

Subdued Margin Performance; Maintain HOLD
Est. Vs. Actual for Q3FY25: Revenue –**INLINE**; EBITDA – **MISS**; PAT – **MISS**
Changes in Estimates post Q3FY25
FY25E/FY26E: Revenue: -1%/-1%; EBITDA: -8%/-10%; PAT: -11%/-14%

Recommendation Rationale

- In Q3FY25, DMart's consolidated revenue grew by ~18% YoY with LFL growth at 8.3% (below our estimates). The company added 10 stores during the quarter, taking the total store count to 387. Rise of Q-commerce continues to impact stores in metro cities; however, the impact was less pronounced compared to Q2FY25.
- EBITDA grew 9% YoY, while EBITDA margins declined by 63bps YoY to stand at 7.6%. This was owing to higher discounts (as per our channel checks), continued pressure on GM&A category (increased competition) and higher gestation period for larger and newer store (higher Opex).
- Management Transition:** Anshul Aswa, previously with Unilever, will assume the role of CEO from Mar'25 as Neville Noronha, the current MD & CEO will step down in Jan'26, to ensure a smooth transition. This transition will be closely watched as it may signal potential shifts in strategic direction or operational priorities.
- We believe DMart will continue to face challenges in optimizing its overall store metrics in the near-term due to several factors such as (a) Increasing competition from both organised players (Reliance, Star Bazaar, Zudio) and online players (Zepto, Blinkit, Instamart) resulting in erosion of market share in metros and smaller towns, (b) Higher discounts to mitigate the impact on rising competition impacting the overall profitability, c) discretionary demand continuing to remain subdued with a meaningful recovery anticipated only from FY26 onwards, and d) Larger and newer stores having higher gestation periods, thereby impacting the overall store matrix performance.

Sector Outlook: Cautious

Company Outlook & Guidance: We recommend a wait-and-watch approach, as we look for a sustained improvement in the store matrix and demand recovery triggers. Hence, **we maintain a HOLD rating on the stock. However, the management transition will be a key upside risk to our call.**

Current Valuation: 62x Dec-26 EPS (65x Mar-26 EPS)

Current TP: Rs 4,000/share (Earlier – Rs 4,200/Share)

Recommendation: With an 8% upside from the CMP, we **maintain our HOLD rating on the stock.**

Financial Performance: In Q3FY25, DMART's consolidated revenue grew by ~18% YoY to Rs 15,973 Cr. EBITDA grew by 8.7% YoY whereas EBITDA margins were down by 63bps YoY and stood at 7.6%. This was on account of higher Opex and gross margin contraction. The company reported a PAT of Rs 724 Cr, up ~5% YoY.

Outlook: DMart's near-term performance will continue to remain impacted owing to a) Increasing competition from both organised players (Reliance, Star Bazaar, Zudio) and online players (Zepto, Blinkit, Instamart) eroding market share in metros and smaller towns, b) Higher discounts to mitigate the impact on rising competition thereby impacting overall profitability, c) Discretionary demand continuing to remain subdued with a meaningful recovery anticipated only from FY26 onwards, and d) Larger and newer stores having higher gestation periods, thus impacting the overall store matrix performance.

Valuation & Recommendation: We decrease our FY25/26E PAT estimates on account of near-term headwinds in the form of increased competitive intensity and subdued demand environment. Hence, we **maintain our HOLD rating on the stock with the revised TP to Rs 4,000/share. The TP implies an 8% upside from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	15,973	10.6	17.7	16,016	(0.3)
EBITDA	1,217	11.3	8.7	1,260	(3.4)
EBITDA Margin (%)	7.6	5bps	-63bps	7.9	-25bps
Net Profit	724	9.7	4.8	785	(7.8)
EPS (Rs)	11.1	9.7	4.8	12.1	(7.8)

Source: Company, Axis Research

(CMP as of 10th January 2025)

CMP (Rs)	3687
Upside /Downside (%)	8%
High/Low (Rs)	5484/3400
Market cap (Cr)	239840
Avg. daily vol (6M) Shrs ('000)	754
No. of shares (Cr)	65

Shareholding (%)

