

Avenue Supermarts

Store expansion picks up; focus on north rising

Unlike FY25 and most of FY26 wherein SSSG/growth remained constrained by persistent staples deflation and inadequate store expansion, we suspect FY27 is likely to be a recovery year underpinned by recent macro-driven inflationary conditions (SSSG-friendly) and pick-up in store expansion (48 out of the 85 stores added in FY26 were in the month of Mar-26 itself; FY25 store additions were 50). Note: DMART's 9MFY26 revenue/SSSG growth stood at 14.9/~6.5% YoY. The complexion of expansion is even more interesting. ~24% of incremental store additions in FY26 (vs 8% in FY23) has come in relatively underpenetrated North Indian markets, with Punjab, UP, and Haryana emerging as promising markets. If you club these with an additional ~19% incremental stores coming from Gujarat and Rajasthan (typically low on stock-up alternatives), one could expect SSSGs to remain healthy. Dmart Ready remains a WIP; widening PBT losses reflect the elevated cost structure of transitioning to a home delivery model. However, service levels continue to improve. We build in revenue/EPS CAGRs of 21.6/26.7% respectively over FY26-28E. We increase our FY27/28 EPS estimates by (3-8%) coming from realigning our store expansion to 80-85 stores annually (vs 70-75 stores earlier) and corresponding SSSG gains two years out (SSSG CAGR: ~10% over FY26-28 built). We maintain our ADD rating but our DCF-based TP stands revised at INR4,300/sh (implying 60x FY28 EPS; includes 50x FY28 EPS for the standalone business).

- FY27 likely to be a recovery year; expansion stepped up in North India:** Post a mediocre FY26, we suspect DMART may show signs of recovery, led by macro-driven inflationary conditions (SSSG-friendly) and a pick-up in store expansion. The grocer added 48 out of the 85 stores just in the month of March 2026 to close at 500 stores vs 50 stores added in FY25. Interestingly, 24% of the incremental store adds in FY26 has come in North India. An additional 19% from Gujarat/Rajasthan which are low on stock-up alternatives. We suspect this could help keep SSSG healthy over the next 2-3 years. Maharashtra (DMART's anchor catchment) continues to decline in salience (from 31% to 26% over FY23-26) as ability to squeeze out incremental SSSG is limited and rising real-estate costs keep pace of expansion in check in these catchments. We've revised our store addition pace to 80-85 stores annually (vs 70-75 store earlier) and avg. SSSG of 10% vs ~6.5% in 9MFY26. We pencil in ~22/27% revenue/PAT CAGR with a modest ~60bps EBITDAM expansion over FY26-28 (upside risk here).
- DMART Ready remains a WIP; service levels improving though:** Growth in subsidiaries - which serves as a proxy for Dmart Ready - was 18.5% YoY in 9MFY26. However, PBT losses in subsidiaries widened to INR 1.73bn from INR 1.42bn in 9MFY25. We suspect this drag was due to the elevated cost structure associated with the company's pivot from a pick-up point network to a home delivery model. Aligning with this transition, management is consolidating the segment's geographic footprint to focus on key urban centers. Dmart Ready added 10 fulfillment centers in existing core markets while ceasing operations in 6 smaller cities, bringing its active presence down to 19 cities (from 25 at the end of FY25). Focus currently remains on improving delivery service levels.
- On category performance:** In 9MFY26, Dmart reported revenue growth of 14.9% YoY as topline growth was constrained by persistent deflation across staples and non-food products. Food/FMCG/GM&A grew 15.2/13.9/14.8% in 9MFY26 (vs 17.8/13.5/16.8% in 9MFY25). Looking ahead, we anticipate that evolving macroeconomic conditions may drive a gradual uptick in inflation, which should reverse the deflationary drag and provide a realization-led revenue tailwind for the overall company.

