

October 16, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		BUY	
Target Price	5,359		4,601	
Sales (Rs. m)	4,33,466	5,42,955	4,11,763	5,15,790
% Chng.	5.3	5.3		
EBITDA (Rs. m)	40,036	53,183	37,284	48,920
% Chng.	7.4	8.7		
EPS (Rs.)	40.5	54.6	37.1	49.2
% Chng.	9.2	10.9		

Key Financials - Consolidated

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	2,41,431	3,08,187	4,33,466	5,42,955
EBITDA (Rs. m)	17,431	24,923	40,036	53,183
Margin (%)	7.2	8.1	9.2	9.8
PAT (Rs. m)	10,992	15,636	26,266	35,376
EPS (Rs.)	17.0	24.1	40.5	54.6
Gr. (%)	(15.5)	42.3	68.0	34.7
DPS (Rs.)	-	-	-	2.5
Yield (%)	-	-	-	0.0
RoE (%)	9.4	12.1	17.4	19.6
RoCE (%)	11.4	15.2	22.1	25.1
EV/Sales (x)	14.2	11.1	7.9	6.3
EV/EBITDA (x)	197.0	137.8	85.8	64.5
PE (x)	313.7	220.6	131.3	97.5
P/BV (x)	28.3	25.1	21.1	17.5

Key Data

AVEU.BO | DMART IN

52-W High / Low	Rs.5,599 / Rs.1,949
Sensex / Nifty	61,306 / 18,339
Market Cap	Rs.3,449bn/ \$ 45,823m
Shares Outstanding	648m
3M Avg. Daily Value	Rs.3029.2m

Shareholding Pattern (%)

Promoter's	74.99
Foreign	9.95
Domestic Institution	6.78
Public & Others	8.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	33.8	87.9	169.6
Relative	27.1	48.8	79.4

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LT Intact; Cut to Accumulate post sharp upmove

Quick Pointers:

- Added 8 stores in 2Q taking total stores to 246
- In Sept21, 2 years and older stores (187 stores) grew sales by 23.7% YoY

We are cutting D'Mart to Accumulate from Buy despite 9.2-11.7% upgrade in FY22-24 estimates and increase in DCF based target price to Rs5359 (Rs4601 earlier) given 26% spurt in stock price in past 6 trading sessions. D'Mart 2Q results depicted strong post Covid recovery with mature store sales growth of 23.7% in Sept, gains from operating leverage with just 3.2% YoY growth in other expenses and soft launch of D'Mart Ready in Surat and Vadodara. With 4 and 8 new stores addition in 1Q and 2Q and capex of ~Rs8.5bn, D'Mart remains on track to add ~35 stores during FY22.

We expect strong momentum to continue in 3Q led by gains from 1) higher footfalls given reduction in covid restrictions 2) rising consumer confidence due to vaccinations 3) Higher value sales due to inflation in FMCG and General merchandise 4) Upcoming festival season and 5) More locations and product offerings in D'Mart Ready.

We believe bill cuts/store/day will normalize with lower restrictions however the bill value will get a flip from higher inflation. We expect strong growth as D'Mart is yet to fully sweat 70 stores which were added in FY20/21 and YTD. We estimate 48% PAT CAGR over FY21-24 and remain positive for long term. However, we cut our rating to Accumulate (Buy earlier) given sharp jump in stock price recently.

Sales grew by 46.6%; PAT up by 113%: Revenues grew by 46.6% YoY to Rs76.5bn. Gross margins expanded by 25bps YoY to 14.3% (PLe: 14.8%). EBITDA grew by 106.3% YoY to Rs6.7bn (PLe: Rs6.7bn). Margins expanded by 260bps to 8.8% (PLe:8.7%) aided by lower other expenses (230bps). PAT grew by 113.2% YoY to Rs4.5bn (PLe: Rs4.5bn).

