

Rating: BUY | CMP: Rs3,942 | TP: Rs4,636

July 10, 2022

## Q1FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	4,636		4,340	
Sales (Rs. m)	4,37,753	5,49,895	4,35,717	5,37,107
% Chng.	0.5	2.4		
EBITDA (Rs. m)	39,882	50,617	37,898	48,039
% Chng.	5.2	5.4		
EPS (Rs.)	38.2	49.2	35.9	46.2
% Chng.	6.3	6.4		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,41,431	3,09,763	4,37,753	5,49,895
EBITDA (Rs. m)	17,431	24,985	39,882	50,617
Margin (%)	7.2	8.1	9.1	9.2
PAT (Rs. m)	10,992	14,923	24,725	31,875
EPS (Rs.)	17.0	23.0	38.2	49.2
Gr. (%)	(15.5)	35.8	65.7	28.9
DPS (Rs.)	-	-	-	2.5
Yield (%)	-	-	-	0.1
RoE (%)	9.4	11.5	16.6	18.1
RoCE (%)	11.4	15.5	21.9	23.7
EV/Sales (x)	10.5	8.2	5.8	4.6
EV/EBITDA (x)	145.7	102.1	63.9	50.2
PE (x)	232.3	171.1	103.3	80.1
P/BV (x)	21.0	18.7	15.8	13.3

### Key Data

AUEV.BO | DMART IN

52-W High / Low	Rs.5,900 / Rs.3,185
Sensex / Nifty	54,482 / 16,221
Market Cap	Rs.2,553bn/ \$ 32,217m
Shares Outstanding	648m
3M Avg. Daily Value	Rs.1757.99m

### Shareholding Pattern (%)

Promoter's	74.99
Foreign	8.83
Domestic Institution	6.77
Public & Others	9.42
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.4	(16.7)	16.3
Relative	6.2	(8.6)	12.2

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## Rebounds with a bang! Maintain BUY

### Quick Pointers:

- 110 stores opened in the last 3 years performed exceptionally well this quarter
- Superior mix from sales in the General Merchandise & Apparel category and operating leverage boosted margins

**We are increasing FY23/24 EPS estimates by 6.3/6.5% and target price to Rs4636 (Rs4340 earlier) following strong sales and profit momentum in 1QFY23. Zero impact of covid led to a normal quarter as the company monetized 110 large stores opened in last 3 years. Average system wide sales/store at Rs347mn were 8% higher than 1Q20, despite aggressive store addition in past 6 months. The discretionary non-FMCG also recovered aided by back to school season, although it remained lower than pre covid levels.**

**Although GM and EBITDA margins trended towards 1Q20 levels, given seasonality they can't be extrapolated and should normalize over the course of year. We estimate 31% YoY PAT growth for balance 3 Quarters of FY23 and 47.3% PAT CAGR over FY22-24. We believe D'Mart has a huge runway ahead given low probability of heightened competition in modern trade, 1200+ store potential in existing clusters (current stores 294) and gradual scale up in D'Mart Ready. We retain BUY with DCF based target price of Rs4636, returns might be slightly back ended given 17% jump in stock price in last 5 sessions.**

**Sales grew by 93.7%; PAT up by 574%:** Revenues grew by 93.7% YoY and 14% QoQ to Rs100.4bn. Gross margins improved commendably by 324bps YoY to 16.3% (PLe: 14.7%). EBITDA grew by 350% YoY to Rs10.1bn (PLe: Rs8.6bn). Margins expanded by 572bps YoY to 10% (PLe:8.6%). PAT grew 574% YoY to Rs6.4bn (PLe: Rs5.35bn). Improved share of discretionary non-FMCG category led to enhanced margins. Cost of retail reduced by 248 bps YoY to 6.3%.

**Low covid based 110 under leveraged stores boost sales:** Q1FY23 being the first quarter of zero covid disruption aided in robust performance from the new, larger and better designed stores having the capacity to handle larger scale of revenue. General Merchandise and Apparel saw better traction than previous quarter but still has some overhang of the Covid-19 led disruptions and acute inflationary impact. The discretionary contribution mix is yet to reach pre-covid levels. D'Mart added 10 stores in 1Q taking the total store count to 294 with retail Business Area of 12.1mn sq. ft.

