

## Sector Update

December 7, 2023

### Avenue Supermarts (DMART IN)

Rating: BUY | CMP: Rs4,115 | TP: Rs4,724

#### Key Financials - Consolidated

| Y/e Mar        | FY22     | FY23     | FY24E    | FY25E    |
|----------------|----------|----------|----------|----------|
| Sales (Rs. m)  | 4,28,396 | 5,20,118 | 6,41,960 | 7,92,177 |
| EBITDA (Rs. m) | 36,373   | 42,277   | 53,410   | 68,030   |
| Margin (%)     | 8.5      | 8.1      | 8.3      | 8.6      |
| PAT (Rs. m)    | 23,785   | 26,285   | 33,793   | 43,948   |
| EPS (Rs.)      | 36.7     | 40.5     | 52.1     | 67.8     |
| Gr. (%)        | 59.2     | 10.5     | 28.6     | 30.1     |
| DPS (Rs.)      | -        | -        | -        | 10.0     |
| Yield (%)      | -        | -        | -        | 0.2      |
| RoE (%)        | 16.0     | 15.1     | 16.6     | 18.3     |
| RoCE (%)       | 20.2     | 20.0     | 21.9     | 24.2     |
| EV/Sales (x)   | 6.2      | 5.1      | 4.1      | 3.4      |
| EV/EBITDA (x)  | 72.9     | 62.9     | 49.7     | 39.0     |
| PE (x)         | 112.2    | 101.5    | 78.9     | 60.7     |
| P/BV (x)       | 16.6     | 14.3     | 12.1     | 10.3     |

### D'Mart Ready sustains competitive advantage

We analyzed price trend of 125 products across D'Mart Ready, Jiomart and Big Basket in key consumer categories of Loose grocery items, dairy, packaged food, beverages, personal care and home care. We observed that out of 125 products that we compared, the price gap (Nov'23 vs Aug'23) between D'Mart Ready & Big Basket increased for 40% of products, while for Jiomart the trend was mixed with 36%/24% of products seeing gap increase/decrease. D'Mart Ready continues to remain most competitive in online retail led by 1) sustained price gap with BB & Jiomart 2) rising consumer activations and advertising and 3) increase in delivery charges/higher cart value for free delivery by other channels.

We note that Ecom in Grocery and Food is witnessing accelerated growth due to rising acceptance of quick commerce. However, quick commerce is gaining ground at the expense of Mom and Pop stores while formats like Hypermarts and online platforms (D'Mart Ready, JIO, Big Basket, Amazon) continue to cater to monthly/bi-weekly grocery requirements. We expect D'Mart Ready to sustain strong growth due to sourcing and scale advantages. We expect D'Mart Ready to report sales of Rs48bn with EBITDA loss of R424mn by FY26 with full turnaround by FY28. Retain 'Buy' on D'Mart with DCF based TP of Rs4724

**FMCG products see selective prices & consumer offers** - Loose grocery continued to witness price increase from August levels. **Packaged food/beverages**, saw limited price fluctuations as inflation seems to have peaked out in these categories while **HPC** saw price increase for 40-45% of product across platform. Select brands in Pulses, Shampoo, Toothpastes and Dairy have seen price increase.

**Gap increase for D'Mart Ready/Big basket: Jiomart witnessed mixed trend** – Price gap between D'Mart ready/Big basket increased significantly for loose grocery, however Dairy/Packaged food saw mixed trend with PCH seeing gap decrease across products in Nov'23 vs Aug'23. For Jiomart, the trend was mixed, with ~30% product matching D'Mart Ready prices.

