

Industry	Consum. Staples
Bloomberg	DMART IN
BSE CODE	540376

4QFY19 numbers above estimates; lower discounts may have led to lower gross margin contraction

RATING	ACCUMULATE
CMP	1254
Price Target	1485
Potential Upside	18%

Rating Change	↑
Estimate Change	↑
Target Change	↑

Stock Info

52wk Range H/L	1696/1127
Mkt Capital (Rs Cr)	78276
Free float (%)	10%
Avg. Vol 1M (,000)	547
No. of Shares (Crs)	62
Promoters Pledged %	NA

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4QFY19 Result update

- ❑ In 4QFY19, DMART posted result better than our expectations; Sales (standalone) grew by 32% YoY to Rs 5,033 cr (vs. expect Rs 4886 cr) led by new stores additions and better utilization of Retail business space.
- ❑ Gross margin contracted by 47 bps YoY to 14.4% because of company's strategy of Everyday low cost - Everyday low price (EDLC-EDLP). This resulted in EBITDA margin decline of 25 bps YoY to 7.5% .
- ❑ PAT stood at Rs 203 cr reflecting a growth of 21.4% YoY (vs. expect Rs 161 cr) on back of lower decline in gross margins (expectation was 150 bps YoY contraction) . Provisioning of tax has increased by 294 bps YoY to 36% (vs. expect. 33.1%).
- ❑ For FY19, company reported sales growth of 33% to Rs 20,005 cr (vs. expect Rs 19802 cr) and PAT growth of 12% Rs 903 cr (vs. expect Rs 900 cr) (Consolidated figures).
- ❑ Contribution of product categories in FY19 were: Foods, Non-Foods (FMCG) and General Merchandise & Apparel contributing 51.25%, 20.46% and 28.29% respectively.
- ❑ Company added 12 new stores in the 4QFY19, 21 stores in FY19 coming to a count of 176 stores as on March FY19. The same store sales growth (SSSG) remained 17.8% in FY19.

View and Valuation

Dmart's numbers for 4QFY19 remains better than our expectations, sales grew by 32 % YoY to Rs 5033 cr (vs. expect. Rs 4886 cr) while EBITDA grew by 28% YoY to Rs 377 cr (vs. expect. Rs 301 cr). The company added 12 stores in 4QFY19 and 21 stores for the full year while same store sales growth for the year remained at 17.8% (vs. 14.2% in FY18). Going forward, company's efforts of adding more than twenty stores every year and better utilization of space are expected to ensure sales growth while we expect dent in gross margin to continue due to higher discounts provided by the company for making it competitive although extent is expected to be lower in FY20e (than our earlier estimates) on the back of government's initiatives of controlling e-commerce players. We have kept our sales estimates largely same and increased our EBITDA estimates for FY20e by 4% taking account of lower deterioration in gross margin. We continue to value Dmart at 52x of FY20's EV/EBITDA and get a target of Rs 1485 (earlier 1450). We recommend ACCUMULATE.

Key Risks to our rating and target

- ❑ Continued competitive pressure.
- ❑ Higher subsidiaries losses.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	8584	11898	15033	20005	24568
EBITDA	664	981	1353	1633	1793
EBIT	565	853	1194	1421	1531
PAT	320	479	806	903	984
EPS (Rs)	6	8	13	14	16
EPS growth (%)	51%	35%	68%	12%	9%
ROE (%)	21%	12%	17%	16%	15%
ROCE (%)	22%	17%	24%	24%	22%
BV	27	62	75	90	105
EV/EBITDA (X)	-	64.5	68.1	48.0	43.6
P/E (x)	-	133.7	114.7	86.7	79.5

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4QFY19 Results

Better than estimates

Financials	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	3,810	4,559	4,873	5,451	5,033	32.1%	-7.7%	15,033	20,005	33.1%
Other Income	15	14	14	9	15	-1.7%	69.7%	69	48	-30.3%
COGS	3,243	3,847	4,174	4,650	4,308	32.8%	-7.3%	12,636	17,001	34.5%
Gross Margin	15%	16%	14%	15%	14%	-0.5%	-0.3%	16%	15%	-0.9%
Empl. Cost	72	77	84	88	86	18.7%	-2.3%	283	355	25.8%
Other Exp.	200	212	224	260	263	31.4%	1.1%	762	1,015	33.2%
EBITDA	294	423	390	453	377	27.9%	-16.9%	1,353	1,633	20.7%
EBITDA Mar.	8%	9%	8%	8%	7%	-0.2%	-0.8%	9%	8%	-0.8%
Depreciation	47	40	44	52	62	33.2%	18.8%	159	212	33.6%
EBIT	248	382	345	401	315	26.9%	-21.6%	1,194	1,421	19.0%
Interest	13	10	10	15	12	-7.7%	-18.3%	60	47	-20.7%
PBT	250	387	349	395	317	27.0%	-19.7%	1,204	1,422	18.1%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	83	136	123	138	114	38.3%	-17.1%	416	519	24.9%
PAT	167	251	226	257	203	21.4%	-21.1%	806	903	11.9%
PAT Margin	4%	5%	5%	5%	4%	-0.4%	-0.7%	5%	5%	-0.9%