ADD

CMP (as on 31 Mar 26)	INR 3,957
Target Price	INR 4,300
NIFTY	22,331

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,000	INR4,300
	FY26E	FY27E
EPS %	+3.1	+7.7

KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (INR bn) / (\$ mn)	2,575/27,173
6m avg traded value (INR mn)	1,697
52 Week high / low	INR 4,950/3,529

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.4	(11.6)	(3.1)
Relative (%)	20.4	(1.2)	4.0

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	74.65	74.65
FIs & Local MFs	9.08	8.89
FPIs	8.73	8.71
Public & Others	7.54	7.75
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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- Outlook:** Dmart's rising focus on North India presence and under-retailed catchments serves as (1) an SSSG friendly move, and (2) key lever to offset saturation in legacy markets over the medium-to-long term. The step up in store addition is a plus too. We've revised our store addition pace to 80-85 stores annually (vs 70-75 store earlier) and avg. SSSG of 10% vs ~6.5% in 9MFY26. We pencil in 21.6/27% revenue/PAT CAGR with a modest ~62bps EBITDAM expansion over FY26-28 (upside risk here). We maintain our ADD rating but our DCF-based TP stands revised at INR4,300/sh (implying 60x FY28 EPS; includes 50x FY28 EPS for the standalone business).

Financial Summary (INR mn) – Standalone Financials

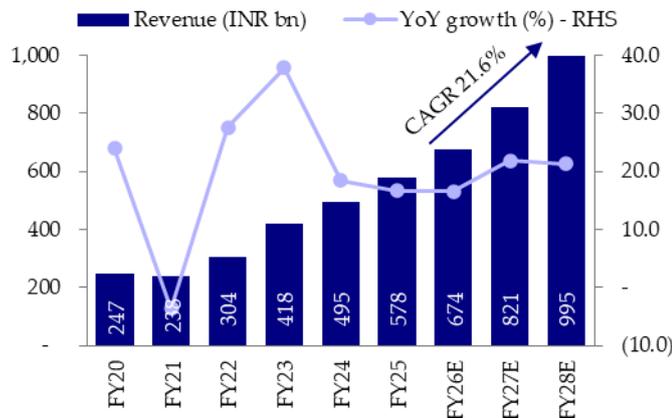
Financial Summary	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	2,46,750	2,37,872	3,03,525	4,18,333	4,95,330	5,77,898	6,73,612	8,20,623	9,95,469
EBITDA	21,221	17,417	25,015	36,594	40,994	45,427	51,635	65,375	82,037
APAT	14,521	11,653	16,162	25,564	26,949	29,272	31,384	39,692	50,391
Dil. EPS (Rs/sh)	22.9	18.0	24.9	39.4	41.4	45.0	48.2	61.0	77.4
P/E (x)	170.3	217.2	156.6	99.1	94.4	86.9	81.0	64.1	50.5
EV/EBITDA (x)	114.9	152.3	105.6	71.7	64.4	58.5	52.0	41.0	32.6
ROE (%)	18.2	10.4	13.1	17.8	15.9	14.7	13.8	15.0	17.2
RoIC (%)	23.1	12.4	14.8	19.1	16.3	14.6	13.3	14.2	15.4
ROCE (%)	17.7	10.4	13.1	17.7	15.8	14.8	13.6	14.8	16.1

Estimate Changes

(INR mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	6,73,612	6,65,205	1.3	8,20,623	7,84,831	4.6	9,95,469	9,28,505	7.2
Gross Profit	96,182	94,996	1.2	1,19,488	1,14,334	4.5	1,46,262	1,36,518	7.1
Gross Profit Margin (%)	14.3	14.3	0 bps	14.6	14.6	-1 bps	14.7	14.7	-1 bps
Pre IND AS EBITDA	49,033	49,704	(1.3)	62,303	60,322	3.3	78,437	73,180	7.2
Pre IND AS EBITDA margin (%)	7.3	7.5	-19 bps	7.6	7.7	-9 bps	7.9	7.9	0 bps
APAT	31,384	31,992	(1.9)	39,692	38,500	3.1	50,391	46,805	7.7
APAT margin (%)	4.7	4.8	-15 bps	4.8	4.9	-7 bps	5.1	5.0	2 bps
EPS (Rs)	48.2	49.2	(1.9)	61.0	59.2	3.1	77.4	71.9	7.7

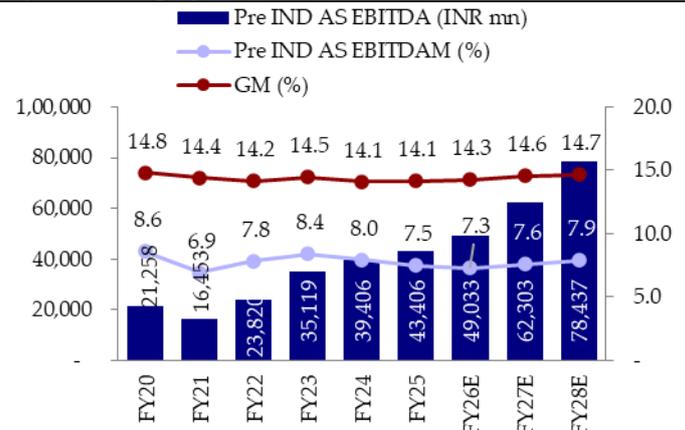
Story in Charts

We expect Dmart's standalone revenue to grow at ~22% CAGR over FY26-28E...



