INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Avenue Supermarts:** DMART reported standalone revenue of INR 155.7bn in Q3, reflecting a 17.5% YoY increase. Q3FY25 SSSG stood at 8.3% and sales density grew 3.6% YoY at INR38.7k/sq ft annualised. Management acknowledged to increased discounting intensity in FMCG category in H1 (reducing at the margin). EBITDAM contracted 53bps YoY to 7.9% (HSIE: 8.4%) owing to high overheads. Note: Cost of retailing remained elevated at 6.1% (vs 5.7% in Q3FY24). DMART Ready business grew 21.5% in 9MFY25. Mr. Neville Noronha has decided to step down as MD and CEO by January 2026. Anshul Asawa will be appointed as the next CEO. While we marginally cut our FY26/27 EPS estimates by 2% each; it seems DMART might be closer to the end of its earnings downgrade cycle; hence, we recently (Q3FY25 preview note) upgraded the stock to an ADD rating with a DCF-based TP of INR 3,950/sh, implying 60x FY27E P/E.

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Avenue Supermarts

Bottom of the earnings downgrade cycle in sight

DMART reported standalone revenue of INR 155.7bn in Q3, reflecting a 17.5% YoY increase. Q3FY25 SSSG stood at 8.3% and sales density grew 3.6% YoY at INR38.7k/sq ft annualised. Management acknowledged to increased discounting intensity in FMCG category in H1 (reducing at the margin). EBITDAM contracted 53bps YoY to 7.9% (HSIE: 8.4%) owing to high overheads. Note: Cost of retailing remained elevated at 6.1% (vs 5.7% in Q3FY24). DMART Ready business grew 21.5% in 9MFY25. Mr. Neville Noronha has decided to step down as MD and CEO by January 2026. Anshul Asawa will be appointed as the next CEO. While we marginally cut our FY26/27 EPS estimates by 2% each; it seems DMART might be closer to the end of its earnings downgrade cycle; hence, we recently (Q3FY25 preview note) upgraded the stock to an ADD rating with a DCF-based TP of INR 3,950/sh, implying 60x FY27E P/E.

- **Q3FY25 highlights**: The company reported revenue growth of 17.5% YoY to INR155.7bn in Q3FY25, driven by 8.3% SSSG. It added 10 new stores during the quarter (Store count: 387). Management acknowledged to increased discounting intensity in the FMCG category in metro cities in H1 (reducing at the margin though in Q3). The company remains committed to its strategy of providing superior value to customers. DMART Ready business grew 21.5% in 9MFY25. Customer demand for home delivery (now higher in salience) has significantly outpaced that of pick-ups. Revenue/EBITDA per sq ft came in at INR38.7k/3.07k per sq ft in Q3 (up 3.6/down 2.9% YoY resp). The sales mix remained largely stable. GM contracted 14bps YoY to 14.1% (HSIE: 14.3) due to slightly higher salience of FMCG; EBITDAM contracted 53bps YoY to 7.9% (HSIE: 8.4%) owing to high overheads. EBITDA grew 10.2% YoY (INR 12.35bn vs HSIE: INR 13.05bn). APAT grew 6.5% YoY to INR 7.8bn. Neville Noronha has decided to step down as MD and CEO in January 2026, concluding his two-decade tenure with the company. The BOD has appointed Anshul Asawa as the next CEO.
- **Outlook**: DMART continues to navigate the challenging competitive landscape (courtesy QC players). Maintaining its value proposition, improving assortment mix while maintaining operational efficiency will be key. While we marginally cut our FY26/27 EPS estimates by 2% each; it seems DMART might be closer to the end of its earnings downgrade cycle; hence, we recently (Q3FY25 preview note) upgraded the stock to an ADD rating with a DCF-based TP of INR 3,950/sh, implying 60x FY27E P/E.

Quarterly financial summary

(Rs mn)	3Q FY25	3Q FY24	YoY (%)	2Q FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	1,55,652	1,32,473	17.5	1,40,503	10.8	4,18,333	4,95,330	5,78,768	6,80,980	8,00,061
EBITDA	12,352	11,209	10.2	11,051	11.8	35,119	39,406	45,215	55,797	66,407
APAT	7,846	7,368	6.5	7,104	10.5	25,564	26,949	30,655	37,962	44,745
EPS (Rs)	12.1	11.3	6.5	10.92	10.5	39.4	41.4	47.1	58.3	68.8
P/E (x)						88.8	84.5	74.3	60.0	50.9
EV/EBITDA (x)						64.1	57.6	50.2	40.6	34.1
Core RoCE(%)						19.1	16.3	15.2	16.0	16.2

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	5,78,768	5,81,359	*(0.4)*	6,80,980	6,80,644	*0.0*	8,00,061	7,99,735	*0.0*
Gross Profit	82,955	83,322	*(0.4)*	99,324	99,276	*0.0*	1,17,278	1,17,471	*(0.2)*
Gross Profit Margin (%)	14.3	14.3	***0 bps***	14.6	14.6	***0 bps***	14.7	14.7	***-3 bps***
EBITDA	45,215	46,063	*(1.8)*	55,797	56,626	*(1.5)*	66,407	67,626	*(1.8)*
EBITDA margin(%)	7.81	7.92	***-11 bps***	8.19	8.32	***-13 bps***	8.30	8.46	***-16 bps***
APAT	30,655	31,290	*(2.0)*	37,962	38,583	*(1.6)*	44,745	45,657	*(2.0)*
APAT margin(%)	5.3	5.4	***-9 bps***	5.6	5.7	***-9 bps***	5.6	5.7	***-12 bps***
EPS (Rs)	47.1	48.1	*(2.0)*	58.3	59.3	*(1.6)*	68.8	70.2	*(2.0)*

Source: Company, HSIE Research

ADD

CMP*(as on 10 Jan 2025)*	INR 3,686
Target Price	INR 3,950
NIFTY	23,432

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,950	INR 3,950
EPS %	FY26E	FY27E
	-1.6	-2.0

KEY STOCK DATA	
Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (INR bn) / ($ mn)	2,399/27,901
6m avg traded value (INR mn)	3,104
52 Week high / low	INR 5,485/3,399

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(20.0)	(23.8)	(3.6)
Relative (%)	(14.8)	(20.6)	(11.5)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	74.65	74.65
FIs & Local MFs	8.03	7.49
FPIs	9.22	9.95
Public & Others	8.10	7.91
Pledged Shares	0	0

Source : BSE

-Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

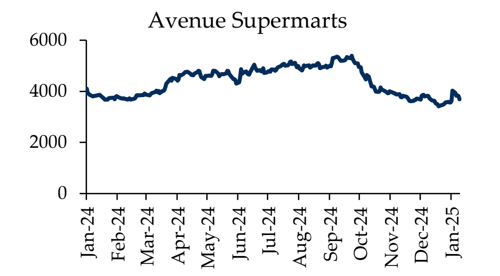
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Avenue Supermarts	MBA	NO
Vedant Mulik	Avenue Supermarts	CA	NO

1 Yr Price movement



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