

Industry  
Bloomberg  
BSE CODE

Consum.Staples  
DMART IN  
540376

## Lower tax provisioning and expansion in margin led to strong PAT growth

RATING	HOLD
CMP	1877
Price Target	1965
Potential Upside	5%

Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	2011/1126
Mkt Capital (Rs Cr)	117818
Free float (%)	20%
Avg. Vol 1M (,000)	531
No. of Shares (Crs)	63
Promoters Pledged %	NA

### 3QFY20 Result update

- Dmart's number for 3QFY20 remained mixed, sales(standalone) grew by 23.9% YoY to Rs 6752 cr(vs our expectation of Rs 7019 cr) on the back of new opened stores. The company opened 7 new stores in this quarter leading total store count to 196 stores.
- Sales per Sq. ft declined by 6% YoY ( but increased by 6% QoQ) to Rs 9687 while revenue per store improved by 4% YoY. Total Retail Business Area reached to 6.97 million sq. ft. in 3QFY20.
- EBITDA for the quarter grew by 30.8% YoY to Rs 593 cr ( vs expectation of Rs 595 cr)while EBITDA margin expanded by 47 bps YoY to 8.8% on the back of gross margin improvement of 31 bps YoY (to 15%) and lower other expenses by 19 bps YoY.
- At subsidiary business, the company has reported sales of Rs 57 cr with Rs 4 cr of EBITDA. EBITDA margin has witnessed improvement of 137 bps QoQ to 6.4%.
- The company reported robust PAT growth of 53% YoY and 18% QoQ to Rs 394 cr( vs our expectation of Rs 391 cr) on the back of lower provisioning of Taxes to 20.7%( vs 34.9% in 3QFY19) and higher sales.

### View and Valuation

Continuance of gross margin expansion in last 3 quarters and better new store addition (added 7 new stores in 3QFY20 vs expectation of 2 stores) remained key positive for the company in this quarter. The company has recorded strong sales(standalone) and PAT growth of 23.9% and 53%. We continue to like Dmart considering one of best operating parameters among other retail companies. Considering low organised retail penetration in India, we see Dmart as a long term play. We have kept our sales & PAT estimates for FY20e and FY21e, largely the same. We continue to value Dmart at 4x FY21e EV/sales and maintain our previous target price of Rs. 1965 with the HOLD rating.

### Key Risks to our rating and target

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

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	11898	15033	20005	25322	29630
EBITDA	981	1353	1633	2175	2470
EBIT	853	1194	1421	1845	2070
PAT	479	806	903	1335	1513
EPS (Rs)	8	13	14	21	24
EPS growth (%)	35%	68%	12%	47%	13%
ROE (%)	12%	17%	16%	19%	18%
ROCE (%)	18%	24%	25%	25%	23%
BV	62	75	90	112	136
EV/Sales (X)	5.3	6.1	3.9	4.7	4.0
P/E (x)	133.7	114.7	86.7	88.2	77.9

