

Avenue Supermarts

Estimate changes



TP change



Rating change



Bloomberg	DMART IN
Equity Shares (m)	648
M.Cap.(INRb)/(USDb)	3001.4 / 36
52-Week Range (INR)	4890 / 3352
1, 6, 12 Rel. Per (%)	3/10/6
12M Avg Val (INR M)	1596

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	508	624	770
EBITDA	41	55	72
Adj. PAT	25	35	46
EBITDA Margin (%)	8	9	9
Adj. EPS (INR)	39	53	71
EPS Gr. (%)	6	37	33
BV/Sh. (INR)	287	341	411

Ratios

Net D:E	-0.1	-0.1	0.0
RoE (%)	14.6	17.0	18.8
RoCE (%)	14.3	16.7	18.6
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	118.5	86.6	65.2
EV/EBITDA (x)	73.2	54.1	41.1
EV/Sales (X)	5.9	4.8	3.9
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	74.7	74.7	74.9
DII	8.6	8.5	7.5
FII	8.3	8.0	8.2
Others	8.5	8.9	9.4

FII Includes depository receipts

CMP: INR4,612
TP: INR5,310 (+15%)
Buy

Strong performance continues

Contribution from GM&A category remains a key monitorable

- Avenue Supermarts (DMART)'s consolidated/standalone revenue grew 20% YoY in 4QFY24, led by 13% area addition and 6% productivity growth. Improved GM&A contribution boosted GM, resulting in 22% YoY growth in EBITDA/PAT (5% miss).
- The gap between revenue/sqft (up 6.2% YoY) and revenue/store (up 7% YoY) continued to shrink, indicating an improvement in the share of large-format stores (a positive trend). Further, healthy cost efficiencies and a recovery in discretionary demand are likely to drive growth. We have broadly kept our estimates unchanged for FY25E/FY26E. We reiterate our BUY rating on the stock with a TP of INR5,310.

Increased GM&A contribution supported GM

- Consolidated/standalone revenue grew 20% YoY to INR127b/INR124b (in line), driven by 13% area additions and 6% growth in revenue/sqft to INR33.8k (annualized).
- DMART added 24 stores (1m sqft area) in 4QFY24 to reach to 365 stores (15.15m sqft).
- Consol. GP grew 24% YoY to INR18.4b (in line) and margins grew 40bp YoY to 14.5%, aided by a **higher contribution from GM&A. The company had indicated in 3QFY24 regarding GM&A stabilization.**
- Consol. EBITDA grew 22% YoY to INR9.4b (5% miss) and margins increased 10bp YoY to 7.4%, aided by increased GM, which was offset by increased employee expenses and other costs. Larger store addition in 4QFY24 translated into higher costs of retailing.
- As a result, PAT grew 22% YoY to INR5.6b (5% miss) and margins increased 10bp YoY to 4.4%.
- FY24 revenue/EBITDA/PAT grew 18%/13%/7% YoY.
- OCF increased 5% YoY to INR25.2b, despite a 13% YoY increase in EBITDA because working capital was blocked. Due to the addition of 41 stores, capex climbed up 23% YoY to INR27.2b, leading to cash outflow of INR2b.