**D'Mart Ready topline grows at 52.7%:** With 12 cities in its kitty, D'Mart Ready continues to deliver robust performance as its topline grows by 52.7% YoY and 28% QoQ. D'Mart Ready is also looking to fine tune the neighbourhood store format in order to capture higher wallet share of the consumers.

**Exhibit 1: Consolidated Revenues grew by 93.7% YoY, EBITDA margins expanded by 572 bps YoY**

Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	FY22	FY21	YoY gr. (%)
<b>Net Sales</b>	<b>1,00,381</b>	<b>51,831</b>	<b>93.7</b>	<b>87,865</b>	<b>3,09,767</b>	<b>2,41,433</b>	<b>28.3</b>
Gross Profit	16,405	6,794	141.5	13,144	45,793	35,886	27.6
% of NS	16.3	13.1	3.2	15.0	14.8	14.9	(0.1)
<b>Other Expenses</b>	<b>6,323</b>	<b>4,552</b>	<b>38.9</b>	<b>5,751</b>	<b>20,804</b>	<b>18,453</b>	<b>12.7</b>
% of NS	6.3	8.8	(2.5)	6.5	6.7	7.6	(0.9)
<b>EBITDA</b>	<b>10,082</b>	<b>2,242</b>	<b>349.7</b>	<b>7,393</b>	<b>24,989</b>	<b>17,433</b>	<b>43.3</b>
Margins (%)	10.0	4.3	5.7	8.4	8.1	7.2	0.8
Depreciation	1,447	1,074	34.7	1,463	4,981	4,142	20.3
Interest	172	108	58.9	166	538	417	29.1
Other Income	291	315	(7.4)	326	1,175	1,962	(40.1)
<b>PBT</b>	<b>8,754</b>	<b>1,374</b>	<b>537.3</b>	<b>6,089</b>	<b>20,645</b>	<b>14,837</b>	<b>39.2</b>
Tax	2,325	420	453.6	1,821	5,717	3,840	48.9
Tax rate (%)	26.6	30.6	(4.0)	29.9	27.7	25.9	1.8
<b>Adjusted PAT</b>	<b>6,429</b>	<b>954</b>	<b>574.1</b>	<b>4,268</b>	<b>14,930</b>	<b>10,997</b>	<b>35.8</b>

Source: Company, PL

**Exhibit 2: Added 10 stores in 1QFY23; Cost of retail reduces by 248bps YoY, 20 bps QoQ**

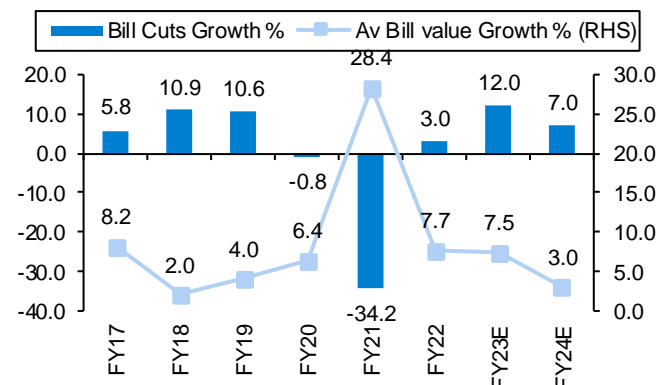
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
No of Stores	220	221	234	238	246	263	284	294
Area (mn Sq.ft.)	8.2	8.2	8.8	9.0	9.4	10.3	11.5	12.1
Sales/Ft	6364	9098	8280	5585	8138	8801	7484	8105
Gross Profit/Ft	894	1375	1192	690	1164	1310	1073	1282
EBIDTA/FT	396	896	699	246	713	843	645	833
Cost of retail %	8.3	6.4	6.5	8.8	6.4	6.0	6.5	6.3

Source: Company, PL

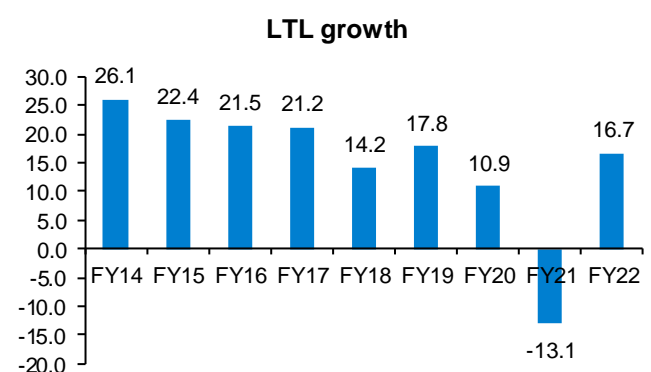
**Exhibit 3: Gross Profit/Ft and EBIDTA/Ft to grow in FY23 due to low base in FY22**

