

HSIE Results Daily

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Results Reviews

- **Avenue Supermarts:** DMART reported a standalone revenue of INR 159.3bn in Q1, reflecting a 16.2% YoY growth. Management attributed the 100-150bps topline drag to sharp deflation in many staples and non-food products. Q1FY26 SSSG stood at 7.1%. Sales density grew ~2% YoY to INR38.2k/sq. ft. annualized. Margins surprised negatively, with EBITDAM contracting 66bps YoY to 8.2% (HSIE: 8.8%), due to (1) continued competitive intensity in FMCG (GM impact: -27bps YoY), (2) ongoing investments in service level improvements, (3) capacity building costs, and (4) inflation at entry-level wages. Given the higher retailing cost and sustained pressure on margins, we have cut our FY26/27 EPS estimates by ~3/2% respectively. However, we maintain our ADD rating with a DCF-based TP of INR4,000/sh, implying 60x Jun-27 P/E.

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Avenue Supermarts

Margin disappoints

DMART reported a standalone revenue of INR 159.3bn in Q1, reflecting a 16.2% YoY growth. Management attributed the 100-150bps topline drag to sharp deflation in many staples and non-food products. Q1FY26 SSSG stood at 7.1%. Sales density grew ~2% YoY to INR38.2k/sq. ft. annualized. Margins surprised negatively, with EBITDAM contracting 66bps YoY to 8.2% (HSIE: 8.8%), due to (1) continued competitive intensity in FMCG (GM impact: -27bps YoY), (2) ongoing investments in service level improvements, (3) capacity building costs, and (4) inflation at entry-level wages. Given the higher retailing cost and sustained pressure on margins, we have cut our FY26/27 EPS estimates by ~3/2% respectively. However, we maintain our ADD rating with a DCF-based TP of INR4,000/sh, implying 60x Jun-27 P/E.

- Q1FY26 highlights:** The company's revenue grew 16.2% YoY to INR159.3bn in Q1FY26. However, this growth was notably impacted by a ~100-150bps drag, primarily due to high deflation across many staples and non-food products. SSSG for Q1 stood at 7.1% (vs. 9.1% in Q1FY25). DMART added nine new stores (store count: 424), including its first in Uttar Pradesh. Food/non-food FMCG/GM&A contributed 55.6/19.67/24.73% respectively. Revenue/EBITDA came in at INR38.2k/3.1k per sq ft in Q1 (up 2.2%/down 5.4% YoY resp). GM contracted 27bps YoY to 14.6% (HSIE: 15%). This decline was primarily due to sustained FMCG competition, resulting in higher product discounts. EBITDAM too contracted 66bps YoY to 8.2% (HSIE: 8.8%), owing to the company's ongoing efforts at improving service levels and building capacity, as well as the impact of inflation on entry-level wages. EBITDA grew 7.6% YoY (INR 13.1bn vs HSIE: INR 14bn). APAT grew 2.1% YoY to INR 8.3bn (HSIE: INR 9bn).
- Outlook:** DMART continues to navigate a challenging competitive landscape (courtesy QC players). Store addition pace and margin improvement will be the key monitorables. We have toned down our margin expectations and cut our FY26/27 EPS estimates by ~3/2% respectively. However, we maintain our ADD rating with a DCF-based TP of INR4,000/sh, implying 60x Jun-27 P/E.

Quarterly financial summary

(Rs mn)	1Q FY26	1Q FY25	YoY (%)	4Q FY25	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	1,59,321	1,37,119	16.2	1,44,624	10.2	4,95,330	5,77,898	6,79,336	8,04,611	9,53,212
EBITDA	13,133	12,210	7.6	9,814	33.8	39,406	43,539	51,684	63,461	77,245
APAT	8,297	8,125	2.1	6,197	33.9	26,949	29,272	33,343	40,912	50,120
EPS (Rs)	12.8	12.5	2.1	9.52	33.9	41.4	45.0	51.2	62.9	77.0
P/E (x)						100.4	92.4	81.1	66.1	54.0
EV/EBITDA (x)						68.5	62.1	52.3	42.6	34.9
Core RoCE(%)						16.3	14.3	14.3	15.1	15.9

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	6,79,336	6,79,336	-	8,04,611	8,04,611	-	9,53,212	9,53,212	-
Gross Profit	96,782	97,799	(1.0)	1,17,055	1,17,456	(0.3)	1,39,619	1,39,619	(0.0)
Gross Profit Margin (%)	14.2	14.4	-15 bps	14.5	14.6	-5 bps	14.6	14.6	0 bps
EBITDA	51,684	52,925	(2.3)	63,461	64,269	(1.3)	77,245	77,725	(0.6)
EBITDA margin (%)	7.6	7.8	-18 bps	7.9	8.0	-10 bps	8.0	8.0	0 bps
APAT	33,343	34,440	(3.2)	40,912	41,820	(2.2)	50,120	50,914	(1.6)
APAT margin (%)	4.9	5.1	-16 bps	5.1	5.2	-11 bps	5.3	5.3	-8 bps
EPS (Rs)	51.2	52.9	(3.2)	62.9	64.3	(2.2)	77.0	78.2	(1.6)

Source: Company, HSIE Research

ADD

CMP(as on 11 Jul 2025) INR 4,064

Target Price INR 4,000

NIFTY 25,150

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,000	INR 4,000
EPS %	FY26E	FY27E
	-3.2	-2.2

KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (INR bn) / (\$ mn)	2,713/31,675
6m avg traded value (INR mn)	2,426
52 Week high / low	INR 5,485/3,340

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.7	13.1	(13.8)
Relative (%)	(11.9)	5.6	(17.9)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	74.65	74.65
FIs & Local MFs	8.14	9.15
FPIs	8.96	8.18
Public & Others	8.25	8.02
Pledged Shares	0	0

Source : BSE

-Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

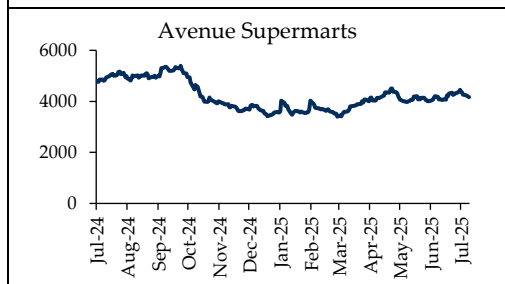
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Avenue Supermarts	MBA	NO
Vedant Mulik	Avenue Supermarts	CA	NO

1 Yr Price movement

Disclosure:

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