

Price: 4,083

Recommendation: Buy

Industry: Diversified Retail

Sector: Consumer Discretionary

Report Date: 31-Mar-2025

The company is focused on expanding its market presence and operational efficiency through initiatives like "DMart Ready," aiming to increase its city footprint from 1 to 25 by 9M 2024-25. Emphasizing a cluster-based strategy, it plans to boost store count, especially in Maharashtra. Diversification into non-foods, general merchandise, and apparel, alongside e-commerce integration, is key. The company anticipates revenue growth and improved operational efficiencies, aligning with market trends.

Sales		Profit & Loss		Profitability Matrix	
Current Year	55721 Cr	Operating Profit(Year)	4502 Cr	Operating Profit Margin	8.08 %
Previous Year	41833 Cr	Operating Profit(Quarter)	1235 Cr	EBITDA Margin	7.65 %
Current Quarter	15565 Cr	PAT (Year)	2678 Cr	Net Profit Margin	5.41 %
Previous Quarter	14050 Cr	PAT (Quarter)	785 Cr	EPS	44.7
Revenue (QYoY)	13247 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	91.3	Sales Growth	17.4 %	Sales Growth	10.78 %
PEG Ratio	3.87	PAT Growth	4.94 %	Sales Growth QYoY	17.5 %
EV/EBITDA	56.7	EPS Growth	7.97 %	PAT Growth	10.56 %
P/B	12.8	Dividend Yield	0.00	PAT Growth QYoY	6.51 %
Capital Allocation		Holdings		Leverage	
RoE	15.0 %	Promoter	74.6 %	Debt/Equity	0.03
RoA	13.4 %	FII	8.96 %	Debt	593 Cr
RoCE	19.8 %	DII	8.07 %	Market Cap	265707 Cr
RoIC	15.7 %	Public	8.24 %	Enterprise value	266040 Cr
		No of Shares	65.1 Cr	Cash Equivalents	260 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, the company outlined several new initiatives and business strategies aimed at enhancing its market presence and operational efficiency. A key focus is the "DMart Ready – Gradual Expansion in Large Towns," which highlights the company's commitment to expanding its footprint in major urban areas. This initiative is expected to increase the number of cities served from 1 to 25 by 9M 2024-25, including cities like Pune, Bangalore, and Jaipur. The company is also emphasizing a cluster-based expansion strategy, which has been a cornerstone of its growth, allowing for efficient logistics and supply chain management. This strategy is evident in the planned increase in store count across various states, with Maharashtra leading at 113 stores.

The company's diversification schemes are also noteworthy, with a focus on expanding product categories. The presentation highlights key product categories such as non-foods (FMCG), general merchandise, and apparel, alongside staples and groceries. This diversification is aimed at capturing a larger share of the consumer wallet and enhancing customer loyalty. The company is also converting some stores into fulfillment centers to support its e-commerce arm, Avenue E-Commerce Limited, which indicates a strategic pivot towards integrating online and offline retail channels. This move is expected to enhance the company's ability to meet the growing demand for online shopping.

Looking ahead, the company is optimistic about its future growth and scaling perspectives. The expansion into new cities and the diversification of product offerings are expected to drive revenue growth. The financial summary indicates a steady increase in revenue from operations, with a notable rise in EBITDA and PAT margins over the years. The company is also focusing on improving operational efficiencies, as evidenced by the like-for-like growth in sales from stores operational for at least 24 months. This focus on efficiency is expected to support sustainable growth and profitability in the long term.

From a positive perspective, the company's strategic initiatives and expansion plans are well-aligned with market trends, positioning it for continued growth. However, an even better approach could involve accelerating the integration of digital technologies to enhance customer experience and operational efficiency further. Additionally, while the cluster-based strategy has been successful, exploring new markets beyond the current geographical focus could provide additional growth opportunities. Specific data points of interest include the planned increase in store count and the significant share of revenue from key product categories, which underscore the company's strategic priorities.