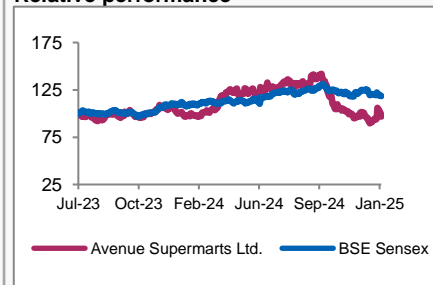
	Mar-24	Jun-24	Sep-24
Promoter	74.7	74.7	74.7
FII's	8.3	9.2	10.0
MF's / UTI	7.3	6.8	6.0
Banks / FI's	0.0	0.0	0.0
Others	9.8	9.3	9.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	59,729	71,598	86,102
EBITDA	4,766	5,836	7,061
Adj Net Profit	2,929	3,622	4,432
EPS, Rs	45.0	55.7	68.1
PER, x	81.9	66.2	54.1
EV/EBITDA, x	50.1	40.8	33.6
ROE, %	13.5	14.3	14.9
ROCE (%)	14.5	15.4	16.1

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-1%	-1%
EBITDA	-8%	-10%
PAT	-11%	-14%

Relative performance


Source: Ace Equity, Axis Securities

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Other Highlights

- **Store addition:** The company added 10 stores in Q3FY25 taking the total store count to 387 stores, up 13% YoY. Its total retail area at the end of the quarter stood at 16.1 Mn sq. ft, an addition of 0.3 Mn sq.ft (up 13%) in Q3FY25.
- **Stagnation in General Merchandise and Apparel (GMA) Performance:** The GMA segment contributed 22.99% of sales in 9MFY25, nearly flat compared to 22.96% in 9MFY24. This stagnation reflects a continued slowdown in discretionary spending, a trend driven by subdued consumer sentiment in the non-essential categories.
- **Strong Growth in D Mart Ready:** The company's online grocery platform, D Mart Ready grew by 21.5% in 9MFY25. The management attributed this growth to their proactive adaptation to evolving customer preferences in the grocery e-commerce space, particularly the rising demand for home delivery services.
- **Shift towards Home Delivery:** DMart is increasingly focusing on home delivery, which has now outpaced pick-up point sales. While the company continues to offer both delivery options in select locations, it has shifted to an exclusively home delivery model in several towns, aligning with customer preferences and optimizing operational efficiency.

Key Risks to our Estimates and TP

- The demand environment continues to remain uncertain and could impact the overall future performance of the company, if demand falters further.

Change in Estimates

	Old		New		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	60,542	72,667	59,729	71,598	-1%	-1%
EBITDA	5,191	6,518	4,766	5,836	-8%	-10%
PAT	3,305	4,212	2,929	3,622	-11%	-14%
EPS	50.8	64.7	45.0	55.7	-11%	-14%

Source: Company, Axis Securities Research

Results Review (Consolidated)

