

Avenue Supermarts

Estimate changes

TP change

Rating change



Bloomberg	DMART IN
Equity Shares (m)	651
M.Cap.(INRb)/(USDb)	2975.6 / 35.4
52-Week Range (INR)	5485 / 3619
1, 6, 12 Rel. Per (%)	-14/-14/-7
12M Avg Val (INR M)	2167

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	508	589	700
EBITDA	41	47	59
Adj. PAT	25	29	36
EBITDA Margin (%)	8.1	8.0	8.4
Adj. EPS (INR)	39	44	55
EPS Gr. (%)	6	14	24
BV/Sh. (INR)	287	332	387

Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	14.6	14.3	15.4
RoCE (%)	14.3	14.1	15.2
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	117.3	103.1	82.8
EV/EBITDA (x)	72.5	62.9	50.6
EV/Sales (X)	5.9	5.1	4.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.0	-0.1	0.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.7	74.7	74.7
DII	8.0	8.6	7.7
FII	9.2	8.3	8.2
Others	8.1	8.5	9.5

FII Includes depository receipts

CMP: INR4,573

TP: INR5,300 (+16%)

Buy

Lower growth, higher CoR drive earnings miss

- DMART reported weak results in 2QFY25 as consolidated revenue growth moderated to 14% YoY (from 19% YoY in 1Q) with modest EBITDA growth of 9% YoY (7% miss) due to the higher cost of retailing (CoR).
- DMART management indicated that the impact of online grocery formats was clearly visible, especially on large metro DMart stores that operate at a very high turnover per store. DMart reported a moderation in like-for-like (LFL) growth for 2+ year old stores to 7.5% in 1HFY25, with a sharp moderation to ~5.5% in 2Q (vs. ~10% in FY24).
- An increase in the GM&A contribution (up ~25bp YoY) resulted in a 25bp improvement in gross margin (GM). However, EBITDA margins declined 40bp YoY on weaker store productivity (revenue/sqft flat YoY) and higher CoR (opex up 9% YoY on cost/sqft). As a result, EBITDA increased 9% YoY (7% miss) and PAT was up 6% YoY (11% miss).
- DMART added six stores in 2QFY25 (12 in 1HFY25). Accelerated store additions remain the biggest growth driver for DMART and we expect the pace of store additions to pick up in 2HFY25 (four added in Oct'24).
- We lower our FY25/FY26 revenue estimates by 2/4%, EBITDA estimates by 6/10% and EPS by 8%/14%, as weaker store productivity and higher CoR offset slightly higher store additions. We reiterate our BUY rating on the stock with a TP of INR5,300.

EBITDA misses estimates on lower productivity and higher CoR

- Standalone revenue grew 14% YoY to INR141b (in line), driven by 13% area additions, while revenue/sqft remained flat at INR36k (annualized).
- Consolidated revenue grew 14% YoY to INR144b (in line), supported by 25% YoY growth for DMart subsidiaries (including ecommerce).
- DMART added six stores (400k sqft area), taking the total to 377 stores (15.8m sqft). This implies the addition of average 66.7k sqft stores in 2Q (significantly higher than average store size addition of ~42k sqft).
- Consol. GP grew 16% YoY to INR21.5b (2% miss) as margins inched up ~25bp YoY to 14.9% (~25bp miss) on **higher GM&A contribution (up 25bp YoY)**.
- Consol. EBITDA was up 9% YoY at INR10.9b (7% miss) as margins declined 40bp YoY to 7.6% due to weaker store productivity and increase in CoR.
- CoR increased 25% YoY, driven by 14% store area adds and ~9% YoY increase in CoR per sqft vs. average 5-6% increase. (Refer Exhibit 10)
- Consol. PAT grew 6% YoY to INR6.6b (11% miss) due to lower EBITDA and a higher tax rate. PAT margins declined 40bp YoY to 4.6%.
- For 1HFY25, DMART's consol. revenue was up ~16% YoY, while 1H EBITDA and PAT were up 14% and 12% YoY respectively. Based on our estimates, the implied revenue/EBITDA/PAT growth for 2HFY25 is ~15% / 17% / 16%.

