INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Avenue Supermarts:** DMART's (standalone) revenue grew 18.4% to INR192bn (SSSG: 9.5% vs 6.8% in Q2FY26; HSIE's 7%). Revenue/sq. ft remained steady at ~INR38k. While profitability fell short of expectations, we believe it is more a function of (1) recent expansion-led costs hitting the P&L before corresponding productivity gains could surface and (2) marginal impact due to entry-level wage hikes. EBITDAM contracted 28bps YoY to 7.3% as a consequence (HSIE: 7.6%). Rising depreciation (up 25.8% YoY) and doubling net finance costs (courtesy rising debt and finance leases) impacted the bottom line further. APAT grew 7.6% YoY to INR8bn (HSIE: INR 8.8bn), lagging revenue growth. We expect the negative FCFF cycle to reverse over the next 4 quarters. We have toned down our FY27/28 EPS estimates by ~3% each to account for higher depreciation/finance costs but maintain ADD, with a DCF-based TP of INR4,000/sh (incl. 49x Sep-28 P/E for the standalone business).

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Avenue Supermarts

Profitability disappoints; in capacity building mode

DMART's (standalone) revenue grew 18.4% to INR192bn (SSSG: 9.5% vs 6.8% in Q2FY26; HSIE's 7%). Revenue/sq. ft remained steady at ~INR38k. While profitability fell short of expectations, we believe it is more a function of (1) recent expansion-led costs hitting the P&L before corresponding productivity gains could surface and (2) marginal impact due to entry-level wage hikes. EBITDAM contracted 28bps YoY to 7.3% as a consequence (HSIE: 7.6%). Rising depreciation (up 25.8% YoY) and doubling net finance costs (courtesy rising debt and finance leases) impacted the bottom line further. APAT grew 7.6% YoY to INR8bn (HSIE: INR 8.8bn), lagging revenue growth. We expect the negative FCFF cycle to reverse over the next 4 quarters. We have toned down our FY27/28 EPS estimates by ~3% each to account for higher depreciation/finance costs but maintain ADD, with a DCF-based TP of INR4,000/sh (incl. 49x Sep-28 P/E for the standalone business).

- **Q2FY27 highlights**: DMART's revenue grew 18.4% YoY to INR192bn in Q2FY27. SSSG for Q2FY27 stood at 9.5% (vs 6.8% in Q2FY26). Bill cuts grew 14% to 111mn, while ABV grew 3% in Q2. Revenue/sq. ft remained steady at ~INR38k. On category mix, there was a marginal dip in GM salience in the mix in Q2 (food/non-food/GM mix stood at 58.78/19.37/21.85% vs 58.4/19.63/21.97% in Q2FY26). This potentially explains the marginal dip in gross margins (down 10bps to 14.1%; HSIE: 14.2%). While profitability fell short of expectations, we believe it is more a function of (1) recent expansion-led costs hitting the P&L before corresponding productivity gains can surface in medium term and (2) marginal impact due to entry-level wage hikes. EBITDAM contracted 28bps YoY to 7.3% as a consequence (HSIE: 7.6%). EBITDA grew 14.1% YoY to INR14.03bn (HSIE: 14.64bn). APAT grew 7.6% YoY to INR 8bn (HSIE: INR8.8bn). Impact on APAT was even higher (vs EBITDA) as depreciation charge accelerated (up 25.8% YoY) and net finance cost more than doubled YoY to INR 363mn (courtesy rising debt and finance lease liabilities). Net debt stood at ~INR 7bn. WC deteriorated YoY to 29 days (from 26 days). DMART added 15 stores in Q2 (store count: 618).
- **Outlook**: We suspect the unfavourable cycle of operating cost inflation overshooting productivity gains is likely to mean-revert over the next 4-5 quarters, thereby aiding margin expansion. WC unwinding is also expected during the period. It is likely to coincide with rising cost of business for QC players. Advantage D-MART. Hence, we remain constructive on the name and maintain ADD with a DCF-based TP of INR4,000/sh (incl. 49x Sep-28 P/E for the standalone business).

Quarterly financial summary

(Rs mn)	2QFY27	2QFY26	YoY (%)	1QFY27	QoQ (%)	FY25	FY26	FY27E	FY28E	FY29E
Net Revenue	1,92,062	1,62,188	18.4	1,83,435	4.7	5,77,898	6,69,680	7,93,348	9,38,830	10,96,550
EBITDA	14,032	12,300	14.1	15,269	(8.1)	43,406	50,031	60,626	72,329	86,068
APAT	8,036	7,465	7.6	9,358	(14.1)	29,272	32,239	37,873	45,840	55,330
EPS (Rs)	12.3	11.5	7.4	14.3	(14.1)	45.0	49.4	58.1	70.3	84.8
P/E (x)						78.8	71.7	61.0	50.4	41.8
EV/EBITDA (x)						53.1	46.3	38.2	32.0	26.7
Core RoCE(%)						14.6	13.9	14.0	14.6	15.4

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY27E			FY28E			FY29E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	7,93,348	7,96,792	(0.4)	9,38,830	9,43,032	(0.4)	10,96,550	11,01,425	(0.4)
Gross Profit	1,16,118	1,16,616	(0.4)	1,37,999	1,38,611	(0.4)	1,62,147	1,62,861	(0.4)
Gross Profit Margin(%)	14.6	14.6	*0 bps*	14.70	14.7	*0 bps*	14.79	14.8	*0 bps*
EBITDA	60,626	62,013	(2.2)	72,329	74,135	(2.4)	86,068	87,997	(2.2)
EBITDA margin (%)	7.6	7.8	*-14 bps*	7.7	7.9	*-16 bps*	7.8	8.0	*-14 bps*
APAT	37,873	39,112	(3.2)	45,840	47,390	(3.3)	55,330	57,245	(3.3)
APAT margin (%)	4.8	4.9	*-13 bps*	4.9	5.0	*-14 bps*	5.0	5.2	*-15 bps*
EPS (Rs)	58.1	60.0	(3.2)	70.3	72.7	(3.3)	84.8	87.8	(3.3)

Source: Company, HSIE Research

ADD

CMP*(as on 09 Oct 2026)*	INR 3,520
Target Price	INR 4,000
NIFTY	22,520

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,100	INR 4,000
EPS %	FY27E	FY28E
	-3.2	-3.3

KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	652
MCap (INR bn) / ($ mn)	2,294/23,715
6m avg traded value (INR mn)	2,251
52 Week high / low	INR 4,644/3,498

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(13.8)	(20.4)	(18.3)
Relative (%)	(8.2)	(14.9)	(6.5)

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	74.51	74.48
FIs & Local MFs	8.85	8.74
FPIs	9.00	9.23
Public & Others	7.64	7.55
Pledged Shares	-	-

Source : BSE

-Pledged shares as % of total shares

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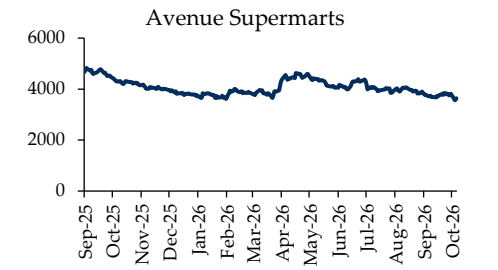
Rating Criteria

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

Price movement



Disclosure:

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