

# Avenue Supermarts

## Initial signs of ceding share to Quick Commerce visible

DMART's Q2 performance indicates initial signs of DMART ceding market share to Quick Commerce (QC) players (esp. in large metro cities). Revenue grew 14.2% to INR 140.5bn in Q2 (HSIE: INR142bn). H1/Q2FY25 SSSG stood at 7.4/5.5% respectively and sales density was broadly stable YoY at INR35.6k/sq ft annualised). While GM&A salience marginally improved to 23.45% of sales for H1FY25 (vs 23.21% for H1FY24) it remains meaningfully lower vs pre-pandemic times. EBITDAM contracted 27bps YoY to 7.9% (HSIE: 8.4%) despite stable GM (14.2%). We suspect the EBITDA miss could've been due to expansion-led front-loading of costs. Note: Cost of retailing remained elevated at 6.3% (vs 5.8% in Q2FY25). We marginally cut our FY26/27 EPS estimates by 2% each to account for an increase in cost structure and maintain our Sell rating with a DCF-based TP of INR 3,800/sh, implying 59x Sep-26 P/E.

- Q2FY25 highlights:** Revenue grew 14.2% to INR140.5bn (HSIE: INR 142bn). Management attributed the moderation in growth to market loss to the fast-growing online/QC players in large metro cities. DMART Ready (on a small base) grew 21.8% in H1FY25. Revenue/EBITDA per sq ft came in at INR35.6k/2.8k per sq ft in Q2 (stable/down 3% YoY resp). The pace of expansion remains underwhelming at 6 stores added in Q2FY25 (Note: Post Q2, DMART has added 4 more stores). The sales mix remained largely stable. While GM&A salience marginally improved to 23.45% of sales for H1FY25 (vs 23.21% for H1FY24), it remains meaningfully lower vs pre-pandemic times. While GM expanded 21bps YoY to 14.2% (in-line); EBITDAM contracted 27bps YoY to 7.9% (HSIE: 8.4%). We suspect expansion-led front loading of costs may have impacted EBITDAM (both at employee and SG&A level). EBITDA grew 10.3% YoY (INR 11.05bn vs HSIE: INR 11.96bn). APAT grew 8% YoY to INR 7.1bn.
- Outlook:** While QC (convenience-focused) formats are differently positioned, there are initial signs of DMART ceding market share to these players (esp. in large metros). This trend needs closer monitoring. The pace of expansion also needs to pick up. We marginally cut our FY26/27 EPS estimates by 2% each to account for an increase in cost structure and maintain our Sell rating with a DCF-based TP of INR 3,800/sh, implying 59x Sep-26 P/E.

### Quarterly financial summary

(Rs mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	1,40,503	1,23,077	14.2	1,37,119	2.5	3,03,525	4,18,333	4,95,330	5,83,515	6,83,664	8,06,529
EBITDA	11,051	10,018	10.3	12,210	(9.5)	23,820	35,119	39,406	47,440	58,020	69,669
APAT	7,104	6,585	7.9	8,125	(12.6)	16,162	25,564	26,949	32,364	39,727	47,263
EPS (Rs)	10.9	10.1	7.9	12.49	(12.6)	24.9	39.4	41.4	49.7	61.0	72.6
P/E (x)						183.2	115.9	110.3	91.9	74.9	62.9
EV/EBITDA(x)						123.6	83.9	75.3	62.4	51.0	42.4
Core RoCE(%)						14.8	19.1	16.3	16.3	17.0	17.3

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	5,83,515	5,86,036	(0.4)	6,83,664	6,83,483	0.0	8,06,529	8,08,211	(0.2)
Gross Profit	83,482	84,424	(1.1)	99,541	1,00,197	(0.7)	1,18,257	1,19,307	(0.9)
Gross Profit Margin(%)	14.3	14.4	-10 bps	14.6	14.7	-10 bps	14.7	14.8	-10 bps
EBITDA	47,440	49,006	(3.2)	58,020	59,314	(2.2)	69,669	71,220	(2.2)
EBITDA margin (%)	8.13	8.36	-23 bps	8.49	8.68	-19 bps	8.64	8.81	-17 bps
APAT	32,364	33,560	(3.6)	39,727	40,697	(2.4)	47,263	48,228	(2.0)
APAT margin (%)	5.5	5.7	-18 bps	5.8	6.0	-14 bps	5.9	6.0	-11 bps
EPS (Rs)	49.7	51.6	(3.6)	61.0	62.5	(2.4)	72.6	74.1	(2.0)

Source: Company, HSIE Research

## SELL

CMP(as on 11 Oct 2024)	INR 4,573
Target Price	INR 3,800
NIFTY	24,964

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 3,740	INR 3,800
EPS %	FY25E	FY26E
	-2.4	-2.0

### KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (INR bn) / (\$ mn)	2,976/35,394
6m avg traded value (INR mn)	2,579
52 Week high / low	INR 5,485/3,620

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.7)	(3.8)	18.7
Relative (%)	(8.5)	(12.3)	(3.7)

### SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	74.65	74.65
FIs & Local MFs	8.59	8.03
FPIs	8.26	9.22
Public & Others	8.50	8.10
Pledged Shares	0	0

Source : BSE

-Pledged shares as % of total shares

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