



TM

Avenue Supermarts

12 October 2025

Margin drag continues

RESULT UPDATE

Sector: Retail Rating: HOLD

CMP: Rs 4,320 Target Price: Rs 4,055

Stock Info

| | |
|--------------------|-------------------------|
| Sensex/Nifty | 82,500 / 25,285 |
| Bloomberg | DMART IN |
| Equity shares (mn) | 651 |
| 52-wk High/Low | Rs 4,950 / 3,340 |
| Face value | Rs 10 |
| M-Cap | Rs.2,816.3bn/US\$31.7bn |
| 3-m Avg Turnover | USD 30mn |

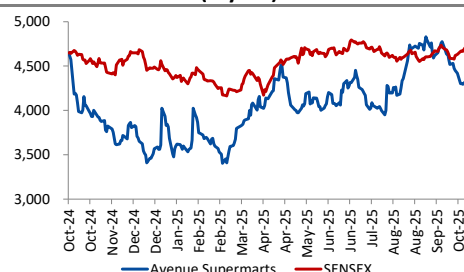
Financial Snapshot (Rs mn)

| Y/E Mar | FY26E | FY27E | FY28E |
|-----------------|---------|---------|---------|
| Sales | 687,346 | 798,449 | 924,445 |
| PAT | 32,991 | 39,111 | 46,144 |
| EPS (Rs) | 50.7 | 60.1 | 70.9 |
| PE (x) | 85.2 | 71.9 | 60.9 |
| EV/EBITDA (x) | 53.0 | 45.0 | 38.3 |
| P/BV (x) | 11.4 | 9.8 | 8.5 |
| EV/Sales | 4.1 | 3.5 | 3.0 |
| RoE (%) | 14.3 | 14.7 | 14.9 |
| RoCE (%) | 18.5 | 19.4 | 19.7 |
| NWC (days) | 24 | 24 | 24 |
| Net gearing (x) | (0.0) | (0.0) | (0.1) |

Shareholding Pattern (%)

| | Jun 25 | Mar 25 | Dec 24 |
|----------|--------|--------|--------|
| Promoter | 74.7 | 74.6 | 74.6 |
| -Pledged | - | - | - |
| FII | 8.3 | 8.2 | 9.0 |
| DII | 9.2 | 9.1 | 8.1 |
| Others | 7.9 | 8.1 | 8.3 |

Stock Performance (1-year)



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Avenue Supermarts (DMART) reported results in line with our expectations. Revenue growth stood at 15.4% YoY, operating margin at 7.6% leading to a 5.1% YoY PAT growth while PAT margin declined 45 bps YoY to 4.6%. The 2QFY26 same store revenue growth for 2 years and older stores was 6.8% (as per the company). Revenue per sq.ft grew 1.9% YoY to Rs 9,061 during 2QFY26, while EBITDA per sq.ft declined 1.8% YoY to Rs 687. Revenue per store grew 0.7% YoY to Rs 375 mn while EBITDA per store declined 2.9% YoY to Rs 28 mn in 2QFY26. Gross margin increased 6 bps YoY to 14.2% while EBITDA margin contracted 28 bps YoY to 7.6%. Other expenses and employee costs increased 7 bps and 27 bps YoY respectively. Adjusted PAT grew 5.1% YoY to Rs 7.46 bn. Company had highlighted that revenue growth was impacted by 100-150 bps primarily due to high deflation in multiple staples and non-food products. Margin declined due to continued competitive intensity within the FMCG space and rise of quick commerce. Moreover, revenue share from low margin categories such as Foods has increased (+61 bps) while share from comparatively high margin categories like FMCG (-50 bps) and General merchandise & apparel (-11 bps) declined. Moreover higher operating costs led by improving service levels, capacity building and inflation at entry level wages impacted margins. Company has also highlighted that it has passed on the benefit of reduced GST rates to customers. In Dmart Ready, company added 10 new fulfillment centers in existing markets i.e majorly large metro cities. Company ceased operations in 5 cities (Amrtisar, Belgavi, Bhilai, Chandigarh and Ghaziabad). Dmart Ready is now present across 19 cities. Company opened 8 new stores in 2QFY26 (17 stores in 1HFY26) taking its total store count to 432 covering area of 17.9 mn sq.ft. The store size of the incremental stores added in 2Q stood at 37.5k sq.ft whereas the average store size now stands at 41.4k sq.ft.

