

Retail Equity Research

Avenue Supermarts Ltd.

Retail stores

BSE CODE: 540376

NSE CODE: DMART

Bloomberg CODE: DMART:IN

SENSEX: 73,664

BUY

12 Months Investment Period

Rating as per Large Cap

 CMP Rs. 4,673 TARGET Rs. 5,200 RETURN 11% ↑
 (Closing: 16-05-24)

KEY CHANGES:
TARGET ↑
RATING ↔
EARNINGS ↓

Healthy topline growth, product mix improves.

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 365 stores (total 15.15mn sq. ft).

- We maintain our BUY rating with a revised target price of Rs. 5,200 owing to strong revenue growth and store additions.
- Revenue grew by 20%YoY, while gross margin improved by 30bpsYoY to 13.7% due to an improved product mix. Operating profit grew by 20%YoY as the EBITDA margin was maintained at 7.6%.
- Q4FY24 saw a sustained increase in demand for discretionary products, bolstered by moderating inflation which is expected to enhance profit margins moving forward.
- DMart continued its strong store additions, adding 41 stores in FY24 (131 in last 3years), which, along with the likely improvement in demand, will aid improvement in topline growth.
- We expect Revenue/PAT to grow at a 23%/29% CAGR over FY24-26E. DMart currently trades at 84x 1Yr Fwd PE. We value DMart on a DCF basis, which implies 76x on FY26 EPS.

Healthy topline growth aided by strong store additions.

DMart reported healthy revenue growth of 20% YoY, aided by strong store additions in recent years. DMart opened 41 new stores in FY24 and 131 stores in the last 3 years, which, along with a likely improvement in demand due to moderating inflation, will aid future growth. Further, DMart is gradually improving its E-Com business channel, 'DMart Ready', currently available in 23 cities, which now contributes ~2.5% of total revenue. 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, which, will also boost footfalls. We expect a standalone revenue CAGR of 23% over FY24-26E, supported by healthy store additions.

Margins to recover on improving in product mix.

Gross margin improved by 30bps YoY to 13.7% due to an improvement in the product mix. During past several quarters, due to inflationary pressure, contribution from higher margin segments like general merchandise & apparel business (22.4% mix in total revenue) was lower, which has impacted margins. Now, as per the management, Q4FY24 saw continued uptick in demand for discretionary products, which has supported gross margin improvement in the quarter while EBITDA margin was maintained at 7.6% on YoY basis. The discretionary mix is expected to improve going forward, aided by moderating inflation, which will improve margins in the coming quarters.

Valuation & Outlook

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 moderating inflation will improve discretionary demand and margins. DMart is currently trading at 84x 1Yr Fwd PE. We arrive at a target price of Rs.5,200 by valuing on a DCF basis, which implies 76x on FY26 EPS, maintaining our BUY rating.

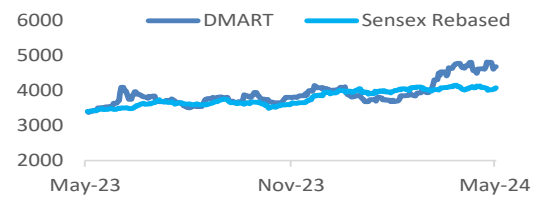
Company Data

Market Cap (Rs.cr)	3,03,956
Enterprise Value (Rs.cr)	3,02,583
Outstanding Shares (cr)	65.1
Free Float (%)	23.0
Dividend Yield (%)	0.0
52 week high (Rs.)	4,892
52 week low (Rs.)	3,353
6m average volume (cr)	0.04
Beta	1.06
Face value Rs.	10

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	74.7	74.7	74.7
FII's	7.7	8.0	8.3
MFs/Institutions	8.3	8.5	8.6
Public	6.4	6.0	5.7
Others	3.0	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	26.5%	22.6%	37.4%
Absolute Sensex	1.7%	12.0%	19.7%
Relative Return*	24.8%	10.6%	17.7%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	49,533	60,958	74,404
Growth (%)	18.4	23.1	22.1
EBITDA	4,099	5,225	6,550
EBITDA Margin (%)	8.3	8.6	8.8
Adj. PAT	2,695	3,501	4,456
Growth (%)	11.6	29.9	27.3
Adj. EPS	41.4	53.8	68.5
Growth (%)	11.1	29.9	27.3
P/E	112.8	86.8	68.2
P/B	15.2	12.8	10.7
EV/EBITDA	73.9	57.7	45.6
ROE (%)	15.1	16.7	17.9
D/E	0.0	0.0	0.0