Management commentary

- GM&A:** The contribution from the General Merchandise and Apparel segment continued to rise in 4Q.
- DMart Ready:** E-commerce business commenced operations in one new city (Gurugram) in FY24 while continuing to deepen its presence in existing cities. The company is now present across 23 cities in India.
- Food/FMCG led growth:** Food/FMCG/GM&A segments grew 22%/20%/13% YoY. The contribution from Food increased to 57% (+90bp YoY) and FMCG/GM&A declined to 21%/22% (-25bp/-65bp YoY).
- Bill cuts increased:** Overall bill cuts increased 17% YoY to 303m, while ABV grew only 1% YoY. Bill cuts per store grew 4% YoY and 15% below FY20 (pre Covid).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- DMART clocked a 20% revenue CAGR over FY20-24, led by 18% footprint additions. Subdued SSSG was mainly due to: 1) the addition of bigger stores over the last couple of years (20% rise in average store size), and 2) weak discretionary demand (share of discretionary items reduced to 22% in FY24 from 27% in FY20).
- However, despite its weak SSSG, DMART has managed to protect its EBITDA margin at pre-Covid levels through its strong cost-control measures (unlike most other retailers).
- The recovery in revenue/sqft and the reducing gap between revenue/store and revenue/sqft further implied that the share of large-format stores improved, which is a positive factor. This, along with the moderating inflation and the onset of the festive season, may help revive discretionary demand and consequently improve the SSSG trend.
- The stock has rallied 30% since we upgraded it last year ([upgrade note](#)). Our upgrade rating decision was based on the belief that: a) DMART's SSSG were closer to bottoming out, and b) consistent cost efficiency would play a key role.
- Recovery in the higher-margin category of GM&A remains a key monitorable for margin improvement going forward. The management had indicated an uptick in the GM&A contribution in 4QFY24.
- We broadly maintain our FY25/FY26 estimates. We factor in a CAGR of 23%/35% in revenue/PAT over FY24-26, supported by 11%/12% growth in footprints/revenue productivity. Subsequently, we assign a 47x EV/EBITDA multiple (75x PE) on an FY26E basis to arrive at a TP of INR5,310. **We reiterate our BUY rating on the stock.**

Consolidated - Quarterly earnings**(INR b)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%)
Revenue	100.4	106.4	115.7	105.9	118.7	126.2	135.7	127.3	428.4	507.9	127.3	(0.0)
YoY Change (%)	93.7	36.6	25.5	20.6	18.2	18.7	17.3	20.1	38.3	18.6	20.1	
Total Expenditure	90.3	97.5	106.0	98.2	108.3	116.2	124.5	117.8	392.0	466.9	117.3	0.4
EBITDA	10.1	8.9	9.7	7.7	10.4	10.0	11.2	9.4	36.4	41.0	10.0	(5.5)
EBITDA margin (%)	10.0	8.4	8.3	7.3	8.7	8.0	8.3	7.4	8.5	8.1	7.8	
Change YoY (%)	349.7	33.4	11.4	4.4	2.7	12.7	16.0	22.3	45.6	12.8	29.4	
Depreciation	1.4	1.6	1.7	1.6	1.6	1.7	1.9	2.0	6.4	7.3	2.0	2.0
Interest	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.7	0.6	0.2	(30.6)
Other Income	0.3	0.4	0.3	0.3	0.4	0.4	0.3	0.4	1.3	1.5	0.4	
PBT	8.8	7.5	8.1	6.2	9.0	8.5	9.5	7.6	30.6	34.6	8.1	(6.3)
Tax	2.3	0.6	2.2	1.6	2.4	2.3	2.6	2.0	6.8	9.3	2.2	
Rate (%)	26.6	8.3	27.4	26.4	26.6	26.8	27.2	26.2	22.3	26.7	27.4	
Reported PAT	6.4	6.9	5.9	4.6	6.6	6.2	6.9	5.6	23.8	25.4	5.9	(4.7)
Adj PAT	6.4	5.4	5.9	4.6	6.6	6.2	6.9	5.6	22.4	25.4	5.9	(4.7)
YoY Change (%)	574.2	30.4	6.7	7.8	2.5	14.4	17.2	22.4	49.9	13.3	28.5	

E: MOFSL Estimates

Exhibit 2: Valuation based on FY26E EBITDA

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	EV/EBITDA	72	47	3,421	5,268
Less Net debt				-27	-42
Total Value				3,448	5,310
Shares o/s (m)				651	
CMP (INR)					4,618
Upside (%)					15

Source: MOFSL, Company

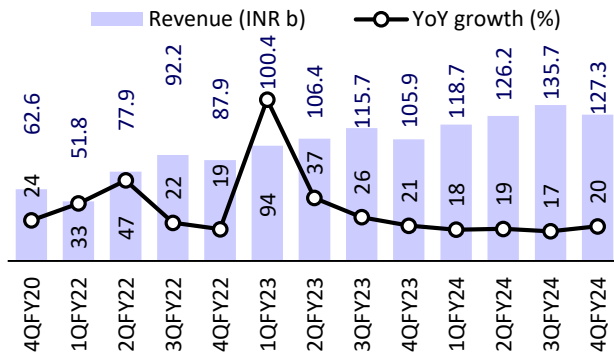
Exhibit 3: Summary of changes to our estimates

