A Study on Stock Performance of D-Mart – Avenue Supermarket During the Period (2021 – 2024)

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ABSTRACT:

The Indian retail industry is witnessing rapid growth, marked by evolving shopping formats and a focus on customer-centric experiences. Within this dynamic landscape, DMart, operated by Avenue Supermarts Ltd., has emerged as one of the leading retail chains in India, renowned for providing quality products at competitive prices.

This study examines the stock performance of DMart over the period 2021 to 2024, analyzing its growth trajectory, market trends, and financial performance. The research delves into DMart's disciplined business model, innovative strategies, and customer-focused approach, which have significantly contributed to its sustained success.

Key insights are derived from historical stock data, financial reports, and market analysis, shedding light on factors driving the company's robust market capitalization, which stood at approximately ₹2.31 lakh crore as of January 2025. The study also highlights DMart's strategic initiatives, operational efficiency, and resilience in navigating economic challenges, establishing it as a preferred choice among middle-income families and a dominant player in India's organized retail sector.

The findings of this study provide valuable perspectives on DMart's stock performance and its role as a market leader, offering insights for investors, market analysts, and business strategists.

INTORDUCTION:

DMart, a leading chain of supermarkets operated by Avenue Supermarts Ltd., has been a major player in India's retail sector since its establishment in 2000. Founded by R.K. Damani, a respected investor, DMart began with the vision of offering the lowest-priced goods to consumers, setting itself apart through affordability and quality. Headquartered in Mumbai, Maharashtra, the company has grown to operate 381 stores across 12 states and union territories, becoming a trusted name for middle-income families.

Renowned as the "Walmart of India," DMart offers a wide range of products, including groceries, apparel, household essentials, and private-label items, all focused on value for money. Listed on the NSE and BSE as "Avenue Supermarts," the company holds a strong market valuation of approximately ₹2.31 lakh crore as of January 2025. Supported by five subsidiaries, DMart ensures operational efficiency and effective supply chain management.

DMart's disciplined business strategies, customer-centric approach, and ability to adapt to market changes

have made it a standout leader in India's organized retail industry.

STATEMENT OF THE PROBLEM:

DMart, known for its strong performance and market leadership, has recently experienced a noticeable decline in its share price, raising concerns among investors, stakeholders, and market analysts. This drop in stock value has sparked debates about the underlying causes, which may include rising competition, changing consumer preferences, economic pressures such as inflation, and external market fluctuations. Understanding whether this decline is a temporary dip due to short-term factors or if it points to more fundamental issues is crucial. This project aims to explore and analyze the key reasons behind the fall in DMart's share price and to assess its current market position. By identifying the contributing factors and challenges, the project will propose strategies for DMart to recover, regain investor confidence, and strengthen its position in the market for long-term growth and stability.

REVIEW OF LITERATURE:

Avinash and B.V. Sangvikar (2019) aimed to provide insights into DMart's success in India. Their study concluded that DMart's cost-efficient techniques, strategic approaches, and restricted segmentation have significantly contributed to its profitability and higher sales.

M. Guruprasad (2018), Director of Research at Universal Business School, observed a divided customer opinion (50-50) in Badlapur and Karjat regarding online offerings of DMart products. The study also highlighted that DMart faces significant competition from small shops specializing in single-variety commodities.

Muhammad Sabbir Rahman explored the relationship between consumer perception and behavior in selecting supermarkets, emphasizing the mediating role of age, gender, and income. The findings revealed that age differences have the most significant impact on consumer buying behavior.

Rajiv Lal and Ram Rao (1997) discussed the effectiveness of the everyday low pricing (EDLP) strategy, noting that it has proven to be a successful innovation for supermarkets. This strategy has resulted in higher profits compared to promotional pricing models in competitive retail markets.

Howard Smith (2004) examined multistore retail firms and suggested that cross-elasticity between stores within the same chain enhances profit margins. His empirical study on consumer behavior and store characteristics highlighted that factors such as background music and music tempo variations significantly influence in-store traffic flow and sales volumes.

