

HSIE Results Daily

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Results Reviews

- **Avenue Supermarts:** Revenue grew by 17.2%. Sales density, though below pre-pandemic levels, continues to normalize upwards (~INR37.3k/sq ft in Q3FY24 vs INR38.7k/sq ft in Q3FY20); up 5% YoY for 9MFY24. Contribution from GM&A has stabilized, and demand trends are encouraging post-Diwali. Festive season sales were lower than management's expectations in the non-FMCG category. Within FMCG, agri-staples (ex-edible oil) continue to face the brunt of high inflation. Margins were largely in line. Gross margin stood at 14.2% (vs HSIE: 14.3%) and EBITDAM stood at 8.5% (-16bps YoY; vs HSIE: 8.6%). We largely maintain our estimates and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,400/sh (earlier INR 3,350/sh), implying 58x Mar-26 P/E (consolidated).

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Avenue Supermarts

In-line print

Revenue grew by 17.2%. Sales density, though below pre-pandemic levels, continues to normalize upwards (~INR37.3k/sq ft in Q3FY24 vs INR38.7k/sq ft in Q3FY20); up 5% YoY for 9MFY24. Contribution from GM&A has stabilized, and demand trends are encouraging post-Diwali. Festive season sales were lower than management's expectations in the non-FMCG category. Within FMCG, agri-staples (ex-edible oil) continue to face the brunt of high inflation. Margins were largely in line. Gross margin stood at 14.2% (vs HSIE: 14.3%) and EBITDAM stood at 8.5% (-16bps YoY; vs HSIE: 8.6%). We largely maintain our estimates and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,400/sh (earlier INR 3,350/sh), implying 58x Mar-26 P/E (consolidated).

- Q3FY24 highlights:** Results came in line with estimates. Revenue grew 17.2% to INR132.5bn. Revenue/EBITDA per sq ft came in at INR37.34k/3.16k per sq ft (96/93% of pre-pandemic base). Management highlighted that the contribution from GM&A has stabilized and demand trends seem to be encouraging post-Diwali. Festive season sales were lower than management's expectations in the non-FMCG category. Within the FMCG segment, agri-staples (ex-edible oil) continue to face the brunt of high inflation. Gross margin came in at 14.2% (-9bps YoY; vs HSIE: 14.3%). EBITDAM at 8.5% was 16bps lower YoY; HSIE: 8.6%. EBITDA growth came in at 15% (INR 11.2 bn vs HSIE: INR 11.4bn). The company added five stores (net) in Q3 (store count: 341, Area: 14.19mn). APAT stood at INR 7.37bn (HSIE: INR 7.62 bn). Interestingly, QIP money was almost fully utilized (INR39.28bn of the 40.78bn; INR8.85bn used in 9MFY24). CWIP + cash & eq stands at ~INR22.3bn as of Sep-23. This implies DMART might have another 55-60 stores in it. Could this potentially mean another fundraise over the next 18 months? Perhaps!
- Outlook:** The worst of margin pressures seems behind DMART with its GM&A portfolio stabilizing. The low base effect should keep PAT growth healthy from here on. We largely maintain our estimates and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,400/sh (earlier INR 3,350/sh), implying 58x Mar-26 P/E (consolidated).

Quarterly financial summary

| (Rs mn) | 3Q FY24 | 3Q FY23 | YoY (%) | 2Q FY24 | QoQ (%) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------|------------|------------|------------|------------|------------|----------|----------|----------|----------|----------|
| Net Revenue | 1,32,473 | 1,13,046 | 17.2 | 1,23,077 | 7.6 | 3,03,525 | 4,18,333 | 4,95,666 | 5,86,411 | 6,86,005 |
| EBITDA | 11,209 | 9,745 | 15.0 | 10,018 | 11.9 | 25,015 | 36,594 | 42,303 | 51,981 | 62,067 |
| APAT | 7,368 | 6,411 | 14.9 | 6,585 | 11.9 | 16,162 | 25,564 | 27,932 | 34,421 | 41,185 |
| EPS (Rs) | 11.3 | 9.9 | 14.4 | 10.12 | 11.9 | 24.9 | 39.4 | 43.1 | 53.1 | 63.5 |
| P/E (x) | | | | | | 153.3 | 97.0 | 88.8 | 72.1 | 60.2 |
| EV/EBITDA (x) | | | | | | 103.4 | 70.1 | 60.6 | 49.1 | 40.9 |
| Core RoCE(%) | | | | | | 14.8 | 19.1 | 17.5 | 18.3 | 18.5 |