 Vincent Andrews
 Research Analyst


Quarterly Financials (Standalone)

Profit & Loss

Rs.cr	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY growth
Sales	12,393	10,337	19.9%	13,247	-6.4%	49,533	41,833	18.4%
EBITDA	940	782	20.2%	1,121	-16.1%	4,099	3,659	12.0%
EBITDA margins	7.6%	7.6%	0bps	8.5%	-90bpS	8.3%	8.7%	40bps
Depreciation	178	142	25.7%	163	9.1%	633	543	16.5%
EBIT	762	641	19.0%	958	-20.4%	3,467	3,116	11.2%
Interest	11	13	-16.5%	11	-4.3%	44	48	-8.1%
Other Income	52	42	24.6%	44	17.5%	189	163	15.9%
Exceptional Items	0	0	NA	0	NA	0	0	NA
PBT	804	670	20.0%	991	-18.9%	3,611	3,231	11.8%
Tax	0	0	0.0%	0	0.0%	0	0	0.0%
Share of profit from associates	0	0	0.0%	0	0.0%	0	0	0.0%
Minority interest	200	165	21.3%	254	-21.5%	916	675	35.8%
Reported PAT	604	505	19.6%	737	-18.0%	2,695	2,556	5.4%
Adjustments	0	0	NA	0	NA	0	-141	NA
Adj PAT	604	505	19.6%	737	-18.0%	2,695	2,416	11.6%
No. of Shares	65	65	0.1%	65	0.0%	65	65	0.0%
Adj EPS (Rs)	9.3	7.8	19.6%	11.4	-18.0%	41.6	37.3	11.6%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	61,830	72,944	60,958	74,404	-1.4%	2.0%
EBITDA	5,470	6,594	5,225	6,550	-4.5%	-0.7%
Margins	8.8%	9.0%	8.6%	8.8%	(10bps)	(10bps)
Adj. PAT *	3,684	4,462	3,501	4,456	-5.0%	-0.1%
EPS	56.6	68.6	54.0	68.7	-4.6%	0.2%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	23,787	30,353	41,833	49,533	60,958	74,404
% change	-3.6	27.6	37.8	18.4	23.1	22.1
EBITDA	1,742	2,502	3,659	4,099	5,225	6,550
% change	-17.9	43.6	46.3	12.0	27.5	25.4
Depreciation	371	421	543	633	716	815
EBIT	1,370	2,080	3,116	3,467	4,509	5,735
Interest	34	40	48	44	41	36
Other Income	209	141	163	189	232	283
PBT	1,545	2,182	3,231	3,611	4,699	5,982
% change	-13.4	41.2	48.1	11.8	30.1	27.3
Tax	379	566	675	916	1,198	1,525
Tax Rate	24.6%	25.9%	20.9%	25.4%	25.5%	25.5%
Reported PAT	1,165	1,616	2,556	2,695	3,501	4,456
Adj*	0	0	141	0	0	0
Adj PAT	1,165	1,616	2,416	2,695	3,501	4,456
% change	-13.7	38.7	49.5	11.6	29.9	27.3
No. of shares (cr)	64.8	64.8	64.8	65.1	65.1	65.1
Adj EPS (Rs.)	18.0	24.9	37.3	41.4	53.8	68.5
% change	-13.7	38.7	49.4	11.1	29.9	27.3
DPS (Rs.)	0	0	0	0	0	0
CEPS (Rs.)	23.7	31.4	45.6	51.1	64.8	81.0

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	1,537	2,037	3,100	3,328	4,217	5,272
Non-cash adj.	-31	-74	-120	-145	-190	-247
Changes in W.C	-120	-648	-301	-1,343	-44	-541
C.F. Operation	1,385	1,315	2,678	1,840	3,983	4,483
Capital exp.	-1,968	-2,282	-2,129	-2,326	-2,407	-2,100
Change in inv.	672	925	-185	189	232	283
Other invest.CF	126	39	-166	-90	0	0
C.F - Investment	-1,155	-1,292	-2,442	-2,227	-2,175	-1,818
Issue of equity	0	0	16	2	0	0
Issue/repay debt	-104	-81	-100	0	0	0
Dividends paid	0	0	0	0	0	0
Other finance.CF	-36	-39	-48	-44	-41	-36
C.F - Finance	-140	-121	-132	-42	-41	-36
Chg. in cash	90	-98	103	-429	1,766	2,630
Closing cash	181	83	187	944	2,710	5,340

