

Margin miss and increasing debt drive big PAT miss in 2Q
Retail ▶ **Result Update** ▶ **October 11, 2026**
CMP (Rs): 3,517 | TP (Rs): 3,300

We maintain **SELL** on DMART, as we reduce our TP/multiple by ~10% to Rs3,300 (vs Rs3,700 earlier; 47x Sep-28E EPS), given slow TAM expansion, deteriorating ROIC, moderating earnings growth, and increasing debt. After reporting ~18% topline growth, DMART saw muted PAT growth of ~8% in 2Q, ~14%/8% lower than our/street estimates. While LFL growth was healthy at 9.5% (>24 months old), primary disappointments stemmed from a likely lower growth contribution from newer stores (<24 months old), ~60bps gross-margin miss, and high wage inflation. This, along with higher depreciation and interest expense, led to slow PAT growth of ~8% in 2Q. Gross debt rose to Rs26bn at 1HFY27-end (vs ~Rs10bn at FY26-end), likely due to negative FCF of Rs16.5bn in 1HFY27 (vs negative FCF of ~Rs4bn in 1HFY26). The FCF decline was led by low earnings growth, increase in inventory (36.1 vs 33.9 days yoy), and higher capex (Rs21bn in 1HFY27 vs Rs17bn in 1HFY26). Subsidiary revenue declined ~4% in 2Q, likely due to the consolidation of operations to 11 cities. This was reflected in a lower EBITDA loss of Rs102mn in 2Q (vs Rs163mn loss yoy).

New stores likely seeing slower ramp-up though LFL growth healthy

2Q standalone revenue was up ~18% yoy, at Rs192bn, led by 14.4% growth in bill cuts and the rest via an increase in average bill value (up 3.5% in 2Q). LFL growth at 9.5% improved vs 10.8%/5.5% over the last two quarters. The company added 15 stores in 2Q (vs 3 in 1QFY27) taking the total count to 518, which implies a ~19% yoy addition in retail area (vs 13-14% addition before 4QFY26). However, both accelerated store expansion and inflationary trends have not contributed to a commensurate increase in growth so far. Average new store size increased to 46.6k sqft in 2QFY27, reverting to the typical ~40k sqft level after smaller ~26k sqft stores were added in 1QFY27. Among segments, Foods grew marginally faster at ~19% in 2Q vs 17%/18% growth in the Non-Foods/General Merchandise and Apparel segments.

EBITDA/PAT growth significantly lower than expectations

Standalone gross margin (GM) at 14.15% was down ~10bps yoy, likely due to a higher mix of the Foods segment (up ~40bps) at 58.8%. EBITDA margin saw a higher decline of ~30bps to 7.3%, as other expenses saw an increase of ~15bps, likely due to minimum wage hikes for entry-level employees (likely contractual). Employee expense was largely flat. Absolute EBITDA at Rs14bn was up ~14%, while PAT grew by ~8% (~14%/8% lower than our/consensus expectations), with the lower growth reflecting lower margins, higher interest cost at Rs596mn (vs Rs318mn in 2QFY26) and elevated depreciation cost.

Subsidiaries' revenue sees a yoy decline, though EBITDA losses narrow

Subsidiaries' revenue declined 4.3% yoy in 2QFY27 (vs growth of 5.5% in 1QFY27), likely impacted by the reduction in DMart Ready's operational presence to 11 cities in 1HFY27 from 19 cities in 1HFY26. However, subsidiaries' EBITDA losses narrowed to Rs102mn (vs a loss of Rs163mn in 2QFY26). DMART's consolidated yoy revenue/EBITDA/PAT growth stood at 17.8%/14.8%/8.5%, respectively, in 2QFY27.

Target Price – 12M	Sep-27
Change in TP (%)	(10.8)
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(6.2)

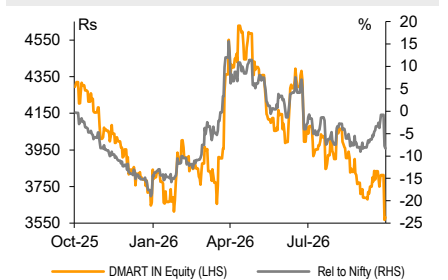
Stock Data	DMART IN
52-week High (Rs)	4,644
52-week Low (Rs)	3,498
Shares outstanding (mn)	652.3
Market-cap (Rs bn)	2,294
Market-cap (USD mn)	23,715
Net-debt, FY27E (Rs mn)	23,828.8
ADTV-3M (mn shares)	0.7
ADTV-3M (Rs mn)	2,738.2
ADTV-3M (USD mn)	28.3
Free float (%)	23.0
Nifty-50	22,520.4
INR/USD	96.7