### Loose grocery – D'Mart Ready continues to improve competitiveness

- Loose grocery continues to witness price increase, as D'Mart Ready/Jiomart/Big Basket saw a price increase in 50%/58%/63% of products in Nov'23 vs 59%/46%/63% (our sample) in Aug'23. As 67% of loose grocery items witnessed decrease in MRP vs Aug'23, discounts on MRP went down over past 3 months.
- D'Mart Ready improved price gap across categories vs Big Basket continuing the trend of Aug'23 (In May'23 the trend was opposite). Inflationary pressure is more visible in Big Basket similar to what we saw in Aug'23, Jiomart trend was mixed like that of Aug'23.
- The quantum of price gap increase in D'Mart Ready/Big Basket was higher as compared to Aug'23. D'Mart ready also improved price change gap with Jiomart than in Aug'23.

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**Exhibit 1: D'Mart Ready Continue to improve pricing v/s BB/ Jiomart**

| Grocery                | Volume | D'Mart Ready/ Big Basket |        |        | D'Mart Ready/Jiomart |       |      |
|------------------------|--------|--------------------------|--------|--------|----------------------|-------|------|
|                        |        | Nov                      | Aug    | Gap    | Nov                  | Aug   | Gap  |
| Chana dal              | 1 kg   | -19%                     | -8.2%  | -11.1% | 5%                   | -8.2% | 13%  |
| Moong dal              | 1 kg   | -14%                     | 0.0%   | -13.5% | -3%                  | 2.8%  | -5%  |
| Green moong dal chilti | 500 gm | -15%                     | -1.3%  | -13.8% | 5%                   | 5.4%  | 0%   |
| Tur dal                | 1 kg   | 1%                       | 8.8%   | -7.9%  | 8%                   | 8.8%  | -1%  |
| Urad dal               | 500 gm | -11%                     | -6.9%  | -4.6%  | 6%                   | 5.2%  | 1%   |
| Masoor dal             | 1 kg   | -19%                     | -16.7% | -2.7%  | -12%                 | -6.3% | -6%  |
| Rajma                  | 500 gm | 5%                       | 71.2%  | -66.3% | 9%                   | 23.8% | -14% |
| Moong                  | 500 gm | 6%                       | 6.3%   | -0.1%  | 1%                   | 14.9% | -14% |
| Chowli small           | 500 gm |                          | 21.0%  |        |                      |       |      |

Source: Company, PL

**Dairy – Prices increase; mixed trend in price gap**

- The MRP for 37% of the products increased in Nov'23 compared to Aug'23 despite onset of flush season as inflationary conditions persisted in key dairy inputs.
- D'Mart Ready/Big Basket/Jiomart experienced price increases in 50%/24%/48% of the 25 products we compared. Availability of products has improved in Jiomart compared to August 2023.
- D'Mart Ready saw mixed trend in terms of gap increase vs Big basket/Jiomart, however price competitiveness improved with Big basket.

**Exhibit 2: D'Mart Ready saw mixed trend for price gap**

| Dairy                   | Volume | D'Mart Ready/ Big Basket |        |        | D'Mart Ready/Jiomart |       |     |
|-------------------------|--------|--------------------------|--------|--------|----------------------|-------|-----|
|                         |        | Nov                      | Aug    | Gap    | Nov                  | Aug   | Gap |
| Amul Butter             | 500 gm | -4%                      | 1.1%   | -4.7%  | 0%                   | 0.0%  | 0%  |
| Amul Butter             | 100 gm | -7%                      | -5.4%  | -1.5%  | 0%                   | 1.9%  | -2% |
| Nutralite butter        | 500 gm | -6%                      | -11.2% | 5.5%   | 0%                   | -7.9% | 8%  |
| Nutralite butter        | 100 gm | -4%                      | 6.3%   | -10.3% | 9%                   | 13.3% | -4% |
| Britannia cheese slices | 200 gm | -6%                      | -0.6%  | -4.9%  | 1%                   | 0.0%  | 1%  |
| Britannia cheese cubes  | 200 gm | -8%                      | -10.4% | 2.8%   | 0%                   | 0.0%  | 0%  |

