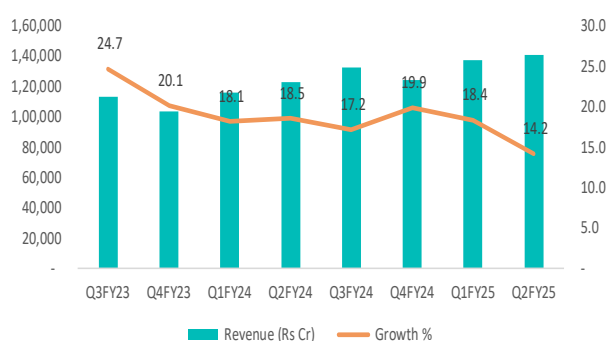
Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	14,050	12,308	14.2	13,712	2.5	27,762	23,892	16.2
EBITDA	1,105	1,002	10.3	1,221	-9.5	2,326	2,038	14.1
Margin (%)	7.9	8.1	-30bps	8.9	-100bps	8.4	8.5	-20bps
EBIT	920	851	8.1	1,050	-12.4	1,970	1,747	12.8
PBT	953	885	7.7	1,089	-12.4	2,042	1,817	12.4
Rep. PAT	710	659	7.9	812	-12.6	1,523	1,354	12.5
Adj PAT	710	659	7.9	812	-12.6	1,523	1,354	12.5
EPS (Rs)	11.0	10.2	7.9	12.5	-12.6	23.5	20.9	12.5



Key Highlights...

- Total bill cuts increased by 13.3% YoY to 8.5 crores while average bill size increased by 0.7%YoY to Rs. 1,653.
- Total retail business area has increased to 15.8mn sqft vs. 15.4mn sqft QoQ (13.5mn sqft YoY).
- Revenue per store growth has slowed to ~2% vs. 7% YoY while revenue per sqft growth moderated to ~1% vs. 4%YoY.
- DMart has added average 40 stores per annum in the recent years. We expect the same pace to continue in the coming years also.
- D-Mart has a strong business model by following Everyday low cost - Everyday low price strategy by procuring goods at competitive prices, using operational and distribution efficiency.
- Recently, the company has set up a new subsidiary, Reflect Healthcare and Retail Private Limited, to launch pharmacy shop-in-shops and has opened one in the Mumbai metropolitan region. Pharmacy shop-in-shops are expected to scale up in the future as per the company, which, will also boost footfalls.

Revenue



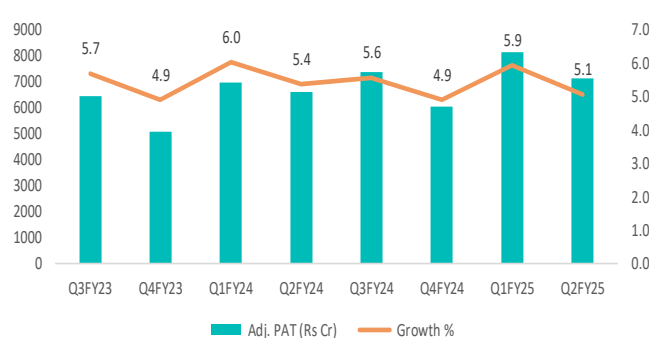
Revenue per sqft (annualised)



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	60,581	75,744	58,298	70,442	-3.8	-7.0
EBITDA	5,264	6,727	4,851	6,146	-7.8	-8.6
Margins (%)	8.7	8.9	8.3	8.7	-37bps	-16bps
Adj. PAT	3,529	4,583	3,178	4,083	-10.0	-10.9
EPS	54.2	70.7	49.0	63.0	-9.6	-10.9



Standalone Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	30,353	41,833	49,533	58,298	70,442
% change	27.6	37.8	18.4	17.7	20.8
EBITDA	2,502	3,659	4,099	4,851	6,146
% change	43.6	46.3	12.0	18.3	26.7
Depreciation	421	543	633	735	868
EBIT	2,080	3,116	3,467	4,116	5,279
Interest	40	48	44	49	37
Other Income	141	163	189	200	241
PBT	2,182	3,231	3,611	4,266	5,483
% change	41.2	48.1	11.8	18.1	28.5
Tax	566	675	916	1,089	1,399
Tax Rate	25.9%	20.9%	25.4%	25.5%	25.5%
Reported PAT	1,616	2,556	2,695	3,178	4,083
Adj*	0	141	0	0	0
Adj PAT	1,616	2,416	2,695	3,178	4,083
% change	38.7	49.5	11.6	17.9	28.5
No. of shares (cr)	64.8	64.8	65.1	65.1	65.1
Adj EPS (Rs.)	24.9	37.3	41.4	48.8	62.7
% change	38.7	49.4	11.1	17.9	28.5
DPS (Rs.)	0	0	0	0	0
CEPS (Rs.)	31.4	45.6	51.1	60.1	76.1

