

Industry Consum.Staples
Bloomberg DMART IN
BSE CODE 540376

RATING	HOLD
CMP	1843
Price Target	2000
Potential Upside	9%

Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	1944/1127
Mkt Capital (Rs Cr)	115034
Free float (%)	19%
Avg. Vol 1M (,000)	539
No. of Shares (Crs)	62
Promoters Pledged %	NA

RESEARCH ANALYST

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Better revenue mix led to gross margin expansion

2QFY20 Result update

- DMART posted numbers largely in line to our expectation in 2QFY20; The Company's Sales (standalone) grew by 22.1% YoY to Rs. 5949 cr. (vs. expectation of Rs. 6102 cr.) led by new stores additions and better traction from old stores.
- In 2QFY20, the Company added 5 new stores making total number of stores count to 189 stores vs. 3 new stores in previous corresponding quarter. Average revenue per stores improved by 3% YoY while sales per sq. ft declined by 4% YoY in 2QFY20.
- Gross margin improved by 73 bps YoY to 15.1% (vs. expect. 14% YoY) due to better revenue mix while EBITDA margin improved by 67 bps to 8.7% YoY (vs. expect. 8.3% YoY) led by gross margin expansion.
- EBITDA grew by 32% YoY to Rs 515 cr (vs our expectation of Rs 504 cr).
- PAT stood at Rs. 333 cr. with a PAT growth of 47.7% YoY (vs our expectation of Rs 369 Cr). PAT was boosted due to changes made vide Taxation Laws Amendment Ordinance 2019 as applicable to the Company. Tax provisioning remained 21.2% (vs 35.3% in Q2FY19).

View and Valuation

Dmart's 2QFY20 result remained largely in line with our expectations. Positive remained maintenance of gross margin expansion for last two quarters. Dmart is a strong retail play; the company has one of best operating parameters among other retail companies. Considering low organised retail penetration in India, we remain positive on Dmart. We have largely kept our sales & PAT estimates for FY20e and FY21e, same. We continue to value Dmart at 4x FY21e EV/sales and maintain our previous target price of Rs. 2000 with the HOLD recommendation.

Key Risks to our rating and target

- Competitive pressure from e-commerce channels.
- Slower pace of new stores addition on th back of delay in approvals.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	11898	15033	20005	25940	31222
EBITDA	981	1353	1633	2166	2428
EBIT	853	1194	1421	1836	2071
PAT	479	806	903	1330	1601
EPS (Rs)	8	13	14	21	26
EPS growth (%)	35%	68%	12%	47%	20%
ROE (%)	12%	17%	16%	19%	19%
ROCE (%)	18%	24%	25%	26%	24%
BV	62	75	90	111	136
EV/Sales (X)	5.3	6.1	3.9	4.4	3.7
P/E (x)	133.7	114.7	86.7	86.5	71.8

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2QFY20 Results

Largely inline

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	4,873	5,451	5,033	5,781	5,949	22.1%	2.9%	15,033	20,005	33.1%
Other Income	14	9	15	12	9	-36.1%	-25.8%	69	48	-30.3%
COGS	4,174	4,650	4,308	4,849	5,053	21.0%	4.2%	12,636	17,001	34.5%
Gross Margin	14%	15%	14%	16%	15%	0.7%	-1.0%	16%	15%	-0.9%
Empl. Cost	84	88	86	94	104	24.0%	10.8%	283	355	25.8%
Other Exp.	224	260	263	241	276	23.1%	14.7%	762	1,015	33.2%
EBITDA	390	453	377	596	515	32.3%	-13.5%	1,353	1,633	20.7%
EBITDA Mar.	8%	8%	7%	10%	9%	0.7%	-1.6%	9%	8%	-0.8%
Depreciation	44	52	62	75	83	87.8%	11.1%	159	212	33.6%
EBIT	345	401	315	521	432	25.1%	-17.1%	1,194	1,421	19.0%
Interest	10	15	12	17	18	74.0%	4.7%	60	47	-20.7%
PBT	349	395	317	516	423	21.3%	-18.0%	1,204	1,422	18.1%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	123	138	114	181	90	-27.1%	-50.3%	416	519	24.9%
PAT	226	257	203	335	333	47.7%	-0.6%	806	903	11.9%
PAT Margin	5%	5%	4%	6%	6%	1.0%	-0.2%	5%	5%	-0.9%

New store addition remained better than previous corresponding quarter

In 2QFY20, company added 5 new stores bringing its total stores count to 189 stores vs. 3 stores in previous corresponding quarter. We expect total numbers of stores to increase by 24 stores in FY20 after considering the slight aggressive move by management with regard to stores addition. The company follows cluster based approach while entering in new geographies which ensures knowledge of local consumer buying habits, supply chain benefits and deep knowledge of real estate in that area.

Gross margin improvement due to better revenue mix

Gross margin improved by 73 bps YoY to 15.1% (vs. expect. 14% YoY) due to better revenue mix while EBITDA margin improved by 67 bps to 8.7% YoY (vs. expect. 8.3% YoY) led by gross margin expansion. PAT stood at Rs. 331 cr. in 2QFY20. PAT was boosted due to changes made vide Taxation Laws Amendment Ordinance

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

The Company added 5 new stores in 2QFY20, making the total no. of stores count to 189 stores.