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## 3QFY20 Results

### Mixed

Fig in Rs Cr

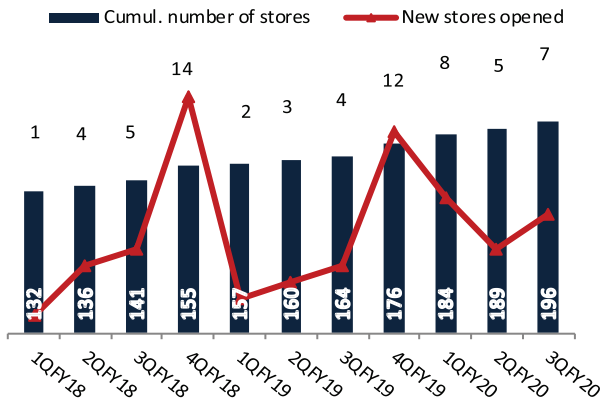
FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	5,451	5,033	5,781	5,949	6,752	23.9%	13.5%	15,033	20,005	33.1%
Other Income	9	15	12	9	7	-19.7%	-21.7%	69	48	-30.3%
COGS	4,650	4,308	4,849	5,053	5,739	23.4%	13.6%	12,636	17,001	34.5%
Gross Margin	15%	14%	16%	15%	15%	0.3%	-0.1%	16%	15%	-0.9%
Empl. Cost	88	86	94	104	111	26.2%	6.3%	283	355	25.8%
Other Exp.	260	263	241	276	309	18.9%	11.7%	762	1,015	33.2%
EBITDA	453	377	596	515	593	30.8%	15.1%	1,353	1,633	20.7%
EBITDA Mar.	8%	7%	10%	9%	9%	0.5%	0.1%	9%	8%	-0.8%
Depreciation	52	62	75	83	87	66.2%	4.0%	159	212	33.6%
EBIT	401	315	521	432	506	26.2%	17.2%	1,194	1,421	19.0%
Interest	15	12	17	18	16	7.7%	-8.6%	60	47	-20.7%
PBT	395	317	516	423	497	25.9%	17.5%	1,204	1,422	18.1%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	138	114	181	90	103	-25.2%	14.6%	416	519	24.9%
PAT	257	203	335	333	394	53.3%	18.2%	806	903	11.9%
PAT Margin	5%	4%	6%	6%	6%	1.1%	0.2%	5%	5%	-0.9%

### 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

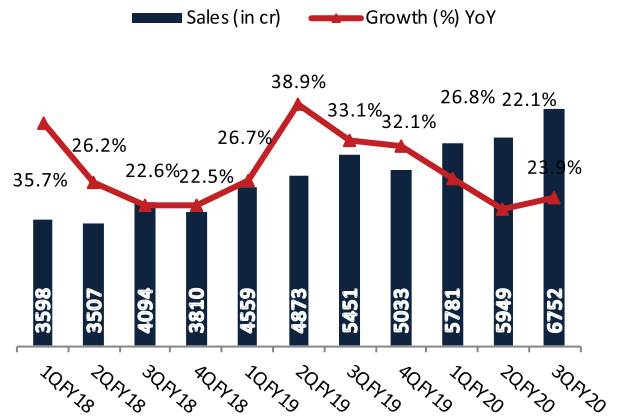
## Exhibit: D-Mart Stores

The Company added 7 new stores in 3QFY20, making the total no. of stores count to 196 stores.



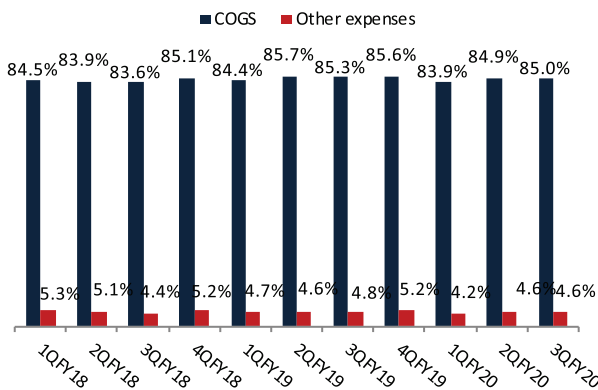
## Exhibit: Sales and sales growth

Sales grew by 23.9% YoY to Rs. 6752 cr led by new store additions and better traction from old stores.



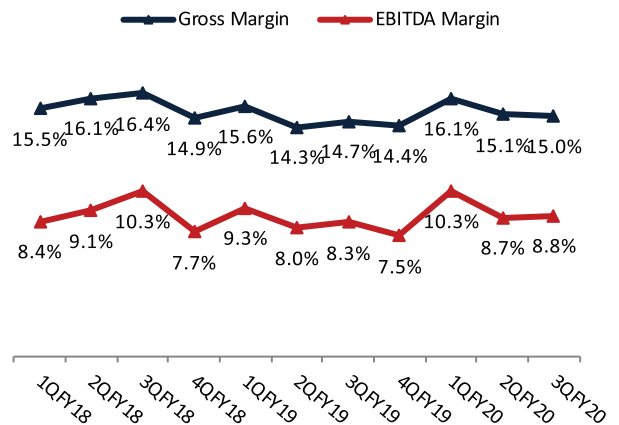
## Exhibit: COGS and Other expenses

COGS declined by 31 bps YoY while lower other expenses by 19 bps YoY.