	FY25E	FY26E
Revenue (INR b)		
Old	644	802
Actual/New	624	770
Change (%)	-3.0	-4.0
RM cost (INR b)		
Old	545	677
Actual/New	528	650
Change (%)	-3.0	-4.0
Gross Profit (INR b)		
Old	98.5	124.5
Actual/New	95.6	119.7
Change (%)	-2.9	-3.8
Gross margin (%)		
Old	15.3	15.5
Actual/New	15.3	15.6
Change (bp)	1bps	2bps
EBITDA (INR b)		
Old	57	75
Actual/New	55	72
Change (%)	-3.6	-3.2
EBITDA margin (%)		
Old	8.9	9.3
Actual/New	8.9	9.4
Change (bp)	-6bps	7bps
Net Profit (INR b)		
Old	36	48
Actual/New	35	46
Change (%)	-4.3	-4.1

Source: MOFSL

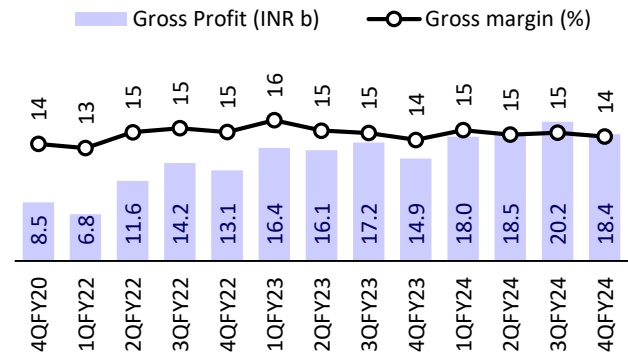
Story in charts

Exhibit 4: Consol. revenue up 20% YoY, led by area additions and productivity improvement



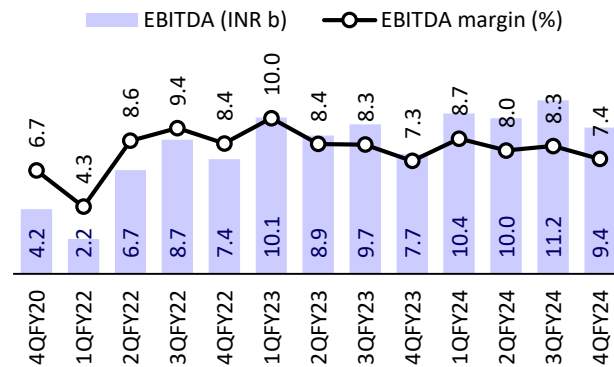
Source: Company, MOFSL

Exhibit 5: GM improved 40bp YoY due to increased GM&A contribution



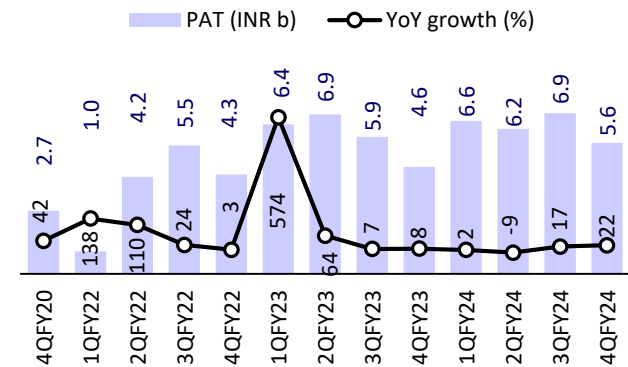
Source: Company, MOFSL

Exhibit 6: EBITDA grew 22% YoY and margins improved 10bp YoY as GM offset by higher cost



