

Industry Consum.Staples
Bloomberg DMART IN
BSE CODE 540376

RATING	NEUTRAL
CMP	2322
Price Target	2000
Potential Upside	-14%
Rating Change	↓
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	2599/1350
Mkt Capital (Rs Cr)	150423
Free float (%)	19%
Avg. Vol 1M (,000)	521
No. of Shares (Crs)	65
Promoters Pledged %	NA

RESEARCH ANALYST

RAJEEV ANAND

rajeev.anand@narnolia.com
+91-22-62701229

Expect pressure on revenue in the near term

1QFY21 Result update

- Dmart has posted Sales de-growth of 33.7% YoY to Rs 3833 crs impacted by COVID-19 led lockdown across the country
- The company recovered to 80% or more of pre-covid level in most places where it was allowed to operate unhindered. Discretionary consumption continues to be under pressure, especially in the Non-FMCG categories.
- Gross margin declined by 245 bps YoY to 13.7% due to change in product mix. EBITDA margin has declined by 747 bps YoY to 2.8% on account increased employee expenses and other expenses by 153 bps and 348 bps YoY respectively.
- PAT stood at Rs 50 crs, showing de-growth of 85.2% YoY.
- The company added 2 more stores during the quarter and as of June 30, 2020 the Company had total of 216 stores with Retail Business Area of 8.0 million sq. ft.

View and Valuation

In 1QFY21, COVID-19 led to the strong enforcement of store shutdowns, restrictive movement of people in general and strict social distancing rules inside stores. While the overall lockdown rules have softened in general, they continue with the same or more severe intensity in certain cities and local municipalities. Its negative impact on footfalls and sales were significant. Going ahead, COVID-19 situation and local authority's norms for re-opening up of stores will be the key factor to watch out for the company. Considering the uncertainty in current scenario we have reduced the Sales/PAT estimates by 13%/18% respectively for FY21 but, expect Sales & PAT to bounce back and grow in FY22 by 25% and 48% respectively. We value DMART at 4x of FY22's EV/sales and get a target of Rs 2000. Considering no upside in the near term we have changed our rating from Hold to Neutral.

Key Risks to our rating and target

- Local authority's norms regarding retail stores.
- Slower pace of new stores addition on the back of delay in approvals.

Conso./Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY18	FY19	FY20	FY21E	FY22E
Net Sales	15033	20005	24870	24963	31080
EBITDA	1353	1633	2128	1816	2597
EBIT	1194	1421	1754	1423	2157
PAT	806	903	1301	1160	1719
EPS (Rs)	13	14	20	18	27
EPS growth (%)	68%	12%	39%	-11%	48%
ROE (%)	17%	16%	12%	9%	12%
ROCE (%)	24%	25%	15%	11%	15%
BV	75	90	171	189	215
EV/Sales (X)	6.1	3.9	6.0	6.0	4.1
P/E (x)	114.7	86.7	115.5	129.7	75.4

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

1QFY21 Results

Qtrly in St. & Annl in Conso. /Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY %
Net Sales	5,781	5,949	6,752	6,194	3,833	-33.7%	-38.1%	20,005	24,870	24.3%
Other Income	12	9	7	36	51	330.0%	44.3%	48	60	24.1%
COGS	4,849	5,053	5,739	5,374	3,310	-31.7%	-38.4%	17,001	21,103	24.1%
Gross Margin	16%	15%	15%	13%	14%	-2.5%	0.4%	15%	15%	0.1%
Empl. Cost	94	104	111	115	121	28.6%	5.3%	355	456	28.3%
Other Exp.	241	276	309	286	293	21.7%	2.4%	1,015	1,183	16.5%
EBITDA	596	515	593	418	109	-81.7%	-73.9%	1,633	2,128	30.3%
EBITDA Mar.	10%	9%	9%	7%	3%	-7.5%	-3.9%	8%	9%	0.4%
Depreciation	75	83	87	95	86	14.8%	-9.2%	212	374	76.2%
EBIT	521	432	506	323	23	-95.6%	-92.9%	1,421	1,754	23.4%
Interest	17	18	16	12	8	-55.0%	-39.3%	47	69	46.4%
PBT	516	423	497	346	67	-87.1%	-80.8%	1,422	1,745	22.7%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	181	90	103	59	17	-90.6%	-71.2%	519	444	-14.6%
PAT	335	333	394	287	50	-85.2%	-82.7%	903	1,301	44.1%
PAT Margin	6%	6%	6%	5%	1%	-4.5%	-3.3%	5%	5%	0.7%