New store addition remained below than expectations

In 4QFY19, company added 12 stores (vs. expect. 14 stores) bringing its total store count to 176 stores. In FY19, company added 21 stores (vs. expect. 24 stores). FY19 saw further improvements across key operating metrics: Retail Business Area of 0.59 cr sq. ft.(vs 0.49 cr sq. ft. in FY18). Company's Revenue from Sales per Retail Business Area sq. ft is Rs 35,647 (vs. Rs 32,719 in FY18). Total Bills Cuts increased by 3.8 cr to 17.2 cr in the year.

EDLC-EDLP strategy led to decline in margins

Gross margin declined by 47 bps to 14.4% YoY on account of company's strategy of Everyday low cost - Everyday low price (EDLC-EDLP) - delivering value for money to customers by selling at competitive prices as a consequence to this decline, EBITDA margin also contracted by 25 bps to 7.5% YoY. Although EBITDA margin shrinkage was comparatively lower because of decline in employee expenses & other expenses by 19 bps & 3 bps respectively to 1.75 and 5.2%.

Yearly Matrix:

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Bill Cuts (nos. In Cr)	3	4	5	7	8	11	13	17
Retail Business Area (cr sq ft)	0.16	0.18	0.21	0.27	0.33	0.41	0.49	0.59
Revenue per sqft (Rs.)	15,324	20,116	23,419	26,388	28,136	31,120	32,719	35,647
New stores opened in Fiscal	10	7	13	14	21	21	24	21
Cumulative number of stores	55	62	75	89	110	131	155	176

Exhibit: D-Mart Stores

Company added 12 stores (vs. expect 14 stores) in 4QFY19 and 21 stores in FY19, coming to total of 176 stores.

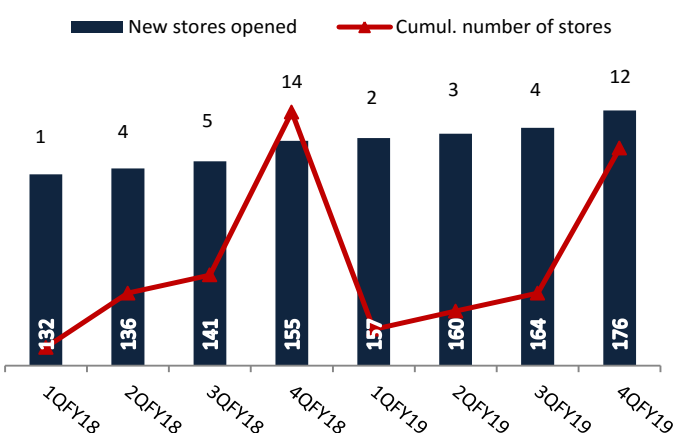


Exhibit: COGS and Other expenses

COGS was 85.6% (vs. expect. 86.6%) up by 47 bps while other expenses remained flat 5.2% at in 4QFY19.

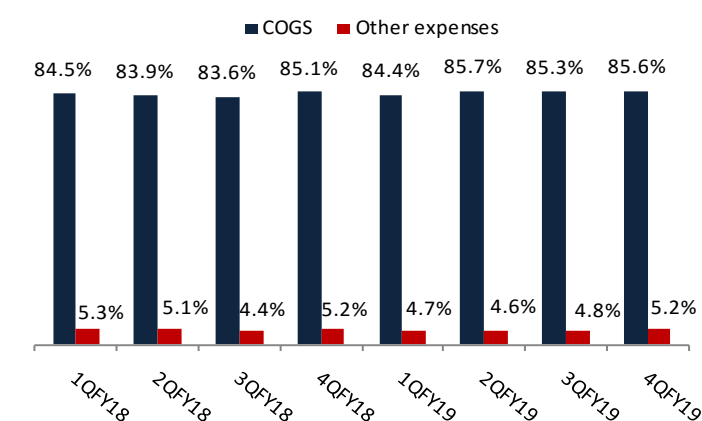


Exhibit: PAT and PAT growth

PAT stood at Rs 203 cr reflecting a growth of 21.4% YoY (vs. expect Rs 161 cr) on back of lower decline in gross margins.