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GM&A recovery continued, while FMCG growth moderated

- **GM&A:** The recovery continued in the General Merchandise and Apparel (GM&A) category, with ~17% YoY growth in 1H (vs. ~15% YoY in FY24), with category's share in the revenue mix improving further to 23.5% (vs. 22.3% in FY24, but still below ~25% in 1HFY23). A higher share of GM&A likely boosted gross margin. **Food:** DMart's largest category, food, saw a slight moderation in growth to ~17% (vs. ~20% YoY in FY24) and accounted for 56.4% of total revenue in 1H (vs. 57% in FY24).
- **Non-food FMCG:** Non-food FMCG was the most impacted category as growth moderated to ~13% YoY in 1H (vs. 17% YoY in FY24). Its share in the revenue mix declined ~50bp to 20.2% (vs. 20.7% in FY24).
- **LFL:** DMART reported 7.4% LFL growth for 2+ year old stores in 1HFY25 (vs. ~10% YoY in FY24), but growth moderated further to ~5.5% YoY in 2Q.
- **Bill cuts:** Total bill cuts increased ~16% YoY to 171m in 1HFY25, but growth moderated to ~13% YoY in 2Q.
- **ABV:** The average basket value (ABV) was stable YoY at INR1,624 in 1HFY25 and was up ~1% YoY at INR1,653 in 2Q.
- **DMart Ready:** DMART management indicated that the impact of online grocery formats, including DMart Ready, was clearly visible in 2Q, especially in large metro DMART stores. DMart Ready business was up ~22% YoY in 1HFY25, with its presence increasing to 24 cities (Nashik added in 1HFY25).

Capex increased sharply, likely on higher land acquisition

- DMART's OCF stood at INR9.2b, up +15% YoY, while cash capex increased sharply by ~22% YoY to INR15.9b (vs. ~INR27b in FY24), possibly on higher land acquisition.
- With higher cash capex offsetting the OCF improvement, 1HFY25 FCF (post interest and leases) stood at negative INR6.8b.
- Net cash decreased from INR12.3b in 2QFY24 to INR4b in 2QFY25.
- WC days increased slightly by 3 days to 31 days due to higher inventory days.
- DMART reported annualized ROE/ROCE of 15.2%/19.2% in 1HFY25 (vs. 15.1%/19.1% in FY24).

Valuation and view

- DMART's revenue growth remains dependent on its ability to add store area. With the increase in capex, we believe store additions can pick up pace starting 2HFY25. We model 40/45/50 store additions in FY25/FY26/FY27.
- DMART's LFL growth has been recently impacted by a moderation in inflation and a fast ramp-up of quick commerce services. We would watch out for impact of quick commerce on DMART's LFL growth and the ramp-up in DMart Ready over the next few quarters.
- We lower our FY25/FY26 revenue estimates by 2/4% as weaker store productivity partly offsets higher store additions. We reduce our FY25/FY26 EBITDA estimates by 6%/10% and EPS by 8%/14% on lower store productivity and higher CoR. We estimate a CAGR of 17%/20% in revenue/PAT over FY24-27, aided by 13/4% growth in footprints/revenue productivity and ~50bp margin improvement.
- We assign a 51x EV/EBITDA multiple (implies ~83x PE) on Dec'26E basis, in line with DMART's long-term 1-yr forward multiples to arrive at a TP of INR5,300. The stock is currently trading ~10% below its LT average multiples. **We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earnings

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 2QE	Est Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue	118.7	126.2	135.7	127.3	140.7	144.4	156.9	146.5	507.9	588.5	144.6	(0.1)
YoY Change (%)	18.2	18.7	17.3	20.1	18.6	14.4	15.6	15.1	18.6	15.9	14.6	
Total Expenditure	108.3	116.2	124.5	117.8	128.5	133.5	143.8	135.4	466.9	541.2	132.9	0.5
EBITDA	10.4	10.0	11.2	9.4	12.2	10.9	13.1	11.1	41.0	47.3	11.7	(6.9)
EBITDA margin (%)	8.7	8.0	8.3	7.4	8.7	7.6	8.3	7.6	8.1	8.0	8.1	
Change YoY (%)	2.7	12.7	16.0	22.3	18.0	8.8	16.8	17.8	12.8	15.4	16.9	
Depreciation	1.6	1.7	1.9	2.0	1.9	2.1	2.2	2.7	7.3	8.9	2.1	(1.1)
Interest	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.6	0.7	0.2	2.3
Other Income	0.4	0.4	0.3	0.4	0.4	0.3	0.4	0.3	1.5	1.5	0.4	
PBT	9.0	8.5	9.5	7.6	10.5	9.0	11.1	8.6	34.6	39.3	9.9	(8.4)
Tax	2.4	2.3	2.6	2.0	2.8	2.4	2.8	2.3	9.3	10.4	2.5	
Rate (%)	26.6	26.8	27.2	26.2	26.6	27.0	25.5	27.1	26.7	26.5	25.2	
Reported PAT	6.6	6.2	6.9	5.6	7.7	6.6	8.2	6.3	25.4	28.9	7.4	(10.6)
Adj PAT	6.6	6.2	6.9	5.6	7.7	6.6	8.2	6.3	25.4	28.9	7.4	(10.6)
YoY Change (%)	2.5	14.4	17.2	22.4	17.5	5.8	19.3	11.5	13.3	13.8	18.4	