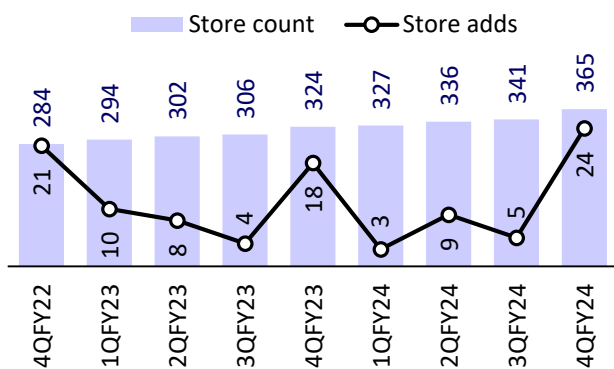
Source: MOFSL, Company

Exhibit 7: PAT grew 22% YoY and margins up 10bp YoY in line with EBITDA improvement



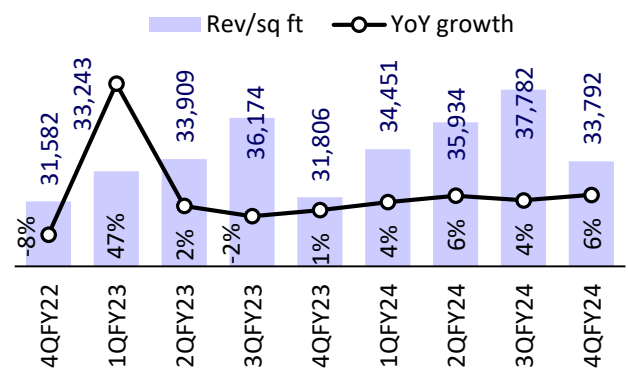
Source: MOFSL, Company

Exhibit 8: Added 24 stores in 4Q vs. 17 in 1Q-3Q

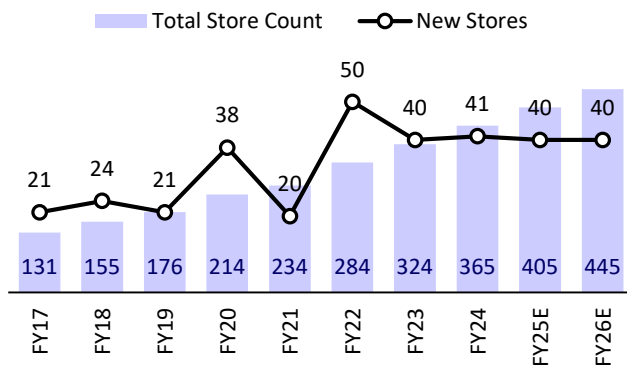


Source: MOFSL, Company

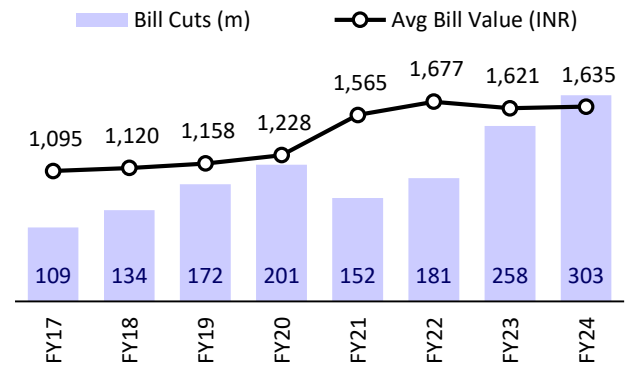
Exhibit 9: Revenue/sqft improved 6% YoY



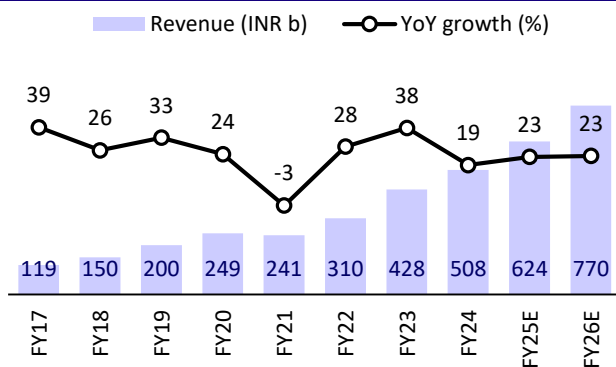
Source: MOFSL, Company

Exhibit 10: Expect 40 store additions per annum

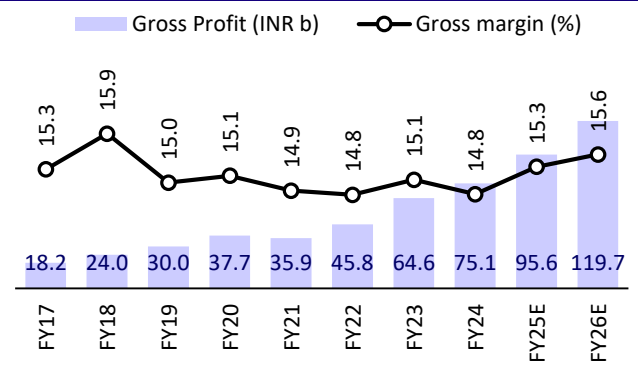
Source: MOFSL, Company

Exhibit 11: Bill cuts improved 17% YoY, but ABV up only 1%

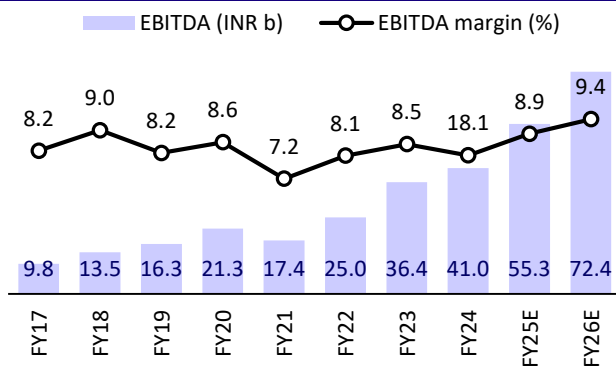
Source: MOFSL, Company

Exhibit 12: Expect 23% consol. revenue CAGR over FY24-26

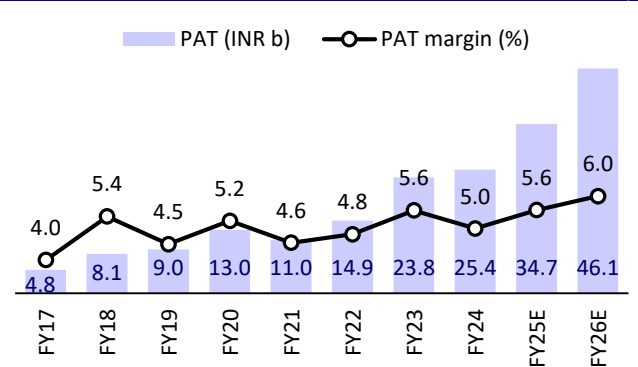
Source: MOFSL, Company

Exhibit 13: Expect 26% Gross profit CAGR over FY24-26

Source: MOFSL, Company

Exhibit 14: Expect 33% EBITDA CAGR over FY24-26

Source: MOFSL, Company

Exhibit 15: Expect 35% PAT CAGR over FY24-26

Source: MOFSL, Company

Financials and valuation

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	2,00,045	2,48,702	2,41,431	3,09,763	4,28,396	5,07,888	6,24,077	7,70,022
Change (%)	33.1	24.3	-2.9	28.3	38.3	18.6	22.9	23.4
Raw Materials	1,70,008	2,11,029	2,05,547	2,63,974	3,63,840	4,32,745	5,28,481	6,50,277
Gross Profit	30,037	37,673	35,884	45,789	64,556	75,143	95,596	1,19,746
Margin (%)	15.0	15.1	14.9	14.8	15.1	14.8	15.3	15.6