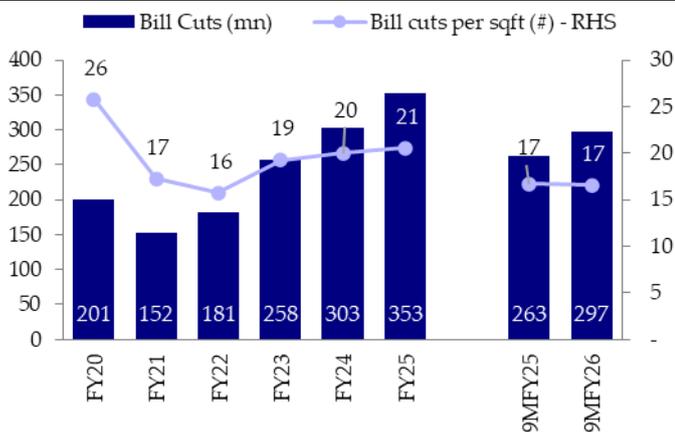
Source: Company, HSIE Research

...and build in a 60bps EBITDAM improvement to 7.9% by FY28 (largely GM-led)

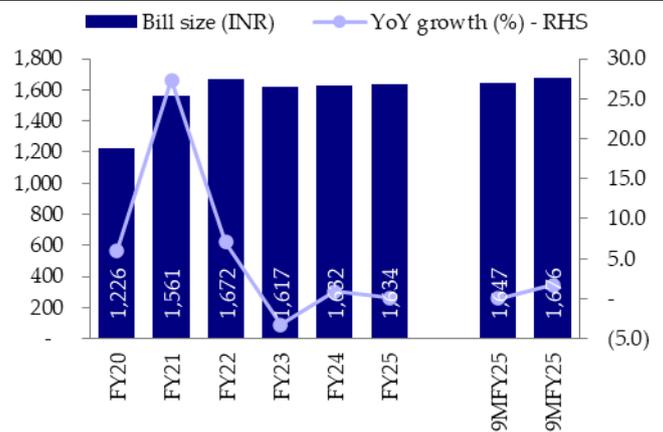


Source: Company, HSIE Research

While bill cuts/sqft declined marginally in 9MFY26, this was offset by an improvement in the average basket size

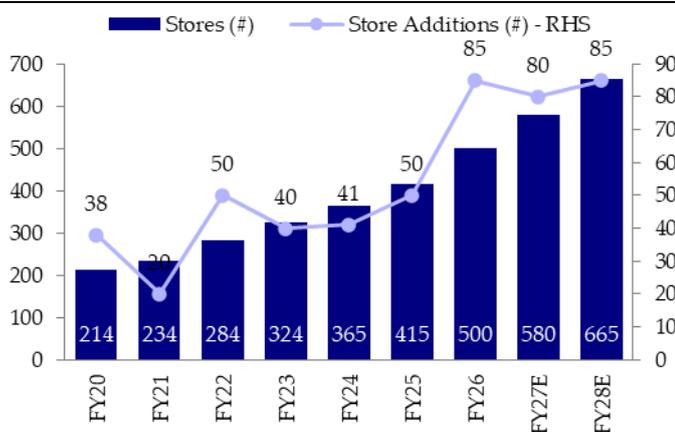


Source: Company, HSIE Research



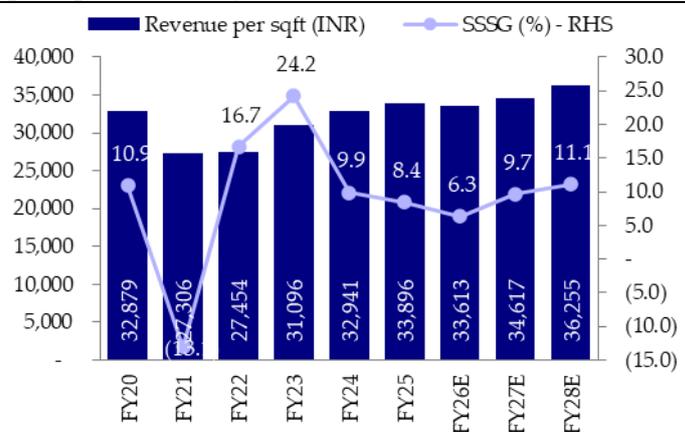
Source: Company, HSIE Research

Yearly store additions have gathered pace...