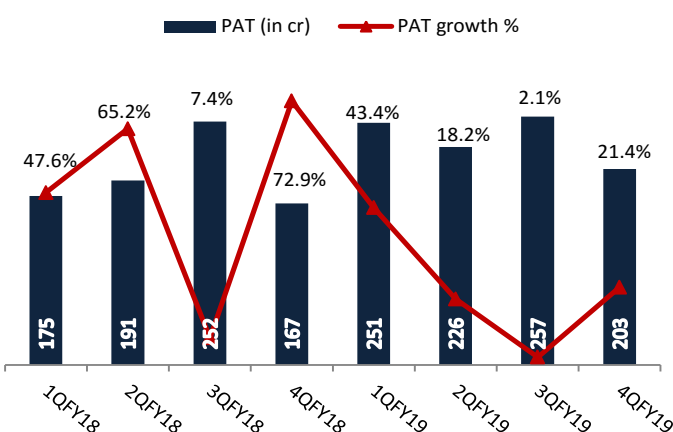


Exhibit: Sales and sales growth

Sales grew by 32% YoY led by new store additions & better utilisation of retail space.

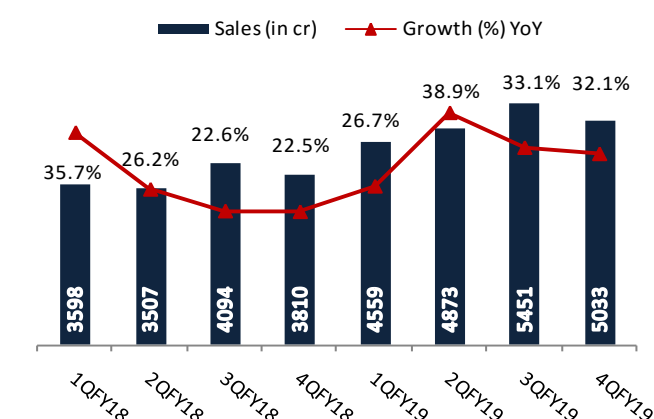


Exhibit: Gross and EBITDA Margin

GM. shrunk by 47 bps due to EDLC-EDLP strategy, consequently EBITDA M. fell by 25 bps YoY.

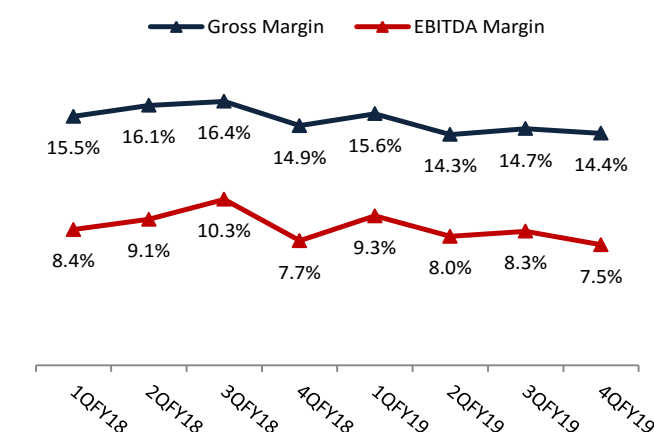
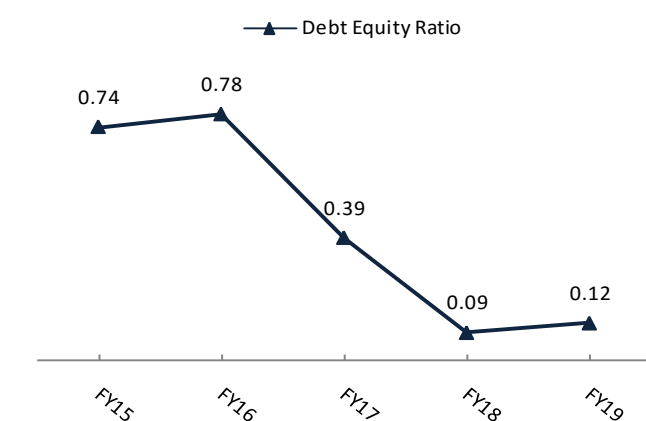


Exhibit: Debt/Equity ratio

The company's total debt is still very low. (figures are taken from company result presentation)



