

January 10, 2021

## Q3FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>UNDER REVIEW</b>	
<b>Target Price</b>	<b>3,296</b>		<b>-</b>	
Sales (Rs. m)	3,32,213	4,21,442	3,26,090	4,13,673
% Chng.	1.9	1.9		
EBITDA (Rs. m)	29,195	38,185	28,014	36,454
% Chng.	4.2	4.7		
EPS (Rs.)	29.8	39.0	28.4	36.9
% Chng.	4.8	5.7		

### Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	2,48,702	2,41,092	3,32,213	4,21,442
EBITDA (Rs. m)	21,284	17,377	29,195	38,185
Margin (%)	8.6	7.2	8.8	9.1
PAT (Rs. m)	13,011	11,206	19,297	25,267
EPS (Rs.)	20.1	17.3	29.8	39.0
Gr. (%)	38.9	(13.9)	72.2	30.9
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	15.6	9.6	14.7	16.4
RoCE (%)	20.5	11.4	18.2	20.8
EV/Sales (x)	7.7	7.8	5.7	4.5
EV/EBITDA (x)	90.3	108.8	65.1	49.7
PE (x)	147.7	171.5	99.6	76.1
P/BV (x)	17.3	15.8	13.6	11.5

### Key Data

### AVEU.BO | DMART IN

52-W High / Low	Rs.3,100 / Rs.1,729
Sensex / Nifty	48,783 / 14,347
Market Cap	Rs.1,922bn/ \$ 26,244m
Shares Outstanding	648m
3M Avg. Daily Value	Rs.3536.76m

### Shareholding Pattern (%)

Promoter's	74.99
Foreign	10.27
Domestic Institution	6.11
Public & Others	8.63
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	11.9	27.9	62.2
Relative	4.6	(4.7)	35.8

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## Ecom to refuel growth engine; BUY

### Quick Pointers:

- Overall sales and sales mix is now trending very close to usual times
- Ticket size is higher than pre covid levels, but below peak pandemic levels.
- D'Mart Ready soft launch in Ahmedabad, Bangalore and Hyderabad and leasing of D'Mart store space for E-com operations.

**We retain Buy and increase our target price to Rs3296 (Rs2316 earlier) despite 52% appreciation since our upgrade in October. As post covid recovery catches up, D'Mart seems gaining confidence on expansion of D'Mart ready with 1) launch in Ahmedabad, Bangalore and Hyderabad 2) allocation of store space for operations and 3) extending D'Mart ready to general merchandise (Home furnishings, small electrical and Kitchen aids) and fruits and veggies.**

**3Q21 results were strongly driven by a surge in festival shopping resulting in a beat across EBITDA/PAT. Worst seems over although near term outlook remains mixed due to disruption due to night curfew and weekend closure in certain cities, supply issues in non FMCG goods and mix impact as apparel, laundry, footwear and travel segments remain impacted. However, the long term story is getting better with 1) increasing focus on Ecom which can provide further scale to already existing supply chain 2) Everyday value focus and 3) expectations of D'Mart doubling stores over FY20-25. We estimate 29.8% PAT CAGR over FY20-23 and 28.9% over FY20-25, as we increase EPS between 4.9-5.7% over FY21 to 23. and 2.9% for FY21/22/23. BUY**

**Sales and PAT increase 10.1% and 19.3%:** Net Sales increased 10.1% YoY to Rs 74.32bn (Est Rs 72.91bn). Gross margins remained flat YoY at 15.1% (Est 14.5%). EBITDA increased 16.6% YoY to Rs 6.91bn (Est Rs 5.91bn). EBITDA Margins expanded 50bps to 9.3% (Est 8.1%) led by lower other expenses (50bps). Adj. PAT increased 19.3% YoY to Rs 4.70bn (Est Rs 3.98bn)

**Periodic disruptions continue:** Surge in festival shopping delivered a better quarter, however December month was impacted as operations continued to remain restricted in some cities due to night curfews and weekend closure. Apparel, laundry, footwear, travel and some OOH usage categories are recovering slowly. Sales from >2 year older stores (162 stores) during Dec20' stood at ~96% of sales in Dec19'. Supplies from the non FMCG sector remain inconsistent as higher raw material prices have impacted availability in certain categories which can impact sales mix and margins in the near term.