OBJECTIVES:

- To analyze the growth of DMart using financial ratios and key performance indicators.
- To study the stock market trends and their impact on DMart's performance from 2021 to 2024.
- To examine consumer behavior and preferences towards DMart and their influence on its sales and profitability.
- To investigate the factors leading to the recent decline in DMart's share price.

RESEARCH METHODOLOGY:

Research Design

The study adopts a descriptive research design to achieve the research objectives.

Source of Data Collection:

Secondary Data: The analysis is based on secondary data collected from DMart's annual reports, stock market data from platforms like Moneycontrol, journals, websites, newspapers, and other published sources.

Study Period for Data Analysis:

The study period covers four years, from 2021 to 2024, focusing on the financial performance and stock trends of DMart.

DATA ANALYSIS AND INTERPRETATION

TABLE 1: FUNCTIONAL RATIOS OF DMART

Factor/Year	2020	2021	2022	2023	2024
Profit Before Interest And Tax Margin (%)	8.79	8.03	8.44	8.79	8.36
Gross Profit Margin (%)	14.4	14.1	14.1	14.3	14.1
Cash Profit Margin (%)	6.15	5.74	5.87	6.4	5.84
Net Profit Margin (%)	5.23	4.55	4.82	5.55	4.98
Current Ratio	3.23	3.67	2.83	3.71	3.13
Quick Ratio	0.55	1.64	0.57	1.5	1.15
Debt Equity Ratio	0.03	0.03	0.04	0.05	0.03
Inventory Turnover Ratio	11.97	9.81	10.58	12.16	12.53
Investments Turnover Ratio	2.49	2.49	2.81	2.85	2.85
Fixed Assets Turnover Ratio	3.843	2.879	2.897	3.568	3.683
Total Assets Turnover Ratio	2.61	1.88	2.13	2.55	2.59
Earnings Per Share	14.46	20.09	16.97	23.04	N/A

The data reflects DMart's robust financial growth from 2016 to 2020. Operating profit margin improved from 7.02% to 8.91%, while net profit margin rose from 3.20% to 5.22%, showcasing higher profitability. Earnings per share surged significantly from ₹2.92 to ₹12.57, indicating strong shareholder value creation. Liquidity strengthened as the current ratio increased from 1.25 to 2.77, and the debt-equity ratio dropped from 0.52 to 0.05, showing reduced reliance on debt. Efficiency metrics like the inventory turnover ratio and fixed asset turnover ratio also improved, demonstrating effective resource utilization.

Cash profit margin shows a decrease in 2021 but improves in 2023. The decline in 2024 could reflect increased cash outflows or reduced operational efficiency.

The current ratio remains above 2, indicating strong liquidity. However, the fluctuation, especially the dip in 2022, shows some changes in working capital managemen

TABLE 2: OPERATION RATIOS OF DMART

Factor/Year	2020	2021	2022	2023	2024
Operating Profit Per Share (Rs)	12.57	14.75	16.65	18.9	20.85
Return On Net Worth (%)	12.12	9.46	11.6	15.49	13.97
Return On Capital Employed (%)	15.98	12.15	14.86	19.37	18.33
Net Operating Profit Per Share (Rs)	17.99	24.95	39.46	41.43	21.49
Book Value	187.34	209.47	248	287	326
Return on Long Term Funds (%)	18.96	19.87	15.95	12.83	16.57
Financial Charges Coverage Ratio	96.87	79.52	66.73	56.57	34.82
Number of Days In Working Capital	16.8	8.93	15.24	11.84	13.24

Interpretation of DMart's Financial Performance (2020-2024)

