Avenue Supermarts Limited

ISIN :INE192R01011 | NSE :DMART

Price: 4,149
Recommendation: Buy
Industry: Diversified Retail
Sector: Consumer Discretionary
Report Date: 03-Apr-2025

The company is focused on expanding its "DMart Ready" initiative, aiming to grow from one city in 2016-17 to 25 cities by 9M 2024-25. This strategy enhances its urban presence and integrates online and offline channels through Avenue E-Commerce Limited. The cluster-based expansion model optimizes logistics, increasing store count to 387 by 9M 2024-25. Diversifying product offerings, the company targets broader market segments and customer loyalty.

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	92.8	Sales Growth	17.4 %	Sales Growth	10.78 %
PEG Ratio	3.94	PAT Growth	4.94 %	Sales Growth QYoY	17.5 %
EV/EBITDA	57.7	EPS Growth	7.97 %	PAT Growth	10.56 %
P/B	13.0	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	270327 Cr
RoIC	15.7 %	Public	8.24 %	Enterprise value	270659 Cr
		No of Shares	65.1 Cr	Cash Equivalents	260 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

The recent concall highlighted several new initiatives and strategic directions for the company. A key focus is the "DMart Ready" initiative, which aims for gradual expansion in large towns, moving from a presence in one city in 2016-17 to 25 cities by 9M 2024-25. This expansion is part of a broader strategy to increase the company's footprint across major urban centers, enhancing accessibility and convenience for customers. The company is also converting select stores into fulfillment centers to support its e-commerce arm, Avenue E-Commerce Limited, indicating a strategic pivot towards integrating online and offline retail channels. This move is expected to streamline operations and improve service delivery.

The company's business strategy is centered around a cluster-based expansion model, which continues to be a significant growth driver. This approach allows the company to optimize logistics and supply chain efficiencies by focusing on specific geographic clusters. The strategy has resulted in a steady increase in store count, with 22 new stores opened in FY21 and a total of 387 stores by 9M 2024-25. The company is also focusing on diversifying its product offerings, with a significant share of revenue coming from non-food FMCG, general merchandise, and apparel. This diversification is aimed at capturing a broader market segment and increasing customer loyalty.

Looking ahead, the company is optimistic about its growth and scaling prospects. The expansion into new cities and the conversion of stores into fulfillment centers are expected to drive revenue growth and improve market penetration. The company is also investing in technology and infrastructure to support its e-commerce operations, which is anticipated to be a key growth area. The focus on a cluster-based expansion strategy is expected to enhance operational efficiencies and reduce costs, contributing to improved profitability. The company is also exploring opportunities to enhance its product mix and expand its private label offerings, which could provide additional revenue streams.

While the company's growth strategy is promising, there are areas for improvement. The integration of online and offline channels presents challenges in terms of logistics and customer service, which need to be addressed to ensure a seamless shopping experience. Additionally, the company must continue to innovate and adapt to changing consumer preferences to maintain its competitive edge. The focus on expanding into new markets should be balanced with efforts to strengthen existing operations and enhance customer engagement. Overall, the company's strategic initiatives and growth plans position it well for future success, but careful execution and continuous improvement will be crucial to achieving its objectives.

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Medplus Health	8775.25	66.33	4.10%	-0.93%	8.32%	18.53%	234.57%
Redtape	8109.10	47.77	31.34%	59.83%	7.61%	191.46%	20.14%
V-Mart Retail	6399.83		-12.14%	55.34%	15.49%	226.76%	153.74%
Ethos Ltd	6171.45	65.26	10.94%	24.50%	31.54%	38.78%	15.56%
Avenue Super.	270326.94	92.84	14.97%	10.78%	17.50%	10.46%	6.49%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a significant increase from the previous year and quarter. This indicates strong market demand and effective sales strategies, contributing to overall financial health.
Profit & Loss	Operating profit and PAT have increased, reflecting efficient cost management and revenue growth. This suggests a solid financial performance and potential for future profitability.
Profitability Matrix	The company maintains healthy margins, with operating and net profit margins indicating efficient operations. EPS growth further supports profitability, enhancing shareholder value.
Valuation Matrix	High P/E and PEG ratios suggest market optimism but may indicate overvaluation. EV/EBITDA and P/B ratios reflect strong market position, though careful monitoring is advised.
Growth (YoY)	Year-over-year growth in sales and PAT highlights the company's ability to expand and capture market share. EPS growth further underscores financial strength and investor appeal.
Growth (QoQ)	Quarter-over-quarter growth in sales and PAT demonstrates consistent performance and adaptability to market conditions, reinforcing the company's competitive position.
Capital Allocation	Strong RoE, RoA, and RoCE indicate effective capital utilization, enhancing shareholder returns. The company's strategic investments are likely contributing to these positive metrics.
Holdings	Promoter holding is high, indicating confidence in the company's prospects. Institutional and public holdings provide a balanced ownership structure, supporting market stability.
Leverage	Low debt/equity ratio and manageable debt levels suggest prudent financial management, reducing risk and enhancing financial flexibility for future growth initiatives.

Analyst viewpoint: With robust quarter-over-quarter sales growth of 10.78% and a solid PAT increase of 10.56%, Avenue Supermarts showcases excellent short-to mid-term prospects. The company's strategic initiatives like the "DMart Ready" expansion into 25 cities by 2024-25 and the conversion of select stores into fulfillment centers reflect a well-thought-out approach to both online and offline channels, enhancing efficiency and market reach. Valuation metrics such as a P/E ratio of 92.8 and a PEG of 3.94 highlight market confidence but also suggest a need to consistently deliver on high expectations. The strong capital allocation, evidenced by a RoE of 15% and low debt-to-equity ratio of 0.03, emphasizes effective financial management, positioning the company advantageously against peers like Medplus Health and V-Mart with Avenue Supermarts leading in market capitalization.

Despite a bullish outlook, it's worth noting that the integration of online and offline operations poses logistical challenges that could impact customer satisfaction if not managed adeptly. Nevertheless, the company's cluster-based expansion strategy and commitment to diversifying product offerings aim to capture a broader market, driving both revenue growth and customer loyalty. As the company continues to enhance its footprint and invest in technological advancements, it is well-poised to sustain its growth trajectory, provided it navigates the evolving retail landscape with careful execution.

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Investment Rating	Expected Return (over 12-month)
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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