Source: Company, HSIE Research

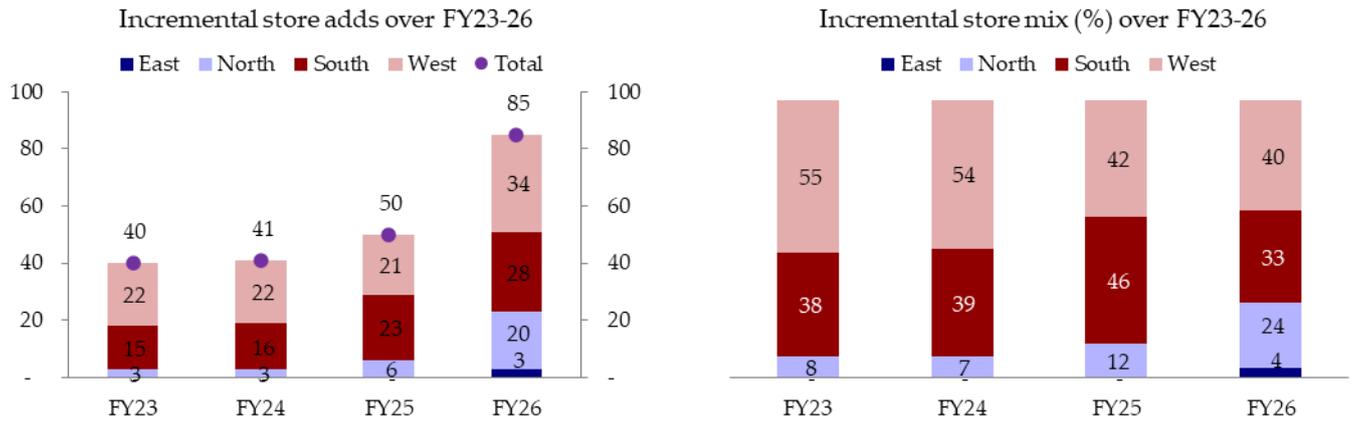
...recovery in SSSG and sustained uptrend in revenue per sq. ft. to drive growth



Source: Company, HSIE Research

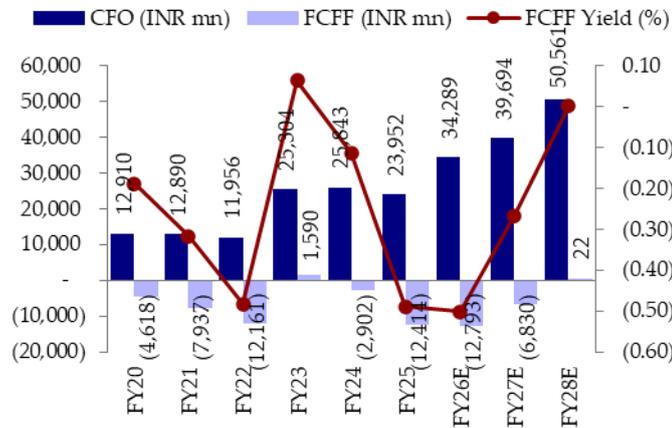
Avenue Supermarts Ltd: Company Update

Dmart has stepped up expansion in North India with ~24% incremental stores in FY26 (up from 12% in FY25)



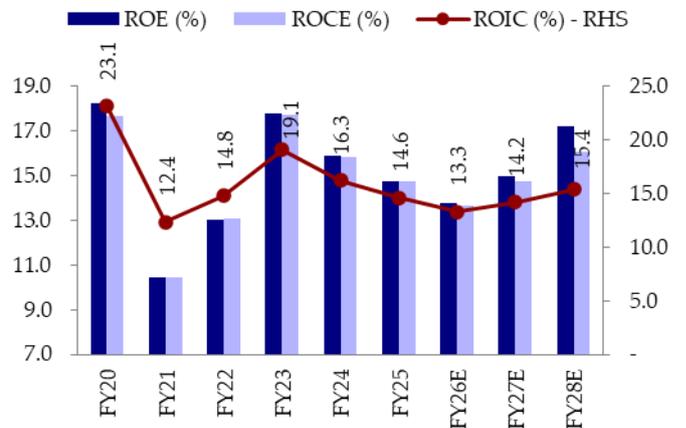
Source: Company, HSIE Research

While CFO supports continued store rollout, some debt might be required to fund capex-heavy expansion...