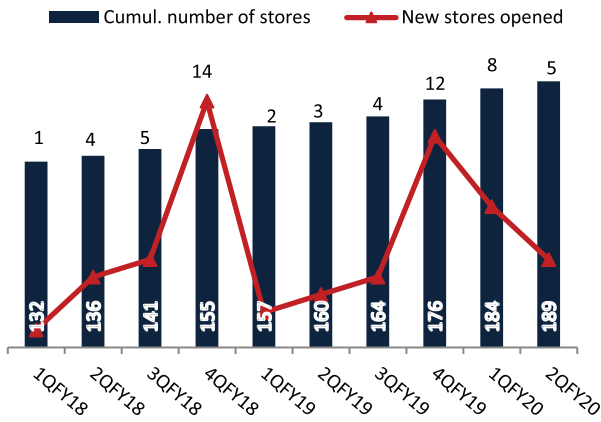


Exhibit: Sales and sales growth

Sales grew by 22.1% YoY to Rs. 5949 cr led by new store additions and better traction from old stores.

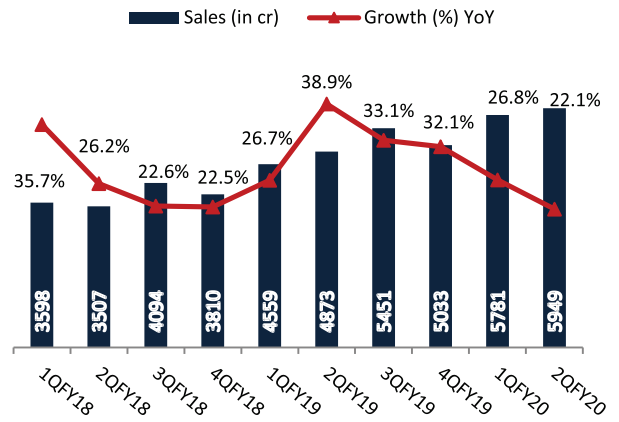


Exhibit: COGS and Other expenses

COGS stood at 84.9% while other exp. Increased by 4bps to 4.6% YoY.

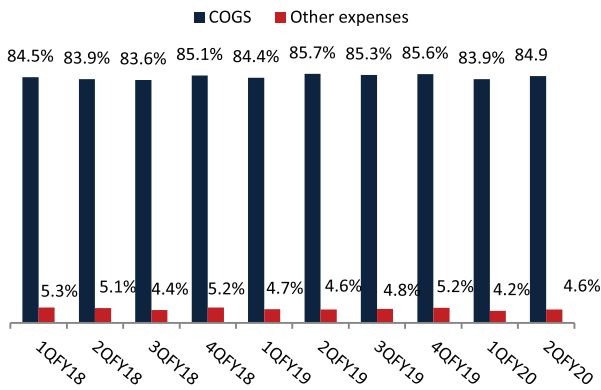


Exhibit: GROSS and EBITDA Margin

Gross margin improved by 73 bps YoY to 15.1% on the back of better revenue mix.

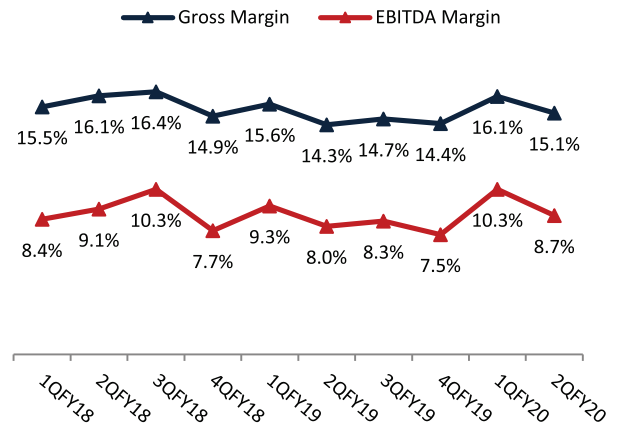
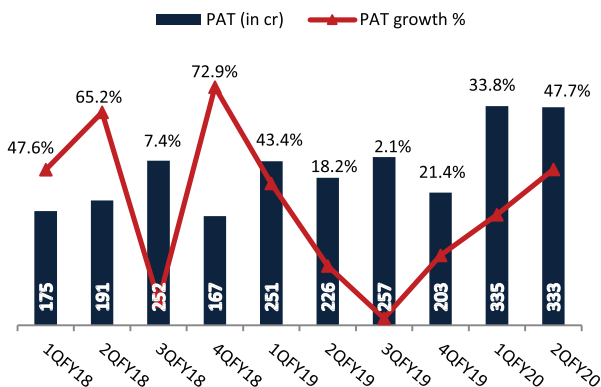


