

Avenue Supermarts

Performance Update

(` cr)	4QFY20	4QFY19	% yoy	3QFY20	% qoq
Revenue	6,256	5,062	23.6	6,809	(8.1)
EBITDA	417	372	12.1	597	(30.1)
OPM (%)	6.7	7.4	(68bp)	8.8	(209bp)
Reported PAT	271	192	41.6	384	(29.4)

Source: Company, Angel Research

For 4QFY2020, Avenue Supermarts Ltd (ASL) posted mixed results. On the top-line front result was in-line, however EBITDA was below our estimates. Consolidated revenue grew by ~24% yoy; reported operating margins contracted by 68bps yoy. On the bottom-line front, ASL reported PAT growth of ~42% yoy due to lower taxes.

Top-line grew ~24%: During the quarter, ASL's top-line grew by ~24% yoy to `6,256r on back of stores expansion and healthy growth in existing stores. However, in the month of March 2020 it grew by just ~11% vs. March 2019 due to the effect of lockdown effect in the last 9 days of March. Currently, the company is operating more than 50% of stores. Further, ASL has also started selling non-essential items in ~35% of the stores. Some of ASL stores which are functioning on a 24-hour basis for a very long time now have seen revenue trending closer to pre-Covid-19 levels despite not selling non-essentials and having restricted footfalls. Going forward, we expect the company to bounce back gradually to pre-Covid-19 levels.

PAT growth remains strong: On the operating front, the company reported margin contraction, down 68bps yoy mainly due to ban of non-essentials items (in month of March 2020), which has high margin and increase in staff cost. On the bottom-line front, ASL reported PAT growth of ~42% yoy to `271cr on the back of lower taxes.

Outlook and Valuation: We forecast ASL to report healthy top-line CAGR of ~19% to `33,730cr over FY2019-21E on the back of strong store addition every year and higher footfall as ASL offers significant discount compared to e-commerce, Modern trade & General trade. On the bottom-line front (reported PAT), we estimate ~26% CAGR to `1,825cr due to strong revenue and gradual improvement in operating margin. **Thus, we maintain BUY on the stock with Target Price of `2,564.**

Key Financials

Y/E March (` cr)	FY2019	FY2020	FY2021E	FY2022E
Net sales	20,005	24,870	27,781	33,730
% chg	33.1	24.3	11.7	21.4
Adj. Net profit	902	1,301	1,419	1,825
% chg	11.9	44.2	9.1	28.6
EBITDA margin (%)	8.2	8.6	8.4	8.8
EPS (`)	13.9	20.1	21.9	28.2
P/E (x)	164.4	114.0	104.5	81.3
P/BV (x)	26.5	21.5	17.9	14.6
RoE (%)	16.2	18.9	17.1	18.0
RoCE (%)	22.6	23.4	21.4	22.8
EV/Sales (x)	7.4	6.0	5.3	4.4
EV/EBITDA (x)	91.1	69.9	63.7	50.3

Source: Company, Angel Research

Please refer to important disclosures at the end of this report

BUY

CMP	`2,220
Target Price	`2,564
Investment Period	12 months

Stock Info	
Sector	Retail
Market Cap (` cr)	1,48,366
Net Debt (` cr)	476
Beta	0.7
52 Week High / Low	2,559/1,282
Avg. Daily Volume	25,242
Face Value (`)	10
BSE Sensex	30,609
Nifty	9,029
Reuters Code	AVEU.BO
Bloomberg Code	DMART.IN

Shareholding Pattern (%)			
Promoters	75.0		
MF / Banks / Indian	6.6		
FII / NRIs / OCBs	9.7		
Indian Public/Others	8.7		
Abs.(%)	3m	1yr	3yr
Sensex	(24.0)	(21.6)	0.3
ASL	(2.4)	84.9	233.0