Source: Company, HSIE Research. Pre-Ind AS Cash flow

...expect RoICs to hit 15.4% by FY28



Source: Company, HSIE Research. Pre-Ind AS ratios

Income Statement

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	2,46,750	2,37,872	3,03,525	4,18,333	4,95,330	5,77,898	6,73,612	8,20,623	9,95,469
Growth (%)	23.9	(3.6)	27.6	37.8	18.4	16.7	16.6	21.8	21.3
Material Expenses	2,10,159	2,03,563	2,60,527	3,57,752	4,25,467	4,96,163	5,77,430	7,01,136	8,49,207
Employee Expense	4,247	4,951	5,482	6,482	7,857	10,133	14,091	17,045	20,338
Contract Labour Charges	5,337	6,097	6,030	8,107	9,443	12,594	16,311	19,678	23,013
Electricity and Fuel Charges	1,836	1,680	1,964	2,925	3,517	4,180	4,988	5,990	7,044
Other Expenses	3,949	4,162	4,506	6,473	8,052	9,401	9,156	11,401	13,830
EBITDA	21,221	17,417	25,015	36,594	40,994	45,427	51,635	65,375	82,037
EBITDA Growth (%)	29.2	(17.9)	43.6	46.3	12.0	10.8	13.7	26.6	25.5
EBITDA Margin (%)	8.6	7.3	8.2	8.7	8.3	7.9	7.7	8.0	8.2
Pre IND AS EBITDA	21,258	16,453	23,820	35,119	39,406	43,406	49,033	62,303	78,437
Pre IND AS EBITDA Growth (%)	30.2	(22.6)	44.8	47.4	12.2	10.1	13.0	27.1	25.9
Pre Ind AS EBITDA Margin (%)	8.6	6.9	7.8	8.4	8.0	7.5	7.3	7.6	7.9
Depreciation	2,604	3,714	4,211	5,433	6,328	7,758	9,727	12,239	14,536
EBIT	18,618	13,704	20,805	31,161	34,666	37,669	41,908	53,136	67,501
EBIT - Pre IND AS	19,668	13,665	20,690	31,004	34,551	37,508	41,078	52,327	66,522
Other Income (Including EO Items)	633	2,089	1,409	1,631	1,891	1,740	1,350	1,288	1,083
Interest	400	345	396	481	443	578	1,318	1,380	1,244
Interest - Pre IND AS	111	41	16	9	9	17	250	400	188
PBT	18,851	15,448	21,817	32,312	36,114	38,832	41,940	53,043	67,340
Total Tax	4,330	3,795	5,656	6,748	9,165	9,560	10,556	13,351	16,950
RPAT	14,521	11,653	16,162	25,564	26,949	29,272	31,384	39,692	50,391
Exceptional Gain/(loss)	-	-	-	-	-	-	-	-	-
Adjusted PAT	14,521	11,653	16,162	25,564	26,949	29,272	31,384	39,692	50,391
APAT Growth (%)	55.1	(19.8)	38.7	58.2	5.4	8.6	7.2	26.5	27.0
Adjusted EPS (Rs)	22.9	18.0	24.9	39.4	41.4	45.0	48.2	61.0	77.4