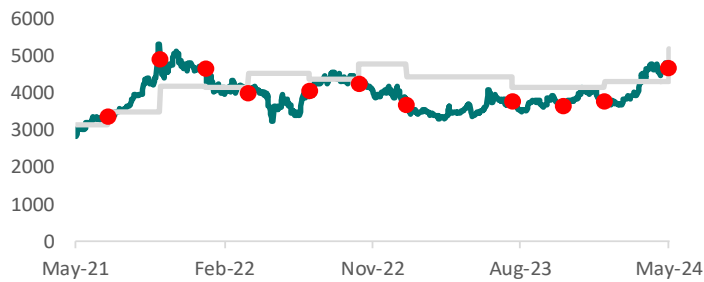
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	1,432	284	1,373	944	2,710	5,340
Accounts Receivable	72	231	247	394	484	510
Inventories	2,167	2,587	3,056	3,718	4,518	5,443
Other Cur. Assets	289	249	460	1,289	835	815
Investments	494	628	1,055	1,145	1,145	1,145
Gross Fixed Assets	7,904	10,428	12,996	15,801	18,208	20,309
Net Fixed Assets	6,620	8,723	10,748	12,920	14,611	15,897
CWIP	1,006	1,073	829	350	350	350
Intangible Assets	9	10	10	10	10	10
Def. Tax (Net)	-52	-65	-79	-79	-79	-79
Other Assets	1,556	1,619	466	475	501	612
Total Assets	13,594	15,339	18,165	21,167	25,086	30,043
Current Liabilities	1,050	1,061	1,287	1,574	1,970	2,445
Provisions	22	33	46	55	67	82
Debt Funds	0	0	0	0	0	0
Other Liabilities	217	321	330	339	348	358
Equity Capital	648	648	648	651	651	651
Reserves & Surplus	11,658	13,276	15,854	18,549	22,050	26,506
Shareholder's Fund	12,305	13,924	16,503	19,200	22,701	27,157
Total Liabilities	13,594	15,339	18,165	21,167	25,086	30,043
BVPS (Rs.)	197	223	264	308	364	435

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	7.3	8.2	8.7	8.3	8.6	8.8
EBIT margin (%)	5.8	6.9	7.4	7.0	7.4	7.7
Net profit mgn.(%)	4.9	5.3	5.8	5.4	5.7	6.0
ROE (%)	9.9	12.3	15.9	15.1	16.7	17.9
ROCE (%)	10.2	12.6	16.2	15.3	16.9	18.0
W.C & Liquidity						
Receivables (days)	0.9	1.8	2.1	2.4	2.6	2.4
Inventory (days)	36.5	33.3	28.8	29.1	28.8	28.6
Payables (days)	9.1	7.7	6.3	7.8	8.6	8.7
Current ratio (x)	3.7	3.1	3.9	3.9	4.2	4.8
Quick ratio (x)	0.2	0.3	0.3	0.1	1.0	1.9
Turnover & Leverage						
Gross asset T.O (x)	3.3	3.3	3.6	3.4	3.6	3.9
Total asset T.O (x)	1.9	2.1	2.5	2.5	2.6	2.7
Int. coverage ratio (x)	39.7	52.5	64.8	78.4	109.3	160.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation						
EV/Sales (x)	12.7	10.0	7.2	6.1	4.9	4.0
EV/EBITDA (x)	173.0	121.4	82.7	73.9	57.7	45.6
P/E (x)	259.7	187.2	125.4	112.8	86.8	68.2
P/BV (x)	23.7	20.9	17.7	15.2	12.8	10.7

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
21-July-22	Buy	4,380
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

Investment Rating Criteria

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.

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

REGULATORY DISCLOSURES: Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd(P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GEOJIT confirms that:

(i) It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

(II) It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Vincent K A, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity: Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd., Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com,

Compliance officer: Ms. Indu K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024, Phone: +91 484-2901367, Email: compliance@geojit.com. For grievances: Grievance officer: Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024, Phone: +91 484-2901363, Email: grievances@geojit.com
 Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