Sustained recovery in demand post Covid; cost efficiencies to the fore: Post easing of restrictions, recovery of demand has been strong. 2 years and older D'Mart stores (187 stores) saw revenue growth of 23.7% YoY in the month of Sep21. D'Mart added 8 stores in the quarter taking the total store count to 246 with retail Business Area of 9.44mn sq.ft. We note that, despite 11.8% YoY increase in stores, other expenses grew by mere 3.2% YoY thereby indicating significant cost control and operating leverage. Cost of retail in 2Q stood at 5.5%, down 230bps/250bps YoY/QoQ.

Rising E- Com Focus is a positive: Imputed D'Mart ready sales grew by 58.6% YoY to Rs1.4bn. After, extensively covering MMR and foraying into Ahmedabad, Pune, Bangalore and Hyderabad, D'Mart ready has done a soft launch in the cities of Surat and Vadodara. D'Mart Ready has extended its offering from food and grocery to General merchandise and even fresh fruits and vegetables.

Exhibit 1: Standalone Revenues grew by 46.6% YoY, EBITDA margins expanded by 260bps YoY

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
Net Sales	76,496	52,182	46.6	50,318	1,26,814	90,514	40.1
Gross Profit	10,939	7,330	49.2	6,221	17,160	12,564	36.6
<i>% of NS</i>	14.3	14.0	0.3	12.4	13.5	13.9	(0.3)
Other Expenses	4,238	4,082	3.8	4,009	8,247	8,227	0.2
<i>% of NS</i>	5.5	7.8	(2.3)	8.0	6.5	9.1	(2.6)
EBITDA	6,701	3,249	106.3	2,212	8,914	4,338	105.5
<i>Margins (%)</i>	8.8	6.2	2.5	4.4	7.0	4.8	2.2
Depreciation	971	904	7.4	927	1,898	1,765	7.6
Interest	90	79	14.0	84	174	155	12.7
Other Income	330	558	(40.9)	362	692	1,072	(35.4)
PBT	5,970	2,824	111.4	1,563	7,533	3,490	115.9
Tax	1,482	719	106.2	412	1,893	889	113.1
<i>Tax rate (%)</i>	24.8	25.4	(0.6)	26.3	25.1	25.5	(0.3)
Adjusted PAT	4,489	2,106	113.2	1,151	5,640	2,601	116.8

Source: Company, PL

Exhibit 2: Added 8 stores in 2QFY22; Cost of retail down 230bps/ 250bps YoY/ QoQ

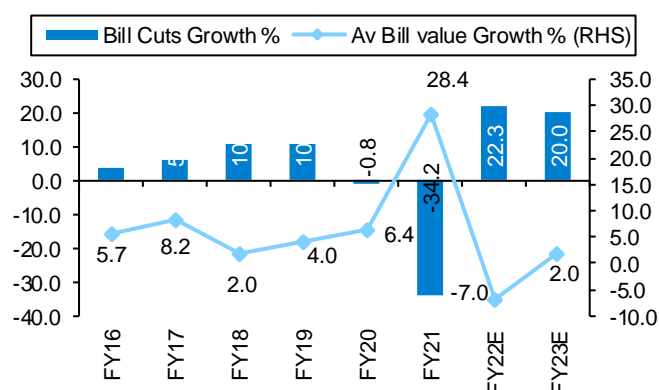
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
No of Stores	214	216	220	221	234	238	246
Area (mn Sq.ft.)	7.8	8.0	8.2	8.2	8.8	9.0	9.4
Sales/Ft	7940	4792	6364	9098	8280	5585	8138
Gross Profit/Ft	1050	654	894	1375	1192	690	1164
EBIDTA/FT	535	136	396	896	699	246	713
Cost of retail %	6.5	10.8	7.8	5.8	6.0	8.0	5.5