**Rising E- Com Focus is a positive:** 3Q Imputed sales stood at Rs1093mn as against Rs 570mn in Q3FY21 and Rs 879mn in Q2FY2 as Covid led to faster than expected change in consumer behaviour for ordering online. D'Mart Ready is gaining confidence on E-com as 1) It has soft launched D'Mart Ready in select pin codes of Ahmedabad, Bangalore and Hyderabad 2) It has Leased some space at its brick and mortar stores for D'Mart Ready operations in these cities.

**Exhibit 1: Net sales increased 10.1%, EBITDA margins expanded 50bps while Adj PAT increased 19.3%**

Y/e March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
<b>Net Sales</b>	<b>74,327</b>	<b>67,519</b>	<b>10.1</b>	<b>52,182</b>	<b>1,64,841</b>	<b>1,84,815</b>	<b>(10.8)</b>
Gross Profit	11,231	10,127	10.9	7,330	23,795	28,400	(16.2)
<i>% of NS</i>	<i>15.1</i>	<i>15.0</i>		<i>14.0</i>	<i>14.4</i>	<i>15.4</i>	
<b>Other Expenses</b>	<b>4,317</b>	<b>4,196</b>	<b>2.9</b>	<b>4,082</b>	<b>12,544</b>	<b>11,355</b>	<b>10.5</b>
<i>% of NS</i>	<i>5.8</i>	<i>6.2</i>		<i>7.8</i>	<i>7.6</i>	<i>6.1</i>	
<b>EBITDA</b>	<b>6,914</b>	<b>5,931</b>	<b>16.6</b>	<b>3,249</b>	<b>11,251</b>	<b>17,045</b>	<b>(34.0)</b>
<i>Margins %</i>	<i>9.3</i>	<i>8.8</i>		<i>6.2</i>	<i>6.8</i>	<i>9.2</i>	
Depreciation	1,003	867	15.6	904	2,767	2,450	13.0
Interest	87	160	(45.6)	79	242	503	(52.0)
Other Income	492	69	608.9	558	1,564	277	463.6
<b>PBT</b>	<b>6,316</b>	<b>4,973</b>	<b>27.0</b>	<b>2,824</b>	<b>9,806</b>	<b>14,369</b>	<b>(31.8)</b>
Tax	1,614	1,031	56.6	719	2,502	3,738	(33.1)
<i>Tax rate %</i>	<i>25.5</i>	<i>20.7</i>		<i>25.4</i>	<i>25.5</i>	<i>26.0</i>	
<b>Adjusted PAT</b>	<b>4,703</b>	<b>3,943</b>	<b>19.3</b>	<b>2,106</b>	<b>7,304</b>	<b>10,631</b>	<b>(31.3)</b>

Source: Company, PL

**Exhibit 2: Added 1 store in 3QFY21; Cost of retail down 40bps YoY and down 200bps QoQ**

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
No. of Stores	189	196	214	216	220	221
Area (mn Sq.ft.)	6.5	7.0	7.8	8.0	8.2	8.2
Sales/Ft	9152	9687	7940	4792	6364	9098
Gross Profit/Ft	1379	1453	1050	654	894	1375
EBIDTA/FT	793	851	535	136	396	896
Cost of retail %	6.4	6.2	6.5	10.8	7.8	5.8

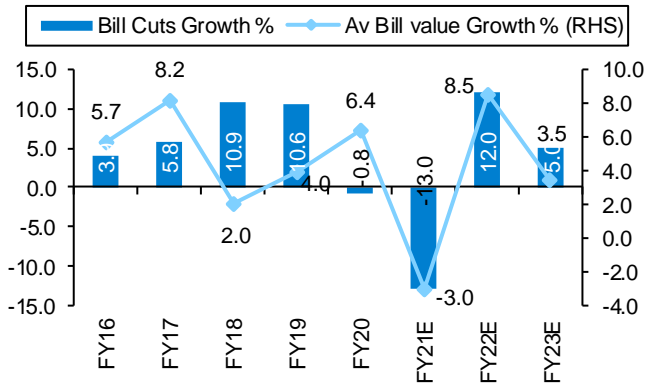
Source: Company, PL

**Exhibit 3: Gross Profit/Ft and EBIDTA/Ft likely to be impacted in FY21 due to COVID-19**

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales/Ft	32,719	35,647	32,879	28,839	32,379	33,994
Gross Profit/Ft	4,853	5,091	4,830	4,011	4,706	4,973
EBIDTA/FT	2,738	2,768	2,729	1,973	2,701	2,924
Capex/Ft	9,664	9,974	10,409	11,484	10,570	10,824
Cost of retail %	6.9%	6.9%	6.6%	7.4%	6.5%	6.3%
Working Cap/Ft	1,723	1,566	1,927	1,455	2,108	1,668

