



# BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

## SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

## Key Data

NSE / BSE Code	DMART/ 540376
Sector	Retailing
Industry	Retailing
Face value / Book Value (₹ per share)	0 / 94.4
Dividend yield	-
52 H/L (₹)	1944 / 1127
Market Cap. (₹ mn)	94,018
Shares Outstanding (mn)	624.1
6M Avg Traded Volume	323,417

## Key Ratios

	Mar15	Mar16	Mar18	Mar19
P/E (x)	29.4	19.1	11.9	10.4
P/B (x)	6.2	42.2	38.1	31.3
EV/Sales	1.2	0.8	0.7	0.5
EV/EBITDA	15.8	10.7	7.8	6.4
ROCE	24.3%	21.9%	24.2%	25.8%
ROE	23.5%	18.3%	18.6%	17.7%

## Earnings Summary

(In ₹ mn)	Mar15	Mar16	Mar18	Mar19
Net Sales	86,605	127,582	150,332	200,045
Sales Growth	34.5%	47.3%	17.8%	33.1%
EBITDA	6,636	9,811	13,528	16,333
EBITDA Margin	7.7%	7.7%	9.0%	8.2%
PAT	3,203	4,917	7,878	9,025
PAT Margin	3.7%	3.9%	5.2%	4.5%
EPS (₹)	5.7	7.7	12.9	14.5

## Avenue Supermart Ltd.

**CMP: 1894.9**

► DMart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. Each DMart store stocks home utility products - including food, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and more - available at competitive prices that our customers appreciate. Our core objective is to offer customers good products at great value.

► DMart was started by Mr. Radhakishan Damani and his family to address the growing needs of the Indian family. From the launch of its first store in Powai in 2002, DMart today has a well-established presence in 189 locations across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh, NCR, Tamil Nadu, Punjab and Rajasthan. With our mission to be the lowest priced retailer in the regions we operate, our business continues to grow with new locations planned in more cities.

► The supermarket chain of DMart stores is owned and operated by Avenue Supermarts Ltd. (ASL). The company has its headquarters in Mumbai. The brands D Mart, D Mart Minimax, D Mart Premia, D Homes, Dutch Harbour, etc are brands owned by ASL

► **Strong sales growth in Q1FY20:** Net Sales increased 26.8% to Rs57.8bn. Gross margins at 16.1% increased 50bps on conscious strategy to reduce prices across consumer categories. 1Q gross margins are usually not a reflection of full year's margin. EBITDA increased 41% to Rs5.96bn. Cost of retail declined by 55bps YoY (113bps QoQ) led by 10bps and 50bps decline in employee cost and overheads. Adj. PAT grew at 33.8% to Rs3.35bn as tax rates declined by 14bps despite increase in Interest cost and depreciation by 67.3% and 85.9% and decrease in other income by 16.2%. Adj PAT increased 33.8% to Rs3.35bn.

► **IND AS Impact on PAT limited, store openings accelerate:** Impact of IndAS 116 has led to overstatement of EBITDA by Rs191mn and understatement of PBT by 36.1mn. Ignoring the changes, comparable EBITDA would have grown 36.5% to Rs5.8bn and Adj. PAT would have grown 34.7% to Rs3.38bn.

► **New store openings:** The company opened 8 new stores in Q1FY20 (vs 2 in 1QFY19 and 21 in entire FY19), which was helped by spill over of new store openings from PY due to a delay in approvals. We build in ~30 new store openings in FY20 and FY21 post a muted FY19 as the company seems to be increasing its focus on new store additions. The company added 0.4mn sq ft of retail space in Q1 taking the total to 6.3mn sqft, implying a higher avg. new store size of ~50k sq ft which has been the trend over the last few quarters.

► **Valuation:** Currently, the company is trading the PE multiple of 115.8x FY19. We recommend a buy on Avenue Supermart Limited with the price target of **Rs. 2100**

Dealmoney Research

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Source: Company, ACE Equity, Dealmoney Research

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