Shareholding, Jun-26

Promoters (%)	74.5
FPIs/MFs (%)	9.2/8.7

Price Performance

(%)	1M	3M	12M
Absolute	(5.8)	(13.8)	(18.3)
Rel. to Nifty	(2.0)	(8.3)	(8.7)

1-Year share price trend (Rs)

Avenue Supermarts: Financial Snapshot (Standalone)

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	577,898	669,680	789,356	931,235	1,081,658
EBITDA	45,427	52,533	60,626	70,517	81,512
Adj. PAT	29,272	32,221	35,594	40,437	45,789
Adj. EPS (Rs)	45.0	49.4	54.6	62.0	70.2
EBITDA margin (%)	7.9	7.8	7.7	7.6	7.5
EBITDA growth (%)	10.8	15.6	15.4	16.3	15.6
Adj. EPS growth (%)	8.6	9.9	10.5	13.6	13.2
RoE (%)	14.1	13.5	13.0	13.0	12.9
RoIC (%)	17.0	16.1	15.0	14.4	14.1
P/E (x)	78.2	71.2	64.4	56.7	50.1
EV/EBITDA (x)	50.2	43.4	37.6	32.4	28.0
P/B (x)	10.3	9.0	7.9	6.9	6.1
FCFF yield (%)	(0.2)	(0.1)	(0.4)	0.1	0.4

Source: Company, Emkay Research

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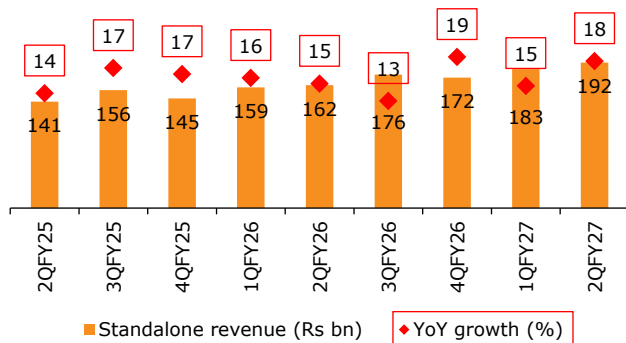
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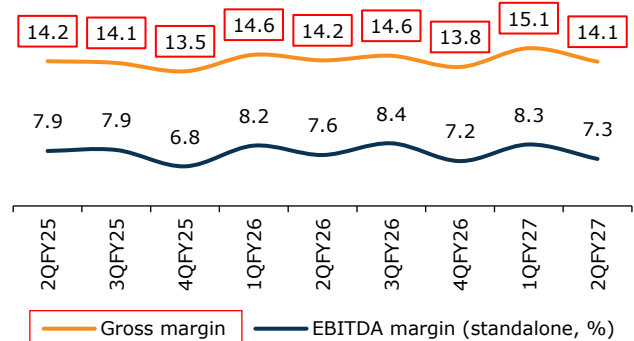
Story in charts

Exhibit 1: Topline grew ~18% in 2Q, with 9.5% LFL and the rest through store additions



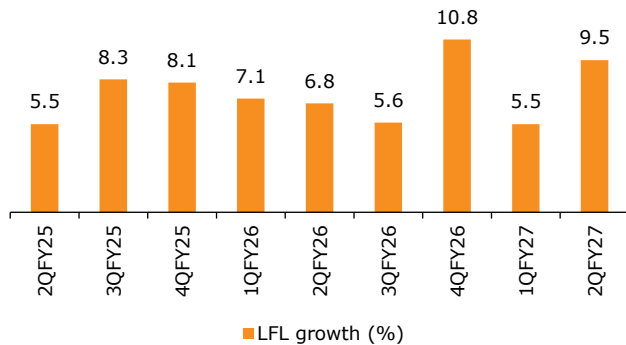
Source: Company, Emkay Research

Exhibit 2: EBITDA margin declined ~30bps, led by lower gross margin, down ~10bps, and higher other expense, up ~15bps