Yearly Matrix:

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total Bill Cuts (nos. In Cr)	4	5	7	8	11	13	17	20
Retail Business Area (cr sq ft)	0.18	0.21	0.27	0.33	0.41	0.49	0.59	0.78
Revenue per sqft (Rs.)	20,116	23,419	26,388	28,136	31,120	32,719	35,647	32,879
New stores opened in Fiscal	7	13	14	21	21	24	21	38
Cumulative number of stores	7	20	34	55	76	100	121	214

Exhibit: D-Mart Stores

The Company added 2 new stores in 1QFY21, making the total no. of stores count to 216 stores.

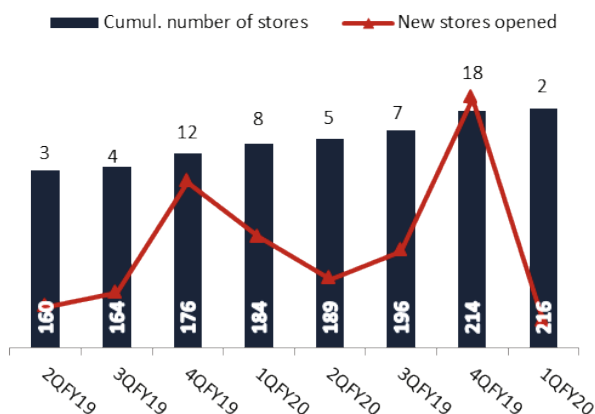


Exhibit: Sales and sales growth

"Sales de-grew by 33.7% YoY impacted by COVID-19 led lockdown across the country.

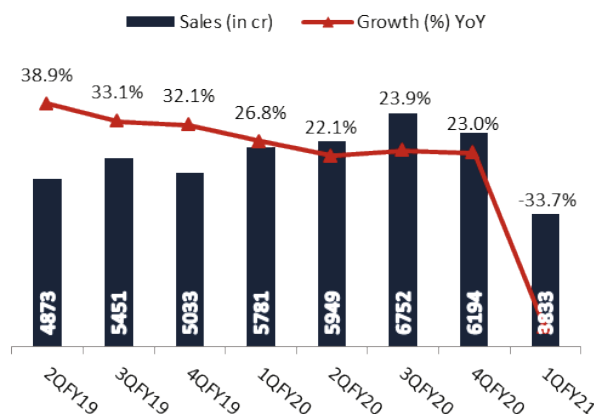


Exhibit: COGS and Other expenses

COGS and other expenses increased by 245 bps and 348 bps YoY to 86.3% and 7.7% respectively.

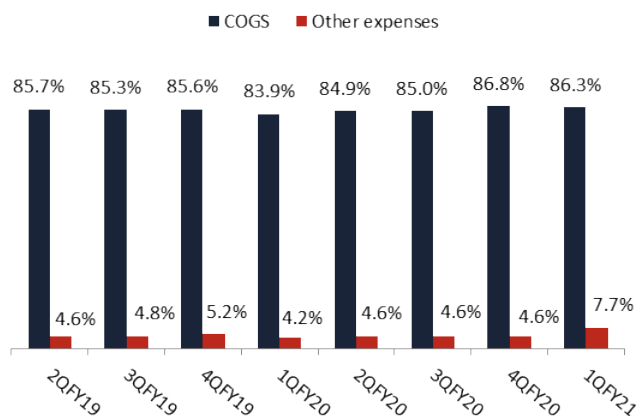


Exhibit: GROSS and EBITDA Margin

Gross margin declined by 245 bps YoY. EBITDA margin declined by 747 bps YoY due to weaker opt. leverage.

