

Avenue Supermarts Ltd.

BUY

Sector: Retail stores

 16th January 2025

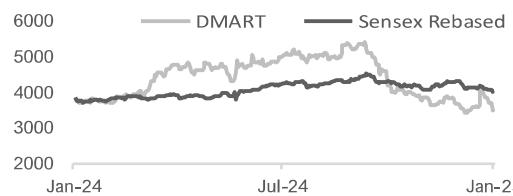
Key Changes	Target	Rating	Earnings	Target	Rs. 4,107
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	DMART:IN	76,724	DMART	540376	12 Months

Data as of: 15-01-2025

Topline growth improved, margins under pressure

Company Data			
Market Cap (Rs. cr.)			2,32,180
52 Week High — Low (Rs.)			5,484-3,400
Enterprise Value (Rs. cr.)			2,30,808
Outstanding Shares (Rs cr)			65
Free Float (%)			23
Dividend Yield (%)			0.0
6m average volume (cr)			0.08
Beta			0.97
Face value (Rs)			10.0
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	74.7	74.7	74.7
FII's	8.3	9.2	10.0
MFs/Institutions	8.6	8.0	7.5
Public	5.7	5.3	5.1
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	-14%	-30%	-8%
Absolute Sensex	-5%	-5%	5%
Relative Return	-9%	-25%	-13%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	57,665	68,537	79,776
Growth (%)	16.4	18.9	16.4
EBITDA	4,622	5,615	6,600
EBITDA Margin (%)	8.0	8.2	8.3
Adj. PAT	2,947	3,581	4,276
Growth (%)	9.4	21.5	19.4
Adj. EPS	45.3	55.0	65.7
Growth (%)	9.4	21.5	19.4
P/E	78.8	64.8	54.3
P/B	10.0	8.6	7.4
EV/EBITDA	50.1	41.2	34.9
ROE (%)	14.2	14.9	15.3
D/E	0.0	0.0	0.0

Author: Vincent K A - Sr. Research Analyst

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 387 stores (total 16.1mn sq. ft).

- Revenue grew by 17.5% YoY, while like-for like growth (for stores operational for 24months) declined to 8.3% from 8.6% YoY.
- Gross margin declined by 16bps YoY to 14.1% due to lack of improvement in the product mix. EBITDA growth was 10%YoY as EBITDA margin declined by 60bps YoY to 7.9% due to higher employee costs and other expenses.
- General merchandise & apparel category mix which commands a higher margin has not seen any material improvement from last year despite festive season.
- Strong store additions continued as DMart has added 22 stores in 9MFY25 vs. 17 YoY (41 stores in FY24). This will support future topline growth.
- DMart is gradually improving its E-Com business channel, 'DMart Ready', currently available in ~25 cities (24 QoQ), which now contributes ~2.5% of total revenue. DMart Ready business grew by 21.5% YoY in 9MFY25.

Outlook & Valuation

The increasing prevalence of online grocery formats, particularly in major metropolitan areas has recently led to a moderation in topline growth. We anticipate continued margin pressure in the short term due to competition. However, DMart's robust balance sheet, with no debt and strong operational efficiency, will support ongoing store expansions, fostering future revenue growth. Furthermore, lower inflation is expected to enhance discretionary product mix and margins. We expect Revenue/PAT to grow at a 18%/16% CAGR over FY24-27E. **DMart currently trades at 69x 1Yr Fwd PE (2yr avg =78x). We reduced our earnings estimates and revised our target to Rs.4,107 (earlier Rs. 4,471) by valuing on a DCF basis which implies 62x on FY27 EPS.**

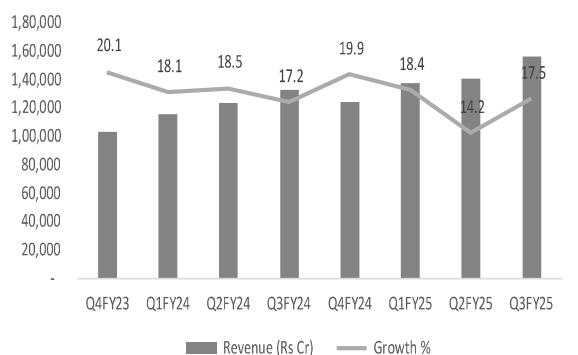
Quarterly Financials Standalone

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	15,565	13,247	17.5	14,050	10.8	43,327	37,139	16.7
EBITDA	1,235	1,121	10.2	1,105	11.8	3,561	3,159	12.7
Margin (%)	7.9	8.5	-50bps	7.9	0bps	8.2	8.5	-30bps
EBIT	1,031	958	7.7	920	12.1	3,002	2,704	11.0
PBT	1,053	991	6.2	953	10.4	3,095	2,808	10.2
Rep. PAT	785	737	6.5	710	10.5	2,307	2,091	10.4
Adj PAT	785	737	6.5	710	10.5	2,307	2,091	10.4
EPS (Rs)	12.1	11.4	6.5	11.0	10.5	35.6	32.3	10.4