The 2QFY26 revenue performance and store opening rate remained steady, however operating performance deteriorated owing to the higher discounting in the FMCG category, increased competition from quick commerce, rise in wage for entry level positions, continued investments to improve service level of stores, rise in share of low margin Foods category and reduced share of the comparatively high margin FMCG and GM&A segment. We expect the company to open 47/ 49/51 stores in FY26E/ FY27E/ FY28E respectively with a 2.6% CAGR in revenue per sq.ft during FY25-FY28E and margins of 7.7%-7.9% during FY26-FY28E respectively. We have build in revenue/ EBITDA/ PAT CAGR of 15.9%/ 17.5%/ 19.4% respectively over FY25-FY28E. We maintain our HOLD rating on DMart with a SOTP-based PT of Rs 4,055 (from Rs 3,982 earlier) based on 38x Sept 2027 EV/EBITDA (35% discount to LPA of 60x) for the offline business and 2x Sept 2027 EV/ sales for the online business.

Revenue growth stood at 15.4%: Standalone revenue growth of 15.4% YoY, our calculated revenue per sq.ft grew 1.9% YoY to Rs 9,061 while revenue per store for 2QFY26 grew 0.7% YoY to Rs 375 mn. The topline growth was led by 15.4% increase in retail area. As per company, the 2QFY26 like-for-like revenue growth for the same cohort of stores stood at 6.8%. The company opened 8 new stores during the quarter (vs 6 stores in 2QFY25) to take the total store count to 432 stores. We have factored in 47/49/51 store additions for FY26E/FY27E/FY28E respectively. We estimated 2.6% CAGR in sales per sq ft which should translate into 15.9% CAGR in sales over FY25-FY28E.

Decline in operating margin: Gross margin increased 6 bps YoY to 14.2%. EBITDA margin declined 28 bps YoY to 7.6%. Other expenses and employee costs increased 7 bps and 27bps respectively. EBITDA per sq ft declined 1.8% YoY to Rs 687 in 2QFY26. EBITDA per store declined 2.9% YoY to Rs 28 mn. Adjusted PAT grew 5.1% YoY to Rs 7.46 bn. The company had noted increased discounting in the FMCG category, impacting margins, alongside rising entry-level wages due to a skilled labor mismatch. Continued investments were made to enhance service levels, including faster availability, smoother checkouts, and future store readiness. Additionally, revenue share from low margin categories such as Foods has increased (+61 bps) while share from comparatively high margin categories such as FMCG (-50 bps) and General merchandise & apparel (-11 bps) declined. We expect operating margins of 7.7%/7.8%/7.9% in FY26/FY27/FY28E respectively. We have built 17.5% CAGR in EBITDA over FY25-FY28E.

Strong working capital cycle to be maintained, capex to continue increasing steadily: DMart is unlikely to compromise on its working capital management. We expect the company to maintain its inventory cycle at 34-35 days and net working capital cycle at ~24 days. Capex for FY25 stood at Rs 34 bn. We have build in 47/49/51 stores over FY26E/FY27E/FY28E respectively which would lead to a gradual increase in capex. The expected capex of ~Rs 114bn over FY26E-FY28E would be funded through its operating cash flow of ~Rs 130 bn during the same period. We estimate RoE/ RoCE of 14.9%/ 19.7% in FY28E respectively.