E: MOFSL Estimates

Exhibit 1: Valuation based on Dec'26E EBITDA

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	EV/EBITDA	68	51	3,444	5,304
Less Net debt				3	5
Total Value (rounded)				3,441	5,300
Shares o/s (m)				651	
CMP (INR)					4,573
Upside (%)					15.9

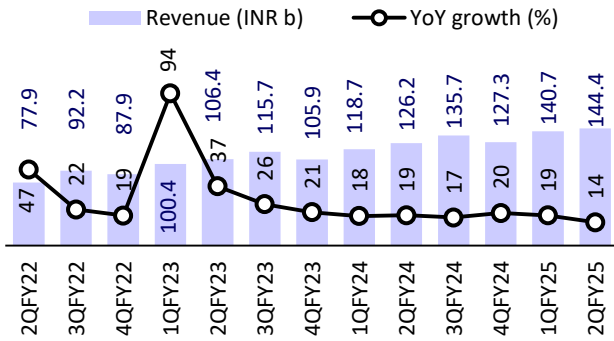
Source: MOFSL, Company

Exhibit 2: Summary of changes to our estimates

	FY25E	FY26E	FY27E
Revenue (INR b)			
Old	603	728	
Actual/New	589	700	817
Change (%)	-2.4	-3.8	
RM cost (INR b)			
Old	511	614	
Actual/New	499	592	690
Change (%)	-2.3	-3.6	
Gross Profit (INR b)			
Old	92.5	113.5	
Actual/New	89.7	107.6	126.7
Change (%)	-3.1	-5.2	
Gross margin (%)			
Old	15.3	15.6	
Actual/New	15.2	15.4	15.5
Change (bp)	-11bps	-22bps	
EBITDA (INR b)			
Old	51	65	
Actual/New	47	59	70
Change (%)	-6.4	-10.0	
EBITDA margin (%)			
Old	8.4	9.0	
Actual/New	8.0	8.4	8.6
Change (bp)	-34bps	-57bps	
Net Profit (INR b)			
Old	31	41	
Actual/New	29	35	44
Change (%)	-8.0	-13.6	
EPS (INR)			
Old	48.0	63.1	
Actual/New	44.1	54.5	67.1
Change (%)	-8.0	-13.6	

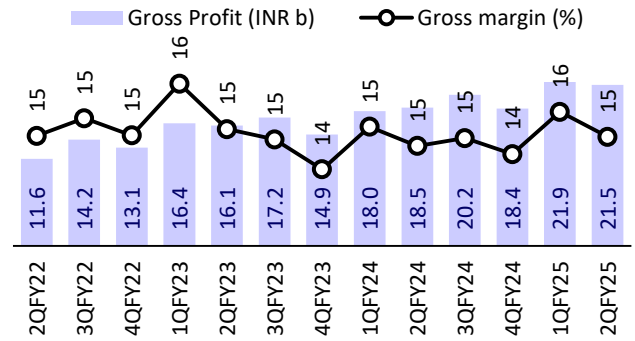
Story in charts

Exhibit 3: Consol. revenue up 14% YoY, led by store area addition



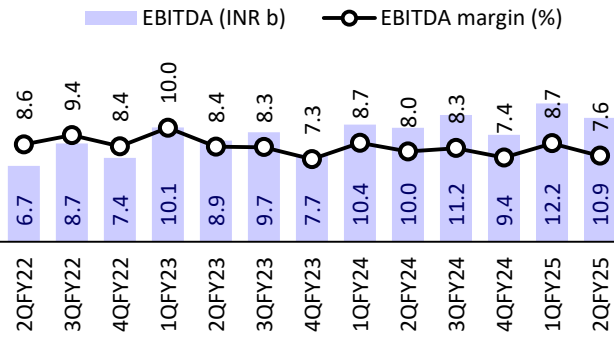
Source: Company, MOFSL

Exhibit 4: GM improved 25bp YoY due to increased GM&A contribution



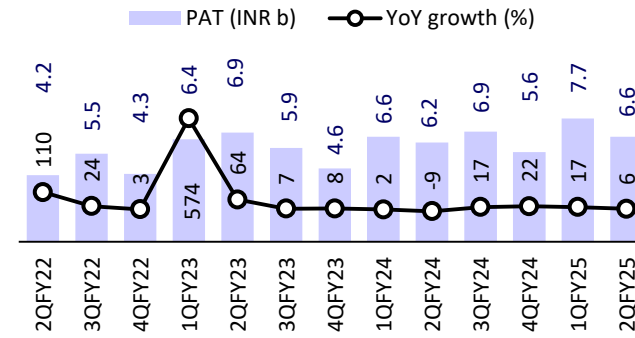
Source: Company, MOFSL

Exhibit 5: EBITDA grew 9% YoY; margins declined 40bp YoY due to weaker productivity and higher cost of retailing



