

SPECIAL REPORT

TECHNO FUNDA



BP WEALTH

04th December, 2023

Technical View (Daily Chart)



Technical View

Source: TradingView

- ⇒ The price action succumbed to stage 4 following a 424% surge and remained under selling pressure for 29 straight weeks from the life highs.
- ⇒ The price plummeted 46% from its all time high of 5900.
- ⇒ The price action has entered into a lateral trend since May 2022.
- ⇒ The price action has been trading in a potential volatility contraction pattern within its stage 1 which is a positive sign.
- ⇒ The constant shrinking of price depth and time correction indicates potential participation of smart hands.
- ⇒ The participation of smart hands further indicate that the stock has potentially bottomed out.
- ⇒ The 50 period volatility remains at lower end on the weekly and daily time frame. This indicates that the chances of any unruly move is less likely.
- ⇒ The stock has observed improving relative performance compared to the benchmark index which is another positive sign going forward.
- ⇒ The RSI on daily and higher timeframe trades well above its median indicating strength in the price momentum.
- ⇒ Dmart shows a fair EPS strength and improving buyers' demand at this point.
- ⇒ We recommend to **buy Dmart from CMP-3914 for the target of 4610.**

Fundamental View

Company Overview

Incorporated in 2000, Avenue Supermarts Ltd. started as a grocery retail chain under the brand DMart, focusing on a cluster-based expansion approach. DMart offers varied, everyday-use items to its customers with a prudent product mix. The products offered at its stores can be broadly classified into three categories – Foods, Non-foods, and General Merchandise and Apparel. Since launching its first store in 2002 in Mumbai, Maharashtra, DMart has grown to 324 stores with a retail business area of 13.4 million sq. ft. spread across Maharashtra (99), Gujarat (55), Telangana (36), Andhra Pradesh (29), Karnataka (29), Madhya Pradesh (19), Tamil Nadu (19), Rajasthan (12), Punjab (11), NCR (8), Chhattisgarh (6) and Daman (1) as of 31st March, 2023. Based on the Everyday Low Cost/Everyday Low Price (EDLC/EDLP) principle, the company focuses on strategies to offer its customers good quality products at great value.

Key Investment Thesis

- ⇒ DMart's operations are ably supported by a distribution and packing centres network. As of 31 March 2023, the company had 49 distribution centres and ten packing centres. Its total number of bill cuts was 25.8 crore in FY22-23 compared to 18.1 crore during FY21-22.
- ⇒ The company's strong procurement abilities, low-priced products, and high-cost control will lead to greater footfall. This results in high inventory turnover and revenue sq. ft, translating into industry-leading retail store productivity.
- ⇒ DMart's prudent expansion plans will entail a sizeable increase of about 20% p.a. in retail space to over 14 million sq ft by FY24. Its strong cash generation of over Rs. 2,500 - 3,000 crores p.a. is expected to be sufficient for capex, resulting in low dependence on external borrowings. Furthermore, liquidity is expected to remain healthy.
- ⇒ The company added nine Stores in Q2FY24 (12 stores in H1FY24), taking its store count to 336. Its total retail area at the quarter end stood at 13.9 million sq. ft, representing an addition of 0.4 million sq. ft in Q2FY24.

Outlook

The retail industry is estimated to grow at a compounded annual growth rate of 10-11% between 2023 and 2028 as economic activity picks up and inflation remains low to moderate. Consumption revival and economic growth are expected to boost consumer sentiment and drive discretionary spending. With a strategy of maintaining cost efficiencies while offering the best customer value, DMart has witnessed stable performance across financial and operational parameters over the years. The company's overall profitability is expected to be maintained at similar levels backed by faster breakeven of stores, superior per-store revenue compared with peers, stable proportion of non-F&G sales, high inventory turnover as well as maintenance of the gross margin at around 15% despite increase in competitive intensity. However, improvement within the higher margin category of GM&A remains a key monitorable for margin improvement going forward. Thus, we remain positive on Avenue Supermarts Ltd based on the abovementioned factors.

Execution Data

Target (Rs)	4610
Stop loss (Rs)	3767
Buying Range (Rs)	CMP-3914
Last Close Price (Rs)	3767
% change Weekly	-4.7%

Weekly Oscillator Direction

10 MMA	UPWARD
20 MMA	UPWARD
50 MMA	FLATTISH
RSI	BUY MODE
MACD	BUY MODE

Sector Outlook Neutral

Stock

BSE code	540376
NSE Symbol	DMART
Bloomberg	DMART IN
Reuters	AVEY.BO

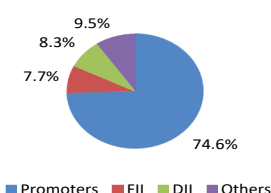
Key Data

Nifty	20,267
52WeekH/L(Rs)	4,229 / 3,292
O/s Shares (mn)	651
Market Cap (Rs bn)	2,594
Face Value (Rs)	10

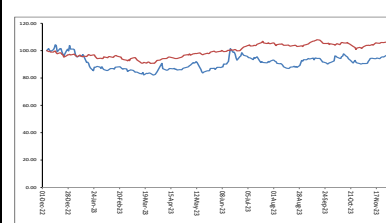
Average volume

3 months	3,44,450
6 months	3,84,970
1 year	3,59,720

Share Holding Pattern (%)



Relative Price Chart



FMCG

Key Financials

YE March (Rs. crores)	FY18	FY19	FY20	FY21	FY22	FY23
Revenue	15,033	20,005	24,870	24,143	30,976	42,840
<i>Revenue Growth (Y-o-Y)</i>	26.3%	33.1%	24.3%	(2.9%)	28.3%	38.3%
EBIDTA	1,353	1,633	2,128	1,745	2,502	3,639
<i>EBIDTA Growth (Y-o-Y)</i>	39.6%	20.7%	30.3%	(18.0%)	43.4%	45.4%
Net Profit	806	902	1,301	1,099	1,492	2,378
<i>Net Profit Growth (Y-o-Y)</i>	68.3%	11.9%	44.2%	(15.5%)	35.8%	59.4%
Diluted EPS	12.9	14.5	20.1	17.0	23.0	36.7
<i>Diluted EPS Growth (Y-o-Y)</i>	68.4%	11.9%	38.9%	(15.5%)	35.8%	59.2%

Key Ratios

EBIDTA margin (%)	9.0%	8.2%	8.6%	7.2%	8.1%	8.5%
NPM (%)	5.4%	4.5%	5.2%	4.6%	4.8%	5.6%
RoCE (%)	24.0%	26.0%	20.0%	13.0%	16.0%	20.0%

Valuation Ratios

P/E (x)	308.7x	275.8x	198.5x	235.0x	173.1x	108.7x
Market Cap. / Sales (x)	17.3x	13.0x	10.4x	10.8x	8.4x	6.1x

Source: Company, BP Equities Research

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Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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