St. Xavier's College (Autonomous), Kolkata
XAVIER'S FINANCE COMMUNITY

DMART EQUITY RESEARCH REPORT

CONTENTS

COMPANY PROFILE

Avenue Supermarts Ltd. (ASL), a corporation created by Mr. Radhakishan Damani, owns and operates DMart. Mr. Radhakishan Damani is well-known in the business world for being an adept investor in the Indian equity market. He has developed a company that always works to acquire a deep grasp of consumer needs and satisfy them with the appropriate products. Mr. Damani, a firm believer in core business concepts and strong ethical values, has turned DMart into an efficient, large, and lucrative retail chain that is well-liked by consumers, partners, and staff alike.

It sells a wide variety of products, with a focus on foods, non-foods (FMCG), and general merchandise and apparel. It has a large number of stores spread across India. All stores are operated and managed by the company. It also runs distribution and packing centres to serve its retail store network, which comprise the backbone of the supply chain.

As of 2020 data, DMart has 263 stores in 72 cities across 11 states in India including Maharashtra, Andhra Pradesh, Telangana, Gujarat, Madhya Pradesh, Chhattisgarh, Rajasthan, National Capital Region, Karnataka, Tamil Nadu, Uttar Pradesh, Punjab and Daman.

DMart has its headquarters in Mumbai. As of 2020 data, DMart has a total of 9,420 employees. DMart operates on an ownership model (including long-term leases with a lease duration of more than 30 years and ownership of the building) rather than a rental model. The company creates new stores in densely populated residential areas with a preponderance of lower-middle, middle, and aspiring upper-middle class consumers, adopting a cluster model based on adjacencies and focusing on an efficient supply chain. The company runs distribution and packing centres that serve as the backbone of the supply chain for its retail store network.After the IPO listing (as Avenue Supermarts Ltd.), it made a record opening on the market on the NSE. After the close of the stock on 22nd March 2017, its market value rose to ₹39,988 crores.

Mr. Radhakishan Damani

KEY MANAGEMENT OF AVENUE SUPERMARTS (D-MART)

Name	Designation
Ramesh Damani	Chairman & Director
Ramakant Baheti	Wholetime Director & Group CFO
Niladri Deb	Chief Financial Officer
Narayanan Bhaskaran	Chief Operating Officer
Ashu Gupta	Co. Secretary & Compliance Officer
Dheeraj Kampani	Vice President
Ignatius Navil Noronha	Managing Director & CEO
Manjri Chandak	Non-Executive Director

COMPANY DETAILS

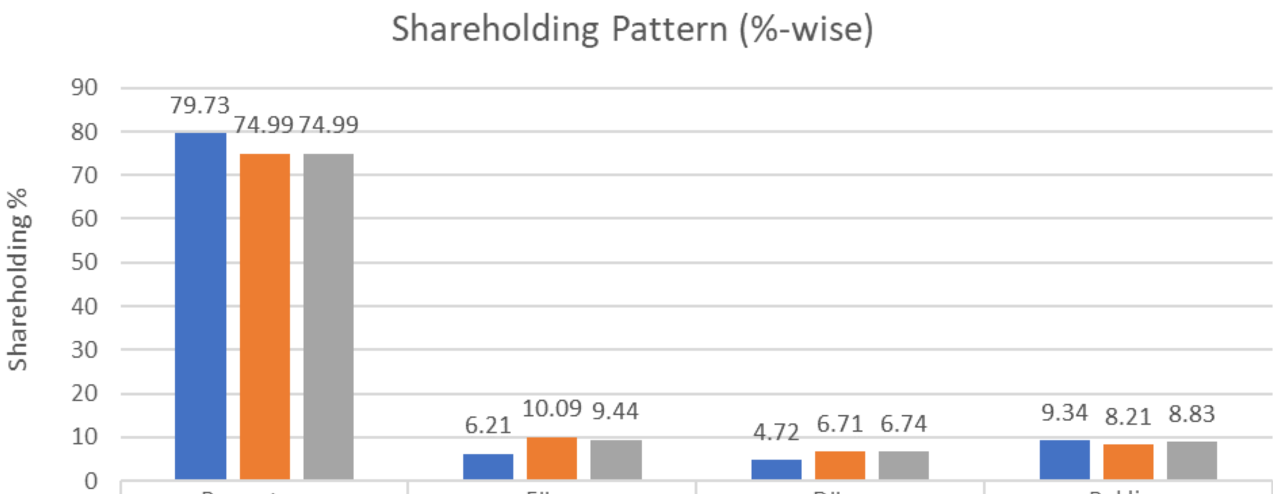
INDUSTRY	Retail Trading
REVENUE	Rs. 24,930 Crore
NET INCOME	Rs. 1,300 Crore
MARKET CAPITALIZATION	Rs. 1,14,000 Crore
CURRENT MARKET PRICE (AS ON 26.02.2022)	Rs. 4,188

CURRENT SHAREHOLDING PATTERNS

PROMOTERS	74.99 %
FIIs	9.44 %
DIIs	6.74 %
PUBLIC	8.83 %

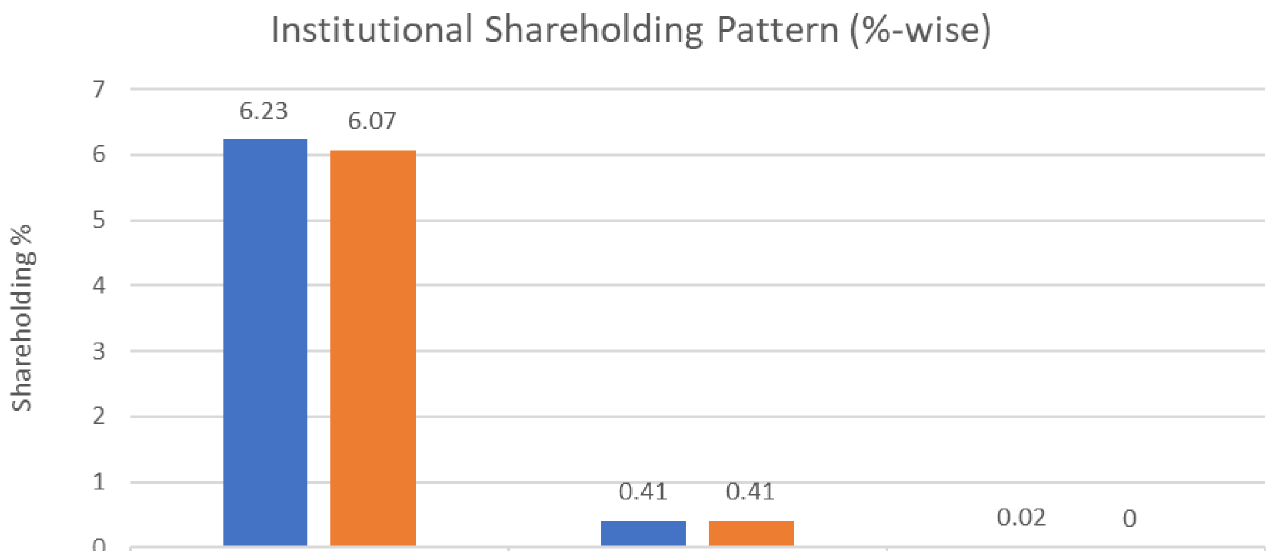
SHARE PRICE CHART OF DMART

SHAREHOLDING PATTERN YEAR-WISE (IN %)



	Promoters +	FIIs +	DIIs +	Public +
Dec-19	79.73	6.21	4.72	9.34
Dec-20	74.99	10.09	6.71	8.21
Dec-21	74.99	9.44	6.74	8.83

Dec-19 Dec-20 Dec-21



	Mutual Funds / UTI	Insurance Companies	FI/Bank
Dec-21	6.23	0.41	0.02
Dec-20	6.07	0.41	0

Dec-21 Dec-20

CORPORATE GOVERNANCE

- The promoters of DMart hold 74.99% of the shares of DMart. The FIIs (Foreign Institutional Investors) shareholding stood at 9.44% and the general public holds 8.28% of the company's share as of 31st December 2021.
- DMart's board of directors is highly experienced with a mix of independent and non-executive directors. The board of directors include 20 directors divided into 5 committees.
- Ramakant Baheti is the Group CFO & Whole-Time Director at Avenue Supermarts. Ignatius Navil Noronha is the CEO, MD & Director at Avenue Supermarts.