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Sales/Ft	32,719	35,647	32,879	27,306	27,454	34,133	36,752
Gross Profit/Ft	4,853	5,091	4,830	4,068	3,982	4,961	5,307
EBIDTA/FT	2,738	2,768	2,729	1,976	2,173	2,954	3,214
Capex/Ft	9,664	9,974	10,338	9,586	9,855	11,754	12,531
Cost of retail %	6.9%	6.9%	6.6%	7.6%	6.7%	6.2%	6.0%
Working Cap/Ft	1,723	1,566	1,927	1,708	1,670	2,009	1,998

Source: Company, PL

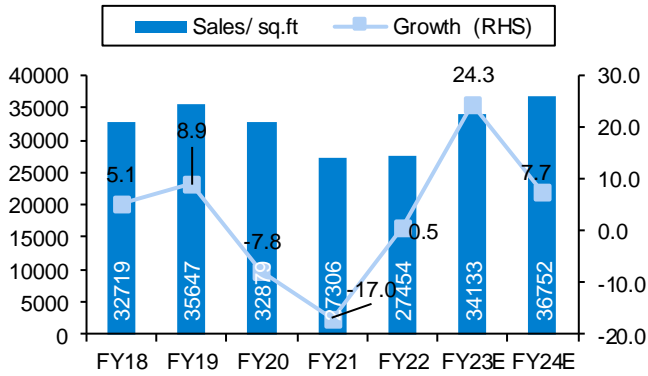
**Exhibit 4: Bill Cut est growth for FY23 at 12%**