Exhibit: PAT and PAT growth

PAT stood at Rs. 333 cr with a growth of 47.7% YoY while PAT margin improved by 97 bps YoY to 5.6%.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	547	562	562	624	624	624	624	624
Reserves	409	638	959	3,218	4,045	4,963	6,294	7,894
Networth	956	1,199	1,520	3,842	4,669	5,587	6,918	8,518
Debt	511	757	1,037	1,120	253	430	476	376
Other Non Current Liab	39	47	56	52	47	65	65	65
Total Capital Employed	1,467	1,957	2,557	4,962	4,922	6,017	7,393	8,894
Net Fixed Assets (incl CWIP)	1,260	1,626	2,175	2,703	3,452	4,681	5,457	6,302
Non Current Investments	15	15	27	49	16	18	18	18
Other Non Current Assets	43	80	109	89	129	146	129	129
Non Current Assets	1,318	1,721	2,312	2,841	3,676	4,923	5,683	6,528
Inventory	378	540	672	948	1,163	1,609	2,086	2,511
Debtors	10	7	8	21	34	64	83	100
Cash & Bank	55	38	35	1,884	560	219	528	839
Other Current Assets	46	49	75	125	215	190	276	422
Current Assets	489	634	790	2,979	1,972	2,083	2,973	3,872
Creditors	123	119	194	261	317	463	601	723
Provisions	9	18	5	8	12	13	17	20
Other Current Liabilities	170	215	288	537	349	447	579	697
Curr Liabilities	356	395	616	944	686	1,227	1,547	1,690
Net Current Assets	133	239	173	2,034	1,286	856	1,426	2,182
Total Assets	1,808	2,355	3,102	5,819	5,648	7,006	8,656	10,400

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	4,686	6,439	8,584	11,898	15,033	20,005	25,940	31,222
Change (%)	40%	37%	33%	39%	26%	33%	30%	20%
EBITDA	342	459	664	981	1,353	1,633	2,166	2,428
Change (%)	59%	34%	45%	48%	38%	21%	33%	12%
Margin (%)	7%	7%	8%	8%	9%	8%	8%	8%
Depr & Amor.	57	82	98	128	159	212	330	357
EBIT	285	377	565	853	1,194	1,421	1,836	2,071
Int. & other fin. Cost	56	72	91	122	60	47	68	54
Other Income	16	18	18	29	69	48	56	95
EBT	245	323	492	760	1,204	1,422	1,824	2,112
Exp Item	(0)	(1)	-	-	-	-	-	-
Tax	83	111	171	268	416	519	494	511
Minority Int & P/L share of Ass.	-	(0)	(0)	(13)	18	0	-	-
Reported PAT	161	212	320	479	806	903	1,330	1,601
Adjusted PAT	161	212	320	479	806	903	1,330	1,601
Change (%)	72%	31%	51%	50%	68%	12%	47%	20%
Margin(%)	3%	3%	4%	4%	5%	5%	5%	5%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	17%	18%	21%	12%	17%	16%	19%	19%
ROCE	19%	19%	22%	17%	24%	24%	25%	23%
Asset Turnover	3	3	3	2	3	3	3	3
Debtor Days	1	0	0	1	1	1	1	1
Inv Days	29	31	29	29	28	29	29	29
Payable Days	10	7	8	8	8	8	8	8
Int Coverage	5	5	6	7	20	30	27	38
P/E				134	115	87	86	72
Price / Book Value				17	20	14	17	14
EV/EBITDA				64	68	48	53	47
FCF per Share				(3)	(3)	(10)	6	9
Div Yield				0%	0%	0%	0%	0%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	245	323	492	760	1,204	1,422	1,824	2,112
(inc)/Dec in Working Capital	(83)	(152)	(69)	(270)	(243)	(351)	(257)	(244)
Non Cash Op Exp	57	82	99	129	181	230	330	357
Int Paid (+)	56	72	91	122	60	47	68	54
Tax Paid	(75)	(100)	(164)	(258)	(403)	(502)	(494)	(511)
others	(2)	(3)	(16)	(27)	(68)	(40)	-	-
CF from Op. Activities	198	222	433	455	730	807	1,471	1,768
(inc)/Dec in FA & CWIP	(271)	(477)	(635)	(635)	(909)	(1,408)	(1,106)	(1,203)
Free Cashflow	(72)	(255)	(202)	(180)	(179)	(602)	365	566
(Pur)/Sale of Inv	1	3	1	8	17	11	(33)	(100)
others	(0)	-	1	(1,854)	1,353	439	-	-
CF from Inv. Activities	(270)	(474)	(633)	(2,482)	462	(958)	(1,140)	(1,303)
inc/(dec) in NW	5	33	-	1,841	-	-	-	-
inc/(dec) in Debt	115	263	290	305	(1,079)	260	46	(100)
Int. Paid	(55)	(62)	(93)	(120)	(80)	(51)	(68)	(54)
Div Paid (inc tax)	-	-	-	-	-	-	-	-
others	1	0	-	-	-	-	-	-
CF from Fin. Activities	65	234	196	2,025	(1,159)	209	(23)	(154)
Inc(Dec) in Cash	(7)	(17)	(3)	(1)	33	57	309	312
Add: Opening Balance	61	55	37	34	33	67	219	528
Closing Balance	55	37	34	33	67	125	528	839

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