SWOT ANALYSIS

Strengths

1. **Excellent Management** - Radhakishan Damani, the founder of D-Mart possesses excellent financial acumen and is also an independent investor. His method of thinking and his focus on the long-term gains of his company has shown to be extremely effective.
2. **Controlled Scaling** - D-Mart started small and chose to grow at a controlled pace. This gave them a more concrete base compared to others and allowed them to have an extremely efficient supply chain, something most of its competitors struggle with due to uncontrolled expansion.
3. **Excellent Backend Goodwill** - D-Mart has been long known to have great employee relations and has also shown excellent relations with suppliers and vendors, giving them an edge in a cut throat supply chain environment where such relations can be critical.
4. **Competitive Pricing** - D-Mart has efficiently taken advantage of economies of scale and has been able to provide discounts far superior to most of its competitors, leaving it with a moat that most other companies would not be able to replicate.

Weaknesses

1. **Regional boundaries** - Unlike the conventional geographic expansion policy of choosing places with the highest income estimates for future expansion, D-Mart has chosen to expand with a larger focus on the geographic positioning of the city instead of its economy. This has given its competitors an edge in being able to expand to larger cities in the north and east side of the country where D-Mart currently lacks any presence.
2. **Slow Growth** - D Mart has focused on making its base stronger instead of expanding rapidly even during industry boom periods which has left it lagging behind its competitors, especially when the industry is booming and its competitors are allocating all of their resources on expansion.

3. **No Credit Policy** - D Mart has been adamant on not taking goods on credit which has allowed its vendors to allow them lower pricing as compared to others but the no credit policy also means that its capital needs to increase substantially, and in times where the market liquidity is in a shortfall, D-Mart may suffer from not being able to use credit to purchase goods.
4. **No Upscaling Of facilities** - D-Mart has tried to cut costs wherever possible and has tried to use as little capital as they are able to in running their operations. While this is great from a cost perspective, it also means that they cannot provide the more holistic shopping experience their competitors can with better facilities.

Opportunities

1. **Technology and IoT** - In terms of in-store experiences, technology has a lot to offer to retailers, and D-Mart may employ IoT, artificial intelligence, and other technologies to provide value added services to their customers for which a premium can be charged.
2. **Personalized Shopping Experiences** - Customers want personalized services and are willing to pay a premium for them. Retailers like D-Mart can take advantage of this willingness to spend more by raising the quality of their services and by providing customized shopping experiences.
3. **Expansion To Other Markets** - D-Mart can expand to multiple places within the country as well as in other emerging markets where its business model can be greatly profitable. D-Mart's road ahead in other markets can only get better and it enjoys expansive prospects for growth in this area.
4. **Expansion to healthcare** - D-Mart can follow its international competitors' business model and aim to expand into healthcare as an addition to its current services. The Pharma industry offers a lot of potential to D-Mart for retailing of their goods and the company can easily expand into this segment with minimal costs.

Threats

1. **Online Retailers** - Companies like Amazon and Flipkart have started offering pantry services at prices very similar to D-Mart's and their doorstep delivery services coupled with large discounts post an existential threat to D-Mart and its operations.
2. **Emergence of Start-ups** - Recently we've seen multitudes of new start-ups emerge that offer similar goods but offer doorstep deliveries in about 10 minutes. Although these start-ups have not been able to offer the pricing D-Mart has been able to, they offer a significant threat to D-Mart's operations as they might be able to pivot into another structure, offering large discounts, thereby removing the need for D-Mart.
3. **Geographically Concentrated** - D-Mart's geographic positioning is comparatively concentrated, leaving them susceptible to geopolitical and economical threats that may affect the south western part of the country. Its competitors on the other hand are hedged against such threat due to their expansive coverage across the country and abroad.
4. **International Competition** - D-Mart has been enjoying a massive influence in its region but is threatened by the possibility of international competitors taking a chunk of their revenue. If DMart continues to be successful, it may invite companies like Walmart or Costco to India which would be devastating for D-Mart's business.

INDUSTRY OVERVIEW

Due to the entry of new players, the Indian retail industry has emerged as one of the most dynamic and fast-growing industries. It accounts for over 10% of the country's gross domestic product (GDP) and around 8% of the employment. India is the world's fifth-largest global destination in the retail space.

The United Nations Conference on Trade and Development's 2019 Business-to-Consumer (B2C) E-commerce Index, rated India 73rd. India is the world's fifth-largest retail destination, ranking 63 in the World Bank's Ease of Doing Business 2020 report.

In the FDI Confidence Index, India ranked 16, after the US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy.

E-commerce retail is expanding steadily in the country. Customers have an ever-increasing variety of things to choose from at reasonable prices. E-commerce is causing the most significant change in the retail business, and this trend is expected to continue in the next few years. Retailers should leverage digital retail channels (E-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier II and tier III cities.

Retail Trading has a good positive projection as an industry in India and D-Mart has successfully cracked the model of retail trading in India.

PORTER'S FIVE FORCES

1. POWER OF CUSTOMER

- Majority of the discounts provided are only in the organic section.
- Only give limited choice of brands compared to major competitors.

2. POWER OF SUPPLIER

- Risk of increase in cost by suppliers could translate to reduced discounts provided to customers.
- . Dependant on suppliers for majority of products, which could result in supply disruptions.

3. THREAT OF SUBSTITUTES

- Lack of presence in eastern states and concentration in states like Maharashtra.
- Minimal online presence poses a threat from competitors like BlinKit, Jio mart, etc.
- Stronghold in the Organic sector.
- Only give limited choice of brands.

4. THREAT OF NEW ENTRANTS

- Since its inception, it has focused on strengthening its presence in an area before expanding to the next.
- Low-cost model in trade and procurement than competitors.
- The threat of foreign players.
- Requirement of network and capital investment makes entry difficult for newcomers.

5. RIVALRY

- If the Future-Reliance deal pulls through, their combined revenue will be 2.5 times that of DMart.
- It maintains a steady second place behind Reliance retail.
- Expanding at an appreciable pace with an increase in revenues and store numbers.
- Stronghold in food and grocery than competitors.

CHANGES IN THE COMPANY OUTLOOK AND ITS STRATEGIES

a. Slow and steady approach towards online:

We believe Dmart's approach of gradually growing into larger cities will be successful, as the online grocery sector still accounts for a small percentage of the entire grocery market. According to our research, DMart Ready is a strong competitor (DMart's online market) but it is only available in 9% of the cities where DMart offline stores are located. However, its online presence already reaches 45% of the population in areas where the company's physical stores are located. The overlapping presence of Flipkart and Grofers with DMart's covered cities is the least. Big Basket has the highest order fulfilment rate, according to our survey of 50 stock keeping units (SKUs).Overall, DMart Ready and JioMart have the best prices for half of their products. DMart Ready has the largest inventory, yet their total discounting is the highest.

Company	App Downloads	Cities Presence	Minimum Order Value	Delivery Fee	Delivery Timeline	Loyalty Membership Benefits	Membership Fees	Daily Order (Approx.)
Jio Mart	10mn+ (Android)	200	0	Free	1-3 days	You Earn 1 pt. for every Rs.200 Spent and value of 1pt=Rs.0.70	Free	500,000
Amazon Pantry	100mn+ (Android)	300	200	Rs.59(non-prime), Rs.30(prime) & Free above Rs.799	Next day Delivery/Scheduled Delivery as per displayed	Amazon Prime, Delivery Fee Benefit, Prime Early Access	Rs.129/Month or Rs.999/Year	150,000
Big Basket	10mn+ (Android)	30	0	<Rs.600→Rs.50, Rs.600-1199→Rs.30-35,>Rs.1200→Free	Delivery slots for up to 6 days. Express delivery in next 60 minutes.	No Delivery Charge above Rs.600, Special Promos, Access to priority slots	Rs.299/6 Months	280,000
Grofers	10mn+ (Android)	27	0	Rs.49 & Free above Rs.800	Delivery slots for up to 7 days	Available at wholesale prices and exclusive offers.	Rs.79/ Month, Rs. 249/6 Months, Rs.449/Year	190,000
Flipkart Supermart	100mn+ (Android)	50	600	Rs.50 & Free above Rs.1200	Delivery slots for up to 7 days	Early access to sales, 4 super coins earned for every Rs.100 spent.	Rs.999/Year or Earning 200 super coins in last 12 months	NA
Dmart Ready	5mn+ (Android)	7	1000	Rs.49-79	Delivery slots for up to 4 days	No Membership Program.	NA	NA

b) Leased, cluster-based approach for store opening will yield benefits:

DMart is expected to open 126 stores during the next three years (FY22-24), up from 103 outlets in the previous three years (FY18-21). Because it has aggressive shop-opening plans, the company is shifting toward controlled aggression in store openings, and it is now seeking for leased premises rather than its previous ownership model. Its average area per store has grown at a 4.1% compound annual growth rate (CAGR) from 28,500 square feet in FY14 to 36,450 square feet in FY20. We forecast a 4.7% CAGR from FY21 to FY25, resulting in 46,500 sq. ft. per store. DMart follows a 70:30 rule, which means that 70% of its stores are located in existing markets and 30% are located in new markets. While Maharashtra and Gujarat account for 52% of the company's total outlets, in the previous three years it opened only 29% of its new stores in these two states.

c) Best-in-class store economics:

While DMart is India's second-largest grocery retailer by revenue, it boasts the highest operating margins, according to our survey of 10+ food retailers (listed and unlisted). In terms of SSSG (Same Store Sales Growth), it has continuously outperformed rivals; we forecast 30%-16% SSSG for FY 23-24. Its revenue per square foot CAGR was 4% from FY17 to FY20, and we expect a higher 10% CAGR from FY22 to FY24. Because it offers the most discounts to its clients, its gross margin is lower than the industry average. Its retailing costs are the lowest in the industry, with the lowest labour and rental expenditures. DMart has one of the highest operating margins in the industry, thanks to its lack of advertising & promotion spending and low operating expenses. It's also one of the few supermarkets with a positive operating cash flow because of its lowest inventory days.

d) Mastered its product offerings:

- DMart has a deep knowledge of the customers across clusters, so it has mastered the art of product assortment.
- It does not offer a significant choice to customers in terms of brands like Reliance Smart and Big Bazaar do, but it stocks the most popular brands that more than 90% of customers would buy.

- Its assortments are of large-size SKUs (for bulk buying) at favourable prices rather than keeping more SKUs of unknown brands that would confuse customers.
- DMart gets 27-28% of its revenue from general merchandise. These are high-gross-margin products (unlike food/ non-food products) and predominantly cater to lower income classes and the mass market.
- It has improved its products offering over time, and competes effectively with unorganized/street products, predominantly in the apparel category.
- In some branded products, the discounts it offers are higher than what general trade offers, such as in footwear and cookware.

e) Assembly Chain of Sales:

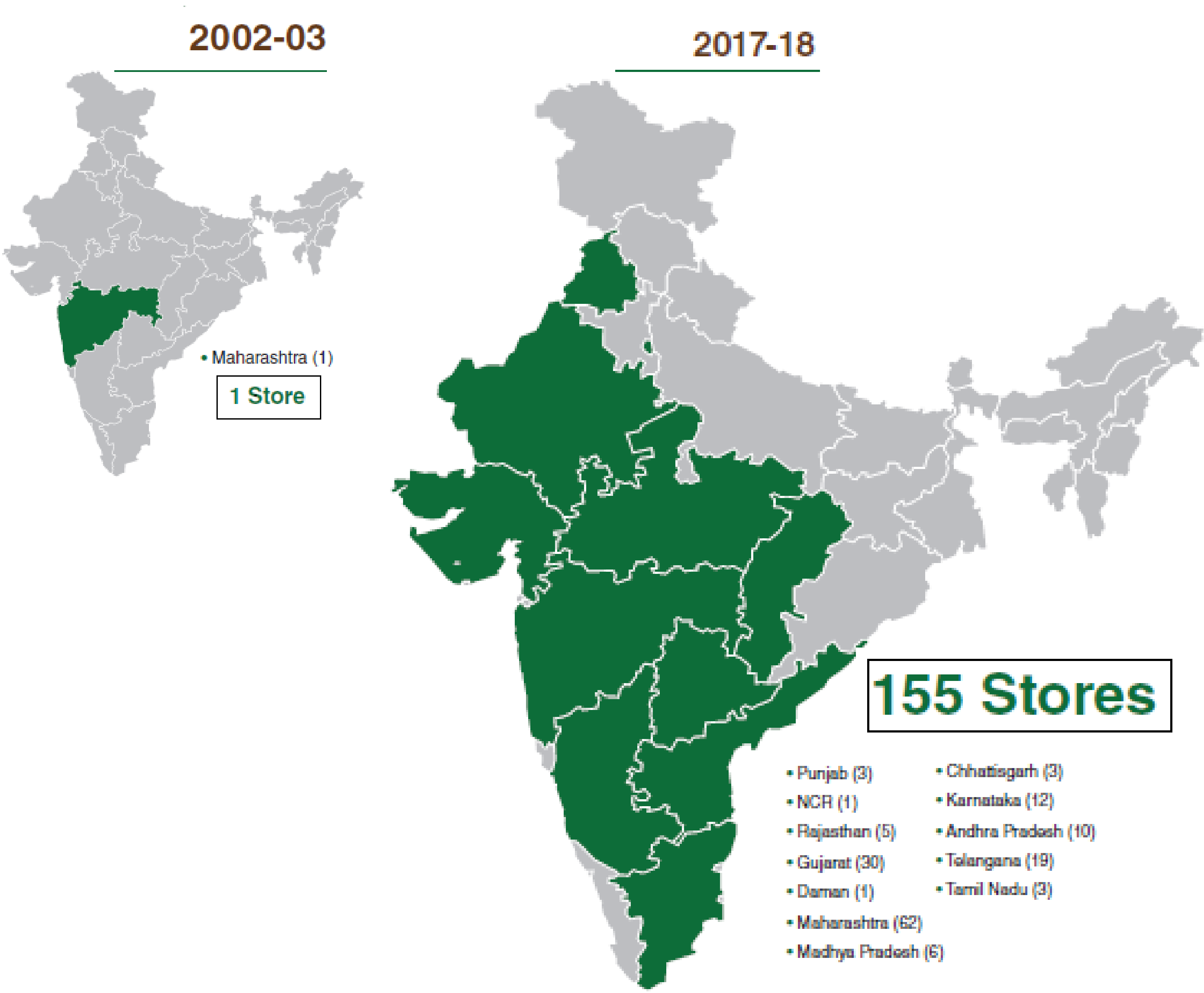
They want to convert products into sales as quickly as possible, which allows them to avoid the high-stakes and perpetual discount game that other merchants are prone to. Customers who enter a DMart store understand that they will receive a no-frills experience, but they also understand that the majority of the food and groceries on offer will be 6% to 12% less expensive than similar items in other stores. Certain products will be 10% less than the MRP in select circumstances.

f) Regimented Business Model:

The decision to follow a store-ownership model is at the root of the company's attention, which parallels Walmart. The corporation has spent about Rs. 23 billion on land and buildings, yet most of its outlets are either owned or leased for 30 years. This is one of the reasons it has accumulated debt of little over Rs. 1000 crores; A portion of the earnings from its IPO were used to service this debt.

g) Particular Location as per Density:

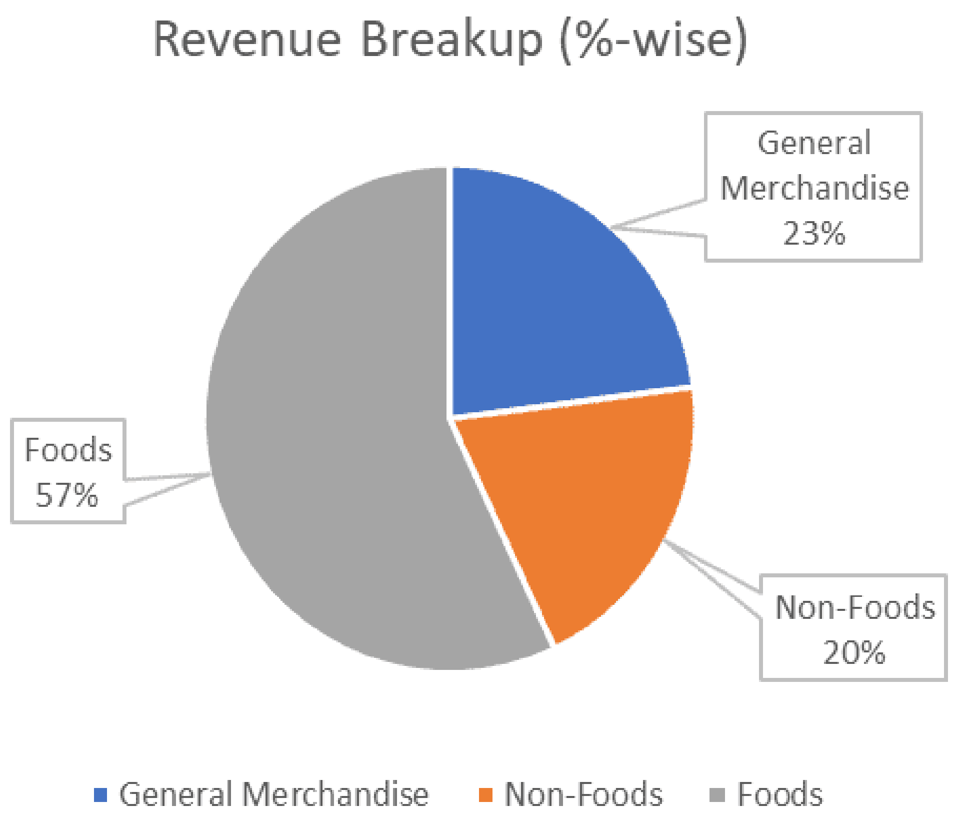
While competitors flock to India's rapidly expanding malls where consumer spending is highest, D-Mart is yet to open a store in a mall and has no plans to do so in the future. D-Mart sticks to what it does best- it utilizes one of two store models whose size is computed based on geography and shopper density, while other retailers experiment with a wide range of formats and geographic areas. In addition, the corporation is averse to expanding regionally. It only had stores in four Indian states until 2014. It has grown into five more states in the previous three years, but it remains noticeably absent from the NCR region and other high-consumption states like Tamil Nadu.



PRODUCT OVERVIEW

DMart stores stock home utility products – including food, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and more – available at competitive prices.

Avenue Supermarts Limited is a retailer that specializes in organized retail and operates supermarkets under the D-Mart brand. Food items include groceries, staples, processed foods, dairy and frozen products, beverages and confectionery products, and fruits and vegetables; non-food items include home care and personal care products, toiletries, and other over-the-counter items; and general merchandise and apparel items include bed and bath items, toys and games, crockery, plastic goods, garments, footwear, utensils, and home appliances. Food and grocery products are also sold online by the company.



IMPACT OF COVID ON DMART

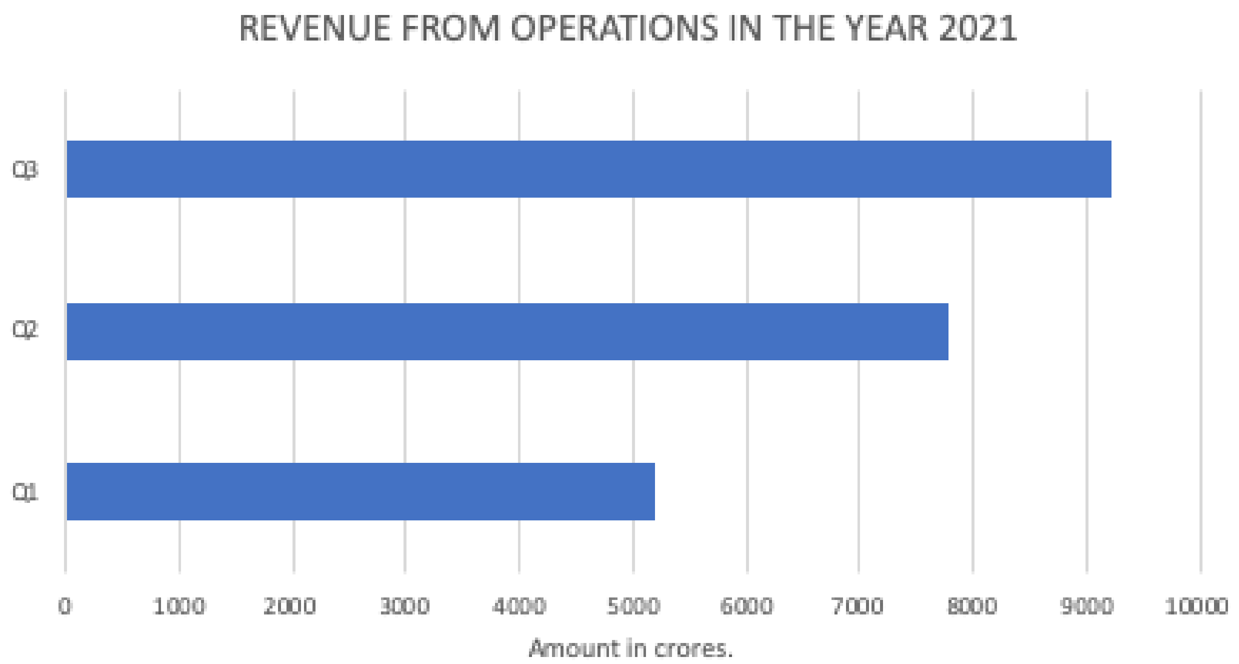
No industry or business was spared from adversities due to Covid-19, and the retail sector in India was no exception. With the onset of the pandemic with lockdowns and strict curfews, retailers faced extreme difficulty in conducting business. Coming to DMart, which has mainly relied on a brick-and-mortar model of business for over two decades, saw a significant decline in its sales and profits in this time. Discussed below are some impacts of Covid on Avenue supermarts:

1. Post the initial stage of Covid-19, the restrictions and mandates forced stores to become more stringent in safety issues and regulating the number of customers allowed entry at a single time. As a result, DMart saw reduced footfall in its stores compared to previous years. DMart, which has a majority of its stores located in the state of Maharashtra, one of the worst-hit states in terms of Covid cases, saw another significant issue with the change in purchasing pattern of the consumers as they now majorly purchased the essential items and temporary shutdown of the non-essential items hurt their overall sale and margins.

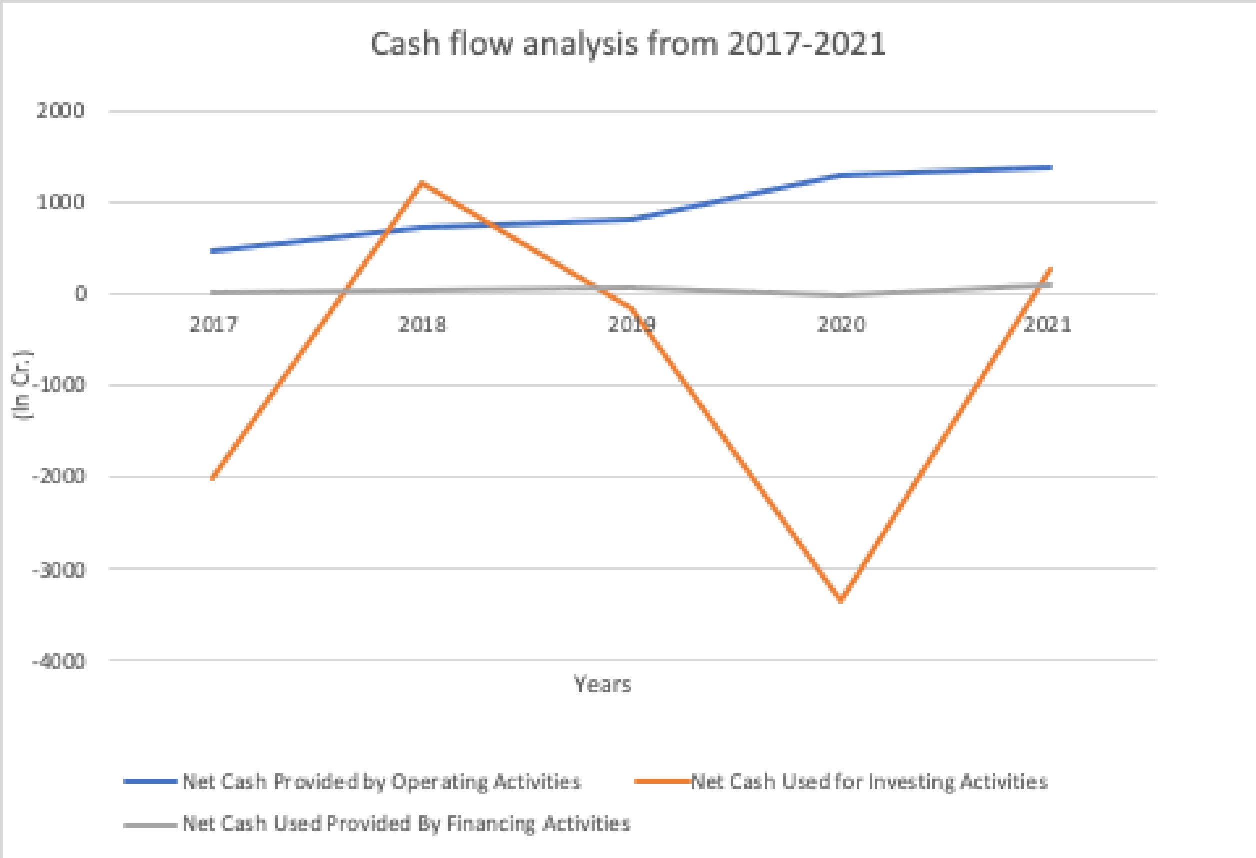
2. Temporary stoppage of store additions and construction activities affected their growth strategies; supply chain disruptions worsened their prospects by creating a shortage of supplies to conduct operations; employee attendance was also a concern for DMart during this period.