Employees Cost	3,554	4,561	5,366	6,162	7,470	9,061	10,921	13,090
Other Expenses	10,150	11,829	13,088	14,642	20,716	25,044	29,332	34,266
Total Expenditure	1,83,712	2,27,419	2,24,000	2,84,778	3,92,025	4,66,851	5,68,734	6,97,633
% of Sales	91.8	91.4	92.8	91.9	91.5	91.9	91.1	90.6
EBITDA	16,333	21,283	17,431	24,985	36,370	41,038	55,343	72,389
Margin (%)	8.2	8.6	7.2	8.1	8.5	8.1	8.9	9.4
Depreciation	2,125	3,744	4,142	4,981	6,389	7,308	8,760	10,141
EBIT	14,208	17,539	13,289	20,004	29,982	33,730	46,582	62,248
Int. and Finance Charges	472	691	417	538	674	581	639	703
Other Income	484	600	1,962	1,175	1,293	1,465	1,591	1,591
PBT bef. EO Exp.	14,219	17,448	14,835	20,641	30,601	34,613	47,534	63,135
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	14,219	17,448	14,835	20,641	30,601	34,613	47,534	63,135
Total Tax	5,195	4,438	3,840	5,717	6,818	9,251	12,834	17,047
Tax Rate (%)	36.5	25.4	25.9	27.7	22.3	26.7	27.0	27.0
Minority Interest	1	1	0	0	0	0	0	0
Reported PAT	9,024	13,009	10,994	14,924	23,783	25,363	34,700	46,089
Adjusted PAT	9,024	13,009	10,994	14,924	23,783	25,363	34,700	46,089
Change (%)	11.9	44.2	-15.5	35.7	59.4	6.6	36.8	32.8
Margin (%)	4.5	5.2	4.6	4.8	5.6	5.0	5.6	6.0

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	6,241	6,478	6,478	6,478	6,483	6,507	6,507	6,507
Total Reserves	49,634	1,04,320	1,15,359	1,30,299	1,54,304	1,80,471	2,15,171	2,61,259
Net Worth	55,875	1,10,797	1,21,837	1,36,776	1,60,787	1,86,978	2,21,678	2,67,767
Minority Interest	6	5	4	3	1	-5	-5	-5
Total Loans	4,298	37	0	0	0	0	0	0