Cash Flow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	2,037	3,100	3,328	3,913	4,951
Non-cash adj.	-74	-120	64	-150	-204
Changes in W.C	-648	-301	-649	-709	-1,045
C.F. Operation	1,315	2,678	2,743	3,054	3,702
Capital exp.	-2,282	-2,129	-2,685	-2,407	-2,553
Change in inv.	925	-185	-300	200	241
Other invest.CF	39	-166	352	0	0
C.F – Investment	-1,292	-2,442	-2,584	-2,207	-2,311
Issue of equity	0	16	73	0	0
Issue/repay debt	-81	-100	-115	0	0
Dividends paid	0	0	0	0	0
Other finance.CF	-39	-48	-44	-49	-37
C.F – Finance	-121	-132	-87	-49	-37
Chg. in cash	-98	103	72	797	1,353
Closing cash	83	187	560	1,357	2,710

Balance Sheet

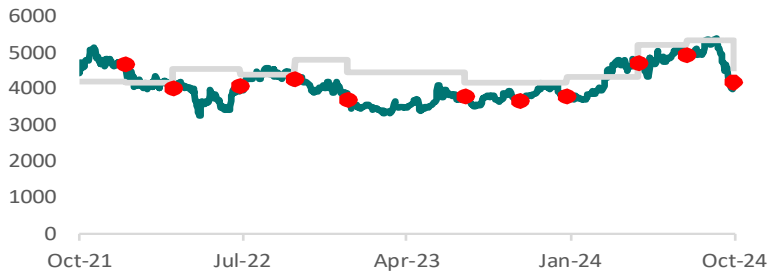
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	284	1,373	560	1,357	2,710
Accounts Receivable	231	247	393	463	482
Inventories	2,587	3,056	3,723	4,373	5,433
Other Cur. Assets	249	460	1,277	1,517	1,833
Investments	628	1,055	1,146	1,146	1,146
Gross Fixed Assets	10,428	12,996	15,798	18,185	20,687
Net Fixed Assets	8,723	10,748	12,917	14,568	16,203
CWIP	1,073	829	930	950	1,000
Intangible Assets	10	10	17	17	17
Def. Tax (Net)	-65	-79	-94	-94	-94
Other Assets	1,619	466	603	703	849
Total Assets	15,339	18,165	21,472	25,001	29,580
Current Liabilities	1,061	1,287	1,821	2,177	2,675
Provisions	33	46	55	65	79
Debt Funds	0	0	0	0	0
Other Liabilities	321	330	315	300	285
Equity Capital	648	648	651	651	651
Reserves & Surplus	13,276	15,854	18,630	21,807	25,891
Shareholder's Fund	13,924	16,503	19,281	22,458	26,541
Total Liabilities	15,339	18,165	21,472	25,001	29,580
BVPS (Rs.)	223	264	309	360	425

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	8.2	8.7	8.3	8.3	8.7
EBIT margin (%)	6.9	7.4	7.0	7.1	7.5
Net profit mgn.(%)	5.3	5.8	5.4	5.5	5.8
ROE (%)	12.3	15.9	15.1	15.2	16.7
ROCE (%)	12.6	16.2	15.3	15.5	16.8
W.C & Liquidity					
Receivables (days)	1.8	2.1	2.4	2.7	2.4
Inventory (days)	33.3	28.8	29.1	29.6	29.8
Payables (days)	7.7	6.3	7.8	8.8	8.7
Current ratio (x)	3.1	3.9	3.2	3.4	3.8
Quick ratio (x)	0.3	0.3	0.4	0.7	1.1
Turnover & Leverage					
Gross asset T.O (x)	3.3	3.6	3.4	3.4	3.6
Total asset T.O (x)	2.1	2.5	2.5	2.5	2.6
Int. coverage ratio (x)	52.5	64.8	78.4	83.6	142.7
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	8.5	6.2	5.2	4.4	3.6
EV/EBITDA (x)	103.6	70.5	63.1	53.2	41.8
P/E (x)	159.8	107.0	96.2	81.6	63.5
P/BV (x)	17.9	15.1	12.9	11.1	9.4



Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
20-Oct-22	Buy	4,795
17-Jan-23	Buy	4,445
31-July-23	Buy	4,150
01-Nov-23	Buy	4,160
19-Jan-24	Buy	4,300
17-May-24	Buy	5,200
06-Aug-24	HOLD	5.310
29-Oct-24	BUY	4,471

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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