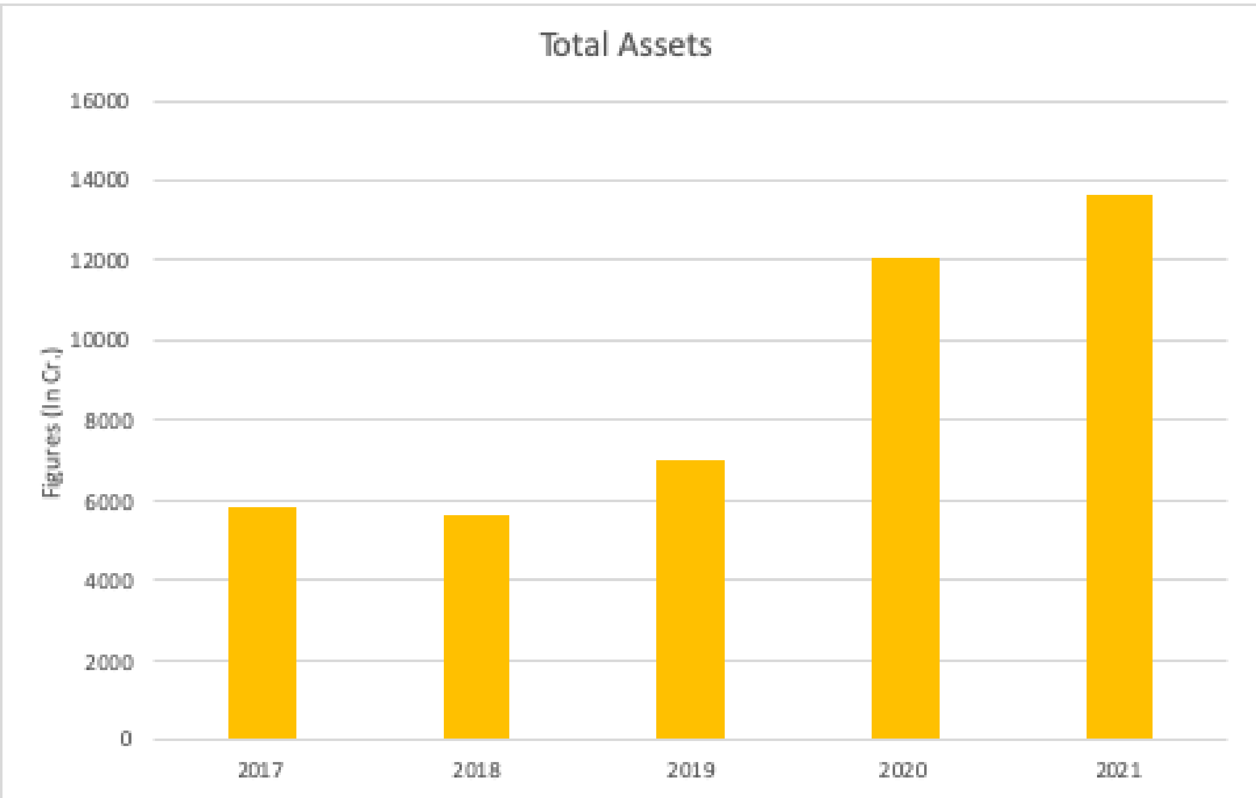
3. All was not negative for the company, as DMart finally saw the need to improve its e-retail wing DMart Ready, but since it only contributes minutely to DMart's sales, it couldn't create the needed impact for Avenue Supermart as required.

Going ahead, with most states relaxing their covid norms, DMart has slowly started to recover to its pre-covid level with Q4 revenues from operations increasing by 18.3% or 1428.8 crores from Q2 in 2021 and on a YoY basis by 22%. In the same period, Net profits have increased from Rs.417.76cr to Rs.552.53cr and 23.48% on a YoY basis. This shows that despite being bogged down by Covid-19, DMart shows rather positive signs of growth and continues to deliver better results compared to its peers.