Source: Company, PL

**Packaged food & beverages – Prices stable, D'Mart/BB gap decreases**

- Packaged food saw no significant price change in Nov'23 vs Aug'23 however price gap saw an increase for most of the products for D'Mart Ready v/s Big basket, while D'Mart Ready/Jiomart matched prices for most of the products in this category with price gap showing mixed trend
- Beverages experienced minimal price changes. However, the gap between D'Mart Ready and Big Basket increased for most of the products, mirroring the trend observed in August 2023

**Exhibit 3: D'Mart Ready/BB saw gap increase, while Jiomart matched prices**

| Packaged food     | Volume  | D'Mart Ready/ BigBasket |        |        | D'Mart Ready/Jiomart |        |      |
|-------------------|---------|-------------------------|--------|--------|----------------------|--------|------|
|                   |         | Nov                     | Aug    | Gap    | Nov                  | Aug    | Gap  |
| Britannia bourbon | 600 gms | -21%                    | -14.4% | -7.0%  | 0%                   | 0.0%   | 0%   |
| Cadbury Oreo      | 100 gms | -9%                     | -8.6%  | 0.0%   | 7%                   | 0.0%   | 7%   |
| Lays              | 90 gm   | -34%                    | -17.5% | -16.5% | -6%                  | 0.0%   | -6%  |
| Maggi             | 560 gm  | NA                      | -13.0% | NA     | 0%                   | 0.0%   | 0%   |
| Beverages         | Volume  | D'Mart Ready/ BigBasket |        |        | D'Mart Ready/Jiomart |        |      |
|                   |         | Nov                     | Aug    | Gap    | Nov                  | Aug    | Gap  |
| Tata Tea          | 1 kg    | -25%                    | -30.3% | 5.8%   | 0%                   | -12.7% | 13%  |
| Lipton green tea  | 25 bags | -21%                    | -14.7% | -6.5%  | -15%                 | -3.3%  | -12% |
| Nescafe jar       | 95 gm   | -18%                    | -12.6% | -5.4%  | 0%                   | -3.3%  | 3%   |

Source: Company, PL

**Personal care & Hygiene –BB saw significant gap decrease with D'Mart Ready**

- PCH saw a mixed trend of pricing in Nov'23 vs Aug'23, wherein D'Mart Ready/Big Basket/Jiomart increased prices of ~42%-44% products Shampoos and Toothpastes saw price increase in select brands.
- Gap between D'Mart Ready and Big Basket decreased across product categories in PCH, opposite to the trend in Aug'23 wherein price gap decreased for most of the products, but the trend was mixed in case of Jiomart.

**Exhibit 4: Big Basket saw gap decrease for most products**

| PCH                     | Volume | D'Mart Ready/ Big Basket |        |        | D'Mart Ready/Jiomart |        |     |
|-------------------------|--------|--------------------------|--------|--------|----------------------|--------|-----|
|                         |        | Nov                      | Aug    | Gap    | Nov                  | Aug    | Gap |
| Dove soap               | 75 gms |                          | -2.8%  |        |                      |        |     |
| Nivea body lotion       | 400 ml | 11%                      | 4.0%   | 7.4%   | 5%                   | -11.1% | 16% |
| Garnier men facewash    | 150 gm | 2%                       | -11.6% | 13.5%  | -4%                  |        |     |
| Ponds talcum powder     | 100 gm | -15%                     | -14.8% | 0.0%   | -8%                  | -8.0%  | 0%  |
| Indulekha hair oil      | 100 ml | -25%                     | -28.8% | 3.9%   | -6%                  | 0.0%   | -6% |
| Parachute coconut oil   | 300 ml |                          | -14.9% |        | 0%                   | -2.0%  |     |
| Dove conditioner        | 175 ml | -13%                     | 6.0%   | -19.4% | -8%                  |        |     |
| Sunsilk Shampoo         | 650 ml | -37%                     | -44.3% | 7.4%   | 0%                   | 0.0%   | 0%  |
| Nivea Fresh Natural deo | 150 ml | -17%                     | -7.0%  | -9.7%  | 0%                   | -20.1% | 20% |
| Nivea women deo         | 150 ml | -6%                      | -21.5% | 15.8%  | -6%                  | 0.0%   | -6% |

Source: Company, PL

**Home Care – No much change in pricing**

- This category was stable in terms of pricing across product line.
- Price gap trend was mixed with price gap increase/decrease having same share of ~50%.