Source: Company, PL

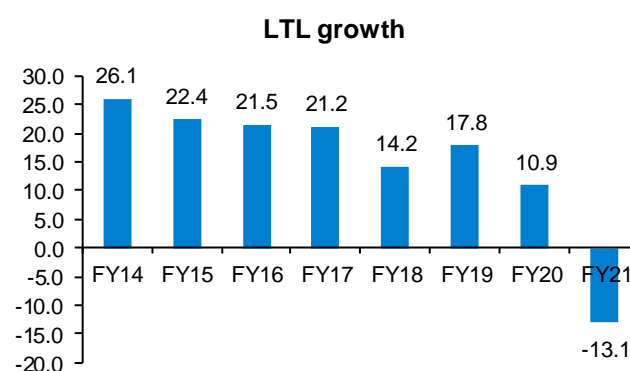
Exhibit 3: Gross Profit/Ft and EBIDTA/Ft to grow in FY22 due to low base in FY21, average growth should come from FY23

	FY18	FY19	FY20	FY21	FY22E	FY23E
Sales/Ft	32,719	35,647	32,879	28,814	30,691	36,299
Gross Profit/Ft	4,853	5,091	4,830	4,068	4,199	5,173
EBIDTA/FT	2,738	2,768	2,729	1,976	2,358	3,185
Capex/Ft	9,664	9,974	10,338	12,804	12,302	12,607
Cost of retail %	6.9%	6.9%	6.6%	7.6%	6.3%	5.8%
Working Cap/Ft	1,723	1,566	1,927	1,708	1,848	1,932

Source: Company, PL

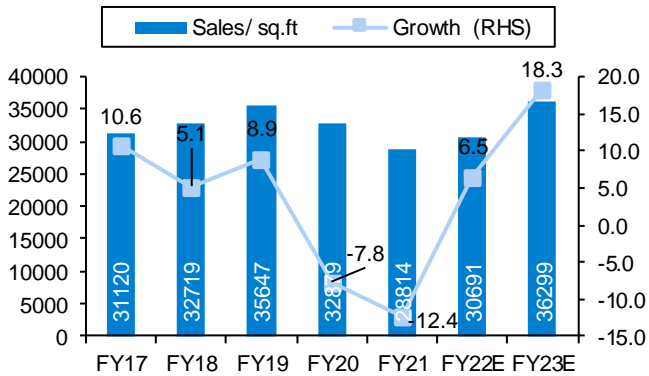
Exhibit 4: Bill Cut est growth for FY22 stood at 22.3%