Exhibit 1: SOTP Valuation

| Particulars | Sept 2027 (Rs mn) | Multiple (x) | EV (Rs mn) | Per share (Rs) |
|------------------------------|----------------------|-----------------|------------------|-------------------|
| DMart offline stores EBITDA | 67,496 | 38 | 2,551,357 | 3,921 |
| (35% discount to LPA of 60x) | | | | |
| DMart Ready online revenue | 52,028 | 2 | 104,056 | 160 |
| Net debt | | | (16,408) | (25) |
| Target equity value | | | 2,639,004 | 4,055 |
| CMP | | | | 4,320 |
| Upside (%) | | | | -6.1% |

Source: Company, Systematix Institutional Research

Exhibit 2: Change in Estimates

| (Rs mn) | New estimates | | | Old estimates | | | Variance | | |
|---------------|---------------|---------|---------|---------------|---------|---------|----------|-------|-------|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 687,346 | 798,449 | 924,445 | 690,765 | 805,728 | 936,015 | -0.5% | -0.9% | -1.2% |
| EBITDA | 52,801 | 62,132 | 72,861 | 53,755 | 63,504 | 74,709 | -1.8% | -2.2% | -2.5% |
| EBITDA Margin | 7.7% | 7.8% | 7.9% | 7.8% | 7.9% | 8.0% | | | |
| EPS | 50.7 | 60.1 | 70.9 | 51.9 | 61.8 | 73.1 | -2.3% | -2.7% | -3.0% |

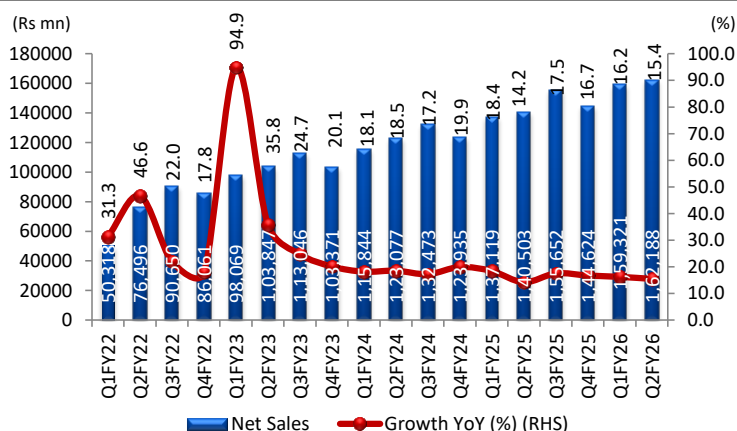
Source: Company, Systematix Institutional Research

Exhibit 3: Quarterly performance

| YE March (Rs mn) | Q2FY26 | Q2FY25 | Q1FY26 | YoY (%) | QoQ (%) |
|--------------------------|-----------------|-----------------|-----------------|---------------|---------------|
| Net Revenues | 1,62,188 | 1,40,503 | 1,59,321 | 15.4 | 1.8 |
| Purchase of traded goods | 1,39,090 | 1,20,579 | 1,35,998 | 15.4 | 2.3 |
| (% of sales) | 85.8 | 85.8 | 85.4 | | |
| Gross Profit | 23,098 | 19,924 | 23,323 | 15.9 | (1.0) |
| Gross margin (%) | 14.2 | 14.2 | 14.6 | 6 | -40 |
| Employee cost | 3,311 | 2,483 | 3,018 | 33.4 | 9.7 |
| (% of sales) | 2.0 | 1.8 | 1.9 | | |
| Others | 7,487 | 6,391 | 7,172 | 17.1 | 4.4 |
| (% of sales) | 4.6 | 4.5 | 4.5 | | |
| EBITDA | 12,300 | 11,051 | 13,133 | 11.3 | (6.3) |
| EBITDA margin (%) | 7.6 | 7.9 | 8.2 | -28bps | -66bps |
| Other income | 329 | 465 | 341 | (29.2) | (3.5) |
| PBIDT | 12,629 | 11,516 | 13,475 | 9.7 | (6.3) |
| Depreciation | 2,282 | 1,849 | 2,096 | 23.4 | 8.9 |
| Interest | 318 | 134 | 266 | 138.0 | 19.6 |
| PBT | 10,028 | 9,533 | 11,113 | 5.2 | (9.8) |
| Tax | 2,563 | 2,429 | 2,815 | 5.5 | (9.0) |
| ETR (%) | 25.6 | 25.5 | 25.3 | | |
| Adjusted PAT | 7,465 | 7,104 | 8,297 | 5.1 | (10.0) |
| PAT margin | 4.6 | 5.1 | 5.2 | -45bps | |
| Reported PAT | 7,465 | 7,104 | 8,297 | 5.1 | (10.0) |
| No. of shares (mn) | 651 | 651 | 651 | | |
| Adj EPS (Rs) | 11.5 | 10.9 | 12.8 | | |