Exhibit 5: Price gap trend was mixed in case of HCP

| Home Care                   | Volume | D'Mart Ready/ BigBasket |        |       | D'Mart Ready/Jiomart |        |      |
|-----------------------------|--------|-------------------------|--------|-------|----------------------|--------|------|
|                             |        | Nov                     | Aug    | Gap   | Nov                  | Aug    | Gap  |
| Surf excel                  | 1 kg   | -8.2%                   | 0.5%   | -8.7% | -9%                  | 0.5%   | -10% |
| Tide - Lemon & mint         | 6kg    |                         | -19.2% |       | -9%                  | -12.1% | 4%   |
| Surf Excel liquid detergent | 2 L    | -13.8%                  | -18.8% | 5.0%  | -12%                 | 0.0%   | -12% |
| Lizol                       | 2 L    | -1.3%                   | -2.3%  | 1.0%  | 1%                   | 0.0%   | 1%   |

Source: Company, PL

### Festive offers ran across platforms

- Jiomart, D'Mart, and Big Basket offered festive promotions across their product lines. However, among the three platforms, Jiomart had the most offers and employed aggressive marketing across social platforms, surpassing the efforts of the other two.

Exhibit 6: Jiomart continue its aggressive marketing strategies during festive season



★ Now order from JioMart as you chat on WhatsApp 🎉

★ Upto 50% off when you shop on JioMart through WhatsApp for your Festive Essentials 🥰

★ Use coupon code **NEW10** to get **flat 10%** off up to Rs.60 on your first purchase of Rs.400 or more. T&C Apply.