Source: Company, HSIE Research

Balance Sheet

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS									
Share Capital - Equity	6,478	6,478	6,478	6,483	6,507	6,507	6,507	6,507	6,507
Reserves	1,04,878	1,16,575	1,32,763	1,58,543	1,86,299	2,15,794	2,50,043	2,92,446	3,45,835
Total Shareholders Funds	1,11,355	1,23,053	1,39,241	1,65,025	1,92,806	2,22,302	2,56,550	2,98,954	3,52,343
Minority Interest	-	-	-	-	-	-	-	-	-
Total Debt	377	-	-	-	-	-	5,000	5,000	-
TOTAL SOURCES OF FUNDS	1,14,643	1,26,532	1,44,053	1,70,210	1,98,388	2,30,385	2,70,499	3,13,752	3,63,108
APPLICATION OF FUNDS									
Net Block	50,884	58,736	76,823	95,529	1,16,143	1,41,934	1,78,150	2,11,786	2,47,499
CWIP	3,619	10,062	10,731	8,289	9,300	10,905	10,905	10,905	10,905
RoU Assets	6,470	8,473	11,465	12,836	13,949	15,994	19,019	21,298	23,698
Other Non-current Assets	5,685	8,499	8,924	11,400	15,667	18,354	21,265	24,176	27,087
Total Non-current Assets	66,659	85,770	1,07,942	1,28,054	1,55,058	1,87,188	2,29,339	2,68,165	3,09,189
Inventories	19,094	21,673	25,869	30,556	37,234	48,055	54,168	65,765	79,504
Debtors	485	721	2,309	2,466	3,933	3,485	4,063	4,949	6,004
Other Current Assets	2,421	2,895	2,491	4,603	12,770	6,874	7,994	9,716	11,759
Cash & Equivalents	32,182	25,405	15,429	16,758	6,665	3,313	(2,913)	(7,745)	(10,340)
Total Current Assets	54,183	50,694	46,097	54,382	60,603	61,727	63,311	72,686	86,928
Creditors	4,460	5,655	5,312	7,013	9,528	10,042	12,074	14,822	18,116
Other Current Liabilities & Provns	1,738	4,277	4,675	5,213	7,746	8,488	10,078	12,277	14,893
Total Current Liabilities	6,198	9,932	9,987	12,226	17,274	18,530	22,152	27,099	33,009
Net Current Assets	47,985	40,762	36,111	42,156	43,329	43,197	41,159	45,587	53,918
TOTAL APPLICATION OF FUNDS	1,14,643	1,26,532	1,44,053	1,70,210	1,98,388	2,30,385	2,70,499	3,13,752	3,63,108

Source: Company, HSIE Research

CASH FLOW STATEMENT

Year ending March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	17,829	15,448	21,817	32,312	36,114	38,832	41,940	53,043	67,340
Non-operating & EO Items	(436)	(1,887)	(1,261)	(1,430)	(1,661)	(1,387)	(1,350)	(1,288)	(1,083)
Interest Expenses	628	345	396	481	443	578	1,318	1,380	1,244
Depreciation	3,398	3,714	4,211	5,433	6,328	7,758	9,727	12,239	14,536
Working Capital Change	(3,730)	(1,203)	(6,483)	(3,015)	(6,490)	(10,351)	(4,188)	(9,259)	(10,927)
Tax Paid	(4,815)	(2,561)	(5,528)	(7,001)	(7,304)	(9,456)	(10,556)	(13,351)	(16,950)
OPERATING CASH FLOW (a)	12,874	13,855	13,152	26,780	27,430	25,973	36,891	42,765	54,161
Capex	(17,529)	(20,827)	(24,117)	(23,714)	(28,745)	(36,366)	(47,081)	(46,524)	(50,539)
Free Cash Flow (FCF)	(4,655)	(6,972)	(10,966)	3,065	(1,314)	(10,393)	(10,191)	(3,759)	3,622
Investments	(29,754)	7,830	10,500	(1,490)	(475)	11,514	-	-	-
Non-operating Income	287	1,442	696	783	3,377	1,630	1,350	1,288	1,083
INVESTING CASH FLOW (b)	(46,996)	(11,555)	(12,922)	(24,422)	(25,842)	(23,222)	(45,732)	(45,236)	(49,456)
Debt Issuance/(Repaid)	(7,244)	(438)	(12)	(4)	(9)	(17)	3,682	(1,380)	(6,244)
FCFE	(11,899)	(7,410)	(10,978)	3,061	(1,323)	(10,410)	(6,508)	(5,139)	(2,622)
Share Capital Issuance	41,869	-	-	155	729	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Others	(789)	(965)	(1,195)	(1,475)	(1,588)	(2,021)	(1,068)	(980)	(1,056)
FINANCING CASH FLOW (c)	33,835	(1,403)	(1,208)	(1,324)	(867)	(2,038)	2,615	(2,360)	(7,300)
NET CASH FLOW (a+b+c)	(287)	897	(977)	1,034	721	713	(6,226)	(4,831)	(2,595)
EO Items, Others	-	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	915	1,812	835	1,868	2,589	3,302	(2,913)	(7,745)	(10,340)