Historical share price chart



Source: Company, Angel Research

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4QFY20 Performance

Y/E March (` cr)	4QFY20	4QFY19	% yoy	3QFY19	% qoq	FY2020	FY2019	% chg
Net Sales	6,256	5,062	23.6	6,809	(8.1)	24870.2	20004.5	24.3
Consumption of RM	5406	4,319	25.2	5766	(6.2)	21,103	17,001	24.1
(% of Sales)	86.4	85.3		84.7		84.9	85.0	
Staff Costs	126	92	37.2	118	6.5	456	355	28.3
(% of Sales)	2.0	1.8		1.7		1.8	1.8	
Other Expenses	307	278	10.3	328	(6.5)	1183	1015	16.5
(% of Sales)	4.9	5.5		4.8		4.8	5.1	
Total Expenditure	5,839	4,689	24.5	6,212	(6.0)	22,742	18,371	23.8
Operating Profit	417	372	12.1	597	(30.1)	2,128	1,633	30.3
OPM	6.7	7.4		8.8		8.6	8.2	
Interest	14	12	19.3	18	(18.4)	69	47	46.4
Depreciation	105	66	58.8	95	9.8	374	212	76.2
Other Income	35	13	163.2	6	474.1	60.0	48.4	24.1
PBT (excl. Ext Items)	333	308	8.3	490	(32.0)	1,745	1,422	22.7
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	333	308	8.3	490	(32.0)	1,745	1,422	22.7
(% of Sales)	5.3	6.1		7.2		7.0	7.1	
Provision for Taxation	62	116	(46.6)	106	(41.5)	444	519	(14.6)
(% of PBT)	18.6	37.7		21.6		25.4	36.5	
Reported PAT	271	192	41.6	384	(29.4)	1,301	902	44.2
PATM	4.3	3.8		5.6		5.2	4.5	
Minority Interest After NP	(0)	(0)		(0)		(0)	(0)	
Reported PAT	271	192	41.6	384	(29.4)	1,301	903	44.2

Source: Company, Angel Research

Outlook and Valuation

We forecast ASL to report healthy top-line CAGR of ~19% to `33,730cr over FY2019-21E on the back of strong store addition every year and higher footfall as ASL offers significant discount compared to e-commerce, Modern trade & General trade. On the bottom-line front (reported PAT), we estimate ~26% CAGR to `1,825cr due to strong revenue and gradual improvement in operating margin. **Thus, we maintain BUY on the stock with Target Price of `2,564.**

Downside risks to our estimates

ASL is unable to open new stores due to Covid-19, which could impact negatively earning of the company

Company Background

Avenue Supermarts Limited is a Mumbai-based company, which owns and operates D-Mart stores. D-Mart is a national supermarket chain with a focus on value retailing. The Company offers a wide range of products with a focus on Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories. The Company offers its products under various categories, such as grocery and staples, daily essentials, processed foods and beverages, snacks, dairy and frozen, home and personal care, bed and bath, crockery, toys and games, apparel for kids, ladies and men. The Company opened its first store in Mumbai, Maharashtra in 2002. As of March 31, 2020 the Company had 214 stores with Retail Business Area of 7.8 million sq. ft. across Maharashtra, Gujarat, Daman, Andhra Pradesh, Karnataka, Telangana, Tamil Nadu, Madhya Pradesh, Rajasthan, NCR, Chhattisgarh and Punjab.

Y/E March (₹ cr)	FY2018	FY2019	FY2020	FY2021E	FY2022E
Net Sales	15,033	20,005	24,870	27,781	33,730
% chg	26.4	33.1	24.3	11.7	21.4
Total Expenditure	13,680	18,371	22,742	25,447	30,779
Raw Material	12,636	17,001	21,103	23,669	28,772
Personnel	283	355	456	556	658
Others Expenses	762	1,015	1,183	1,222	1,349
EBITDA	1,353	1,633	2,128	2,334	2,951
% chg	39.7	20.7	30.3	9.6	26.5
(% of Net Sales)	9.0	8.2	8.6	8.4	8.8
Depreciation & Amortization	159	212	374	429	505
EBIT	1,194	1,421	1,754	1,905	2,447
% chg	42.0	19.0	23.4	8.6	28.5
(% of Net Sales)	7.9	7.1	7.1	6.9	7.3
Interest & other Charges	60	47	69	58	58
Other Income	88	48	60	50	50
(% of PBT)	7.2	3.4	3.4	2.6	2.1
Recurring PBT	1,222	1,422	1,745	1,896	2,439
% chg	63.6	16.4	22.7	8.7	28.6
Tax	416	519	444	477	614
(% of PBT)	34.0	36.5	25.4	25.2	25.2
PAT (reported)	806	902	1,301	1,419	1,825
Extraordinary Items	-	-	-	-	-
ADJ. PAT	806	902	1,301	1,419	1,825
% chg	68.4	11.9	44.2	9.1	28.6
(% of Net Sales)	5.4	4.5	5.2	5.1	5.4
Basic EPS (₹)	12.4	13.9	20.1	21.9	28.2
Fully Diluted EPS (₹)	12.4	13.9	20.1	21.9	28.2
% chg	68.4	11.9	44.2	9.1	28.6