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	544	547	562	562	624	624	624	624
Reserves	245	409	638	959	3,218	4,045	4,963	5,947
Networth	790	956	1,199	1,520	3,842	4,669	5,587	6,571
Debt	434	511	757	1,037	1,120	253	430	376
Other Non Current Liab	34	39	47	56	52	47	65	65
Total Capital Employed	1,223	1,467	1,957	2,557	4,962	4,922	6,017	6,947
Net Fixed Assets (incl CWIP)	1,043	1,260	1,626	2,175	2,703	3,452	4,681	5,319
Non Current Investments	16	15	15	27	49	16	18	18
Other Non Current Assets	53	43	80	109	89	129	146	129
Non Current Assets	1,111	1,318	1,721	2,312	2,841	3,676	4,923	5,544
Inventory	276	378	540	672	948	1,163	1,609	1,817
Debtors	13	10	7	8	21	34	64	79
Cash & Bank	62	55	38	35	1,884	560	219	342
Other Current Assets	30	46	49	75	125	215	190	364
Current Assets	381	489	634	790	2,979	1,972	2,083	2,602
Creditors	94	123	119	194	261	317	463	569
Provisions	6	9	18	5	8	12	13	16
Other Current Liabilities	135	170	215	288	537	349	447	549
Curr Liabilities	298	356	395	616	944	686	1,227	1,383
Net Current Assets	83	133	239	173	2,034	1,286	856	1,219
Total Assets	1,492	1,808	2,355	3,102	5,819	5,648	7,006	8,146

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Revenue from Operation	3,341	4,686	6,439	8,584	11,898	15,033	20,005	24,568
Change (%)		40%	37%	33%	39%	26%	33%	23%
EBITDA	215	342	459	664	981	1,353	1,633	1,793
Change (%)		59%	34%	45%	48%	38%	21%	10%
Margin (%)	6%	7%	7%	8%	8%	9%	8%	7%
Depr & Amor.	46	57	82	98	128	159	212	261
EBIT	169	285	377	565	853	1,194	1,421	1,531
Int. & other fin. Cost	43	56	72	91	122	60	47	41
Other Income	14	16	18	18	29	69	48	31
EBT	141	245	323	492	760	1,204	1,422	1,521
Exp Item	0	(0)	(1)	-	-	-	-	-
Tax	47	83	111	171	268	416	519	537
Minority Int & P/L share of Ass.	-	-	(0)	(0)	(13)	18	0	-
Reported PAT	94	161	212	320	479	806	903	984
Adjusted PAT	94	161	212	320	479	806	903	984
Change (%)		72%	31%	51%	50%	68%	12%	9%
Margin(%)	3%	3%	3%	4%	4%	5%	5%	4%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	12%	17%	18%	21%	12%	17%	16%	15%
ROCE	14%	19%	19%	22%	17%	24%	24%	22%
Asset Turnover	2	3	3	3	2	3	3	3
Debtor Days	1	1	0	0	1	1	1	1
Inv Days	30	29	31	29	29	28	29	27
Payable Days	10	10	7	8	8	8	8	8
Int Coverage	4	5	5	6	7	20	30	38
P/E	-	-	-	-	134	115	87	80
Price / Book Value	-	-	-	-	17	20	14	12
EV/EBITDA	-	-	-	-	64	68	48	44
FCF per Share	-	-	-	-	(3)	(3)	(9)	6
Div Yield	-	-	-	-	0.0%	0.0%	0.0%	0.0%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	141	245	323	492	760	1,204	1,422	1,521
(inc)/Dec in Working Capital	(65)	(83)	(152)	(69)	(270)	(243)	(258)	(36)
Non Cash Op Exp	46	57	82	99	129	181	212	261
Int Paid (+)	43	56	72	91	122	60	47	41
Tax Paid	(37)	(75)	(100)	(164)	(258)	(403)	(519)	(537)
others	(1)	(2)	(3)	(16)	(27)	(68)	-	-
CF from Op. Activities	127	198	222	433	455	730	905	1,250
(inc)/Dec in FA & CWIP	(238)	(271)	(477)	(635)	(635)	(909)	(1,441)	(899)
Free Cashflow	(111)	(72)	(255)	(202)	(180)	(179)	(536)	351
(Pur)/Sale of Inv	7	1	3	1	8	17	52	(133)
others	-	(0)	-	1	(1,854)	1,353	(2)	-
CF from Inv. Activities	(231)	(270)	(474)	(633)	(2,482)	462	(1,391)	(1,033)
inc/(dec) in NW	14	5	33	-	1,841	-	(0)	0
inc/(dec) in Debt	145	115	263	290	305	(1,079)	177	(54)
Int. Paid	(42)	(55)	(62)	(93)	(120)	(80)	(47)	(41)
Div Paid (inc tax)	-	-	-	-	-	-	-	-
others	0	1	0	-	-	-	-	-
CF from Fin. Activities	118	65	234	196	2,025	(1,159)	145	(95)
Inc(Dec) in Cash	14	(7)	(17)	(3)	(1)	33	(341)	123
Add: Opening Balance	48	61	55	37	34	33	560	219
Closing Balance	61	55	37	34	33	67	219	342

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