



IIMC CASE RESEARCH CENTER (IIMCCRC)

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DMART: THE INDIAN WALMART

MARCH 2020, MUMBAI, DMART'S OFFICE

On 17 February 2020, Radhakishan Damani, the founder of DMart and Avenue Supermarts Limited (ASL), became the second richest person in the Indian subcontinent with a net worth of USD 17.8 billion, second only to Mukesh Ambani, the richest person in Asia with a net worth of USD 57.4 billion.¹ He moved ahead of Shiv Nadar (USD 16.5 billion), Uday Kotak (USD 14.9 billion), Gautam Adani (USD 14.1 billion), and Lakshmi Mittal (USD 12.1 billion), when the share price of ASL, the firm that owns DMart supermarket chain, surged 730 per cent from its initial public issue in 2017.²

DMart emerged to be one of the most successful supermarket chains in India. In a country, where most retailers, including big international players such as Walmart and Metro were losing money, ASL established a track record of consistent profits. Its profit-after-tax (PAT) for the fiscal year (FY) 2018/19 stood at ₹9.35 billion, growing 19 per cent from ₹7.84 billion in FY 2017/18.³ Its total revenues grew 33 per cent to ₹199.16 billion in FY 2018/19 from ₹150.08 billion in FY 2017/18. Additionally, the sales revenue per square foot of DMart had increased by 9 per cent from ₹32,719 in FY 2017/18 to ₹35,647 in FY 2018/19.⁴ Since its inception, ASL was the only retailer that had not shut a single store and was the first retailer to cross the billion-dollar market profitability.

DMart earned higher revenues and net profit per square foot in comparison to the country's leading supermarket chains, Future Retail and Reliance Retail (see Exhibit 1, Exhibit 2). DMart, with a strong 17.8 per cent same store sales growth (SSSG) and 8.3 per cent earnings before interest, taxes, depreciation, and amortization (EBITDA) margin unfailingly outperformed its peers who had EBITDA margins between 2 and 5 per cent in FY 2018/19 (see Exhibit 1, Exhibit 2). Moreover, it was ahead of Walmart and Costco, the world's top two listed retailers based

Prof. Ritu Mehta and Radhika Sriram of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

on market capitalization, on various financial parameters including return on equity, revenue, net profit, asset turnover, and inventory turnover.⁵

Having seen glorious years in the past, there were a number of questions concerning DMart. Could DMart sustain a high growth in future? How should it look at further expansion? How would it thrive under the growing competition from big national and international retail chains as well as the growing number of pure online retailers?

¹ Rajesh Mascarenhas, Radhakishan Damani becomes India's 2nd richest person, The Economic Times, February 18, 2020, accessed March 12, 2020, economictimes.indiatimes.com/markets/stocks/news/DMarts-radhakishan-damani-now-indias-second-richest-individual/articleshow/74151939.cms

² ET Markets, DMart OFS: Retail quota subscribed 98%, The Economic Times, February 17, 2020, accessed March 20, 2020, economictimes.indiatimes.com/markets/stocks/news/dmart-ofs-retail-quota-subscribed-4-so-far/articleshow/74168838.cms

³ ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; USD 1= ₹ 69.44 on March 31, 2019.

⁴ Avenue Supermarts, Annual Report 2018-2019, July 23, 2019, accessed March 20, 2020, www.dmartindia.com/files/investor_relationship/annual_report_2018_-19_and_agm_notice/Annual%20Report%202018%20-19%20and%20AGM%20Notice23_07_2019_04_17_16.pdf

⁵ Soumeet Sarkar, How DMart Stacks Up Against Peers, Bloomberg Quint, September 12, 2017, accessed March 13, 2020, www.bloomberquint.com/markets/how-DMart-stacks-up-against-peers