Rs Cr	Q3FY24	Q2FY25	Axis Est.	Q3FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Total Revenue	13,572	14,445	16,016	15,973	17.7	10.6	(0.3)
COGS	11,552	12,290	13,693	13,620	17.9	10.8	(0.5)
Gross Profit	2,020	2,155	2,322	2,352	16.4	9.2	1.3
GM%	14.9	14.9	14.5	14.7	-16bps	-19bps	23bps
Expenditure							
Employee expenses	234	285	276	305	30.1	6.9	10.2
Other Exp	666	776	786	830	24.6	7.0	5.6
Total Expenditure	12,453	13,351	14,756	14,755	18.5	10.5	(0.0)
EBIDTA	1,120	1,094	1,260	1,217	8.7	11.3	(3.4)
EBITDA Margin (%)	8.3	7.6	7.9	7.6	-63bps	5bps	-25bps
Depreciation	189	208	218	228	20.5	9.8	4.6
EBIT	930.5	886.0	1,041.8	989.1	6.3	11.6	(5.1)
Interest	15	16	16	18	25.2	11.6	10.5
Oth. Inc.	33	34	35	24	(26.7)	(28.0)	(31.4)
Exceptional Items	-	-	-	-			#DIV/0!
PBT	949	903	1,060	995	4.9	10.2	(6.2)
Tax	259	244	276	272	5.0	11.4	(1.5)
Effective Tax Rate(%)	27.2	27.0	26.0	27.3	4bps	30bps	129bps
PAT	690	659	785	724	4.8	9.7	(7.8)
PAT Margin (%)	5.09	4.57	4.90	4.53	-56bps	-4bps	-37bps
EPS (Rs.)	10.6	10.1	12.1	11.1	4.8	9.7	(7.8)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	50,789	59,729	71,598	86,102
Growth, %	18.6	17.6	19.9	20.3
Raw material expenses	(43,275)	(50,848)	(60,763)	(72,915)
Employee expenses	(906)	(1,133)	(1,371)	(1,658)
Other Operating expenses	(2,504)	(2,983)	(3,628)	(4,468)
EBITDA (Core)	4,104	4,766	5,836	7,061
Growth, %	12.8	16.1	22.5	21.0
Margin, %	8.1	8.0	8.2	8.2
Depreciation	(731)	(860)	(1,013)	(1,166)
EBIT	3,373	3,906	4,824	5,895
Growth, %	12.5	15.8	23.5	22.2
Margin, %	6.6	6.5	6.7	6.8
Other Income	146	176	211	253
Non-recurring Items	-	-	-	-
Pre-tax profit	3,461	4,012	4,961	6,071
Tax provided	(926)	(1,083)	(1,340)	(1,639)
Profit after tax	2,536	2,929	3,622	4,432
Net Profit	2,536	2,929	3,622	4,432
Growth, %	6.6	15.5	23.7	22.4

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	638	969	1,427	2,687
Debtors	166	196	235	282
Inventory	3,927	4,619	5,536	6,658
Loans & advances	-	-	-	-
Other current assets	1,364	1,364	1,364	1,364
Total current assets	6,203	7,254	8,669	11,098
Investments	243	243	243	243
Gross fixed assets	16,562	19,472	22,922	26,372
Less: Depreciation	(3,155)	(4,014)	(5,027)	(6,193)
Add: Capital WIP	935	935	935	935
Net fixed assets	14,342	16,392	18,830	21,114
Non-current assets	390	390	390	390
Total assets	21,178	24,280	28,131	32,845
Current liabilities	1,979	2,152	2,383	2,664
Provisions	-	-	-	-
Total current liabilities	1,979	2,152	2,383	2,664
Non-current liabilities	501	501	501	501
Total liabilities	2,480	2,653	2,883	3,165
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,976	24,597	29,029
Shareholders' equity	18,698	21,626	25,248	29,680
Total equity & liabilities	21,178	24,280	28,131	32,845

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	3,461	4,012	4,961	6,071
Depreciation	731	860	1,013	1,166
Chg in working capital	(1,193)	(547)	(727)	(888)
Total tax paid	(911)	(1,083)	(1,340)	(1,639)
Cash flow from operating activities	2,088	3,241	3,908	4,710
Capital expenditure	(2,912)	(2,910)	(3,450)	(3,450)
Chg in marketable securities	96	-	-	-
Cash flow from investing activities	(2,942)	(2,910)	(3,450)	(3,450)
Free cash flow	(854)	331	458	1,260
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	2	-	-	-
Net chg in cash	(851)	331	458	1,260
Opening cash balance	1,408	638	969	1,427
Closing cash balance	638	969	1,427	2,687