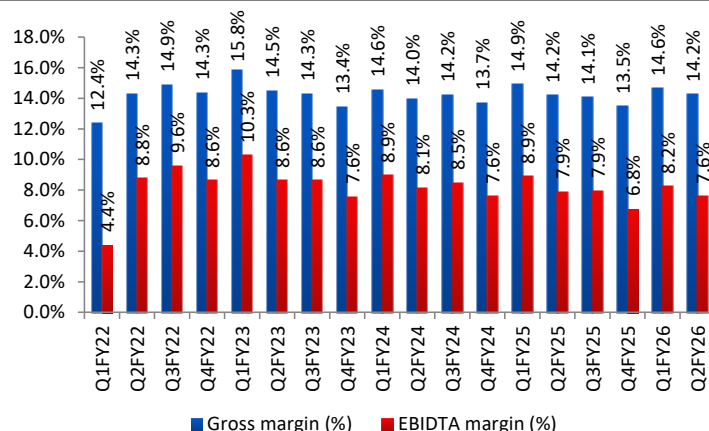
Source: Company, Systematix Institutional Research

Exhibit 4: Sales grew 15.4% YoY

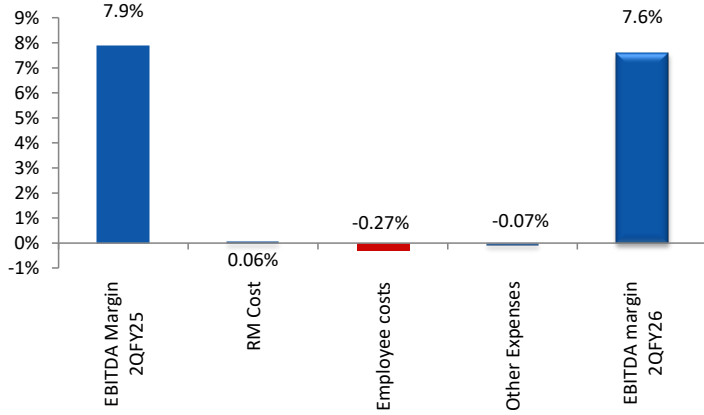


Source: Company, Systematix Institutional Research

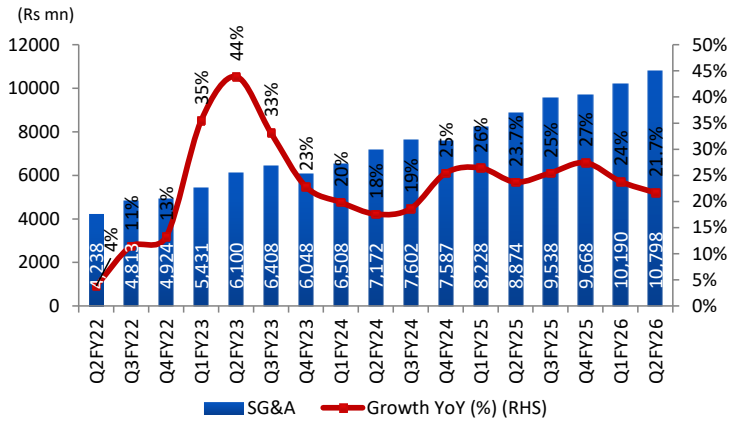
Exhibit 5: Gross margin flat, operating margin contracted by 28 bps