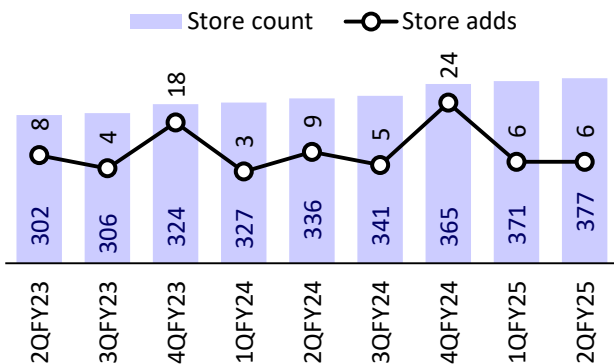
Source: MOFSL, Company

Exhibit 6: PAT grew 6% YoY; margins declined 40bp YoY



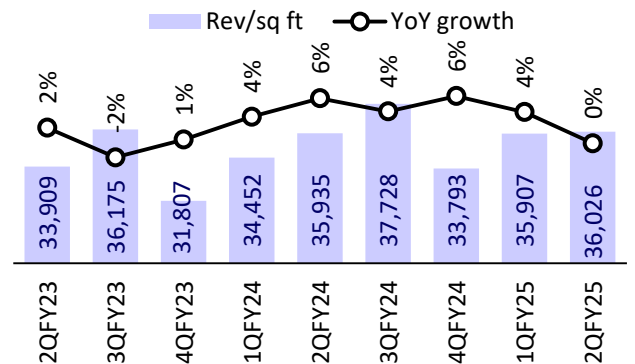
Source: MOFSL, Company

Exhibit 7: Added 6 stores and 400k sqft area in 2QFY25



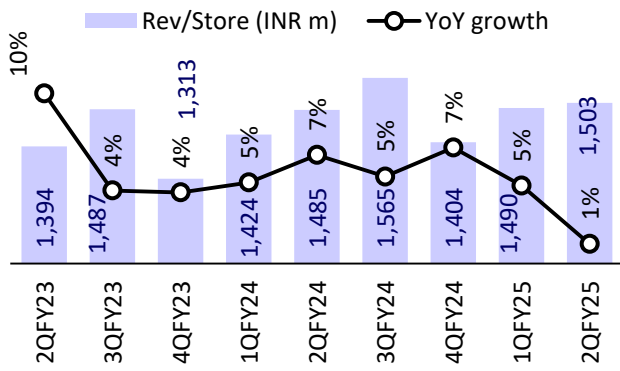
Source: MOFSL, Company

Exhibit 8: Revenue/sqft remained flat YoY



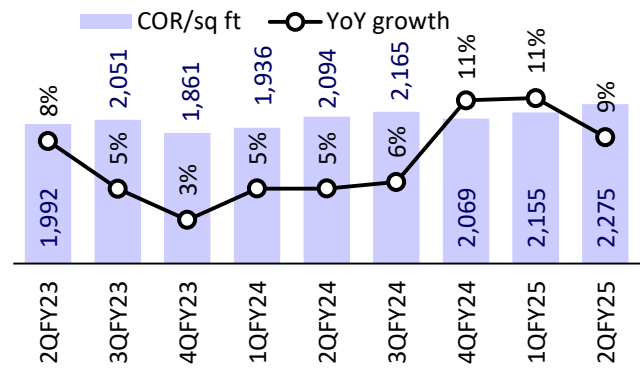
Source: MOFSL, Company

Exhibit 9: Revenue/store improved 1% YoY



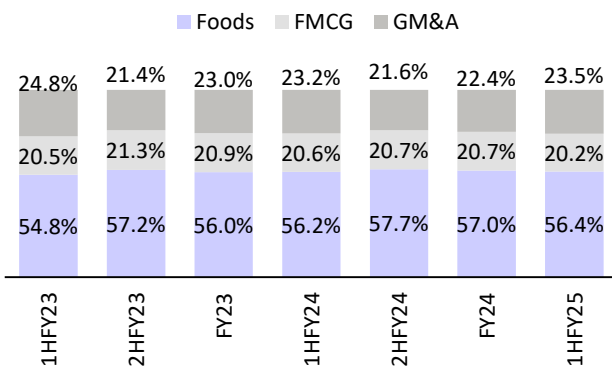
Source: MOFSL, Company

Exhibit 10: COR/sqft up 9-11% YoY during the last 3 quarters vs. average 5-6% YoY increase