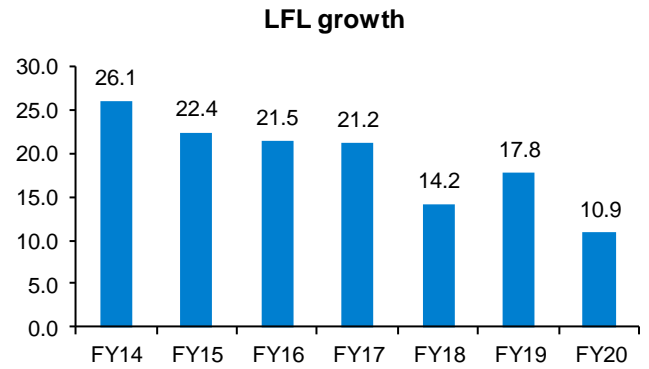
Source: Company, PL

Exhibit 4: Bill Cuts likely to decrease by 13% in FY21E



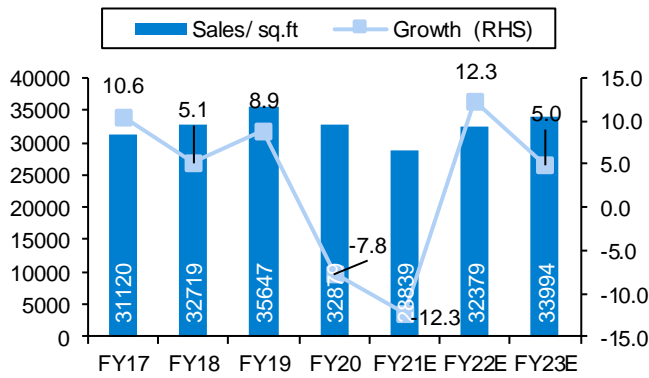
Source: Company, PL

Exhibit 5: LTL growth at 10.9% in FY20



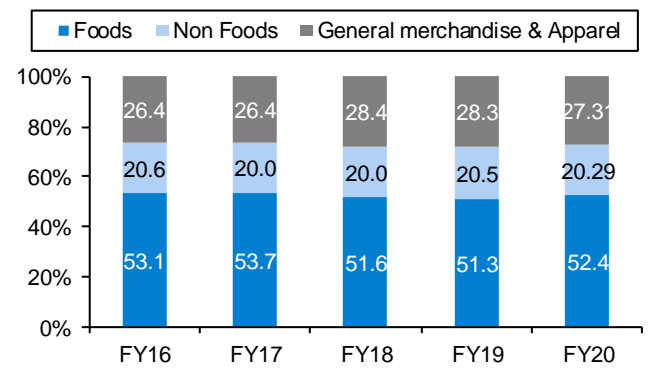
Source: Company, PL

Exhibit 6: Sales/Sq. ft. to reach Rs 33,994 in FY23E



Source: Company, PL

Exhibit 7: Foods continue to remain highest contributor



Source: Company, PL

Exhibit 8: D'Mart Ready extended to fruits and vegetables being offered at affordable prices

### Fresh Fruits

Apple Shimla (Seb) : 4 Pieces (Approx. 650 - 750gm)

MRP ₹190.00  
**DMart ₹89.00**  
Save ₹11.00

ADD TO LIST    4 Pcs    ADD TO CART

Fresh Pomegranate (Anar) : 4 Pieces (Approx. 0.8 - 1 kg)