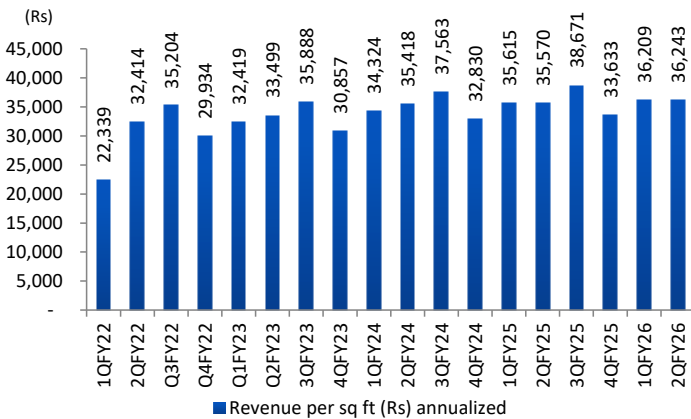
Source: Company, Systematix Institutional Research

Exhibit 6: Margin declined due to higher employee cost

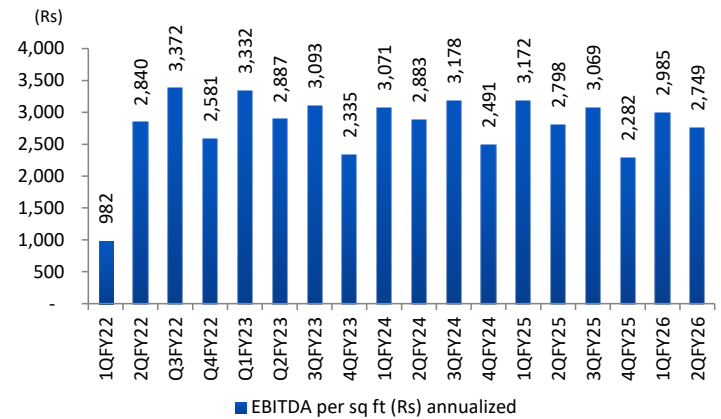
Source: Company, Systematix Institutional Research

Exhibit 7: SG&A declined as % of sales

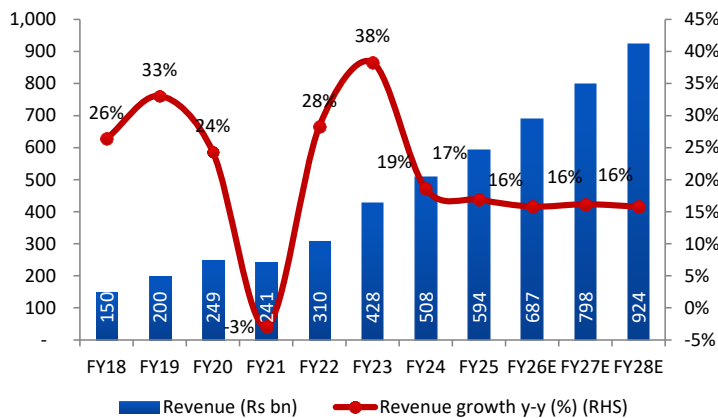
Source: Company, Systematix Institutional Research

Exhibit 8: Revenue per sq ft (annualized) grew 1.9% YoY

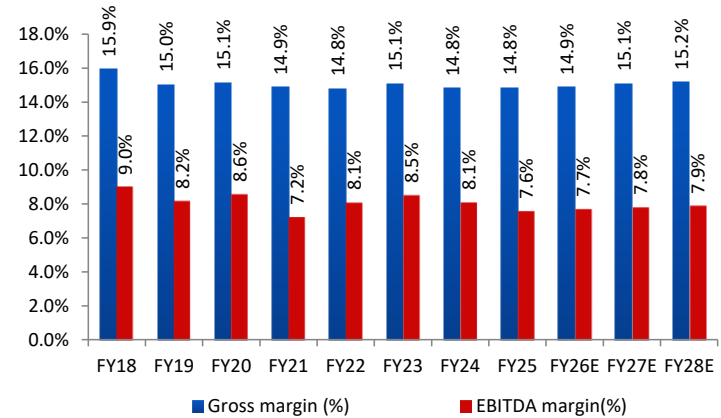
Source: Company, Systematix Institutional Research