DMART Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Medplus Health	9096.73	68.75	4.10%	-0.93%	8.32%	18.53%	234.57%
Redtape	8068.78	47.54	31.34%	59.83%	7.61%	191.46%	20.14%
Ethos Ltd	6082.53	64.32	10.94%	24.50%	31.54%	38.78%	15.56%
V-Mart Retail	5763.15		-12.14%	55.34%	15.49%	226.76%	153.74%
Avenue Super.	265707.33	91.26	14.97%	10.78%	17.50%	10.46%	6.49%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with current year sales at 55721 Cr, up from 41833 Cr the previous year. This growth is driven by strategic expansion and diversification efforts, indicating robust market demand and effective business strategies. The quarterly growth also reflects positive momentum in operational execution.
Profit & Loss	Operating profit for the year stands at 4502 Cr, with a PAT of 2678 Cr, indicating solid profitability. The quarterly figures also show a healthy profit margin, suggesting efficient cost management and strong revenue streams. This financial health supports the company's expansion and diversification plans.
Profitability Matrix	The company maintains a healthy operating profit margin of 8.08% and a net profit margin of 5.41%. These figures reflect efficient operational management and cost control, contributing to sustainable profitability. The EPS of 44.7 further underscores the company's strong earnings performance.
Valuation Matrix	The company's valuation metrics, including a trailing P/E of 91.3 and a PEG ratio of 3.87, suggest a high market valuation. The EV/EBITDA of 56.7 and P/B of 12.8 indicate investor confidence in future growth prospects, driven by strategic initiatives and market positioning.
Growth (YoY)	Year-over-year growth shows a 17.4% increase in sales and a 4.94% rise in PAT, reflecting strong business performance. The EPS growth of 7.97% indicates improved earnings capacity, aligning with the company's strategic focus on expansion and diversification.
Growth (QoQ)	Quarter-over-quarter growth highlights a 10.78% increase in sales and a 10.56% rise in PAT, demonstrating consistent performance. The company's ability to maintain growth momentum quarterly underscores its operational efficiency and market adaptability.
Capital Allocation	The company exhibits strong capital allocation with RoE at 15.0% and RoCE at 19.8%, indicating effective use of equity and capital employed. These metrics reflect the company's strategic focus on maximizing shareholder value and operational efficiency.
Holdings	Promoter holding is at 74.6%, with FII and DII at 8.96% and 8.07% respectively, indicating strong institutional confidence. The public holding of 8.24% suggests a balanced ownership structure, supporting stable governance and strategic decision-making.
Leverage	With a low debt/equity ratio of 0.03 and debt at 593 Cr, the company maintains a conservative leverage position. This financial prudence ensures flexibility for future investments and expansion, aligning with its growth and diversification strategies.

Analyst viewpoint: Avenue Supermarts Limited demonstrates a promising short to mid-term growth trajectory, driven by its robust financial health and strategic initiatives. The company's recent quarterly growth reflects a commendable 10.78% increase in sales, a testament to its effective operational management. The diversification into non-foods and apparel segments, coupled with the "DMart Ready" initiative, positions it strongly within the retail sector. Its valuation metrics, including a trailing P/E of 91.3, underscore investor confidence in its future growth prospects. With a low debt/equity ratio and solid capital allocation metrics such as a ROCE of 19.8%, Avenue Supermarts is strategically poised for expansion, focusing significantly on increasing its store count and city footprint by 9M 2024-25.

While the company exhibits strong market positioning and strategic foresight, a potential area of improvement lies in enhancing digital integration to further augment customer experience and operational efficiency. Despite this minor challenge, Avenue Supermarts Limited's strategic initiatives, combined with its strong quarterly and yearly performance indicators, provide a solid basis for our bullish recommendation. Its continued focus on diversifying product offerings and expanding market presence aligns well with current consumer trends, further solidifying its growth potential in the competitive retail landscape.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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