MRP ₹190.00  
**DMart ₹181.00**  
Save ₹9.00

ADD TO LIST    4 pcs    ADD TO CART

Fresh Banana (Kela) Elaichi : 6 Pieces

MRP ₹65.00  
**DMart ₹55.00**  
Save ₹10.00

ADD TO LIST    6 Pcs    ADD TO CART

### Vegetables

Fresh Lady Finger (Bhendi) : 500 gms

MRP ₹45.00  
**DMart ₹28.00**  
Save ₹17.00

ADD TO LIST    500 gm    ADD TO CART

Sweet Potato (Ratala) : 500 gms

MRP ₹45.00  
**DMart ₹35.00**  
Save ₹10.00

ADD TO LIST    500 gm    ADD TO CART

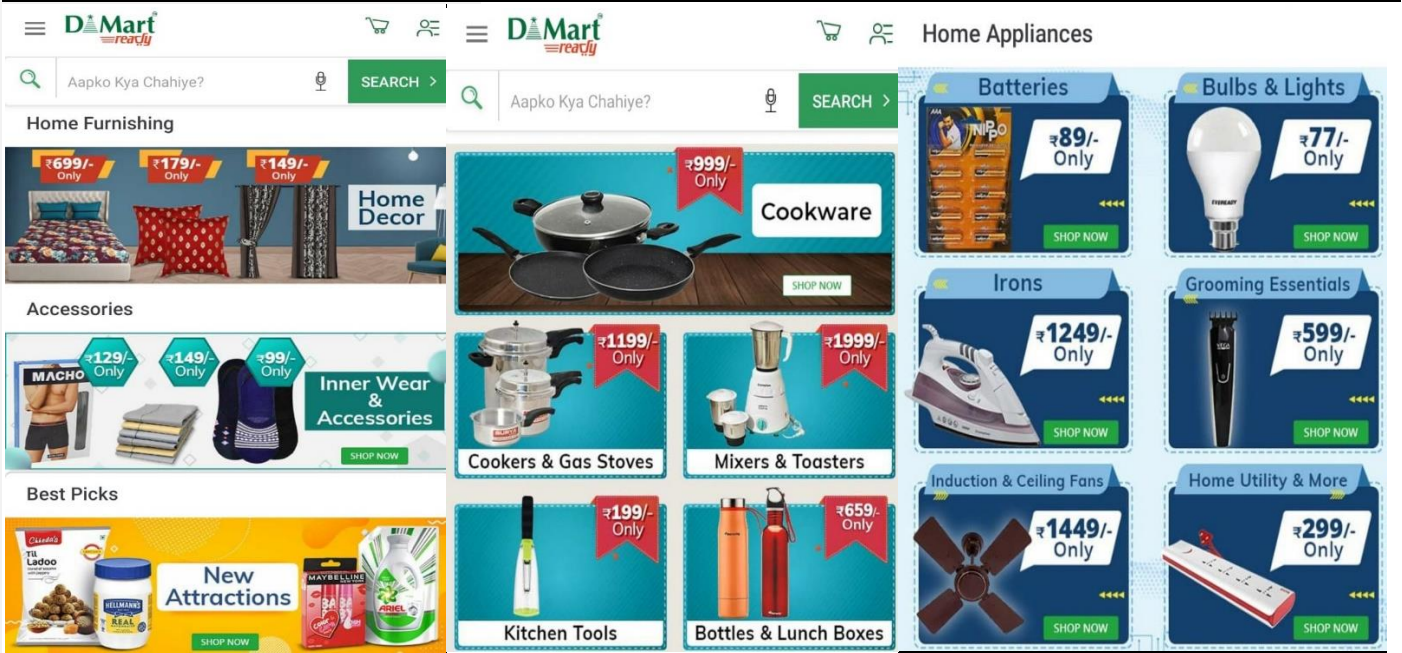
Fresh Cucumber (Kakdi) : 500 gms

MRP ₹35.00  
**DMart ₹25.00**  
Save ₹10.00

ADD TO LIST    500 gm    ADD TO CART

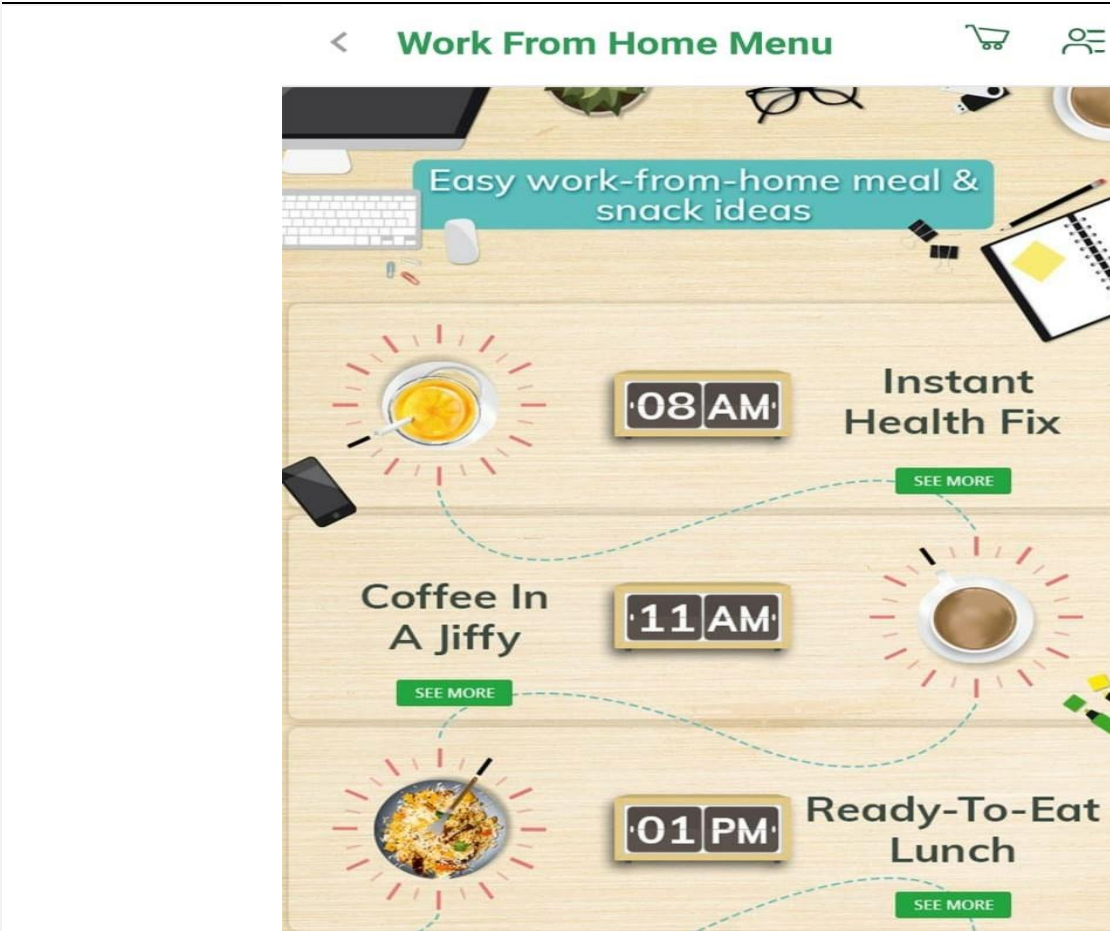
Source: Company, PL

Exhibit 9: D'Mart Ready offering Home furnishing products and Home appliances at competitive prices



Source: Company, PL

Exhibit 10: D'Mart Ready's innovative offering catering to work from home demands