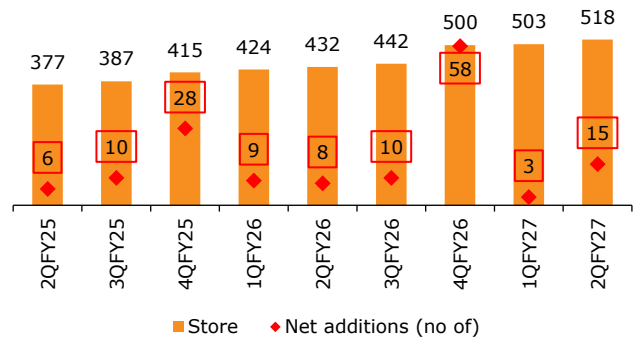
Source: Company, Emkay Research

Exhibit 3: LFL growth was healthy at 9.5% in 2Q



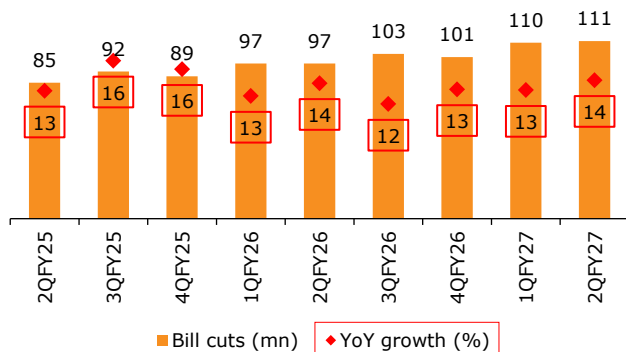
Source: Company, Emkay Research

Exhibit 4: DMART added 15 stores in 2Q, taking the total store-count to 518



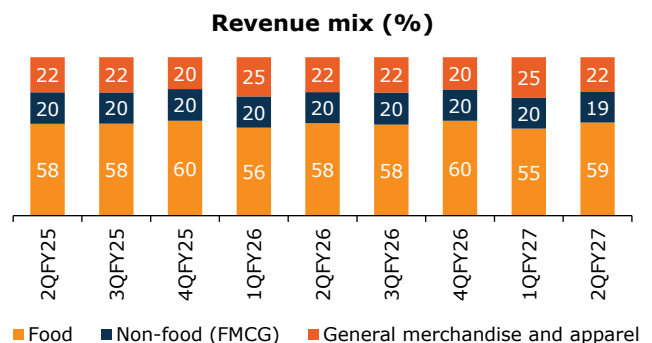
Source: Company, Emkay Research

Exhibit 5: Bill cuts at 111mn grew ~14% in 2QFY27



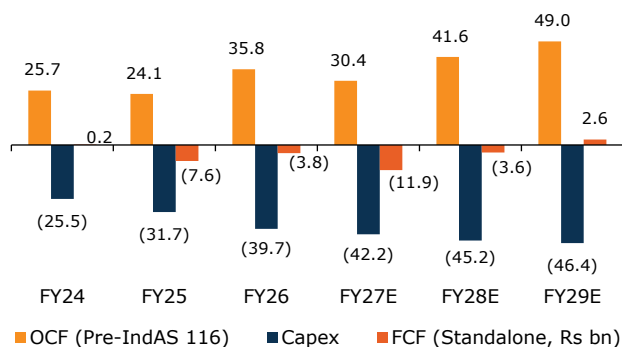
Source: Company, Emkay Research

Exhibit 6: Food mix increased by ~40bps yoy, while Non-food/General Merchandise and Apparel were down ~26/12bps