Exhibit 9: EBITDA per sq.ft (annualized) declined 1.8% YoY in 2Q26

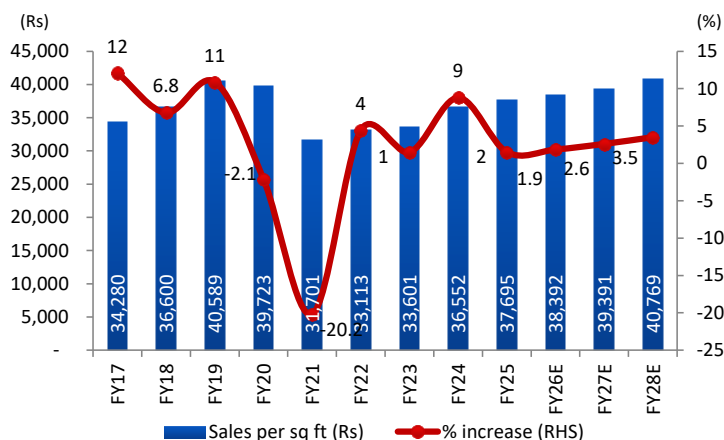
Source: Company, Systematix Institutional Research

Exhibit 10: Revenue CAGR of 15.9% over FY25-28E...

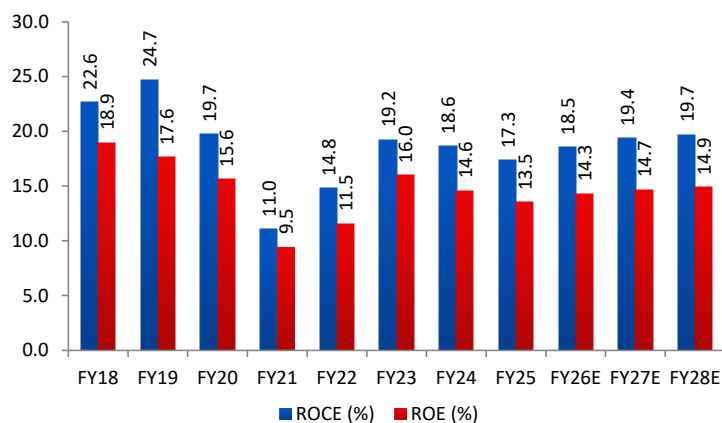
Source: Company, Systematix Institutional Research

Exhibit 11: ...with margin normalizing from FY27

Source: Company, Systematix Institutional Research

Exhibit 12: ~2.6 % CAGR in sales per sq ft over next 3 years

Source: Company, Systematix Institutional Research

Exhibit 13: RoE/RoCE at 14.9%/19.7% in FY28E

Source: Company, Systematix Institutional Research

Exhibit 14: Currently trades at 48.5x one-year forward EV/EBITDA(x)