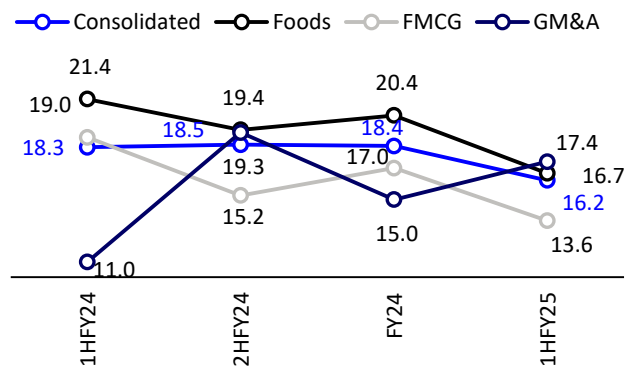
Source: MOFSL, Company

Exhibit 11: GM&A category share recovered in 1HFY25



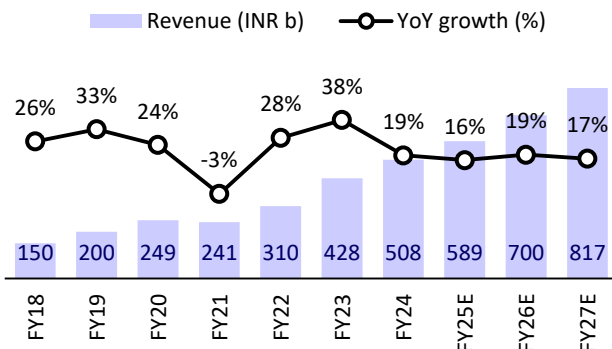
Source: MOFSL, Company

Exhibit 12: FMCG category growth moderated in 1HFY25



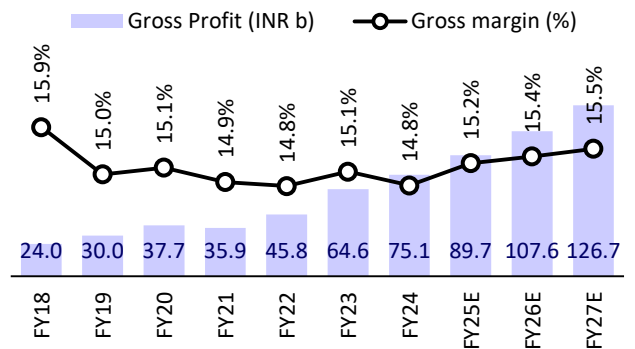
Source: MOFSL, Company

Exhibit 13: Expect 17% consol. revenue CAGR over FY24-27



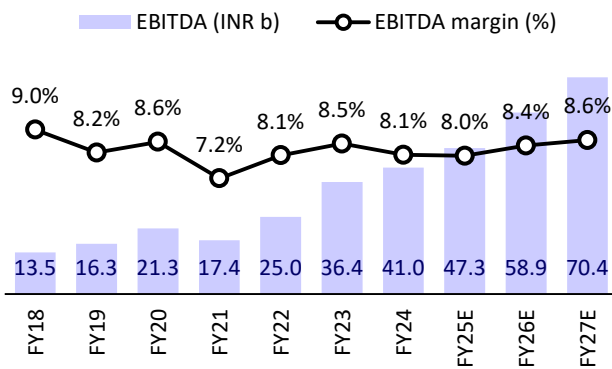
Source: MOFSL, Company

Exhibit 14: Expect 19% Gross profit CAGR over FY24-27