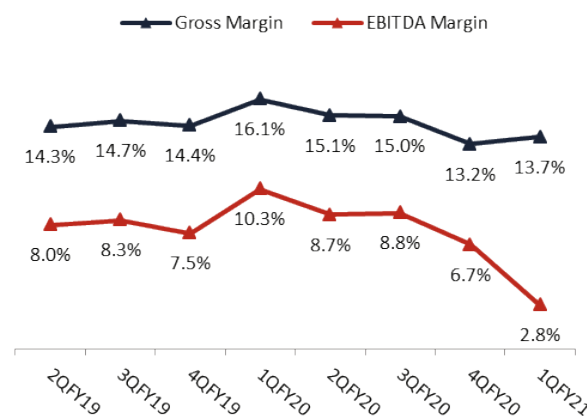


Exhibit: EBITDA and EBITDA growth

EBITDA de-grew by 81.7% YoY to Rs 109 crs due to weaker operating leverage.

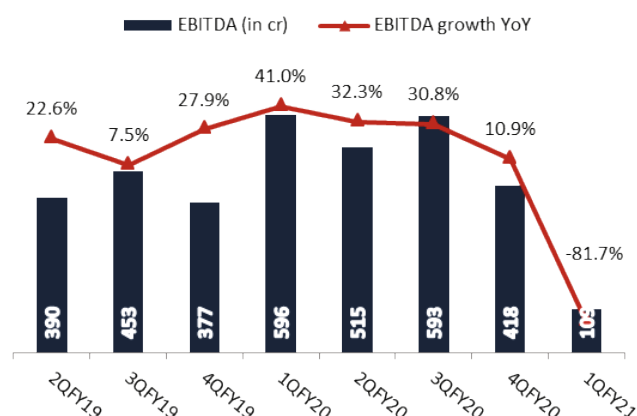
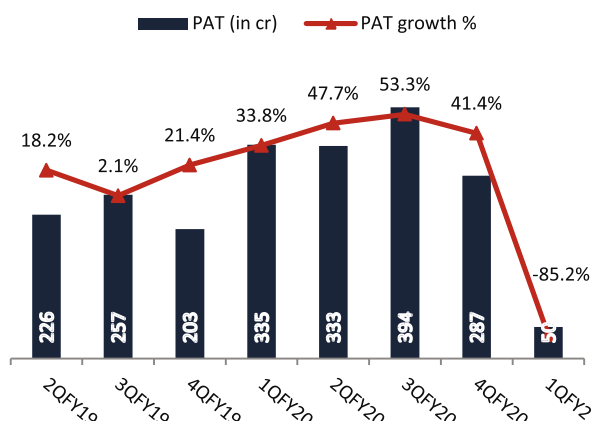


Exhibit: PAT and PAT growth

PAT stood at Rs 50 crs, showing de-growth of 85.2% YoY.



Financial Details

Balance Sheet

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	562	562	624	624	624	648	648	648
Reserves	638	959	3,218	4,045	4,963	10,432	11,593	13,312
Networth	1,199	1,520	3,842	4,669	5,587	11,080	12,240	13,959
Debt	757	1,037	1,120	253	430	4	150	50
Other Non Current Liab	47	56	52	47	65	49	49	49
Total Capital Employed	1,957	2,557	4,962	4,922	6,017	11,083	12,390	14,009
Net Fixed Assets (incl CWIP)	1,626	2,175	2,703	3,452	4,681	6,218	6,698	7,732
Non Current Investments	15	27	49	16	18	17	17	17
Other Non Current Assets	80	109	89	129	146	3,408	3,209	3,209
Non Current Assets	1,721	2,312	2,841	3,676	4,923	9,729	10,010	11,045
Inventory	540	672	948	1,163	1,609	1,947	1,955	2,434
Debtors	7	8	21	34	64	20	20	24
Cash & Bank	38	35	1,884	560	219	108	1,042	1,298
Other Current Assets	49	75	125	215	190	273	359	363
Current Assets	634	790	2,979	1,972	2,083	2,348	3,375	4,119
Creditors	119	194	261	317	463	433	435	542
Provisions	18	5	8	12	13	15	15	19
Other Current Liabilities	215	288	537	349	447	199	200	249
Curr Liabilities	395	616	944	686	1,227	726	774	934
Net Current Assets	239	173	2,034	1,286	856	1,622	2,601	3,185
Total Assets	2,355	3,102	5,819	5,648	7,006	12,076	13,386	15,164