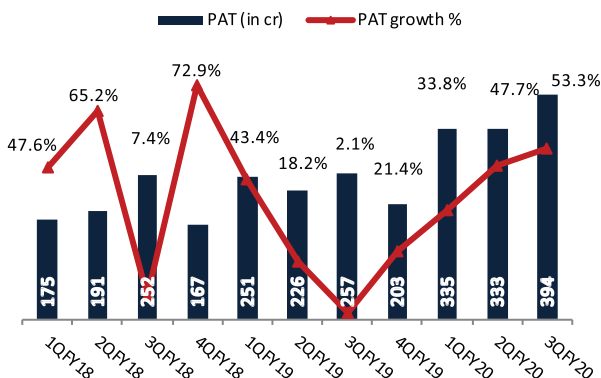
## Exhibit: GROSS and EBITDA Margin

EBITDA margin expanded by 47 bps YoY to 8.8% on the back of gross margin improvement of 31 bps YoY.



## Exhibit: PAT and PAT growth

The company posted PAT growth of 53% YoY to Rs 394 cr led lower provis. of Taxes to 20.7% (vs 34.9% in 3QFY19).



## 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	628	628
Reserves	409	638	959	3,218	4,045	4,963	6,405	7,919
<b>Networth</b>	<b>956</b>	<b>1,199</b>	<b>1,520</b>	<b>3,842</b>	<b>4,669</b>	<b>5,587</b>	<b>7,033</b>	<b>8,546</b>
Debt	511	757	1,037	1,120	253	430	725	476
Other Non Current Liab	39	47	56	52	47	65	65	65
<b>Total Capital Employed</b>	<b>1,467</b>	<b>1,957</b>	<b>2,557</b>	<b>4,962</b>	<b>4,922</b>	<b>6,017</b>	<b>7,758</b>	<b>9,022</b>
Net Fixed Assets (incl CWIP)	1,260	1,626	2,175	2,703	3,452	4,681	5,757	6,861
Non Current Investments	15	15	27	49	16	18	18	18
Other Non Current Assets	43	80	109	89	129	146	129	129
<b>Non Current Assets</b>	<b>1,318</b>	<b>1,721</b>	<b>2,312</b>	<b>2,841</b>	<b>3,676</b>	<b>4,923</b>	<b>5,983</b>	<b>7,086</b>
Inventory	378	540	672	948	1,163	1,609	2,036	2,383
Debtors	10	7	8	21	34	64	81	95
Cash & Bank	55	38	35	1,884	560	219	621	483
Other Current Assets	46	49	75	125	215	190	270	408
<b>Current Assets</b>	<b>489</b>	<b>634</b>	<b>790</b>	<b>2,979</b>	<b>1,972</b>	<b>2,083</b>	<b>3,009</b>	<b>3,368</b>
Creditors	123	119	194	261	317	463	586	686
Provisions	9	18	5	8	12	13	16	19
Other Current Liabilities	170	215	288	537	349	447	565	662
<b>Curr Liabilities</b>	<b>356</b>	<b>395</b>	<b>616</b>	<b>944</b>	<b>686</b>	<b>1,227</b>	<b>1,518</b>	<b>1,617</b>
<b>Net Current Assets</b>	<b>133</b>	<b>239</b>	<b>173</b>	<b>2,034</b>	<b>1,286</b>	<b>856</b>	<b>1,491</b>	<b>1,752</b>
<b>Total Assets</b>	<b>1,808</b>	<b>2,355</b>	<b>3,102</b>	<b>5,819</b>	<b>5,648</b>	<b>7,006</b>	<b>8,992</b>	<b>10,455</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>4,686</b>	<b>6,439</b>	<b>8,584</b>	<b>11,898</b>	<b>15,033</b>	<b>20,005</b>	<b>25,322</b>	<b>29,630</b>
Change (%)	40%	37%	33%	39%	26%	33%	27%	17%
<b>EBITDA</b>	<b>342</b>	<b>459</b>	<b>664</b>	<b>981</b>	<b>1,353</b>	<b>1,633</b>	<b>2,175</b>	<b>2,470</b>
Change (%)	59%	34%	45%	48%	38%	21%	33%	14%
Margin (%)	7%	7%	8%	8%	9%	8%	9%	8%
Depr & Amor.	57	82	98	128	159	212	330	399