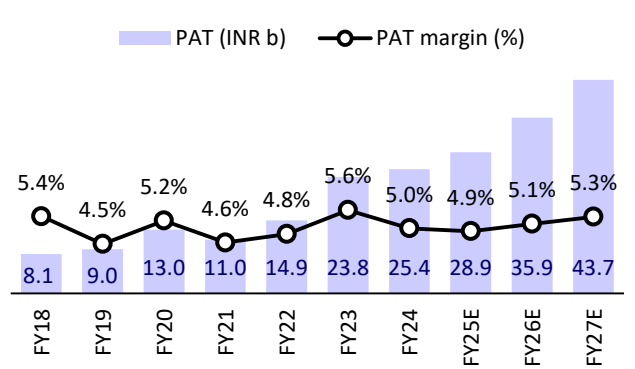
Source: MOFSL, Company

Exhibit 15: Expect 20% EBITDA CAGR over FY24-27



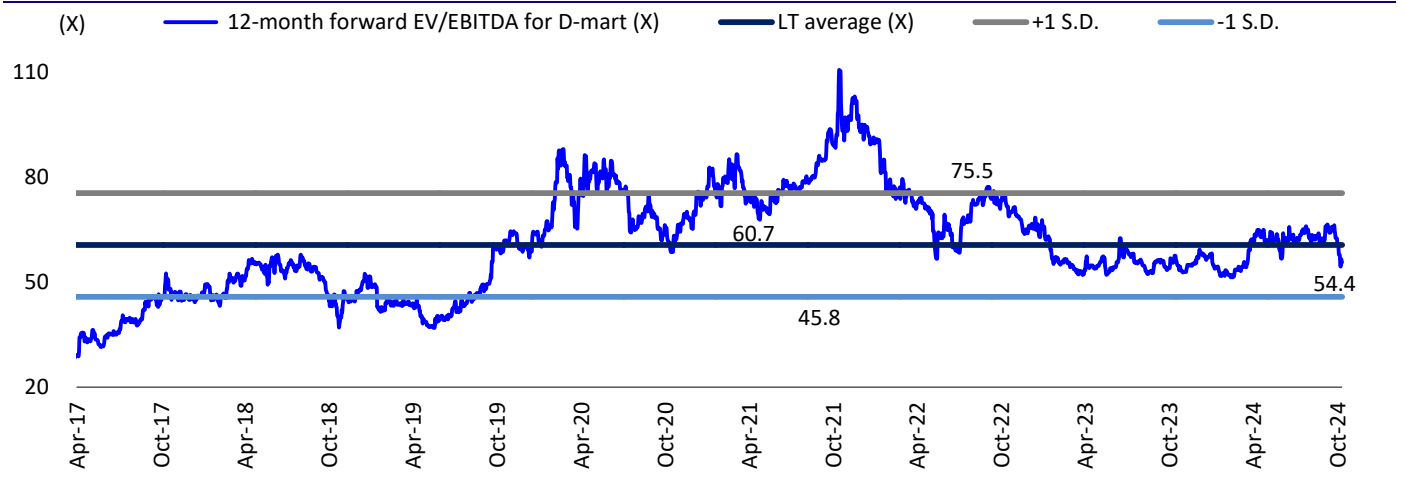
Source: MOFSL, Company

Exhibit 16: Expect 20% PAT CAGR over FY24-27



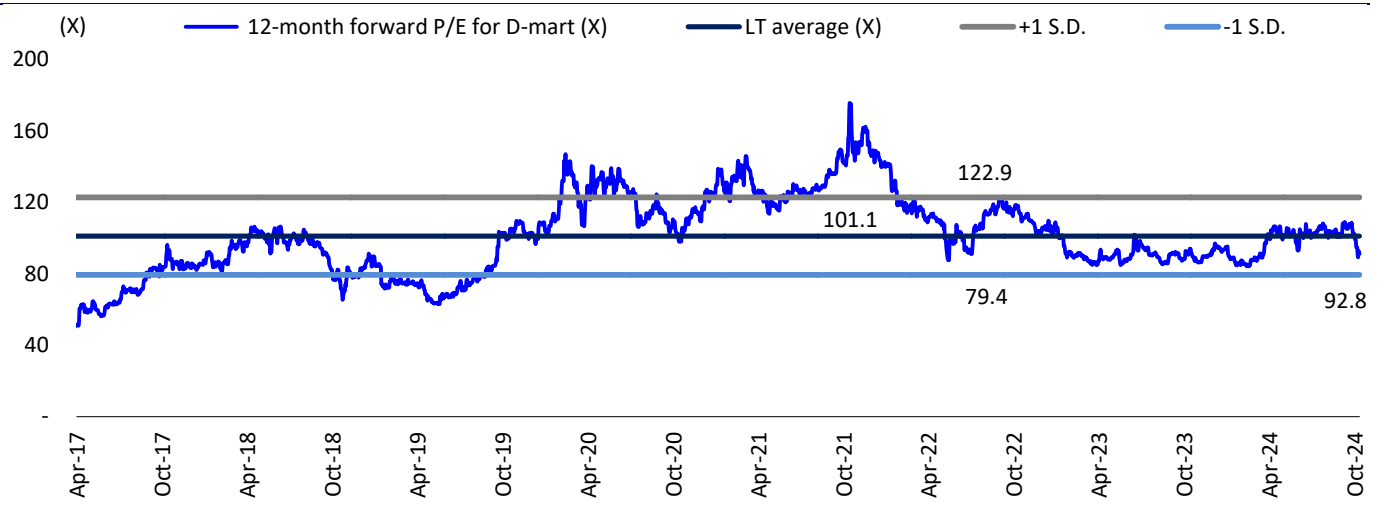
Source: MOFSL, Company

Exhibit 17: DMART is currently trading ~10% below its LT 1-yr forward rolling EV/EBITDA



Source: MOFSL, Company

Exhibit 18: DMART is currently trading ~10% below its LT 1-yr forward rolling P/E