Source: Company, Axis Securities

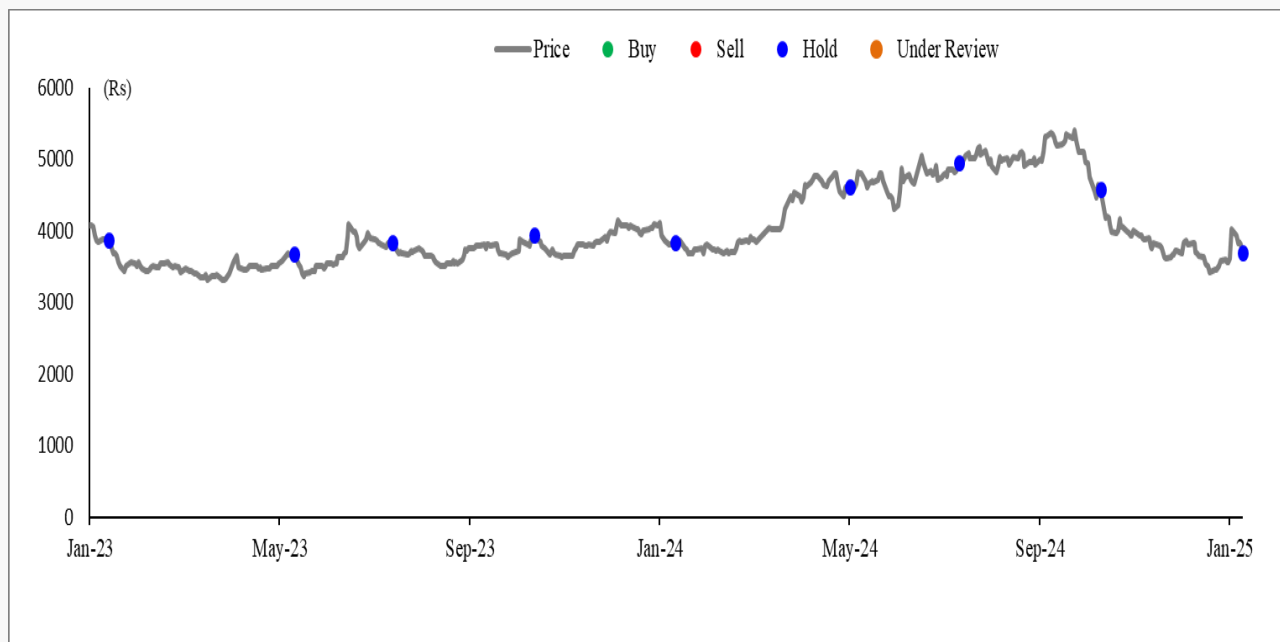
Ratio Analysis

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
EPS (INR)	39.0	45.0	55.7	68.1
Growth, %	6.0	15.5	23.7	22.4
Book NAV/share (INR)	287.3	332.3	388.0	456.1
FDEPS (INR)	39.0	45.0	55.7	68.1
CEPS (INR)	50.2	58.2	71.2	86.0
CFPS (INR)	30.0	47.1	56.8	68.5
Return ratios				
Return on assets (%)	13.2	13.2	14.1	14.8
Return on equity (%)	13.6	13.5	14.3	14.9
Return on capital employed (%)	14.5	14.5	15.4	16.1
Turnover ratios				
Asset turnover (x)	3.2	3.2	3.3	3.5
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.9	4.1	4.3
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	1.2	1.2	1.2
Inventory days	28.2	28.2	28.2	28.2
Payable days	7.7	7.7	7.7	7.7
Working capital days	25.0	24.6	24.2	23.9
Liquidity ratios				
Current ratio (x)	3.1	3.4	3.6	4.2
Quick ratio (x)	1.1	1.2	1.3	1.7
Valuation				
PER (x)	94.6	81.9	66.2	54.1
PEG (x) - y-o-y growth	15.8	5.3	2.8	2.4
Price/Book (x)	12.8	11.1	9.5	8.1
EV/Net sales (x)	4.7	4.0	3.3	2.8
EV/EBITDA (x)	58.3	50.1	40.8	33.6
EV/EBIT (x)	70.9	61.2	49.4	40.2

Source: Company, Axis Securities

Avenue Supermarts PriceChart and Recommendation History



Date	Reco	TP	Research
13-Jan-23	HOLD	4,000	Result Update
12-May-23	HOLD	4,000	Result Update
14-Jul-23	HOLD	3,870	Result Update
16-Oct-23	HOLD	4,000	Result Update
15-Jan-24	HOLD	4,150	Result Update
05-May-24	HOLD	4,400	Result Update
15-Jul-24	HOLD	4,550	Result Update
14-Oct-24	HOLD	4,200	Result Update
13-Jan-25	HOLD	4,000	Result Update

Source: Axis Securities

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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.