Source: Company, PL

**Exhibit 5: LTL growth at 16.7% in FY22**


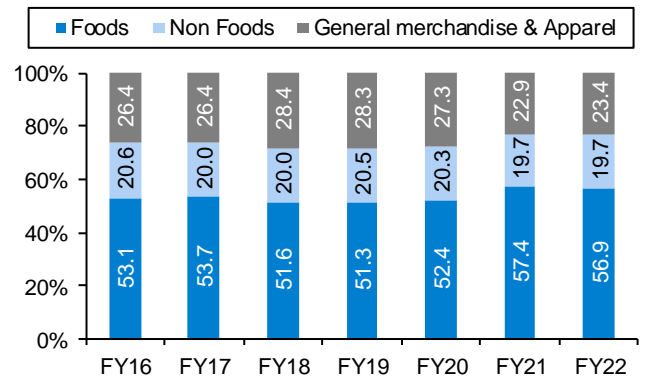
Source: Company, PL

**Exhibit 6: Sales/Sq. ft. to reach Rs 36,752 in FY24E**



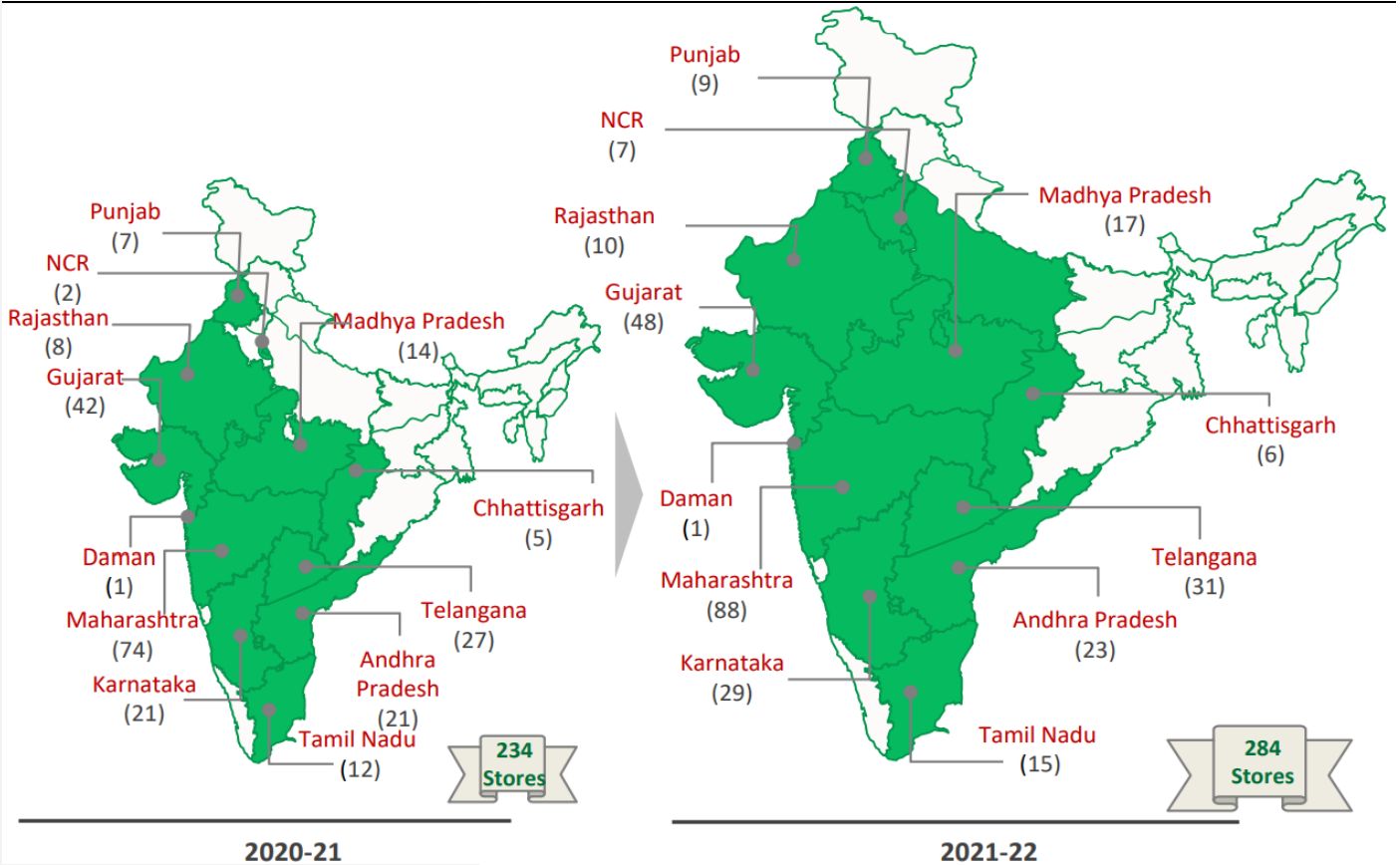
Source: Company, PL

**Exhibit 7: Foods continue to remain highest contributor**



Source: Company, PL

**Exhibit 8: Cluster based expansion strategy continues**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>2,41,431</b>	<b>3,09,763</b>	<b>4,37,753</b>	<b>5,49,895</b>
YoY gr. (%)	(2.9)	28.3	41.3	25.6
Cost of Goods Sold	2,05,547	2,63,974	3,70,777	4,66,311
Gross Profit	35,884	45,789	66,976	83,584
Margin (%)	14.9	14.8	15.3	15.2
Employee Cost	5,366	6,162	7,880	9,623
Other Expenses	13,088	14,642	19,215	23,344
<b>EBITDA</b>	<b>17,431</b>	<b>24,985</b>	<b>39,882</b>	<b>50,617</b>
YoY gr. (%)	(18.1)	43.3	59.6	26.9
Margin (%)	7.2	8.1	9.1	9.2
Depreciation and Amortization	4,142	4,981	7,205	8,396
<b>EBIT</b>	<b>13,289</b>	<b>20,004</b>	<b>32,676</b>	<b>42,221</b>
Margin (%)	5.5	6.5	7.5	7.7
Net Interest	417	538	646	906
Other Income	1,962	1,175	1,202	1,526
<b>Profit Before Tax</b>	<b>14,835</b>	<b>20,641</b>	<b>33,233</b>	<b>42,842</b>
Margin (%)	6.1	6.7	7.6	7.8
Total Tax	3,843	5,717	8,508	10,968
Effective tax rate (%)	25.9	27.7	25.6	25.6
<b>Profit after tax</b>	<b>10,992</b>	<b>14,924</b>	<b>24,725</b>	<b>31,875</b>
Minority interest	-	2	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>10,992</b>	<b>14,923</b>	<b>24,725</b>	<b>31,875</b>
YoY gr. (%)	(15.5)	35.8	65.7	28.9
Margin (%)	4.6	4.8	5.6	5.8
Extra Ord. Income / (Exp)	(19)	(50)	-	-
<b>Reported PAT</b>	<b>10,973</b>	<b>14,872</b>	<b>24,725</b>	<b>31,875</b>
YoY gr. (%)	(15.4)	35.5	66.3	28.9
Margin (%)	4.5	4.8	5.6	5.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,973	14,872	24,725	31,875
<b>Equity Shares O/s (m)</b>	<b>648</b>	<b>648</b>	<b>648</b>	<b>648</b>
<b>EPS (Rs)</b>	<b>17.0</b>	<b>23.0</b>	<b>38.2</b>	<b>49.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>74,375</b>	<b>89,940</b>	<b>1,13,764</b>	<b>1,41,694</b>
Tangibles	73,588	89,034	1,12,723	1,40,497
Intangibles	787	905	1,041	1,197
<b>Acc: Dep / Amortization</b>	<b>14,672</b>	<b>18,554</b>	<b>23,444</b>	<b>29,522</b>
Tangibles	14,107	17,880	22,645	28,580
Intangibles	565	674	798	942