Source: Company, PL

Exhibit 5: LTL growth at -13.1% in FY21


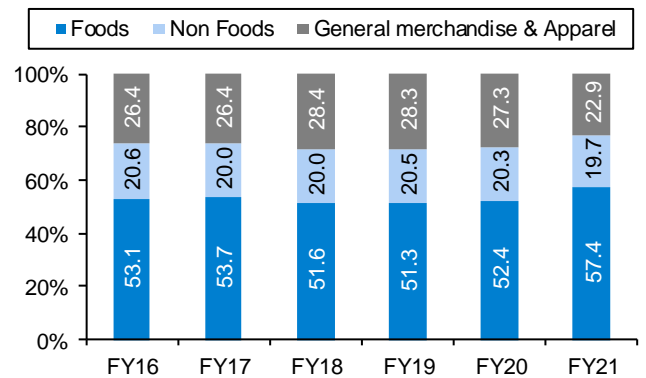
Source: Company, PL

Exhibit 6: Sales/Sq. ft. to reach Rs 36,299 in FY23E



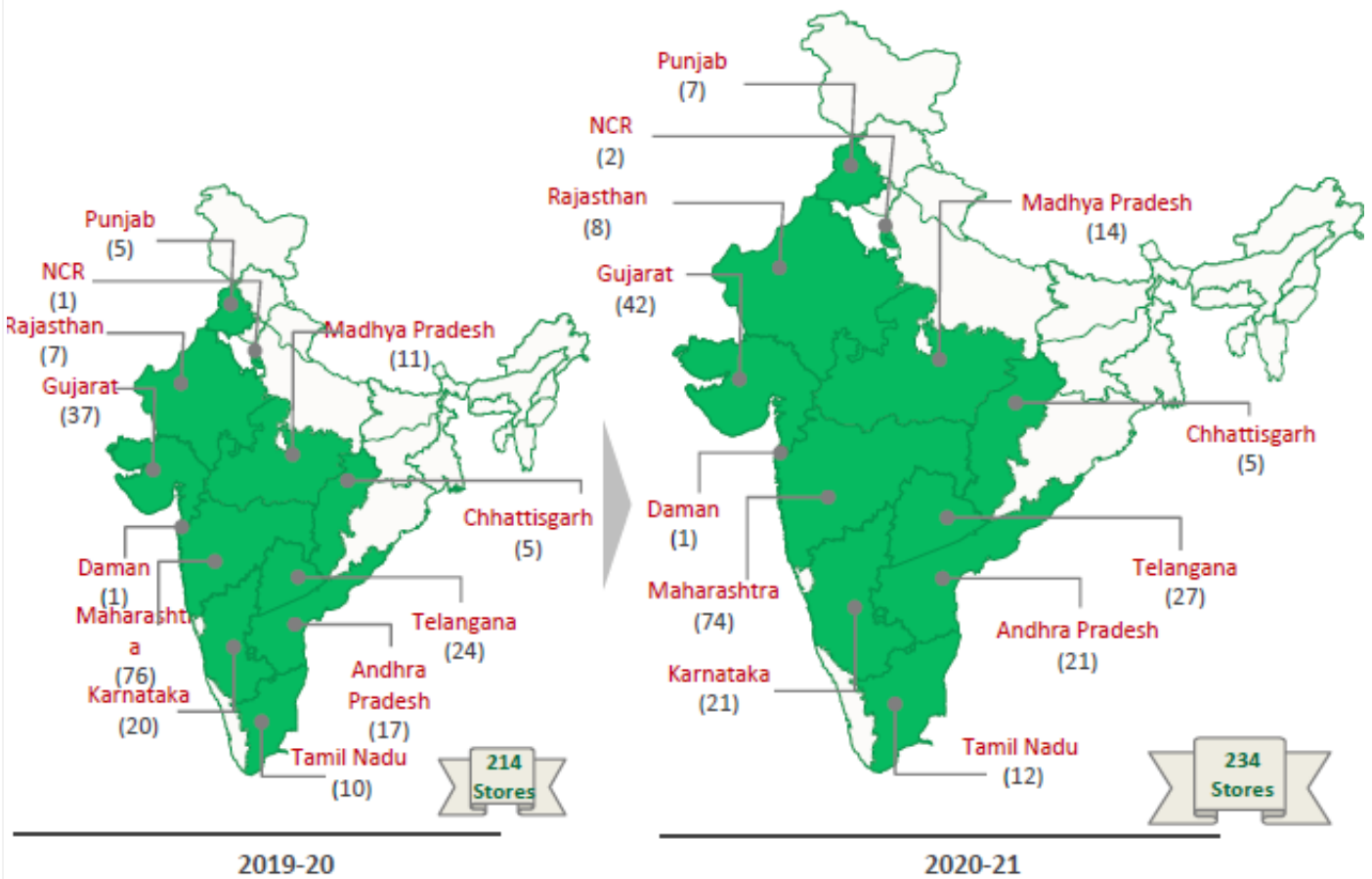
Source: Company, PL

Exhibit 7: Foods continue to remain highest contributor



Source: Company, PL

Exhibit 8: Cluster based expansion strategy continues – Addition maximum Ex Maharashtra and Gujarat