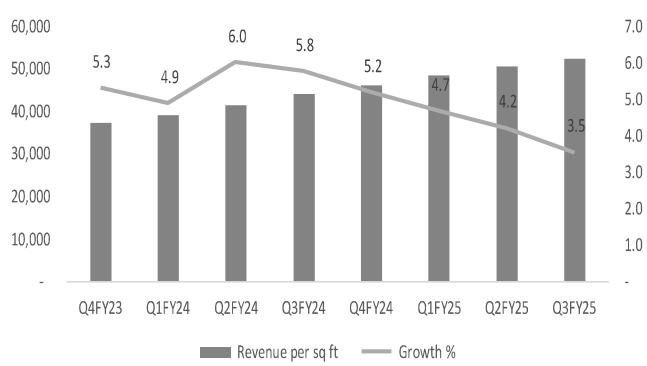
Key Highlights...

- Total bill cuts increased by 16.5% YoY to 9.2 crores while average bill size increased by 0.9%YoY to Rs. 1,692.
- Total retail business area has increased to 16.1mn sqft vs. 15.8mn sqft QoQ (14.2mn sqft YoY).
- Revenue per sqft grew by 3.4% YoY to Rs. 9,317 (8.5% QoQ)
- DMart has added average 40 stores per annum in the recent years. We expect the same pace to continue in the coming years also considering healthy internal accruals.
- 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.
- DMart has announced the appointment of Mr. Anshul Asawa as a Chief Executive Officer Designate who will succeed Mr. Ignatius Navil Noronha taking on full responsibilities as Managing Director & CEO with effect from 1st February, 2026, subject to approvals. Mr. Anshul Asawa, an IIT Roorkee and IIM Lucknow alumnus, has ~30-year long stint at Unilever and currently serves as Country Head of Unilever in Thailand and General Manager for the Home Care business unit in Greater Asia.
- 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.

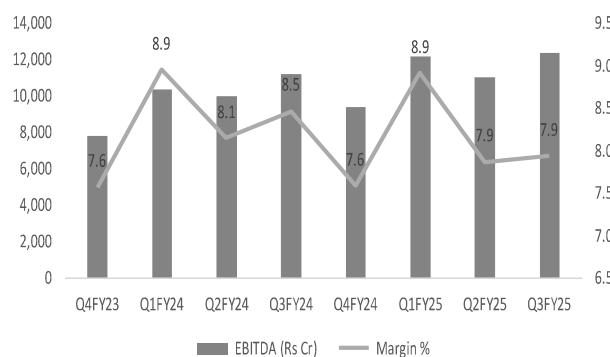
Revenue



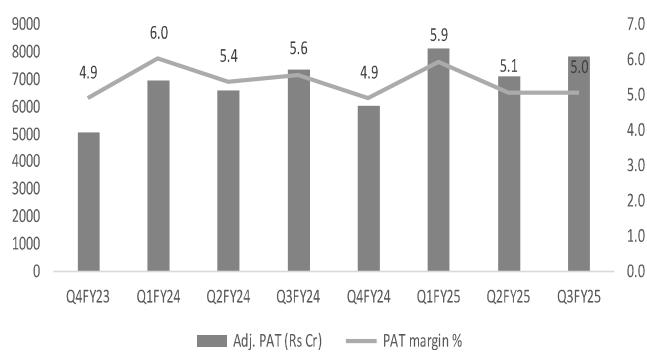
Revenue per sqft (annualised)



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	58,298	70,442	57,665	68,537	-1.1	-2.7
EBITDA	4,851	6,146	4,622	5,615	-4.7	-8.6
Margins (%)	8.3	8.7	8.0	8.2	-31bps	-53bps
Adj. PAT	3,178	4,083	2,947	3,581	-7.3	-12.3
EPS	48.8	62.7	45.5	55.0	-6.8	-12.2