<b>EBIT</b>	<b>285</b>	<b>377</b>	<b>565</b>	<b>853</b>	<b>1,194</b>	<b>1,421</b>	<b>1,845</b>	<b>2,070</b>
Int. & other fin. Cost	56	72	91	122	60	47	69	82
Other Income	16	18	18	29	69	48	36	60
<b>EBT</b>	<b>245</b>	<b>323</b>	<b>492</b>	<b>760</b>	<b>1,204</b>	<b>1,422</b>	<b>1,812</b>	<b>2,049</b>
Exp Item	(0)	(1)	-	-	-	-	-	-
Tax	83	111	171	268	416	519	477	535
Minority Int & P/L share of Ass.	-	(0)	(0)	(13)	18	0	-	-
Reported PAT	161	212	320	479	806	903	1,335	1,513
<b>Adjusted PAT</b>	<b>161</b>	<b>212</b>	<b>320</b>	<b>479</b>	<b>806</b>	<b>903</b>	<b>1,335</b>	<b>1,513</b>
Change (%)	72%	31%	51%	50%	68%	12%	48%	13%
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%	18%
ROCE	19%	19%	22%	17%	24%	24%	24%	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	25
P/E				134	115	87	88	78
Price / Book Value				17	20	14	17	14
EV/EBITDA				64	68	48	54	48
FCF per Share				(3)	(3)	(10)	2	5
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	1,812	2,049
(inc)/Dec in Working Capital	(83)	(152)	(69)	(270)	(243)	(351)	(229)	(199)
Non Cash Op Exp	57	82	99	129	181	230	330	399
Int Paid (+)	56	72	91	122	60	47	69	82
Tax Paid	(75)	(100)	(164)	(258)	(403)	(502)	(477)	(535)
others	(2)	(3)	(16)	(27)	(68)	(40)	-	-
<b>CF from Op. Activities</b>	<b>198</b>	<b>222</b>	<b>433</b>	<b>455</b>	<b>730</b>	<b>807</b>	<b>1,505</b>	<b>1,795</b>
(inc)/Dec in FA & CWIP	(271)	(477)	(635)	(635)	(909)	(1,408)	(1,406)	(1,503)
Free Cashflow	(72)	(255)	(202)	(180)	(179)	(602)	99	293
(Pur)/Sale of Inv	1	3	1	8	17	11	(33)	(100)
others	(0)	-	1	(1,854)	1,353	439	-	-
<b>CF from Inv. Activities</b>	<b>(270)</b>	<b>(474)</b>	<b>(633)</b>	<b>(2,482)</b>	<b>462</b>	<b>(958)</b>	<b>(1,440)</b>	<b>(1,603)</b>
inc/(dec) in NW	5	33	-	1,841	-	-	110	-
inc/(dec) in Debt	115	263	290	305	(1,079)	260	295	(249)
Int. Paid	(55)	(62)	(93)	(120)	(80)	(51)	(69)	(82)
Div Paid (inc tax)	-	-	-	-	-	-	-	-
others	1	0	-	-	-	-	-	-
<b>CF from Fin. Activities</b>	<b>65</b>	<b>234</b>	<b>196</b>	<b>2,025</b>	<b>(1,159)</b>	<b>209</b>	<b>337</b>	<b>(331)</b>
Inc(Dec) in Cash	(7)	(17)	(3)	(1)	33	57	402	(138)
<b>Add: Opening Balance</b>	<b>61</b>	<b>55</b>	<b>37</b>	<b>34</b>	<b>33</b>	<b>67</b>	<b>219</b>	<b>621</b>
Closing Balance	55	37	34	33	67	125	621	483

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