

AVENUE SUPERMARTS LTD.

Sector

Mar 26, 2024

Retailing

Buy at CMP: Rs 4297 | Target: Rs 4912 (14%) | SL: Rs 3930



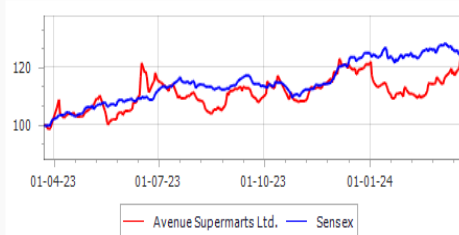
Script Details

BSE Group	A
BSE Code	540376
NSE Code	DMART
Bloomberg Code	DMART IN
Market Cap (INR Cr.)	2,70,786
Free Float (%)	25.4%
52wk Low/High	4237/3300
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/0
Total paid Up Shares (Mn.)	650.7

Share Holding Pattern (%)

Promoters	Public	Others
74.6%	25.4%	-

Share Price Relative Performance



Avenue Supermarts Ltd, founded in 2002, is Mumbai's renowned D-Mart supermarket chain. It's among India's largest and most profitable retailers, offering a wide range of products in various categories. With numerous stores across cities, it operates predominantly under an ownership model. The company strategically opens new stores targeting densely-populated residential areas, ensuring an efficient supply chain through distribution and packing centers.

Investment Rationale

- ◆ **Private labels to be next growth leg in Demart:** DMart has significantly expanded its private-label product range by collaborating with more suppliers nationwide, introducing exclusive brands across home cleaning, personal care, food, and beverages categories. Initially hesitant, DMart now actively promotes its own brands, directly challenging established market brands. These products offer a 20-40% discount compared to leading brands while ensuring high quality through trusted suppliers. This strategic pivot towards private labels is anticipated to provide a significant competitive edge, particularly against e-commerce and quick commerce platforms.
- ◆ **DMart targets 5% market share with aggressive expansion in India's urban grocery sector:** DMart and Reliance Retail stand out as top players in India's urban food and grocery market, dominated by smaller traditional retailers. Despite their dominance among offline retailers, their combined market share remains relatively small at 1.7%. However, with the total addressable market projected to grow to \$2.3 trillion in 25 years, DMart aims to increase its share to 5% by expanding its store count over threefold by FY34. With aspirations to emulate Walmart's store density, DMart sees the potential for over 7,000 stores in urban India within the next 25 years.
- ◆ **Robust and Sound financial :** Despite steady store additions, the company maintains a healthy balance sheet with a sizable net worth of Rs 17,430 crore as of Sep, 2024. Strong annual cash flow persists, aided by prepaid debt from a QIP in 2020. With prudent expansion plans, retail space is set to increase by 20% annually to over 14 million sq ft by 2024. Strong cash generation of Rs 2,500-3,000 crore annually ensures low dependence on external borrowing, maintaining healthy liquidity.
- ◆ **Outlook and Valuations:** We estimate DMART to report PAT of INR 4204 Cr on revenue of Rs 84,078 Cr by FY26E. Which implies forward PE of 64.4(x) for FY26E. We value it with a Price to Earnings of 76x to FY26E EPS which results per share value of INR 5070. We recommend BUY on DMART at CMP of INR 4297 with Target price of INR 5070 (18%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY23	48,656	3,932	2,433	111.3	66.3
FY24E	58,388	4,729	2,919	92.8	57.8
FY25E	70,065	5,675	3,503	77.3	48.2
FY26E	84,078	6,810	4,204	64.4	40.2

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- ◇ DMART has exhibited remarkable relative strength compared to broader market indices despite their weakness over the past two weeks. This suggests bullish sentiments surrounding the stock. On a weekly scale, there has been a notable shift in the range, with the resistance observed in February 2021 now acting as a support zone for the stock. This indicates the potential for an upward trajectory.
- ◇ Zooming into recent weeks, the stock has witnessed a breakout from a triangular pattern, accompanied by a strong bullish candlestick, further affirming the bullish sentiment. The moving averages have also witnessed a break of range in the current week, whereas in prior weeks, the 20-week and 50-week EMAs were aligning near each other, indicating a sideways trend.
- ◇ Notably, the ADX study confirms the strength of the breakout, as the ADX stands above 20 and +DI is above 30, signifying strength in the bullish momentum. Additionally, the RSI study shows a breakout of the sloping trendline, with the RSI value above 60 across timeframes, reinforcing the momentum.

DMART [N19913] 4297.60, 9.30%
Price Avg2(E,20,E,50)



Inference & Expectations

- Considering these factors, it can be inferred that DMART stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 5000 level.
- The stop loss must be at 3930 level, strictly on the closing basis.

Invest Now >>>

Source: Tradingview.in, GEPL Research



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