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

| YE: Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Sales | 5,07,888 | 5,93,581 | 6,87,346 | 7,98,449 | 9,24,445 |
| Purchase of trad. goods | 4,39,583 | 5,16,688 | 5,97,991 | 6,93,054 | 8,01,494 |
| RM costs/inventories | (6,838) | (11,171) | (12,935) | (15,026) | (17,397) |
| Gross Profits | 75,143 | 88,064 | 1,02,290 | 1,20,421 | 1,40,348 |
| Employee costs | 9,061 | 11,659 | 13,747 | 15,969 | 18,489 |
| Other expenses | 25,044 | 31,531 | 35,742 | 42,321 | 48,999 |
| Total Expenses | 4,66,851 | 5,48,707 | 6,34,544 | 7,36,318 | 8,51,585 |
| EBITDA | 41,038 | 44,873 | 52,801 | 62,132 | 72,861 |
| Depreciation | 7,308 | 8,695 | 9,029 | 10,260 | 11,763 |
| Other income | 1,465 | 1,243 | 1,355 | 1,558 | 1,870 |
| EBIT | 35,195 | 37,421 | 45,127 | 53,430 | 62,968 |
| Interest cost | 581 | 695 | 903 | 1,002 | 1,112 |
| PBT | 34,613 | 36,727 | 44,225 | 52,428 | 61,855 |
| Taxes | 9,257 | 9,652 | 11,233 | 13,317 | 15,711 |
| Adj. PAT | 25,356 | 27,075 | 32,991 | 39,111 | 46,144 |
| Extraordinaries | - | - | - | - | - |
| Reported PAT | 25,356 | 27,075 | 32,991 | 39,111 | 46,144 |
| No. of shares (mn) | 651 | 651 | 651 | 651 | 651 |
| Adj. EPS | 39.0 | 41.6 | 50.7 | 60.1 | 70.9 |

Source: Company, Systematix Institutional Research

Cash Flow

| YE: Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PBT | 34,613 | 36,727 | 44,225 | 52,428 | 61,855 |
| Add: Depreciation | 7,308 | 8,695 | 9,029 | 10,260 | 11,763 |
| Add: Interest | (581) | 695 | (452) | (556) | (757) |
| Less: taxes paid | (7,418) | (9,592) | (11,233) | (13,317) | (15,711) |
| Add: other adjustments | (26) | (767) | 5,169 | 1 | 1 |
| Less: WC changes | (6,438) | (11,127) | (3,593) | (9,020) | (8,413) |
| Total OCF | 27,458 | 24,630 | 43,145 | 39,795 | 48,738 |
| OCF w/o WC changes | 33,896 | 35,757 | 46,738 | 48,816 | 57,150 |
| Capital expenditure | (26,385) | (34,172) | (34,673) | (37,956) | (41,480) |
| Change in investments | 299 | 11,256 | (1,001) | (1,000) | (1,000) |
| Interest/Dividend received | (7,597) | 1,063 | - | - | - |
| Total ICF | (33,683) | (21,853) | (35,674) | (38,956) | (42,480) |
| Free Cash Flows | 1,073 | (9,542) | 8,472 | 1,839 | 7,257 |
| Share issuances | 748 | - | - | - | - |
| Change in borrowings | - | - | - | - | - |
| Dividends | - | - | - | - | - |
| Interest payment | (12) | (22) | 452 | 556 | 757 |
| Others | (2,213) | (2,571) | - | - | - |
| Total FCF | (1,476) | (2,593) | 452 | 556 | 757 |
| Net change in cash | (7,701) | 184 | 7,923 | 1,395 | 7,015 |
| Opening cash & CE | 14,083 | 3,371 | 3,582 | 11,505 | 12,901 |
| Closing cash & CE | 6,382 | 3,555 | 11,505 | 12,901 | 19,916 |