Lease Liabilities		2,955	3,927	6,469	6,430	5,922	6,064	6,150
Deferred Tax Liabilities	633	474	512	640	770	919	919	919
Capital Employed	60,811	1,14,268	1,26,281	1,43,890	1,67,987	1,93,814	2,28,657	2,74,831
Gross Block	49,352	68,484	83,178	1,10,486	1,37,381	1,65,269	1,89,813	2,21,362
Less: Accum. Deprn.	6,131	9,786	13,873	18,669	24,759	31,902	40,662	50,804
Net Fixed Assets	43,221	58,698	69,305	91,817	1,12,622	1,33,367	1,49,151	1,70,558
Right to use assets		7,173	9,602	13,887	15,049	15,391	15,909	15,909
Goodwill	783	783	783	783	783	783	783	783
Capital WIP	3,768	3,644	10,196	11,293	8,292	9,352	9,352	9,352
Total Investments	165	31,374	30	59	2,022	1,067	1,173	1,291
Curr. Assets, Loans&Adv.	22,118	26,264	56,237	50,758	57,327	67,156	86,312	1,15,167
Inventory	16,087	19,474	22,483	27,427	32,435	39,273	49,228	60,574
Account Receivables	644	196	436	669	622	1,664	2,096	2,586
Cash and Bank Balance	2,191	1,079	14,456	2,986	14,083	6,382	15,150	32,170
Loans and Advances	3,197	5,516	18,863	19,677	10,187	19,837	19,837	19,837
Curr. Liability & Prov.	9,246	6,497	10,280	10,838	13,076	17,958	18,161	22,367
Account Payables	4,633	4,335	5,781	5,892	7,538	9,848	12,233	15,052
Other Current Liabilities	4,474	1,996	4,236	4,533	4,965	7,407	5,305	6,545
Provisions	139	167	262	413	573	702	624	770
Net Current Assets	12,872	19,767	45,958	39,920	44,251	49,198	68,151	92,800
Deferred Tax assets	2	3	10	17	18	47	47	47
Appl. of Funds	60,811	1,14,268	1,26,281	1,43,890	1,67,987	1,93,814	2,28,657	2,74,831