Source: Company, PL

Exhibit 7: Price gap show mix trend for BB/Jiomart over D'mart ready in Nov'23

| Particulars                        | Volume     | MRP  | D'Mart Ready | Jiomart | D'Mart / Jiomart | Big Basket | D'Mart Ready / Big Basket |
|------------------------------------|------------|------|--------------|---------|------------------|------------|---------------------------|
| <b>Dairy</b>                       |            |      |              |         |                  |            |                           |
| Amul Butter                        | 500 gm     | 285  | 275          | 275     | 0.0%             | 285        | -4%                       |
| Amul cheese slices                 | 100 gm     | 85   | 81           | 0       |                  | 85         | -5%                       |
| Amul taaza toned milk              | 1 L        | 74   | 70           | 69      | 1%               | 72         | -3%                       |
| Amul fresh cream                   | 1 litre    | 220  | 205          | 0       |                  | 205        | 0%                        |
| <b>Packaged food</b>               |            |      |              |         |                  |            |                           |
| Britannia Goodday                  | 600 gms    | 135  | 90           | 90      | 0.0%             | 100        | -10%                      |
| Parle hide and seek                | 100 gms    | 30   | 25           | 0       |                  | 27         | -7%                       |
| Lays                               | 90 gm      | 50   | 33           | 35      | -5.7%            | 50         | -34%                      |
| Maggi                              | 560 gm     | 112  | 87           | 87      | 0.0%             | 0          | 0%                        |
| <b>Beverages</b>                   |            |      |              |         |                  |            |                           |
| Tata Tea                           | 1 kg       | 570  | 400          | 400     | 0.0%             | 530        | -25%                      |
| Horlicks Chocolate Delight         | 500 gm     | 249  | 189          | NA      |                  | 294        | -36%                      |
| <b>Grocery</b>                     |            |      |              |         |                  |            |                           |
| Fortune sunflower oil              | 1 L        | 135  | 114          | 114     | 0                | 110        | 4%                        |
| Saffola gold oil                   | 5 L        | 945  | 859          | 0       |                  | 859        | 0%                        |
| Borges extra light olive oil       | 2 L        | 2700 | 1725         | 0       |                  | 0          | 0%                        |
| Gowardhan ghee                     | 1 L        | 749  | 689          | 630     | 9%               | 749        | -8%                       |
| Aashirvaad atta                    | 10 kgs     | 568  | 483          | 479     | 1%               | 481        | 0%                        |
| India gate basmati rice-classic    | 1 kgs      | 243  | 195          | 199     | -2%              | 197        | -1%                       |
| Dawaat super Basmati rice          | 5 kgs      | 1095 | 719          | 719     | 0%               | 751        | -4%                       |
| Tata salt                          | 1 kg       | 28   | 24           | 24      | 0                | 24         | 0%                        |
| <b>Personal Care &amp; Hygiene</b> |            |      |              |         |                  |            |                           |
| Lux soap                           | 4*125 gm   | 330  | 255          | 306     | -16.7%           | 257        | -1%                       |
| Glow and lovely cream              | 110 gm     | 246  | 196          | 210     | -6.7%            | NA         | 0%                        |
| Parachute coconut oil              | 300 ml     | 127  | 0            | 99      | 0.0%             | 121        | 0%                        |
| Sunsilk Shampoo                    | 650 ml     | 730  | 369          | 369     | 0.0%             | 548        | -37%                      |
| Colgate strong                     | 200 gm     | 130  | 120          | 125     | -4.0%            | 125        | -4%                       |
| Dettol handwash                    | 200 ml     | 100  | 94           | 92      | 2.2%             | 94         | 0%                        |
| Lifebuoy handwash                  | 750 ml     | 199  | NA           | 0       |                  | NA         | 0%                        |
| <b>Home care</b>                   |            |      |              |         |                  |            |                           |
| Ariel detergent (Top load)         | 1 kg       | 330  | 269          | 0       |                  | 290        | -7%                       |
| Surf Excel liquid detergent        | 2 L        | 430  | 349          | 395     | -12%             | 405        | -14%                      |
| Freshwrapp                         | 72 mtr     | 650  | 329          | 465     | -29%             | 0          | 0%                        |
| Vim bar                            | 200 gm * 4 | 86   | 79           | 0       |                  | 86         | -8%                       |
| Lizol                              | 2 L        | 440  | 391          | 389     | 1%               | 396        | -1%                       |

Source: Company, PL

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| Sr. No. | Company Name           | Rating     | TP (Rs) | Share Price (Rs) |
|---------|------------------------|------------|---------|------------------|
| 1       | Asian Paints           | Accumulate | 3,387   | 2,960            |
| 2       | Avenue Supermarts      | BUY        | 4,724   | 3,920            |
| 3       | Britannia Industries   | Hold       | 4,801   | 4,527            |
| 4       | Colgate Palmolive      | Hold       | 1,948   | 2,034            |
| 5       | Dabur India            | Accumulate | 597     | 530              |
| 6       | Emami                  | Accumulate | 564     | 519              |
| 7       | Hindustan Unilever     | Hold       | 2,786   | 2,548            |
| 8       | ITC                    | Accumulate | 492     | 450              |
| 9       | Jubilant FoodWorks     | Hold       | 505     | 529              |
| 10      | Kansai Nerolac Paints  | Accumulate | 351     | 306              |
| 11      | Marico                 | Hold       | 556     | 532              |
| 12      | Metro Brands           | Accumulate | 1,231   | 1,208            |
| 13      | Mold-tek Packaging     | Hold       | 918     | 882              |
| 14      | Nestle India           | Accumulate | 25,471  | 24,245           |
| 15      | Pidilite Industries    | Hold       | 2,644   | 2,458            |
| 16      | Restaurant Brands Asia | Accumulate | 145     | 114              |
| 17      | Titan Company          | Accumulate | 3,387   | 3,275            |
| 18      | Westlife Foodworld     | Hold       | 844     | 883              |

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|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |

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