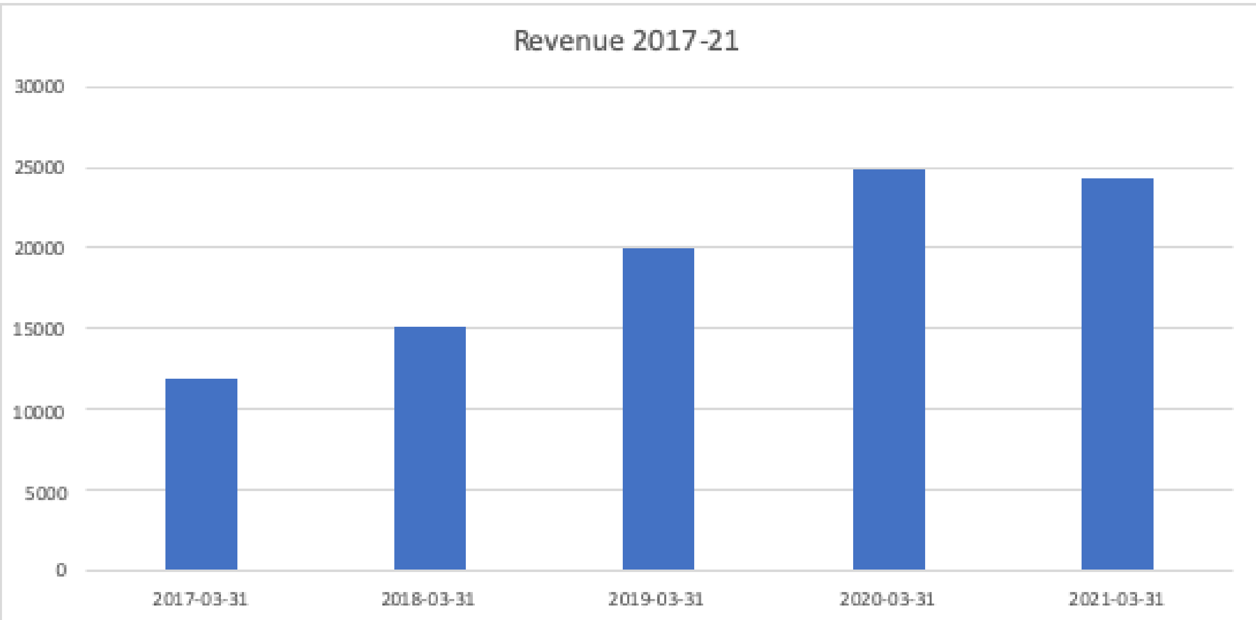


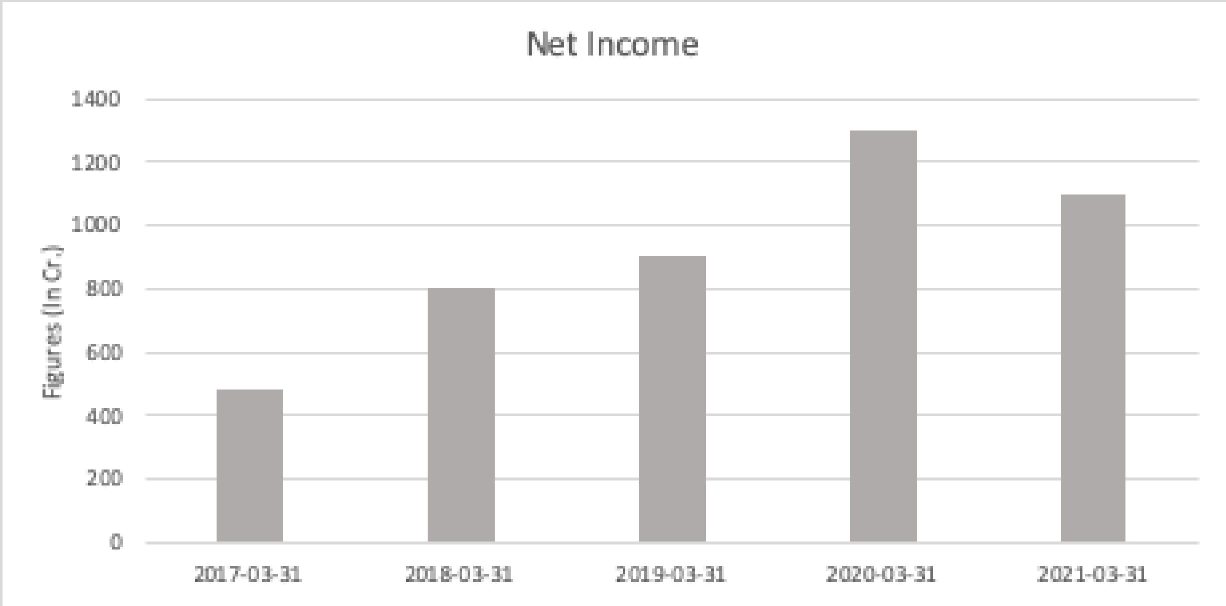
FINANCIAL ANALYSIS





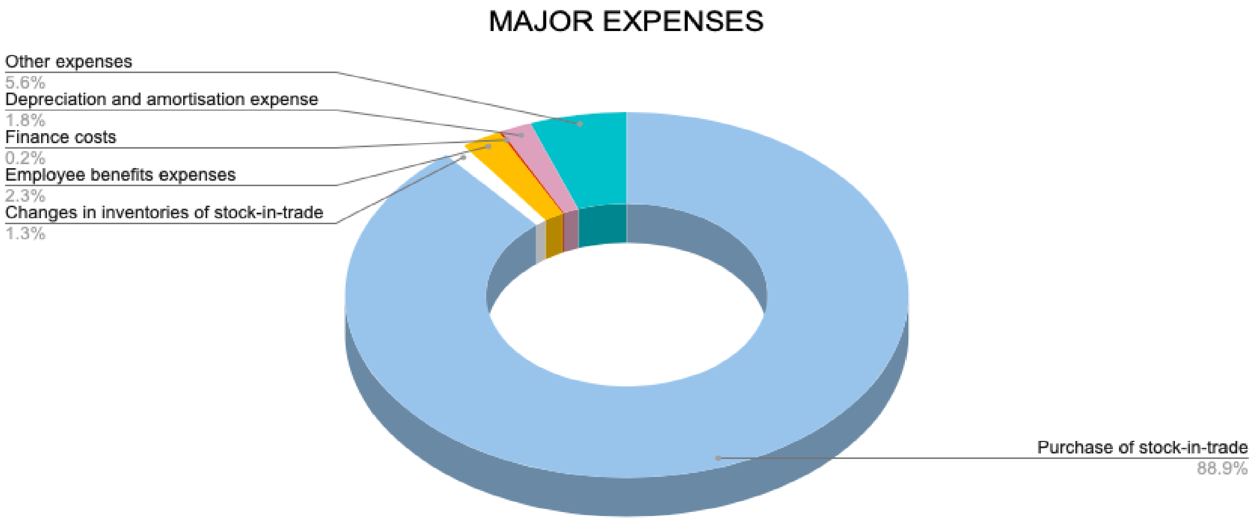

Expenses
25,000
20,000
15,000
10,000
5,000
0
Figures (In Cr.)
2017-03-31
2018-03-31
2019-03-31
2020-03-31
2021-03-31


Revenue 2017-21
30000
25000
20000
15000
10000
5000
0
2017-03-31
2018-03-31
2019-03-31
2020-03-31
2021-03-31



DMart has remained consistent in adding assets to its name over the past many years. Their total assets have grown 13.15% compared to 2020 in 2021. Its cash flow from operating activities has grown at a CAGR of 24.59% over the last 5 years. The total income of Avenue supermarts has decreased by 2.3%, or Rs. 591 crores despite the addition of new stores. This may be due to the reduced footfall in their physical stores from which it mainly derives its revenues from. Their bottom line has also taken a hit compared to their previous performance decreasing by 15.5% or 202 crores. A major positive is the reduction of expenses by 330 crores or 1.4%.

COST ANALYSIS



- Unlike its competitors Avenue supermart has an incredible interest coverage ratio at 41.44, way ahead of its competitors. The company has a virtually zero net debt situation compared to the amount of cash and short-term receivables it has.
- It's rather conservative approach to expansion and stern policy of either owning majority of the properties they operate in, or in some cases long leasing the property, has contributed to a mammoth in hand reserves of over Rs.12000 cr which is sufficient to cover the entirety of its liabilities and yet the company seems to be holding back by not paying out dividends.
- The major contributor to its cost is the procurement of the stock in trade which is higher than its competitors, and yet manages to make sizable profits while the competition struggles to keep up. Being in a credit-intensive industry DMart has always kept its days payable significantly low at 10 days compared to the industry average of 106 days.

KEY RISKS AREAS IN DMART

Missed e-grocery market

In terms of the internet food sector, Avenue Supermarts may have missed the bus.

Because consumers have developed a habit of purchasing online, players such as BigBasket, Grofers, Flipkart, and Amazon took advantage of the chance during a state-wide shutdown due to the Covid-19 pandemic. According to multiple estimates, grocery, which currently accounts for less than 0.3% of the total grocery market, will grow 8-10x over the next 4-5 years, reaching $25-30 billion in sales, fuelled by rising internet penetration, increasing digital awareness, and embracing delivery convenience. With increased competition in India's e-commerce industry, DMart's incapacity to handle the internet-based business could harm both its online and current businesses.

Concentration risk

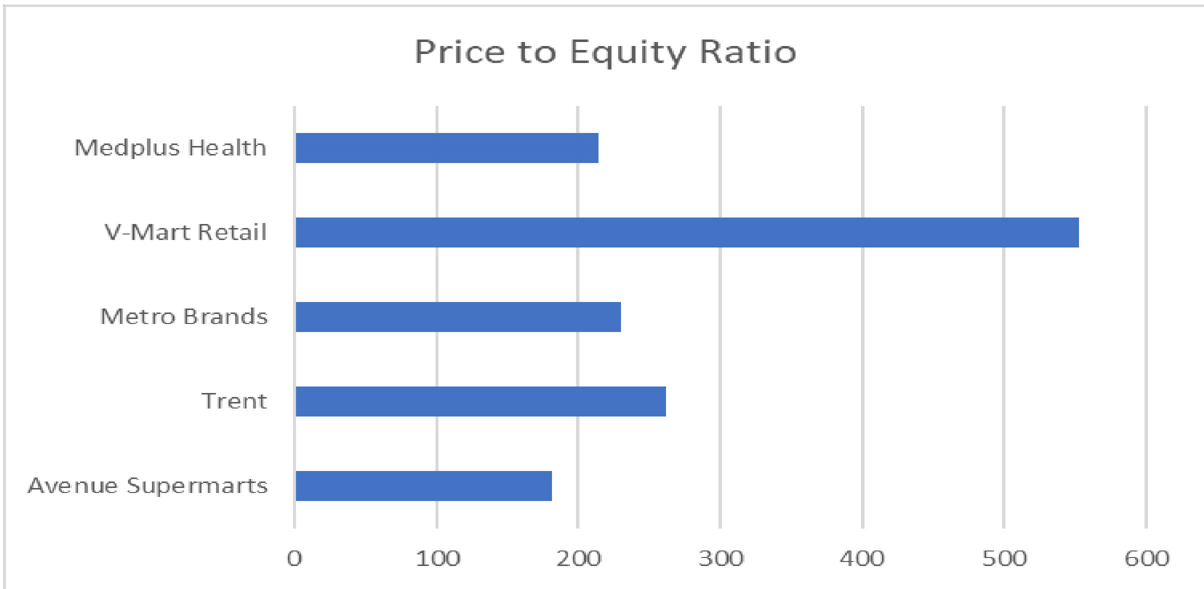
DMart has the majority of its stores exposed in two states, Maharashtra and Gujarat, which leads to detrimental development in terms of competition, economic, political, and geographic development. Furthermore, its cluster-based method merely increases concentration risk.