Financials and valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS (diluted from FY17)	14.5	20.1	17.0	23.0	36.7	39.0	53.3	70.8
Cash EPS (diluted from FY17)	17.9	25.9	23.4	30.7	46.5	50.2	66.8	86.4
BV/Share (diluted from FY17)	89.5	171.0	188.1	211.1	248.0	287.3	340.7	411.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	319.4	230.0	272.1	200.4	125.9	118.5	86.6	65.2
Cash P/E	258.5	178.6	197.6	150.3	99.2	92.0	69.1	53.4
P/BV	51.6	27.0	24.6	21.9	18.6	16.1	13.6	11.2
EV/Sales	14.4	12.0	12.3	9.7	7.0	5.9	4.8	3.9
EV/EBITDA	176.6	139.2	171.0	119.9	82.0	73.2	54.1	41.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-9.5	-6.6	-10.1	-15.7	6.5	0.4	6.4	28.7
Return Ratios (%)								
RoE	17.6	15.6	9.5	11.5	16.0	14.6	17.0	18.8
RoCE	16.8	15.5	9.4	11.4	15.7	14.3	16.7	18.6
RoIC	18.3	19.7	11.0	12.5	17.1	15.4	17.9	20.9
Working Capital Ratios								
Fixed Asset Turnover (x)	4.1	3.6	2.9	2.8	3.1	3.1	3.3	3.5
Asset Turnover (x)	3.3	2.2	1.9	2.2	2.6	2.6	2.7	2.8
Inventory (Days)	35	34	40	38	33	33	34	34
Debtor (Days)	1	0	1	1	1	1	1	1
Creditor (Days)	10	7	10	8	8	8	8	8
Leverage Ratio (x)								
Current Ratio	2.4	4.0	5.5	4.7	4.4	3.7	4.8	5.1
Interest Cover Ratio	30.1	25.4	31.9	37.2	44.5	58.0	72.8	88.5
Net Debt/Equity	0.0	-0.3	-0.1	0.0	-0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	14,219	17,448	14,835	20,641	30,601	34,613	47,534	63,135
Depreciation	2,125	3,744	4,142	4,981	6,389	7,308	8,760	10,141
Interest & Finance Charges	472	691	417	538	674	581	639	703
Direct Taxes Paid	-5,018	-4,924	-2,616	-5,603	-7,089	-7,418	-12,834	-17,047
(Inc)/Dec in WC	-3,507	-3,762	-1,271	-5,825	-3,199	-6,438	-10,184	-7,630
CF from Operations	8,292	13,197	15,506	14,733	27,376	28,646	33,915	49,304
Others	-224	-395	-1,754	-1,009	-1,073	-1,188	-1,591	-1,591
CF from Operating incl EO	8,068	12,801	13,751	13,724	26,303	27,458	32,325	47,713
(Inc)/Dec in FA	-13,970	-17,060	-20,275	-23,895	-22,065	-27,218	-28,192	-29,038
Free Cash Flow	-5,902	-4,259	-6,524	-10,172	4,238	240	4,133	18,675
(Pur)/Sale of Investments	0	0	7,830	10,500	-1,500	-137	-107	-117
Others	4,386	-29,505	1,345	500	434	2,672	1,591	1,591
CF from Investments	-9,584	-46,566	-11,100	-12,895	-23,131	-24,683	-26,708	-27,564
Issue of Shares	0	41,869	0	0	155	748	0	0
Inc/(Dec) in Debt	2,600	-6,615	-1,359	0	0	0	0	0
Interest Paid	-510	-682	-436	-538	-674	-581	-639	-703
Dividend Paid	0	0	0	0	0	0	0	0
Others	0	-998	0	-1,255	-1,533	-1,643	-2,369	-2,426
CF from Fin. Activity	2,090	33,574	-1,795	-1,792	-2,051	-1,476	3,151	-3,129
Inc/Dec of Cash	574	-190	856	-964	1,120	1,299	8,768	17,020
Opening Balance (without bank bal.)	674	1,249	1,059	1,915	951	2,072	3,371	12,138
Closing Balance	1,249	1,059	1,915	951	2,072	3,370	12,138	29,158
Other bank balance	942	20	12,541	2,035	12,012	3,012	3,012	3,012
Closing Balance (including bank bal)	2,191	1,079	14,456	2,986	14,083	6,382	15,150	32,170

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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