Source: MOFSL, Company

Financials and valuation

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	2,48,702	2,41,431	3,09,763	4,28,396	5,07,888	5,88,504	6,99,905	8,16,537
Change (%)	24.3	-2.9	28.3	38.3	18.6	15.9	18.9	16.7
Raw Materials	2,11,029	2,05,547	2,63,974	3,63,840	4,32,745	4,98,847	5,92,334	6,89,799
Gross Profit	37,673	35,884	45,789	64,556	75,143	89,657	1,07,572	1,26,738
Margin (%)	15.1	14.9	14.8	15.1	14.8	15.2	15.4	15.5
Employees Cost	4,561	5,366	6,162	7,470	9,061	11,417	12,948	15,106
Other Expenses	11,829	13,088	14,642	20,716	25,044	30,896	35,695	41,235
Total Expenditure	2,27,419	2,24,000	2,84,778	3,92,025	4,66,851	5,41,161	6,40,977	7,46,140
% of Sales	91.4	92.8	91.9	91.5	91.9	92.0	91.6	91.4
EBITDA	21,283	17,431	24,985	36,370	41,038	47,344	58,928	70,397
Margin (%)	8.6	7.2	8.1	8.5	8.1	8.0	8.4	8.6
Depreciation	3,744	4,142	4,981	6,389	7,308	8,906	10,589	12,506
EBIT	17,539	13,289	20,004	29,982	33,730	38,438	48,339	57,891
Int. and Finance Charges	691	417	538	674	581	651	716	788
Other Income	600	1,962	1,175	1,293	1,465	1,465	1,079	1,910
PBT bef. EO Exp.	17,448	14,835	20,641	30,601	34,613	39,252	48,702	59,013
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	17,448	14,835	20,641	30,601	34,613	39,252	48,702	59,013
Total Tax	4,438	3,840	5,717	6,818	9,251	10,402	12,784	15,343
Tax Rate (%)	25.4	25.9	27.7	22.3	26.7	26.5	26.3	26.0
Minority Interest	1	0	0	0	0	0	0	0
Reported PAT	13,009	10,994	14,924	23,783	25,363	28,850	35,918	43,670
Adjusted PAT	13,009	10,994	14,924	23,783	25,363	28,850	35,918	43,670
Change (%)	44.2	-15.5	35.7	59.4	6.6	13.8	24.5	21.6
Margin (%)	5.2	4.6	4.8	5.6	5.0	4.9	5.1	5.3

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	6,478	6,478	6,478	6,483	6,507	6,507	6,507	6,507
Total Reserves	1,04,320	1,15,359	1,30,299	1,54,304	1,80,471	2,09,321	2,45,239	2,88,909
Net Worth	1,10,797	1,21,837	1,36,776	1,60,787	1,86,978	2,15,829	2,51,747	2,95,416
Minority Interest	5	4	3	1	-5	-5	-5	-5
Total Loans	37	0	0	0	0	0	0	0
Lease Liabilities	2,955	3,927	6,469	6,430	5,922	6,002	6,357	6,876
Deferred Tax Liabilities	474	512	640	770	919	919	919	919
Capital Employed	1,14,268	1,26,281	1,43,890	1,67,987	1,93,814	2,22,746	2,59,018	3,03,207
Gross Block	68,484	83,178	1,10,486	1,37,381	1,64,929	2,01,229	2,42,252	2,89,108
Less: Accum. Deprn.	9,786	13,873	18,669	24,759	31,562	40,468	51,056	63,562
Net Fixed Assets	58,698	69,305	91,817	1,12,622	1,33,367	1,60,761	1,91,195	2,25,546
Right to use assets	7,173	9,602	13,887	15,049	15,391	15,658	15,658	15,658
Goodwill	783	783	783	783	783	783	783	783
Capital WIP	3,644	10,196	11,293	8,292	9,352	9,352	9,352	9,352
Total Investments	31,374	30	59	2,022	1,067	960	864	821
Curr. Assets, Loans&Adv.	26,264	56,237	50,758	57,327	67,156	69,152	78,529	92,003
Inventory	19,474	22,483	27,427	32,435	39,273	46,468	55,176	64,255
Account Receivables	196	436	669	622	1,664	1,290	1,342	1,566
Cash and Bank Balance	1,079	14,456	2,986	14,083	6,382	1,557	2,173	6,345
Loans and Advances	5,516	18,863	19,677	10,187	19,837	19,837	19,837	19,837
Curr. Liability & Prov.	6,497	10,280	10,838	13,076	17,958	18,310	21,752	25,345
Account Payables	4,335	5,781	5,892	7,538	9,848	12,719	15,103	17,588
Other Current Liabilities	1,996	4,236	4,533	4,965	7,407	5,002	5,949	6,941
Provisions	167	262	413	573	702	589	700	817
Net Current Assets	19,767	45,958	39,920	44,251	49,198	50,842	56,777	66,658
Deferred Tax assets	3	10	17	18	47	47	47	47
Appl. of Funds	1,14,268	1,26,281	1,43,890	1,67,987	1,93,814	2,22,746	2,59,018	3,03,207