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>2,48,702</b>	<b>2,41,092</b>	<b>3,32,213</b>	<b>4,21,442</b>
YoY gr. (%)	24.3	(3.1)	37.8	26.9
Cost of Goods Sold	2,11,029	2,05,797	2,81,385	3,56,540
Gross Profit	37,673	35,296	50,829	64,902
Margin (%)	15.1	14.6	15.3	15.4
Employee Cost	4,561	5,183	5,980	7,375
Other Expenses	11,828	12,735	15,654	19,342
<b>EBITDA</b>	<b>21,284</b>	<b>17,377</b>	<b>29,195</b>	<b>38,185</b>
YoY gr. (%)	30.3	(18.4)	68.0	30.8
Margin (%)	8.6	7.2	8.8	9.1
Depreciation and Amortization	3,744	3,959	4,624	5,442
<b>EBIT</b>	<b>17,540</b>	<b>13,418</b>	<b>24,571</b>	<b>32,742</b>
Margin (%)	7.1	5.6	7.4	7.8
Net Interest	691	439	622	695
Other Income	600	2,083	1,989	1,914
<b>Profit Before Tax</b>	<b>17,448</b>	<b>15,062</b>	<b>25,937</b>	<b>33,961</b>
Margin (%)	7.0	6.2	7.8	8.1
Total Tax	4,438	3,856	6,640	8,694
Effective tax rate (%)	25.4	25.6	25.6	25.6
<b>Profit after tax</b>	<b>13,011</b>	<b>11,206</b>	<b>19,297</b>	<b>25,267</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>13,011</b>	<b>11,206</b>	<b>19,297</b>	<b>25,267</b>
YoY gr. (%)	44.2	(13.9)	72.2	30.9
Margin (%)	5.2	4.6	5.8	6.0
Extra Ord. Income / (Exp)	7	7	7	7
<b>Reported PAT</b>	<b>13,017</b>	<b>11,213</b>	<b>19,304</b>	<b>25,274</b>
YoY gr. (%)	44.5	(13.9)	72.2	30.9
Margin (%)	5.2	4.7	5.8	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,017	11,213	19,304	25,274
<b>Equity Shares O/s (m)</b>	<b>648</b>	<b>648</b>	<b>648</b>	<b>648</b>
<b>EPS (Rs)</b>	<b>20.1</b>	<b>17.3</b>	<b>29.8</b>	<b>39.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>63,210</b>	<b>80,626</b>	<b>1,03,095</b>	<b>1,28,825</b>
Tangibles	62,519	79,831	1,02,181	1,27,773
Intangibles	691	795	914	1,052
<b>Acc: Dep / Amortization</b>	<b>11,686</b>	<b>14,656</b>	<b>18,390</b>	<b>23,024</b>
Tangibles	11,280	14,155	17,779	22,286
Intangibles	406	501	611	737
<b>Net fixed assets</b>	<b>51,524</b>	<b>65,970</b>	<b>84,705</b>	<b>1,05,801</b>
Tangibles	51,239	65,676	84,402	1,05,487
Intangibles	285	294	303	314
Capital Work In Progress	3,644	3,717	3,791	3,867
Goodwill	783	783	783	783
Non-Current Investments	31,227	579	645	718
Net Deferred tax assets	(474)	(609)	(843)	(1,149)
Other Non-Current Assets	10,107	9,305	12,107	12,325
<b>Current Assets</b>				
Investments	147	161	178	195
Inventories	19,474	17,617	29,505	29,853
Trade receivables	196	661	910	1,155
Cash & Bank Balance	1,079	35,376	23,709	29,372
Other Current Assets	1,494	1,449	1,996	2,532
<b>Total Assets</b>	<b>1,20,764</b>	<b>1,36,703</b>	<b>1,59,824</b>	<b>1,88,498</b>
<b>Equity</b>				
Equity Share Capital	6,478	6,478	6,478	6,478
Other Equity	1,04,320	1,15,533	1,34,837	1,60,111
<b>Total Network</b>	<b>1,10,797</b>	<b>1,22,011</b>	<b>1,41,315</b>	<b>1,66,589</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	2,000	2,000	2,000
Provisions	15	19	25	31
Other non current liabilities	2,211	2,545	2,993	3,554
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	37	1,500	1,500	1,500
Trade payables	4,335	5,098	7,332	8,922
Other current liabilities	2,886	2,911	3,808	4,744
<b>Total Equity &amp; Liabilities</b>	<b>1,20,764</b>	<b>1,36,703</b>	<b>1,59,825</b>	<b>1,88,498</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	17,448	15,062	25,937	33,961
Add. Depreciation	3,744	3,959	4,624	5,442
Add. Interest	691	439	622	695
Less Financial Other Income	600	2,083	1,989	1,914
Add. Other	(37,824)	31,924	(2,181)	582
Op. profit before WC changes	(15,940)	51,384	29,003	40,680
Net Changes-WC	(5,789)	2,231	(9,964)	997
Direct tax	(4,438)	(3,856)	(6,640)	(8,694)
<b>Net cash from Op. activities</b>	<b>(26,167)</b>	<b>49,759</b>	<b>12,399</b>	<b>32,983</b>
Capital expenditures	(11,923)	(18,478)	(23,434)	(26,614)
Interest / Dividend Income	-	-	-	-
Others	25	(8)	(9)	(11)
<b>Net Cash from Inv. activities</b>	<b>(11,897)</b>	<b>(18,486)</b>	<b>(23,443)</b>	<b>(26,625)</b>
Issue of share cap. / premium	41,906	0	-	-
Debt changes	(4,261)	3,463	-	-
Dividend paid	-	-	-	-
Interest paid	(691)	(439)	(622)	(695)
Others	(1)	-	-	-
<b>Net cash from Fin. activities</b>	<b>36,952</b>	<b>3,024</b>	<b>(622)</b>	<b>(695)</b>
<b>Net change in cash</b>	<b>(1,111)</b>	<b>34,297</b>	<b>(11,666)</b>	<b>5,663</b>
Free Cash Flow	(38,089)	31,281	(11,035)	6,369

