

GROWTH PICKING UP, STOCK LIKELY TO SEE CONTINUED INVESTOR INTEREST

DMart's Q3 Shows Brick & Mortar Has Lots of Firepower

Revenue, net gain after two quarters of decline, attest to its strength; co expands online biz, too

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Mumbai: One of the largest food and grocery retailers in India, Avenue Supermarts put in a strong show in the December quarter, restoring confidence in its brick and mortar business model, which had come under threat from online players in recent times.

After two quarters of decline, its revenue grew 11% while net profit rose 16%, reaffirming that consumers prefer conventional shopping for groceries and food products compared to online methods.

Its stock has gained 50% over the past three months, taking market capitalisation to just short of ₹2 lakh crore from less than ₹20,000 crore in 2017 at the time of listing, and is trading at 100 times its FY22 earnings as of Friday's closing price of ₹2,967.60.

Although expensive, Avenue Supermarts has historically traded above 100 and still given multi-fold returns

Queues at Checkout

Avenue Supermarts: Dec quarter numbers (₹ cr)

	Q4 FY21	Q3 FY20	Change
Revenues	7,542	6,809	10.70%
EBIDTA	689	597	15.40%
Net Profit	447	384	16.40%
EBIDTA Margin	9.10%	8.80%	300 bps
Net Profit margin	5.90%	5.60%	300 bps



to investors. With the worst of the Covid-19 crisis behind and growth coming back, the stock will continue to see strong investor interest.

"The quarter has seen further improvement in our business and financial metrics. Our overall sales and sales mix are now trending very close to our usual times. Agile OPEX management along with a good surge in festival shopping allowed us to deliver a significantly better quarter," said Neville Noronha, CEO, Avenue Supermarts.

The company said sales during October and November were strong but were marginally lower year-on-year in December due to the night curfews and weekend closures in some regions. Total revenue for the quarter

ended December 31 stood at ₹7,542 crore, while operating profit (Ebitda) was 15% higher at ₹689 crore, and net profit came in at ₹447 crore.

Analysts estimate a further improvement in the March quarter, which will allow the retailer to close the year with only a 5% decline in earnings for the year. They also expect earnings to jump 45%-50% in FY22.

In the quarter, the company soft-launched DMart Rady in select pin codes of Ahmedabad, Bengaluru and Hyderabad and is creating opportunities to launch DMart Rady in more cities.

In the first nine months, two stores were converted into fulfilment centres for e-commerce, while it added nine stores.