Balance Sheet

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
SOURCES OF FUNDS					
Equity Share Capital	624	624	624	624	624
Reserves& Surplus	4,045	4,963	6,264	7,684	9,509
Shareholders Funds	4,669	5,587	6,889	8,308	10,133
Total Loans	439	700	600	600	600
Deferred Tax Liability	57	68	68	68	68
Total Liabilities	5,166	6,356	7,557	8,976	10,801
APPLICATION OF FUNDS					
Gross Block	3,801	5,010	6,210	7,410	8,610
Less: Acc. Depreciation	401	609	984	1,413	1,917
Net Block	3,400	4,400	5,226	5,997	6,692
Capital Work-in-Progress	147	377	377	377	377
Investments	68	17	17	17	17
Current Assets	2,033	2,212	2,761	3,481	4,777
Inventories	1,163	1,609	2,112	2,436	3,142
Sundry Debtors	34	64	68	76	92
Cash	560	219	108	358	531
Loans & Advances	147	174	249	361	675
Other Assets	129	146	224	250	337
Current liabilities	494	654	828	900	1,067
Net Current Assets	1,539	1,557	1,933	2,581	3,710
Deferred Tax Asset	12	5	5	5	5
Mis. Exp. not written off	-	-	-	-	-
Total Assets	5,166	6,356	7,557	8,976	10,801

Cash flow Statement

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Profit before tax	1204	1422	1745	1896	2439
Depreciation	159	212	374	429	505
Change in Working Capital	(243)	(351)	(486)	(398)	(957)
Interest / Dividend (Net)	16	24	69	58	58
Direct taxes paid	(403)	(502)	(444)	(477)	(614)
Others	(3)	1	0	0	0
Cash Flow from Operations	730	807	1258	1509	1431
(Inc.)/ Dec. in Fixed Assets	(909)	(1408)	(1200)	(1200)	(1200)
(Inc.)/ Dec. in Investments	1372	450	0	0	0
Cash Flow from Investing	464	(958)	(1200)	(1200)	(1200)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	(1079)	260	(100)	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	(1439)	(450)	(69)	(58)	(58)
Cash Flow from Financing	(2518)	(190)	(169)	(58)	(58)
Inc./(Dec.) in Cash	(1324)	(341)	(111)	250	173
Opening Cash balances	1884	560	219	108	358
Closing Cash balances	560	219	108	358	531

Key Ratios

Y/E March	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Valuation Ratio (x)					
P/E (on FDEPS)	184.0	164.4	114.0	104.5	81.3
P/CEPS	153.7	133.0	88.5	80.3	63.7
P/BV	31.8	26.5	21.5	17.9	14.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	9.9	7.4	6.0	5.3	4.4
EV/EBITDA	109.5	91.1	69.9	63.7	50.3
EV / Total Assets	28.7	23.4	19.7	16.6	13.7
Per Share Data (₹)					
EPS (Basic)	12.4	13.9	20.1	21.9	28.2
EPS (fully diluted)	12.4	13.9	20.1	21.9	28.2
Cash EPS	14.9	17.2	25.9	28.5	36.0
DPS	0.0	0.0	0.0	0.0	0.0
Book Value	72.1	86.3	106.3	128.3	156.4
Returns (%)					
ROCE	23.4	22.6	23.4	21.4	22.8
Angel ROIC (Pre-tax)	26.6	23.5	23.8	22.3	24.0
ROE	17.3	16.2	18.9	17.1	18.0
Turnover ratios (x)					
Asset Turnover (Gross Block)	4.0	4.0	4.0	3.7	3.9
Inventory / Sales (days)	28	29	31	32	34
Receivables (days)	1	1	1	1	1
Payables (days)	8	10	10	9	8
Working capital cycle (ex-cash) (days)	21	21	22	24	27

Source: Company, Angel Research

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Disclosure of Interest Statement

Avenue Supermarts

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)