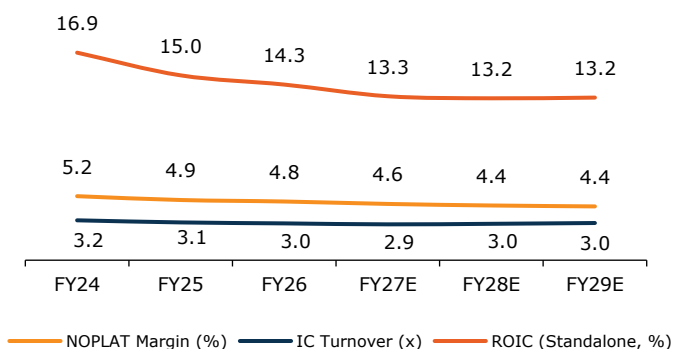


Source: Company, Emkay Research

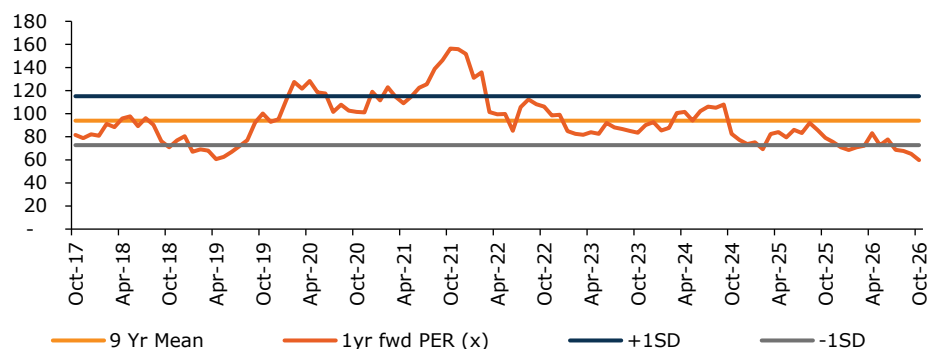
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 7: We expect FCF to remain under pressure on account of faster pace of store expansion

Source: Company, Emkay Research

Exhibit 8: We expect the increased capital employed per store to keep ROIC on a downward trend

Source: Company, Emkay Research

Exhibit 9: DMART's 1Y fwd PER trend (standalone)

Source: Company, Emkay Research

Exhibit 10: Actual vs Estimates (2QFY27)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net sales	192,062	192,062	191,801	0.0%	0.1%	Revenue was in line with our estimates.
EBITDA	14,032	15,274	14,688	-8.1%	-4.5%	EBITDA was lower than expected, led by lower gross margin and higher other expenses.
EBITDA margin	7.3%	8.0%	7.7%	-65	-35	
Adjusted PAT	8,036	9,290	8,752	-13.5%	-8.2%	PAT missed estimates due to flow-through of EBITDA miss and higher depreciation/interest expense.

Source: Company, Emkay Research

Exhibit 11: Changes in estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	784,326	789,356	0.6	912,404	931,235	2.1	1,047,910	1,081,658	3.2
EBITDA	61,439	60,626	-1.3	70,795	70,517	-0.4	80,758	81,512	0.9
EBITDA margin (%)	7.8	7.7	-20 bps	7.8	7.6	-20 bps	7.7	7.5	-20 bps
Net profit	36,703	35,594	-3.0	41,087	40,437	-1.6	45,872	45,789	-0.2
EPS (Rs)	56.3	54.6	-3.0	63.0	62.0	-1.6	70.4	70.2	-0.2

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

Exhibit 12: Summary of quarterly results

Y/E Mar (Rs mn)	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	FY26TD	FY27TD	yoy (%)
Total income	162,188	176,126	172,045	183,435	192,062	18.4	4.7	321,509	375,497	16.8
Gross profit	23,098	25,649	23,699	27,698	27,168	17.6	(1.9)	46,421	54,865	18.2
Gross margin (%)	14.2	14.6	13.8	15.1	14.1			14.4	14.6	
Employee expenses	3,311	3,504	3,691	3,971	3,965	19.8	(0.1)	6,329	7,936	25.4
as % of sales	2.0%	2.0%	2.1%	2.2%	2.1%			2.0%	2.1%	
Other expenses	7,487	7,338	7,697	8,458	9,170	22.5	8.4	14,659	17,628	20.3
as % of sales	4.6%	4.2%	4.5%	4.6%	4.8%			4.6%	4.7%	
EBITDA	12,300	14,808	12,312	15,269	14,032	14.1	(8.1)	25,433	29,301	15.2
EBITDA margin (%)	7.6	8.4	7.2	8.3	7.3			7.9	7.8	
Depreciation and amortization	2,282	2,409	2,561	2,621	2,870	25.8	9.5	4,378	5,491	25.4
EBIT	10,017	12,398	9,751	12,648	11,162	11.4	(11.8)	21,055	23,810	13.1
Interest cost	318	338	377	506	596	87.0	17.7	585	1,102	
Other income	329	303	307	378	233	(29.3)	(38.4)	671	610	(9.0)
PBT	10,028	12,363	9,681	12,520	10,799	7.7	(13.7)	21,141	23,319	10.3
Tax	2,563	3,133	2,435	3,162	2,763	7.8	(12.6)	5,378	5,925	
Net profit	7,465	9,231	7,246	9,358	8,036	7.6	(14.1)	15,763	17,394	10.3
EPS (Rs)	11.5	14.2	11.1	14.3	12.3	7.4	(14.1)	24.2	26.7	10.1
(%)	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	(bps)	(bps)	FY26TD	FY27TD	(bps)
Gross margin	14.2	14.6	13.8	15.1	14.1	-10	-100	14.4	14.6	20
EBITDAM	7.6	8.4	7.2	8.3	7.3	-30	-100	7.9	7.8	-10
EBITM	6.2	7.0	5.7	6.9	5.8	-40	-110	6.5	6.3	-20
PATM	4.6	5.2	4.2	5.1	4.2	-40	-90	4.9	4.6	-30
Tax rate	25.6	25.3	25.2	25.3	25.6	0.0	30.0	25.4	25.4	0.0