<b>Net fixed assets</b>	<b>59,703</b>	<b>77,931</b>	<b>90,320</b>	<b>1,12,172</b>
Tangibles	59,481	77,795	90,078	1,11,917
Intangibles	222	136	243	255
Capital Work In Progress	10,196	11,293	11,519	11,750
Goodwill	783	783	783	783
Non-Current Investments	11,093	12,627	11,311	11,416
Net Deferred tax assets	(512)	(640)	(939)	(1,325)
Other Non-Current Assets	14,165	17,647	20,286	21,961
<b>Current Assets</b>				
Investments	30	59	36	39
Inventories	22,483	27,427	35,110	43,447
Trade receivables	436	669	1,199	1,507
Cash & Bank Balance	14,456	2,986	6,283	13,389
Other Current Assets	1,538	2,030	2,629	3,302
<b>Total Assets</b>	<b>1,36,560</b>	<b>1,54,726</b>	<b>1,81,446</b>	<b>2,22,241</b>
<b>Equity</b>				
Equity Share Capital	6,478	6,478	6,478	6,478
Other Equity	1,15,359	1,30,299	1,54,960	1,85,215
<b>Total Network</b>	<b>1,21,837</b>	<b>1,36,776</b>	<b>1,61,438</b>	<b>1,91,693</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	2,000
Provisions	25	49	37	46
Other non current liabilities	3,120	5,072	5,237	6,406
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	1,500
Trade payables	5,781	5,892	7,569	11,866
Other current liabilities	5,276	6,291	6,219	7,398
<b>Total Equity &amp; Liabilities</b>	<b>1,36,560</b>	<b>1,54,726</b>	<b>1,81,446</b>	<b>2,22,240</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	14,835	20,641	33,233	42,842
Add. Depreciation	4,142	4,981	7,205	8,396
Add. Interest	417	538	646	906
Less Financial Other Income	1,962	1,175	1,202	1,526
Add. Other	17,033	(2,911)	(870)	(217)
Op. profit before WC changes	36,425	23,249	40,214	51,927
Net Changes-WC	(37)	(4,132)	(7,917)	(4,346)
Direct tax	(3,843)	(5,717)	(8,508)	(10,968)
<b>Net cash from Op. activities</b>	<b>32,545</b>	<b>13,399</b>	<b>23,790</b>	<b>36,613</b>
Capital expenditures	(18,872)	(24,306)	(19,820)	(30,478)
Interest / Dividend Income	-	-	-	-
Others	91	(30)	24	(4)
<b>Net Cash from Invt. activities</b>	<b>(18,781)</b>	<b>(24,336)</b>	<b>(19,797)</b>	<b>(30,481)</b>
Issue of share cap. / premium	67	64	(64)	-
Debt changes	(37)	-	-	3,500
Dividend paid	-	-	-	(1,619)
Interest paid	(417)	(538)	(646)	(906)
Others	-	(59)	(1)	-
<b>Net cash from Fin. activities</b>	<b>(387)</b>	<b>(533)</b>	<b>(711)</b>	<b>975</b>
<b>Net change in cash</b>	<b>13,377</b>	<b>(11,470)</b>	<b>3,282</b>	<b>7,107</b>
Free Cash Flow	13,673	(10,907)	3,969	6,135