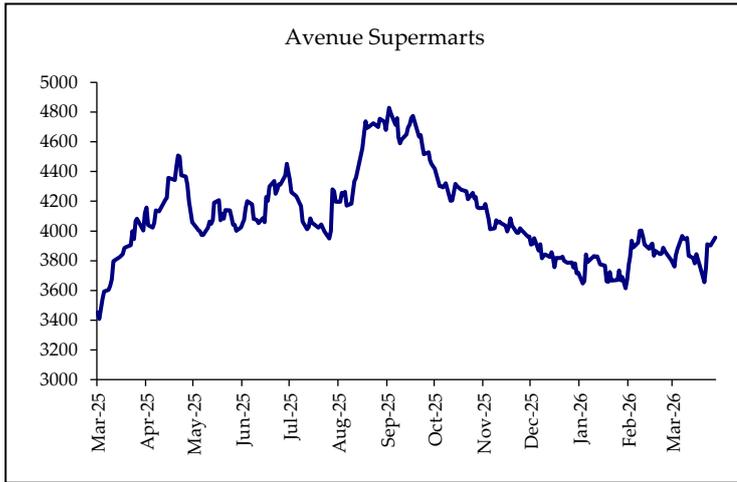
Source: Company, HSIE Research

KEY RATIOS

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)									
GPM	14.8	14.4	14.2	14.5	14.1	14.1	14.3	14.6	14.7
EBITDA Margin	8.6	7.3	8.2	8.7	8.3	7.9	7.7	8.0	8.2
EBIT Margin	7.5	5.8	6.9	7.4	7.0	6.5	6.2	6.5	6.8
APAT Margin	5.9	4.9	5.3	6.1	5.4	5.1	4.7	4.8	5.1
RoE	17.4	9.9	12.3	16.8	15.1	14.1	13.1	14.3	15.5
RoIC (or Core RoCE)	19.9	11.3	13.4	17.5	15.0	13.6	12.5	13.4	14.5
RoCE	16.6	9.9	12.2	16.5	14.8	13.9	12.9	13.9	15.2
RoE*	18.2	10.4	13.1	17.8	15.9	14.7	13.8	15.0	17.2
RoIC*	23.1	12.4	14.8	19.1	16.3	14.6	13.3	14.2	15.4
RoCE*	17.7	10.4	13.1	17.7	15.8	14.8	13.6	14.8	16.1
EFFICIENCY									
Tax Rate (%)	23.0	24.6	25.9	20.9	25.4	24.6	25.2	25.2	25.2
Fixed Asset Turnover (x)	4.2	3.5	3.4	3.7	3.6	3.4	3.2	3.2	3.3
Inventory (days)	28	33	31	27	27	30	29	29	29
Debtors (days)	1	1	3	2	3	2	2	2	2
Payables (days)	7	9	6	6	7	6	7	7	7
Cash Conversion Cycle (days)	23	24	25	22	27	25	24	24	24
Net D/E (x)	(0.3)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)	0.0	0.0	0.0
Interest Coverage (x)	46.6	39.7	52.5	64.8	78.3	65.2	31.8	38.5	54.3
PER SHARE DATA (Rs)									
EPS	22.9	18.0	24.9	39.4	41.4	45.0	48.2	61.0	77.4
CEPS	27.0	23.7	31.4	47.8	51.1	56.9	63.2	79.8	100.7
Dividend	-	-	-	-	-	-	-	-	-
Book Value	171.9	190.0	215.0	254.6	296.3	341.6	394.2	459.4	541.5
VALUATION									
P/E (x)	170.3	217.2	156.6	99.1	94.4	86.9	81.0	64.1	50.5
P/BV (x)	22.7	20.6	18.2	15.4	13.2	11.4	9.9	8.5	7.2
EV/EBITDA (x)*	114.9	152.3	105.6	71.7	64.4	58.5	52.0	41.0	32.6
EV/Revenues (x)	9.9	10.5	8.3	6.0	5.1	4.4	3.8	3.1	2.6
OCF/EV (%)	0.5	0.6	0.5	1.1	1.1	1.0	1.4	1.7	2.1
FCF/EV (%)	(0.2)	(0.3)	(0.4)	0.1	(0.1)	(0.4)	(0.4)	(0.1)	0.1
FCFE/Mkt Cap (%)	(0.5)	(0.3)	(0.4)	0.1	(0.1)	(0.4)	(0.3)	(0.2)	(0.1)
Dividend Yield (%)	-	-	-	-	-	-	-	-	-

Source: Company, HSIE Research

Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

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