Source: Company, HSIE Research, Standalone Financials

Change in estimates

| (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|-------------------------|----------|----------|------------|----------|----------|------------|----------|----------|------------|
| | New | Old | Change (%) | New | Old | Change (%) | New | Old | Change (%) |
| Revenue | 4,95,666 | 4,95,666 | - | 5,86,411 | 5,86,411 | - | 6,86,005 | 6,86,005 | - |
| Gross Profit | 70,804 | 70,804 | - | 85,833 | 85,833 | - | 1,01,818 | 1,01,818 | - |
| Gross Profit Margin (%) | 14.3 | 14.3 | - | 14.6 | 14.6 | - | 14.8 | 14.8 | - |
| EBITDA | 42,303 | 42,401 | (0.2) | 51,981 | 52,098 | (0.2) | 62,067 | 62,204 | (0.2) |
| EBITDA margin (%) | 8.5 | 8.6 | (2 bps) | 8.9 | 8.9 | (2 bps) | 9.0 | 9.1 | (2 bps) |
| APAT | 27,932 | 27,957 | (0.1) | 34,421 | 34,508 | (0.3) | 41,185 | 41,288 | (0.2) |
| APAT margin (%) | 5.6 | 5.6 | (1 bps) | 5.9 | 5.9 | (1 bps) | 6.0 | 6.0 | (1 bps) |
| EPS (Rs) | 43.1 | 43.1 | (0.1) | 53.1 | 53.2 | (0.3) | 63.5 | 63.7 | (0.2) |

Source: Company, HSIE Research

REDUCE

CMP(as on 12 Jan 2024) INR 3,841

Target Price INR 3,400

NIFTY 21,895

| KEY CHANGES | OLD | NEW |
|--------------|---------------|---------------|
| Rating | REDUCE | REDUCE |
| Price Target | INR 3,350 | INR 3,400 |
| EPS % | FY25E -0.3 | FY26E -0.2 |

KEY STOCK DATA

| | |
|------------------------------|-----------------|
| Bloomberg code | DMART IN |
| No. of Shares (mn) | 651 |
| MCap (INR bn) / (\$ mn) | 2,499/30,563 |
| 6m avg traded value (INR mn) | 1,362 |
| 52 Week high / low | INR 4,206/3,292 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|-------|--------|--------|
| Absolute (%) | (0.6) | 0.9 | (1.8) |
| Relative (%) | (9.8) | (10.1) | (22.8) |

SHAREHOLDING PATTERN (%)

| | Jun-23 | Sep-23 |
|-----------------|--------|--------|
| Promoters | 74.65 | 74.65 |
| FIs & Local MFs | 6.86 | 7.27 |
| FPIs | 8.17 | 7.67 |
| Public & Others | 10.32 | 10.41 |
| Pledged Shares | 0 | 0 |

Source : BSE

-Pledged shares as % of total shares
-Shareholding pattern for Dec-24 is not available

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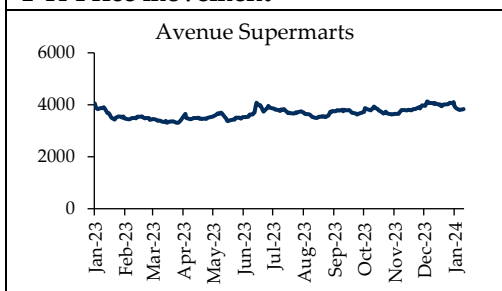
Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

| Analyst | Company Covered | Qualification | Any holding in the stock |
|--------------|-------------------|---------------|--------------------------|
| Jay Gandhi | Avenue Supermarts | MBA | NO |
| Tanuj Pandia | Avenue Supermarts | MBA | NO |
| Riddhi Shah | Avenue Supermarts | MBA | NO |

1 Yr Price movement



Disclosure:

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