Financials and valuation

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS (diluted from FY17)	20.1	17.0	23.0	36.7	39.0	44.3	55.2	67.1
Cash EPS (diluted from FY17)	25.9	23.4	30.7	46.5	50.2	58.0	71.5	86.3
BV/Share (diluted from FY17)	171.0	188.1	211.1	248.0	287.3	331.7	386.9	454.0
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	227.7	269.4	198.5	124.6	117.3	103.1	82.8	68.1
Cash P/E	176.8	195.7	148.8	98.2	91.1	78.8	64.0	53.0
P/BV	26.7	24.3	21.7	18.4	15.9	13.8	11.8	10.1
EV/Sales	11.9	12.2	9.6	6.9	5.9	5.1	4.3	3.6
EV/EBITDA	137.8	169.3	118.7	81.2	72.5	62.9	50.6	42.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-6.6	-10.1	-15.7	6.5	0.4	-5.2	3.9	8.5
Return Ratios (%)								
RoE	15.6	9.5	11.5	16.0	14.6	14.3	15.4	16.0
RoCE	15.5	9.4	11.4	15.7	14.3	14.1	15.2	15.8
RoIC	19.7	11.0	12.5	17.1	15.4	14.6	15.6	16.1
Working Capital Ratios								
Fixed Asset Turnover (x)	3.6	2.9	2.8	3.1	3.1	2.9	2.9	2.8
Asset Turnover (x)	2.2	1.9	2.2	2.6	2.6	2.6	2.7	2.7
Inventory (Days)	34	40	38	33	33	34	34	34
Debtor (Days)	0	1	1	1	1	1	1	1
Creditor (Days)	7	10	8	8	8	9	9	9
Leverage Ratio (x)								
Current Ratio	4.0	5.5	4.7	4.4	3.7	3.8	3.6	3.6
Interest Cover Ratio	25.4	31.9	37.2	44.5	58.0	59.0	67.5	73.5
Net Debt/Equity	-0.3	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	17,448	14,835	20,641	30,601	34,613	39,252	48,702	59,013
Depreciation	3,744	4,142	4,981	6,389	7,308	8,906	10,589	12,506
Interest & Finance Charges	691	417	538	674	581	651	716	788
Direct Taxes Paid	-4,924	-2,616	-5,603	-7,089	-7,418	-10,402	-12,784	-15,343
(Inc)/Dec in WC	-3,762	-1,271	-5,825	-3,199	-6,438	-6,469	-5,319	-5,710
CF from Operations	13,197	15,506	14,733	27,376	28,646	31,938	41,904	51,254
Others	-395	-1,754	-1,009	-1,073	-1,188	-1,465	-1,079	-1,910
CF from Operating incl EO	12,801	13,751	13,724	26,303	27,458	30,473	40,825	49,344
(Inc)/Dec in FA	-17,060	-20,275	-23,895	-22,065	-27,218	-33,850	-38,267	-43,795
Free Cash Flow	-4,259	-6,524	-10,172	4,238	240	-3,377	2,558	5,549
(Pur)/Sale of Investments	0	7,830	10,500	-1,500	-137	107	96	43
Others	-29,505	1,345	500	434	2,672	1,465	1,079	1,910
CF from Investments	-46,566	-11,100	-12,895	-23,131	-24,683	-32,278	-37,092	-41,842
Issue of Shares	41,869	0	0	155	748	0	0	0
Inc/(Dec) in Debt	-6,615	-1,359	0	0	0	0	0	0
Interest Paid	-682	-436	-538	-674	-581	-651	-716	-788
Dividend Paid	0	0	0	0	0	0	0	0
Others	-998	0	-1,255	-1,533	-1,643	-2,369	-2,401	-2,543
CF from Fin. Activity	33,574	-1,795	-1,792	-2,051	-1,476	-3,020	-3,117	-3,331
Inc/Dec of Cash	-190	856	-964	1,120	1,299	-4,825	616	4,172
Opening Balance (without bank bal.)	1,249	1,059	1,915	951	2,072	3,371	-1,454	-839
Closing Balance	1,059	1,915	951	2,072	3,370	-1,454	-839	3,333
Other bank balance	20	12,541	2,035	12,012	3,012	3,012	3,012	3,012
Closing Balance (including bank bal)	1,079	14,456	2,986	14,083	6,382	1,557	2,173	6,345

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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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