Source: Company, Systematix Institutional Research

Balance Sheet

| YE: Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity capital | 6,507 | 6,507 | 6,507 | 6,507 | 6,507 |
| Reserves and surplus | 1,80,471 | 2,07,770 | 2,40,767 | 2,79,884 | 3,26,034 |
| Total Equity | 1,86,973 | 2,14,267 | 2,47,275 | 2,86,392 | 3,32,541 |
| Total Debt | - | - | - | - | - |
| Other long term liabilities | 6,936 | 9,453 | 9,453 | 9,453 | 9,453 |
| Total Liabilities | 1,93,910 | 2,23,720 | 2,48,336 | 2,87,453 | 3,33,603 |
| Net Block | 1,17,592 | 1,43,575 | 1,55,675 | 1,83,371 | 2,13,088 |
| Right to Use assets | 15,391 | 17,417 | 18,418 | 19,418 | 20,418 |
| Other assets | 7,336 | 7,295 | 7,295 | 7,300 | 7,305 |
| CWIP/Other Assets | 9,352 | 10,994 | 10,994 | 10,994 | 10,994 |
| Investments | 1,067 | 13 | 13 | 13 | 13 |
| Cash | 6,382 | 3,582 | 11,505 | 12,901 | 19,916 |
| Inventories | 39,273 | 50,444 | 55,703 | 66,457 | 76,856 |
| Debtors | 1,664 | 1,538 | 997 | 1,159 | 1,341 |
| Loans & Advances | 13,716 | 8,346 | 8,539 | 9,920 | 11,485 |
| Current Assets | 54,653 | 60,328 | 65,240 | 77,536 | 89,682 |
| Creditors | 9,848 | 10,708 | 12,221 | 14,163 | 16,380 |
| Other Current Liabilities | 8,014 | 8,775 | 8,582 | 9,915 | 11,433 |
| Current Liabilities | 17,862 | 19,483 | 20,803 | 24,078 | 27,812 |
| Net Working Capital | 36,791 | 40,844 | 44,437 | 53,457 | 61,870 |
| Total Assets | 1,93,910 | 2,23,720 | 2,48,336 | 2,87,453 | 3,33,603 |

Source: Company, Systematix Institutional Research

Ratios

| YE: Mar | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------------|-------|--------|-------|-------|-------|
| Yoy growth in Revenue | 18.6 | 16.9 | 15.8 | 16.2 | 15.8 |
| Yoy growth in EBITDA | 12.8 | 9.3 | 17.7 | 17.7 | 17.3 |
| Yoy growth in Net income | 6.6 | 6.8 | 21.8 | 18.5 | 18.0 |
| Effective tax rate | 26.7 | 26.3 | 25.4 | 25.4 | 25.4 |
| EBITDA margin | 8.1 | 7.6 | 7.7 | 7.8 | 7.9 |
| PAT margin | 5.0 | 4.6 | 4.8 | 4.9 | 5.0 |
| RoCE | 18.6 | 17.3 | 18.5 | 19.4 | 19.7 |
| RoE | 14.6 | 13.5 | 14.3 | 14.7 | 14.9 |
| Net debt to equity (x) | (0.0) | (0.0) | (0.0) | (0.0) | (0.1) |
| Inventory days | 33 | 36 | 34 | 35 | 35 |
| Loans & Advances days | 5 | 5 | 5 | 5 | 5 |
| Payable days | 7 | 7 | 7 | 7 | 7 |
| NWC days | 22 | 25 | 24 | 24 | 24 |
| Per share numbers (Rs) | | | | | |
| Reported earnings | 39.0 | 41.6 | 50.7 | 60.1 | 70.9 |
| Dividend | - | - | - | - | - |
| Free cash | 1.6 | (14.7) | 13.0 | 2.8 | 11.2 |
| Book Value | 287.3 | 329.3 | 380.0 | 440.1 | 511.0 |
| Valuations (x) | | | | | |
| Price to diluted earnings | 110.8 | 103.8 | 85.2 | 71.9 | 60.9 |
| EV / EBITDA | 68.3 | 62.6 | 53.0 | 45.0 | 38.3 |
| Price to sales | 5.5 | 4.7 | 4.1 | 3.5 | 3.0 |

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Chetan Mahadik, Vijay Jangir**; hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

| Disclosure of Interest Statement | Update |
|--|--------|
| Analyst holding in the stock | No |
| Served as an officer, director or employee | No |

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| Sr. No. | Particulars | Yes / No. |
|---------|---|-----------|
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| 3 | Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report. | No |
| 4 | Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months. | No |
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BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.

HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.

SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.

NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.

NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.

CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

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