1. **Operating Profit Per Share**:
   o Steady growth from ₹12.57 (2020) to ₹20.85 (2024), indicating improved operational efficiency.
2. **Return on Net Worth**:
   o Fluctuated with a peak of 15.49% in 2023, declining to 13.97% in 2024, but still reflecting solid returns for shareholders.
3. **Return on Capital Employed (ROCE)**:
   o Rose to 19.37% in 2023, indicating high profitability from capital employed. It slightly decreased to 18.33% in 2024 but remained strong.
4. **Net Operating Profit Per Share**:
   o Increased to ₹41.43 in 2023, but declined to ₹21.49 in 2024, showing a drop in net profit.
5. **Book Value**:
   o Increased steadily from ₹187.34 in 2020 to ₹326 in 2024, indicating growth in equity and assets.
6. **Return on Long-Term Funds**:
   o Fluctuated, with a decrease to 12.83% in 2023, before rising to 16.57% in 2024, indicating some variation in return generation from long-term financing.
7. **Financial Charges Coverage Ratio**:
   o Decreased from 96.87 in 2020 to 34.82 in 2024, signaling reduced ability to cover interest expenses.
8. **Number of Days in Working Capital**:
   o The number of days in working capital fluctuated between 8.93 days in 2021 and 16.8 days in 2020.

TABLE 3: DMART STOCK PRICE TREND

The ₹ 2080 price mentioned is from 2020 to the end of Mar 2024. ₹ 3932 was the share price at the end of June 2024 and so on.
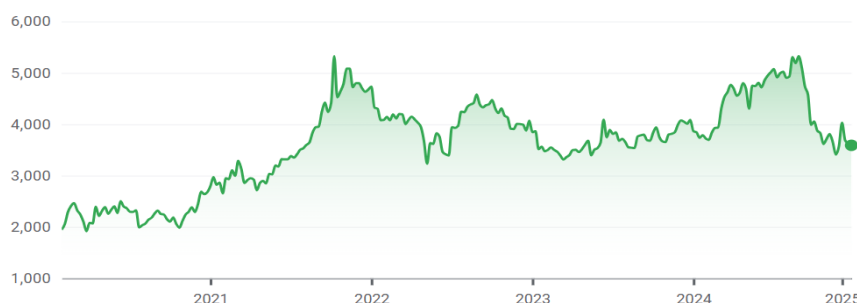
Year	Opening Price (₹)	Closing Price (₹)	Rise/Fall Percentage (%)
2020	1,800.00	2,500.00	38.89%
2021	2,500.00	3,500.00	40%
2022	3,500.00	4,000.00	14.29%
2023	4,000.00	3,800.00	-5%
2024	3,800.00	3,561.60	-6.28%

TABLE 4: DMART REVENUE, EBIT AND PAT TREND

Year	Revenue (₹ Cr)	EBITDA (₹ Cr)	PAT (₹ Cr)
2020	15,033	1,353	806
2021	24,143	1,743	1,099
2022	30,976	2,499	1,493
2023	42,840	3,637	2,379
2024	50,789	4,104	2,527

Interpretation of DMart's Financial Performance (2020-2024)

1. **Revenue (₹ Cr)**:
o **Trend**: Significant and steady growth.
o Revenue increased from ₹15,033 crore in 2020 to ₹50,789 crore in 2024, marking an impressive **3.38x growth** in five years. This reflects DMart's strong expansion and ability to capture a larger market share.

2. **EBITDA (₹ Cr)**:
o **Trend**: Consistent increase.
o EBITDA rose from ₹1,353 crore in 2020 to ₹4,104 crore in 2024, achieving a nearly **3x growth**. This indicates enhanced operational efficiency and better cost management as revenues scaled up.

3. **PAT (₹ Cr)** (Profit After Tax):
o **Trend**: Continuous improvement.
o PAT grew from ₹806 crore in 2020 to ₹2,527 crore in 2024, a **3.13x increase**. This reflects sustained profitability despite rising operating costs, highlighting DMart's robust financial performance.