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>61,935</b>	<b>38,332</b>	<b>52,182</b>	<b>74,327</b>
YoY gr. (%)	23.0	(33.7)	(12.3)	10.1
Raw Material Expenses	53,744	33,099	44,851	63,096
Gross Profit	8,191	5,234	7,330	11,231
Margin (%)	13.2	13.7	14.0	15.1
<b>EBITDA</b>	<b>4,177</b>	<b>1,089</b>	<b>3,249</b>	<b>6,914</b>
YoY gr. (%)	10.9	(81.7)	(37.0)	16.6
Margin (%)	6.7	2.8	6.2	9.3
Depreciation / Depletion	948	861	904	1,003
<b>EBIT</b>	<b>3,228</b>	<b>228</b>	<b>2,345</b>	<b>5,911</b>
Margin (%)	5.2	0.6	4.5	8.0
Net Interest	124	76	79	87
Other Income	356	513	558	492
<b>Profit before Tax</b>	<b>3,460</b>	<b>666</b>	<b>2,824</b>	<b>6,316</b>
Margin (%)	5.6	1.7	5.4	8.5
Total Tax	591	170	719	1,614
Effective tax rate (%)	17.1	25.5	25.4	25.5
<b>Profit after Tax</b>	<b>2,869</b>	<b>496</b>	<b>2,106</b>	<b>4,703</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>2,869</b>	<b>496</b>	<b>2,106</b>	<b>4,703</b>
YoY gr. (%)	41.4	(85.2)	(36.9)	19.3
Margin (%)	4.6	1.3	4.0	6.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,869</b>	<b>496</b>	<b>2,106</b>	<b>4,703</b>
YoY gr. (%)	41.4	(85.2)	(36.9)	19.3
Margin (%)	4.6	1.3	4.0	6.3
Other Comprehensive Income	5	(10)	(4)	(7)
<b>Total Comprehensive Income</b>	<b>2,874</b>	<b>485</b>	<b>2,102</b>	<b>4,696</b>
Avg. Shares O/s (m)	648	648	648	648
<b>EPS (Rs)</b>	<b>4.4</b>	<b>0.8</b>	<b>3.3</b>	<b>7.3</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	20.1	17.3	29.8	39.0
CEPS	25.9	23.4	36.9	47.4
BVPS	171.0	188.4	218.2	257.2
FCF	(58.8)	48.3	(17.0)	9.8
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	20.5	11.4	18.2	20.8
ROIC	14.7	13.3	18.1	20.6
RoE	15.6	9.6	14.7	16.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	(0.3)	(0.1)	(0.2)
Net Working Capital (Days)	23	20	25	19
<b>Valuation(x)</b>				
PER	147.7	171.5	99.6	76.1
P/B	17.3	15.8	13.6	11.5
P/CEPS	114.7	126.8	80.4	62.6
EV/EBITDA	90.3	108.8	65.1	49.7
EV/Sales	7.7	7.8	5.7	4.5
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	UR	-	2,915
2	17-Oct-20	BUY	2,316	1,988
3	08-Oct-20	Hold	2,057	2,065
4	05-Aug-20	Hold	2,055	2,163
5	11-Jul-20	Reduce	1,695	2,323
6	08-Jul-20	Reduce	1,695	2,362
7	24-May-20	Reduce	1,658	2,398
8	11-Apr-20	Reduce	1,875	2,393
9	13-Jan-20	Reduce	1,639	1,877

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	UR	-	2,805
2	Avenue Supermarts	UR	-	2,915
3	Bajaj Electricals	BUY	647	637
4	Britannia Industries	BUY	4,301	3,540
5	Colgate Palmolive	Hold	1,570	1,598
6	Crompton Greaves Consumer Electricals	BUY	400	395
7	Dabur India	Accumulate	539	534
8	Emami	BUY	526	450
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	UR	-	971
11	Hindustan Unilever	BUY	2,502	2,417
12	ITC	BUY	254	205
13	Jubilant FoodWorks	UR	-	2,789
14	Kansai Nerolac Paints	UR	-	613
15	Marico	Hold	410	419
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	UR	-	1,795
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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