Income Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenue from Operation	6,439	8,584	11,898	15,033	20,005	24,870	24,963	31,080
Change (%)	37%	33%	39%	26%	33%	24%	0%	25%
EBITDA	459	664	981	1,353	1,633	2,128	1,816	2,597
Change (%)	34%	45%	48%	38%	21%	30%	-15%	43%
Margin (%)	7%	8%	8%	9%	8%	9%	7%	8%
Depr & Amor.	82	98	128	159	212	374	392	441
EBIT	377	565	853	1,194	1,421	1,754	1,423	2,157
Int. & other fin. Cost	72	91	122	60	47	69	30	15
Other Income	18	18	29	69	48	60	176	176
EBT	323	492	760	1,204	1,422	1,745	1,569	2,318
Exp Item	(1)	-	-	-	-	-	-	-
Tax	111	171	268	416	519	444	409	599
Minority Int & P/L share of Ass.	(0)	(0)	(13)	18	0	-	-	-
Reported PAT	212	320	479	806	903	1,301	1,160	1,719
Adjusted PAT	212	320	479	806	903	1,301	1,160	1,719
Change (%)	31%	51%	50%	68%	12%	44%	-11%	48%
Margin(%)	3%	4%	4%	5%	5%	5%	5%	6%

Financial Details

Key Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
ROE	18%	21%	12%	17%	16%	12%	9%	12%
ROCE	19%	22%	17%	24%	24%	16%	11%	15%
Asset Turnover	3	3	2	3	3	2	2	2
Debtor Days	0	0	1	1	1	0	0	0
Inv Days	31	29	29	28	29	29	29	29
Payable Days	7	8	8	8	8	6	6	6
Int Coverage	5	6	7	20	30	25	47	144
P/E	-	-	134	115	87	115	130	75
Price / Book Value	-	-	17	20	14	14	12	9
EV/EBITDA	-	-	64	68	48	71	82	49
EV/Sales	-	-	5	6	4	6	6	4
FCF per Share	-	-	(3)	(3)	(10)	(7)	13	4
Div Yield	-	-	-	0%	0%	0%	0%	0%

Cash Flow Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	323	492	760	1,204	1,422	1,745	1,569	2,318
(inc)/Dec in Working Capital	(152)	(69)	(270)	(243)	(351)	(376)	193	(388)
Non Cash Op Exp	82	99	129	181	230	383	392	441
Int Paid (+)	72	91	122	60	47	69	30	15
Tax Paid	(100)	(164)	(258)	(403)	(502)	(492)	(409)	(599)
others	(3)	(16)	(27)	(68)	(40)	(48)	-	-
CF from Op. Activities	222	433	455	730	807	1,280	1,775	1,787
(inc)/Dec in FA & CWIP	(477)	(635)	(635)	(909)	(1,408)	(1,706)	(923)	(1,523)
Free Cashflow	(255)	(202)	(180)	(179)	(602)	(426)	853	264
(Pur)/Sale of Inv	3	1	8	17	11	10	(85)	60
others	-	1	(1,854)	1,353	439	107	-	-
CF from Inv. Activities	(474)	(633)	(2,482)	462	(958)	(4,657)	(958)	(1,415)
inc/(dec) in NW	33	-	1,841	-	-	-	0	-
inc/(dec) in Debt	263	290	305	(1,079)	260	(662)	146	(100)
Int. Paid	(62)	(93)	(120)	(80)	(51)	(68)	(30)	(15)
Div Paid (inc tax)	-	-	-	-	-	-	-	-
others	0	-	-	-	-	-	-	-
CF from Fin. Activities	234	196	2,025	(1,159)	209	3,357	116	(115)
Inc(Dec) in Cash	(17)	(3)	(1)	33	57	(19)	934	257
Add: Opening Balance	55	37	34	33	67	125	108	1,042
Closing Balance	37	34	33	67	125	106	1,042	1,298

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerce Limited (Formerly Microsec Commerce Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.