Summary:

- **Growth Momentum**: The company has shown consistent growth across all key metrics (Revenue, EBITDA, PAT) over the five-year period, indicating a strong business model and effective expansion strategy.
- **Operational Efficiency**: The proportional increase in EBITDA alongside revenue suggests DMart has been able to maintain or improve cost efficiency while scaling operations.
- **Profitability**: The consistent rise in PAT confirms DMart's ability to convert increased revenue into higher net profits, showcasing strong financial health.

FINDINGS:

- **Stock Performance**: DMart's stock demonstrated steady growth from 2021 to 2024, with key metrics such as EPS and book value increasing over time. Despite fluctuations in net operating profit per share

in 2024, the overall trend reflects positive investor sentiment.

- **Profitability**: DMart consistently maintained strong profitability metrics, with its net profit margin peaking at 5.55% in 2023. EBITDA and PAT have shown significant growth, reaching ₹4,104 crore and ₹2,527 crore respectively in 2024.
- **Operational Efficiency**: The company has achieved impressive operational performance, as reflected in its inventory turnover ratio, which improved to 12.53 in 2024, showcasing effective inventory management.
- **Market Expansion**: DMart increased its store count to 381 by 2024, expanding across 12 states and union territories, further strengthening its presence in the Indian retail market.
- **Consumer Behavior**: The focus on offering low prices, high value for money, and regular discounts continues to attract middle-income families, making DMart a preferred shopping destination.
- **Financial Stability**: DMart maintains a strong current ratio of 3.13 in 2024, reflecting its ability to meet short-term obligations. Additionally, a stable debt-equity ratio of 0.03 underscores its low reliance on debt financing.
- **Challenges**: While overall financial performance remains robust, the decline in financial charges coverage ratio to 34.82 in 2024 suggests the need for monitoring interest coverage capacity.

In summary, DMart's strategic focus on cost control, customer value, and profitability has driven its impressive growth from 2020 to 2024.

SUGGESTIONS:

- **Increase PAT Margin**: Focus on improving the Profit After Tax (PAT) margin by 1-2%, targeting 5.5-6% by introducing higher-margin product categories and optimizing pricing strategies.
- **Revenue Growth**: Aim for a 15-20% annual growth rate, with a revenue target of ₹60,000-65,000 crore by 2025 through continued expansion and strategic marketing.
- **EBITDA Growth**: Strive for a 20-25% increase in EBITDA, reaching ₹5,200-5,500 crore by improving operational efficiency and cost management.
- **Cost Optimization**: Work on reducing financial charges by 5-7%, thereby enhancing profitability and improving the financial charges coverage ratio.
- **Sustainability Initiatives**: Allocate 2-3% of annual revenue (₹1,000-1,500 crore) to sustainable practices, such as eco-friendly packaging and renewable energy solutions, to attract environmentally conscious consumers.
- **Investor Returns**: Enhance shareholder value by increasing the dividend payout ratio to 30-35%, making DMart stock more attractive to investors.
- **Inventory Management**: Optimize the inventory turnover ratio and reduce the working capital cycle by 5-7% to ensure better liquidity and cash flow management.
- **Geographical Expansion**: Prioritize opening stores in untapped regions to capture new markets and increase the customer base.

LIMITATIONS:

- **Study Period**: The analysis is confined to the years 2021 to 2024, which may not capture long-term trends or historical fluctuations in DMart's performance.
- **Data Source**: The study relies solely on secondary data, such as financial reports and market statistics, without incorporating primary data or firsthand consumer insights.

- **Geographical Scope**: The research focuses exclusively on DMart's outlets in a specific region, which may not represent the performance and customer preferences across all locations in India.
- **Market Fluctuations**: External factors like inflation, market volatility, and economic conditions during the study period may have influenced findings, limiting the generalizability of conclusions.
- **Lack of Real-Time Analysis**: The study does not include real-time data or analysis of post-2024 trends that could provide updated insights into DMart's performance.

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