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	2,41,431	3,08,187	4,33,466	5,42,955
YoY gr. (%)	(2.9)	27.7	40.7	25.3
Cost of Goods Sold	2,05,547	2,63,808	3,68,446	4,59,883
Gross Profit	35,884	44,379	65,020	83,072
Margin (%)	14.9	14.4	15.0	15.3
Employee Cost	5,366	6,010	8,019	9,773
Other Expenses	13,088	13,446	16,965	20,116
EBITDA	17,431	24,923	40,036	53,183
YoY gr. (%)	(18.1)	43.0	60.6	32.8
Margin (%)	7.2	8.1	9.2	9.8
Depreciation and Amortization	4,142	4,996	5,927	7,044
EBIT	13,289	19,927	34,109	46,139
Margin (%)	5.5	6.5	7.9	8.5
Net Interest	417	692	846	979
Other Income	1,962	1,781	2,041	2,389
Profit Before Tax	14,835	21,016	35,304	47,549
Margin (%)	6.1	6.8	8.1	8.8
Total Tax	3,843	5,380	9,038	12,172
Effective tax rate (%)	25.9	25.6	25.6	25.6
Profit after tax	10,992	15,636	26,266	35,376
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,992	15,636	26,266	35,376
YoY gr. (%)	(15.5)	42.3	68.0	34.7
Margin (%)	4.6	5.1	6.1	6.5
Extra Ord. Income / (Exp)	(19)	-	-	-
Reported PAT	10,973	15,636	26,266	35,376
YoY gr. (%)	(15.4)	42.5	68.0	34.7
Margin (%)	4.5	5.1	6.1	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,973	15,636	26,266	35,376
Equity Shares O/s (m)	648	648	648	648
EPS (Rs)	17.0	24.1	40.5	54.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	74,375	90,839	1,17,389	1,46,913
Tangibles	73,588	89,934	1,16,348	1,45,716
Intangibles	787	905	1,041	1,197
Acc: Dep / Amortization	14,672	18,318	23,034	28,978
Tangibles	14,107	17,645	22,236	28,036
Intangibles	565	674	798	942
Net fixed assets	59,703	72,521	94,355	1,17,935
Tangibles	59,481	72,289	94,112	1,17,680
Intangibles	222	232	243	255
Capital Work In Progress	10,196	10,400	10,608	10,820
Goodwill	783	783	783	783
Non-Current Investments	11,093	11,174	11,268	11,373
Net Deferred tax assets	(512)	(701)	(1,019)	(1,447)
Other Non-Current Assets	14,165	13,945	14,286	14,472
Current Assets				
Investments	30	32	36	39
Inventories	22,483	26,827	33,798	41,093
Trade receivables	436	844	1,188	1,488
Cash & Bank Balance	14,456	17,325	17,665	23,517
Other Current Assets	1,538	1,852	2,604	3,261
Total Assets	1,36,560	1,57,091	1,88,539	2,27,223
Equity				
Equity Share Capital	6,478	6,478	6,478	6,478
Other Equity	1,15,359	1,30,995	1,57,262	1,91,018
Total Networkth	1,21,837	1,37,473	1,63,739	1,97,496
Non-Current Liabilities				
Long Term borrowings	-	2,000	2,000	2,000
Provisions	25	30	37	46
Other non current liabilities	3,120	4,003	4,981	6,068
Current Liabilities				
ST Debt / Current of LT Debt	-	1,507	1,500	1,500
Trade payables	5,781	6,704	9,385	11,679
Other current liabilities	5,276	4,665	5,869	6,979
Total Equity & Liabilities	1,36,560	1,57,092	1,88,539	2,27,223

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	14,835	21,016	35,304	47,549
Add. Depreciation	4,142	4,996	5,927	7,044
Add. Interest	417	692	846	979
Less Financial Other Income	1,962	1,781	2,041	2,389
Add. Other	17,033	1,216	869	1,233
Op. profit before WC changes	36,425	27,920	42,945	56,805
Net Changes-WC	(37)	(4,470)	(4,744)	(5,341)
Direct tax	(3,843)	(5,380)	(9,038)	(12,172)
Net cash from Op. activities	32,545	18,070	29,164	39,291
Capital expenditures	(18,872)	(18,018)	(27,969)	(30,837)
Interest / Dividend Income	-	-	-	-
Others	91	(3)	(3)	(4)
Net Cash from Inv. activities	(18,781)	(18,021)	(27,972)	(30,840)
Issue of share cap. / premium	67	-	-	-
Debt changes	(37)	3,507	(7)	-
Dividend paid	-	-	-	(1,619)
Interest paid	(417)	(692)	(846)	(979)
Others	-	7	(1)	-
Net cash from Fin. activities	(387)	2,822	(854)	(2,599)
Net change in cash	13,377	2,871	338	5,852
Free Cash Flow	13,673	51	1,195	8,455