Failure to identify market trends

The key to DMART's better income per square foot is the right product assortment based on local product preferences and the identification of shifting consumer trends. Failure to repeat this in the additional states that DMART enters may result in the company underperforming. This could jeopardize its future expansion strategy.

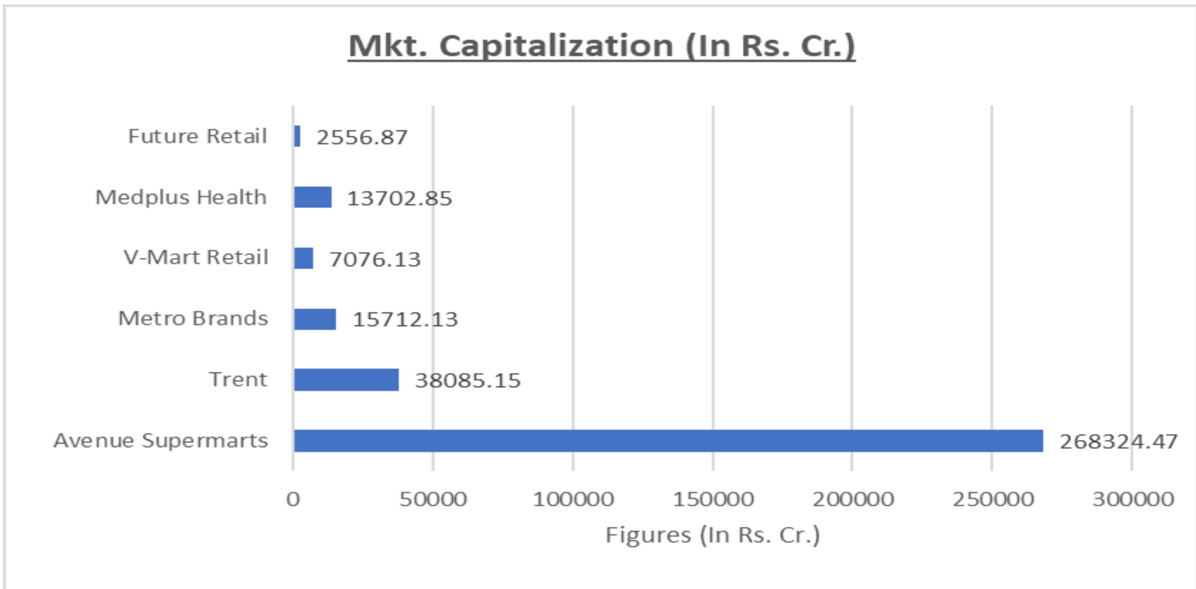
PEER-TO-PEER ANALYSIS

a. On the basis of Price-To-Equity Ratio (P/E Ratio) :



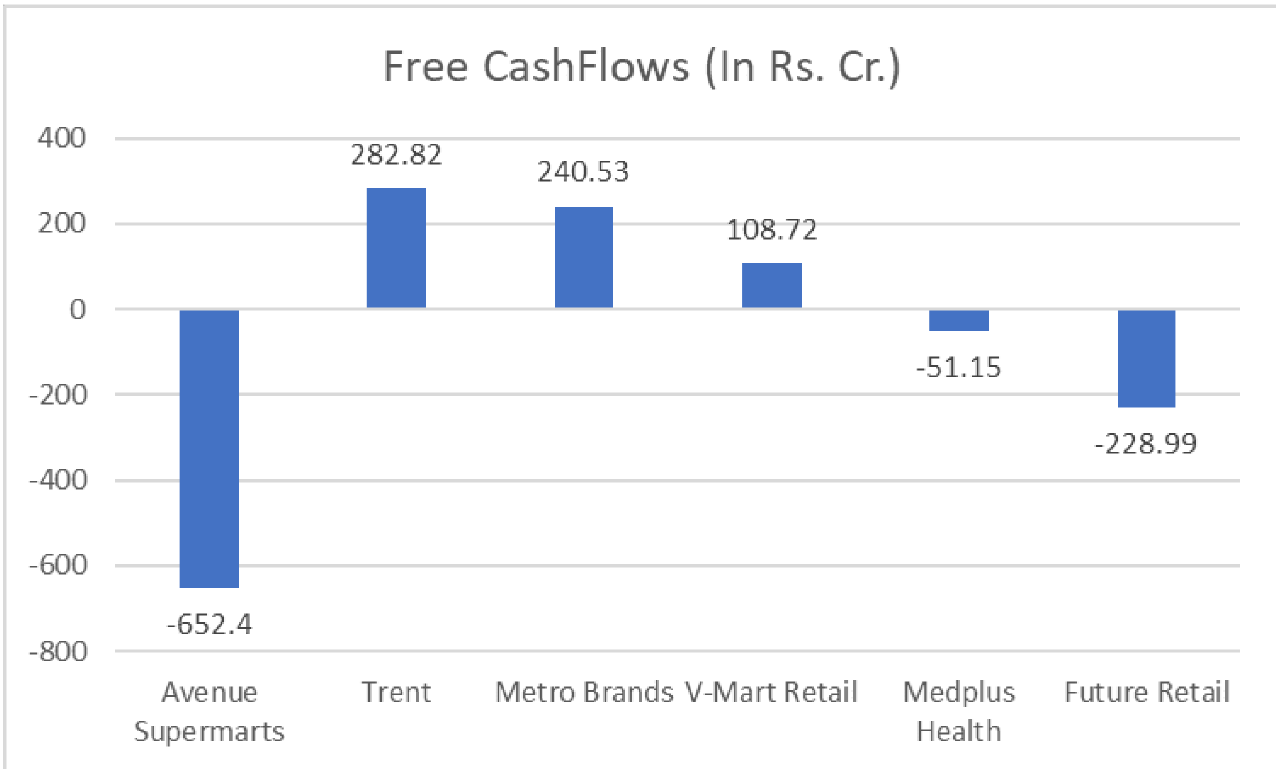
Trading at CMP 3582.85, V-Mart holds an escalating position in this slate of Price to Earnings Ratio, although, we have witnessed a commendable growth in the P/E ratio of Avenue Supermarts in the recent years.

b. On the basis of Market Capitalisation:

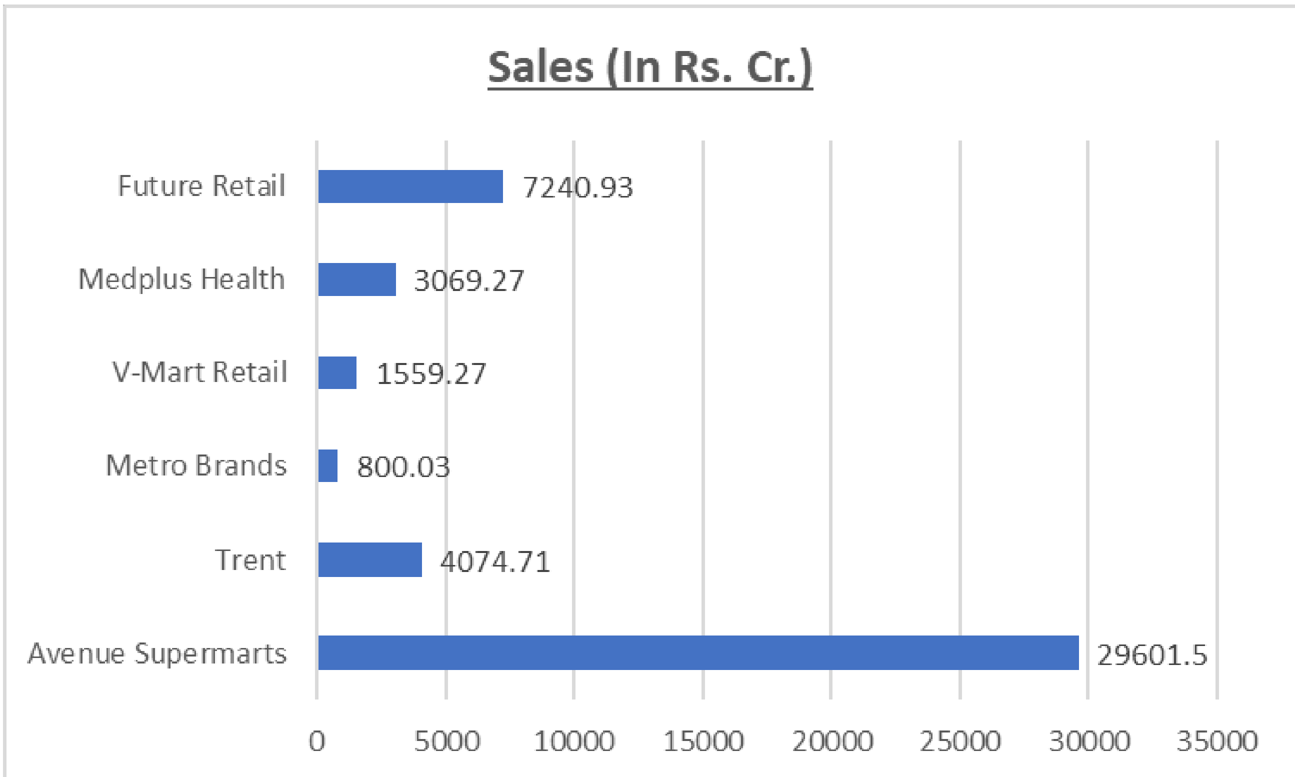


Trading at CMP 4142.25, D-Mart currently holds the largest market capitalization in comparison to its peers in the sector.

c. On the basis of Free Cash Flow of the Companies:

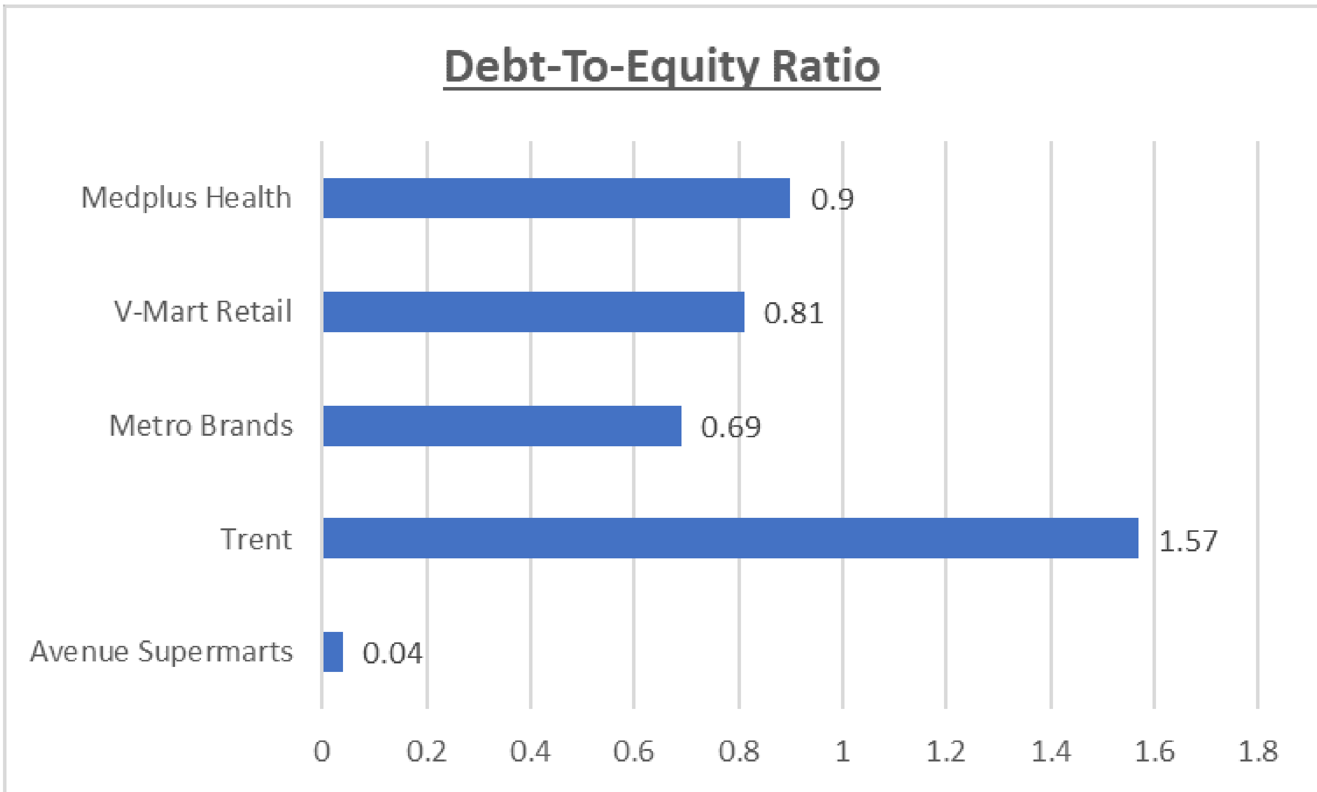


d. On the basis of Sales Figures:



Trading at CMP 4142.25, D-Mart currently has the highest sales figures in comparison to its peers in the sector, and its estimated compounded growth rate is also high for the upcoming years.

e. **On the Basis of Debt-To-Equity Ratio:**



With the lowest Debt-To-Equity Ratio, Avenue Supermarts has huge room for growth in the future and with much less baggage than its peers in the sector.

VALUATION

EV/EBITDA MODEL

	2021	2020	2019	2018	2017
Enterprise Value (in Cr.)	183444.81	142466.23	91957.27	82512.81	39035.74
EBITDA	1950.71	2185.39	1693.5	1409.99	995.04
EV/EBITDA	94.04	65.19	54.3	58.52	39.23

Growth in EBIDTA (5 YEAR CAGR)	**14.41%**
Expected EBIDTA	**2231.84**
Forecasted EV	**209882.23**
Shares Outstanding	**64.7**
Target Price	**3243.92**

(All figures are in crores)

FUTURE OUTLOOK

Avenue Supermarts Ltd. intends to expand its online shopping and pick-up counter operations to two to three additional cities in addition to the present five. They are careful in their online expansion approach, targeting only a few major cities. Dmart intends to open 37 offline locations this fiscal year in order to compensate for the sluggish store openings in FY21. In the fiscal year ending March 2021, the company opened 22 locations.

DMart does not intend to enlarge the 15% gross margin print. As the firm grows, it will source directly from large FMCG companies in order to stay the lowest priced competitor in the market, rather than going through national/local wholesalers. Private labels in the home and personal care area are a long-term opportunity, according to the company, which is currently developing labels.

Food accounts for the majority of DMart's sales, and the company intends to keep focusing on this sector to attract customers while expanding its offerings in general retail and fashion with the addition of larger-sized stores. The corporation will stick to its cluster-based strategy since it prefers to invest in areas it already knows well.

Unlike competitors who use a leasing model and frequently set up in malls, DMart owns 90% of the sites on which its stores are built, generating an asset base and lowering approximately 5-7% of operational expenditures, which are then reinvested in the firm as lower-priced products.

ANALYST VIEW

- **Axis** Securities has sell call on **Avenue Supermarts** with a target price of Rs 3700. The current market price of Avenue Supermarts is Rs 4311. Time period given by analyst is one year when Avenue Supermarts Ltd. price can reach defined target.
- Morgan Stanley Upgrades to 'equal weight' from 'underweight' with target price at Rs 4,338. The environment of high inflation may increase value consciousness of consumers and augurs well for value-focused retailers like DMart. Since mid-October, DMart stock has corrected 11% on an absolute basis, 8% relative to the Sensex and 11-19% vs discretionary peers (Titan Co., Asian Paints Ltd.).
- **Xavier's Finance Community** maintains a "**Neutral**" outlook for Avenue Supermarts (Dmart). The company's fundamentals are strong and very tempting in comparison to its peers from the same industry. However, the company needs to overcome some challenges with new solutions in their retail outlets. The company's financials are also growing consistently. But upon valuating the company via EV/EBIDTA model, we arrived at a target price of Rs. 3243.92 per share, which is much less than its current market price. The key risks for the company remain, the continuance of the covid-crisis and its slow and steadier approach towards online sales than its peers in the sector. Although Dmart has a commanding market share in the industry and a commendable sales growth rate in the recent upcoming years, its financial figures must be closely monitored as of now. Thus, a wise decision would be to wait and watch how the company performs in the upcoming quarters.

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