Standalone Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	Balance Sheet					
Revenue	30,353	41,833	49,533	57,665	68,537	79,776	Cash	284	1,373	560	436	735
% change	27.6	37.8	18.4	16.4	18.9	16.4	Accounts Receivable	231	247	393	458	469
EBITDA	2,502	3,659	4,099	4,622	5,615	6,600	Inventories	2,587	3,056	3,723	4,339	5,310
% change	43.6	46.3	12.0	12.8	21.5	17.5	Other Cur. Assets	249	460	1,277	1,501	1,784
Depreciation	421	543	633	773	938	1,005	Investments	628	1,055	1,146	1,255	1,397
EBIT	2,080	3,116	3,467	3,849	4,677	5,595	Gross Fixed Assets	10,428	12,996	15,798	18,850	21,933
Interest	40	48	44	57	50	48	Net Fixed Assets	8,723	10,748	12,917	15,196	17,341
Other Income	141	163	189	168	185	199	CWIP	1,073	829	930	950	1,000
PBT	2,182	3,231	3,611	3,961	4,813	5,746	Intangible Assets	10	10	17	17	17
% change	41.2	48.1	11.8	9.7	21.5	19.4	Def. Tax (Net)	-65	-79	-94	-94	-94
Tax	566	675	916	1,013	1,231	1,470	Other Assets	1,619	466	603	695	826
Tax Rate	25.9%	20.9%	25.4%	25.6%	25.6%	25.6%	Total Assets	15,339	18,165	21,472	24,753	28,786
Reported PAT	1,616	2,556	2,695	2,947	3,581	4,276	Current Liabilities	1,061	1,287	1,821	2,160	2,615
Adj*	0	141	0	0	0	0	Provisions	33	46	55	65	77
Adj PAT	1,616	2,416	2,695	2,947	3,581	4,276	Debt Funds	0	0	0	0	0
% change	38.7	49.5	11.6	9.4	21.5	19.4	Other Liabilities	321	330	315	300	285
No. of shares (cr)	64.8	64.8	65.1	65.1	65.1	65.1	Equity Capital	648	648	651	651	651
Adj EPS (Rs.)	24.9	37.3	41.4	45.3	55.0	65.7	Reserves & Surplus	13,276	15,854	18,630	21,577	25,158
% change	38.7	49.4	11.1	9.4	21.5	19.4	Shareholder's Fund	13,924	16,503	19,281	22,228	25,809
DPS (Rs.)	0	0	0	0	0	0	Total Liabilities	15,339	18,165	21,472	24,753	28,786
CEPS (Rs.)	31.4	45.6	51.1	57.2	69.4	81.2	BVPS (Rs.)	223	264	309	356	414
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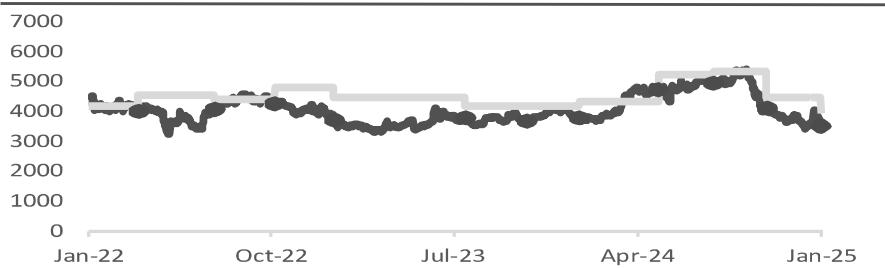
Cash Flow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	Ratios					
Net inc. + Depn.	2,037	3,100	3,328	3,720	4,519	5,281	Y.E March	FY22A	FY23A	FY24A	FY25E	FY27E
Non-cash adj.	-74	-120	64	-112	-135	-151	Profitab. & Return					
Changes in W.C	-648	-301	-649	-663	-946	-826	EBITDA margin (%)	8.2	8.7	8.3	8.0	8.2
C.F. Operation	1,315	2,678	2,743	2,946	3,438	4,304	EBIT margin (%)	6.9	7.4	7.0	6.7	6.8
Capital exp.	-2,282	-2,129	-2,685	-3,072	-3,133	-3,354	Net profit mgn. (%)	5.3	5.8	5.4	5.1	5.2
Change in inv.	925	-185	-300	168	185	199	ROE (%)	12.3	15.9	15.1	14.2	14.9
Other invest.CF	39	-166	352	-109	-142	-170	ROCE (%)	12.6	16.2	15.3	14.5	15.1
C.F - Investment	-1,292	-2,442	-2,584	-3,013	-3,089	-3,324	W.C & Liquidity					
Issue of equity	0	16	73	0	0	0	Receivables (days)	1.8	2.1	2.4	2.7	2.5
Issue/repay debt	-81	-100	-115	0	0	0	Inventory (days)	33.3	28.8	29.1	29.7	30.0
Dividends paid	0	0	0	0	0	0	Payables (days)	7.7	6.3	7.8	8.8	8.8
Other finance.CF	-39	-48	-44	-57	-50	-48	Current ratio (x)	3.1	3.9	3.2	3.0	3.1
C.F - Finance	-121	-132	-87	-57	-50	-48	Quick ratio (x)	0.3	0.3	0.4	0.3	0.6
Chg. in cash	-98	103	72	-124	299	931	Turnover & Leverage					
Closing cash	83	187	560	436	735	1,666	Gross asset T.O (x)	3.3	3.6	3.4	3.3	3.4
							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	67.6	93.9
							Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0

Valuation

EV/Sales (x)	7.6	5.5	4.7	4.0	3.4	2.9
EV/EBITDA (x)	92.7	63.1	56.5	50.1	41.2	34.9
P/E (x)	143.0	95.8	86.2	78.8	64.8	54.3
P/BV (x)	16.0	13.5	11.6	10.0	8.6	7.4

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

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

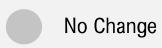
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Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:**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

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