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	74,327	73,031	50,318	76,496
YoY gr. (%)	10.1	17.9	31.3	46.6
Raw Material Expenses	63,096	62,518	44,097	65,557
Gross Profit	11,231	10,514	6,221	10,939
Margin (%)	15.1	14.4	12.4	14.3
EBITDA	6,914	6,166	2,212	6,701
YoY gr. (%)	16.6	47.6	103.2	106.3
Margin (%)	9.3	8.4	4.4	8.8
Depreciation / Depletion	1,003	946	927	971
EBIT	5,911	5,220	1,285	5,731
Margin (%)	8.0	7.1	2.6	7.5
Net Interest	87	103	84	90
Other Income	492	526	362	330
Profit before Tax	6,316	5,642	1,563	5,970
Margin (%)	8.5	7.7	3.1	7.8
Total Tax	1,614	1,293	412	1,482
Effective tax rate (%)	25.5	22.9	26.3	24.8
Profit after Tax	4,703	4,349	1,151	4,489
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,703	4,349	1,151	4,489
YoY gr. (%)	19.3	51.6	132.3	113.2
Margin (%)	6.3	6.0	2.3	5.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,703	4,349	1,151	4,489
YoY gr. (%)	19.3	51.6	132.3	113.2
Margin (%)	6.3	6.0	2.3	5.9
Other Comprehensive Income	(7)	6	(4)	(25)
Total Comprehensive Income	4,696	4,356	1,147	4,464
Avg. Shares O/s (m)	648	648	648	648
EPS (Rs)	7.3	6.7	1.8	6.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	17.0	24.1	40.5	54.6
CEPS	23.4	31.9	49.7	65.5
BVPS	188.1	212.2	252.8	304.9
FCF	21.1	0.1	1.8	13.1
DPS	-	-	-	2.5
Return Ratio(%)				
RoCE	11.4	15.2	22.1	25.1
ROIC	10.9	14.3	20.0	22.7
RoE	9.4	12.1	17.4	19.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	26	25	22	21
Valuation(x)				
PER	313.7	220.6	131.3	97.5
P/B	28.3	25.1	21.1	17.5
P/CEPS	227.9	167.1	107.1	81.3
EV/EBITDA	197.0	137.8	85.8	64.5
EV/Sales	14.2	11.1	7.9	6.3
Dividend Yield (%)	-	-	-	0.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-21	BUY	4,601	4,219
2	22-Jul-21	BUY	3,744	3,397
3	10-Jul-21	BUY	3,686	3,378
4	05-Jul-21	BUY	3,366	3,314
5	08-May-21	BUY	3,360	2,896
6	07-Apr-21	BUY	3,195	2,880
7	10-Jan-21	BUY	3,296	2,968
8	07-Jan-21	UR	-	2,915
9	17-Oct-20	BUY	2,316	1,988

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,507	3,212
2	Avenue Supermarts	BUY	4,601	4,219
3	Bajaj Electricals	Hold	1,246	1,284
4	Britannia Industries	Accumulate	4,260	3,939
5	Burger King India	BUY	251	159
6	Colgate Palmolive	Accumulate	1,846	1,680
7	Crompton Greaves Consumer Electricals	BUY	518	486
8	Dabur India	Hold	647	615
9	Emami	Accumulate	624	545
10	Havells India	Accumulate	1,414	1,390
11	Hindustan Unilever	Accumulate	2,915	2,686
12	ITC	BUY	271	231
13	Jubilant FoodWorks	Accumulate	4,135	3,934
14	Kansai Nerolac Paints	Accumulate	661	646
15	Marico	Hold	532	564
16	Mold-tek Packaging	BUY	669	666
17	Nestle India	Accumulate	19,717	19,104
18	Pidilite Industries	Reduce	2,221	2,416
19	Titan Company	BUY	2,554	2,148
20	Titan Company	BUY	2,554	2,148
21	Voltas	UR	-	1,250
22	Westlife Development	BUY	605	554

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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