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	17.0	23.0	38.2	49.2
CEPS	23.4	30.7	49.3	62.2
BVPS	188.1	211.1	249.2	295.9
FCF	21.1	(16.8)	6.1	9.5
DPS	-	-	-	2.5
<b>Return Ratio(%)</b>				
RoCE	11.4	15.5	21.9	23.7
ROIC	10.9	13.2	18.7	20.2
RoE	9.4	11.5	16.6	18.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	0.0	0.0	(0.1)
Net Working Capital (Days)	26	26	24	22
<b>Valuation(x)</b>				
PER	232.3	171.1	103.3	80.1
P/B	21.0	18.7	15.8	13.3
P/CEPS	168.7	128.3	80.0	63.4
EV/EBITDA	145.7	102.1	63.9	50.2
EV/Sales	10.5	8.2	5.8	4.6
Dividend Yield (%)	-	-	-	0.1

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Net Revenue</b>	<b>77,889</b>	<b>92,178</b>	<b>87,865</b>	<b>1,00,381</b>
YoY gr. (%)	46.8	22.2	18.5	93.7
Raw Material Expenses	66,250	77,966	74,721	83,976
Gross Profit	11,640	14,212	13,144	16,405
Margin (%)	14.9	15.4	15.0	16.3
<b>EBITDA</b>	<b>6,686</b>	<b>8,665</b>	<b>7,393</b>	<b>10,082</b>
YoY gr. (%)	102.9	25.7	20.7	349.7
Margin (%)	8.6	9.4	8.4	10.0
Depreciation / Depletion	1,160	1,283	1,463	1,447
<b>EBIT</b>	<b>5,526</b>	<b>7,382</b>	<b>5,930</b>	<b>8,635</b>
Margin (%)	7.1	8.0	6.7	8.6
Net Interest	124	140	166	172
Other Income	275	260	326	291
<b>Profit before Tax</b>	<b>5,677</b>	<b>7,502</b>	<b>6,089</b>	<b>8,754</b>
Margin (%)	7.3	8.1	6.9	8.7
Total Tax	1,499	1,976	1,821	2,325
Effective tax rate (%)	26.4	26.3	29.9	26.6
<b>Profit after Tax</b>	<b>4,178</b>	<b>5,525</b>	<b>4,268</b>	<b>6,429</b>
Minority interest	-	-	(1)	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>4,178</b>	<b>5,526</b>	<b>4,268</b>	<b>6,429</b>
YoY gr. (%)	110.4	23.6	3.1	574.1
Margin (%)	5.4	6.0	4.9	6.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,178</b>	<b>5,526</b>	<b>4,268</b>	<b>6,429</b>
YoY gr. (%)	110.4	23.6	3.1	574.1
Margin (%)	5.4	6.0	4.9	6.4
Other Comprehensive Income	(26)	(16)	(4)	(13)
<b>Total Comprehensive Income</b>	<b>4,152</b>	<b>5,510</b>	<b>4,264</b>	<b>6,416</b>
Avg. Shares O/s (m)	648	648	648	648
<b>EPS (Rs)</b>	<b>6.4</b>	<b>8.5</b>	<b>6.6</b>	<b>9.9</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	BUY	4,340	3,851
2	14-May-22	BUY	4,651	3,231
3	08-Apr-22	Accumulate	5,345	4,146
4	10-Jan-22	Accumulate	5,345	4,731
5	06-Jan-22	Accumulate	5,364	4,687
6	16-Oct-21	Accumulate	5,359	5,324
7	06-Oct-21	BUY	4,601	4,219
8	22-Jul-21	BUY	3,744	3,397

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,018	2,891
2	Avenue Supermarts	BUY	4,340	3,851
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,708	1,570
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	470
7	Hindustan Unilever	UR	-	2,473
8	ITC	BUY	305	292
9	Jubilant FoodWorks	Accumulate	710	571
10	Kansai Nerolac Paints	BUY	513	396
11	Marico	Accumulate	544	499
12	Mold-tek Packaging	BUY	781	752
13	Nestle India	Accumulate	19,426	18,205
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	653	524

**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

## **ANALYST CERTIFICATION**

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