Source: Company, Emkay Research; *Post IndAS-116 EBITDA

Exhibit 13: Valuation comparison across our coverage companies

Company	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)*		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Titan Company	4,406	3,912	ADD	5,600	74.4	88.2	105.7	59.2	49.9	41.7	36.5	31.4	26.7
Varun Beverages	440	1,490	BUY	550	10.3	11.7	14.1	42.9	37.6	31.2	24.9	22.3	19.5
Ethos	2,566	69	BUY	3,400	49.7	67.0	85.7	51.7	38.3	29.9	21.8	16.2	12.6
Page Industries	36,693	409	ADD	46,800	776.7	894.3	1,022.4	47.2	41.0	35.9	31.9	27.9	24.4
ABFRL	44	53	ADD	70	-5.2	-3.8	-2.7	NA	NA	NA	5.8	4.0	3.2
Jubilant FoodWorks	423	279	BUY	600	8.0	10.6	13.4	53.0	39.7	31.6	13.0	10.9	9.5
Devyani International	124	153	BUY	160	0.2	1.0	1.6	573.7	122.6	75.3	15.6	13.0	11.3
Westlife Foodworld	581	91	ADD	550	1.8	5.3	8.7	329.2	110.5	66.7	23.4	17.3	14.1
Sapphire Foods	207	67	BUY	300	1.6	2.3	2.9	129.8	88.9	71.5	11.5	9.3	8.1
Senco Gold	335	55	BUY	575	21.4	26.2	32.8	15.6	12.8	10.2	10.2	8.4	6.9
Metro Brands	864	236	BUY	1,250	17.7	21.1	25.2	48.9	41.0	34.2	22.9	19.4	16.6
ABLBL	72	88	BUY	140	2.3	3.1	4.0	31.7	23.3	17.9	6.3	5.4	4.8
Vishal Mega Mart	98	457	BUY	170	2.3	2.9	3.6	43.0	33.3	27.0	19.3	15.9	13.5
Lenskart	678	1,179	BUY	775	5.1	7.1	10.0	133.7	95.1	68.1	46.1	35.8	28.1
DMART	3,517	2,295	SELL	3,300	54.6	62.0	70.2	64.4	56.7	50.1	37.6	32.4	28.0

Source: Company, Emkay Research; Note: *Post-IndAS-116 EBITDA; **FY27E is CY26 and likewise for Varun Beverages

This report is intended for Team White Marque Solutions (team.emkay@whitemarquessolutions)

Avenue Supermarts: Standalone Financials and Valuations

Profit & Loss					
Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	577,898	669,680	789,356	931,235	1,081,658
Revenue growth (%)	16.7	15.9	17.9	18.0	16.2
EBITDA	45,427	52,533	60,626	70,517	81,512
EBITDA growth (%)	10.8	15.6	15.4	16.3	15.6
Depreciation & Amortization	7,758	9,348	11,764	14,529	17,704
EBIT	37,669	43,185	48,862	55,987	63,809
EBIT growth (%)	8.7	14.6	13.1	14.6	14.0
Other operating income	-	-	-	-	-
Other income	1,740	1,280	1,184	1,421	1,634
Financial expense	578	1,299	2,367	3,348	4,228
PBT	38,832	43,166	47,679	54,060	61,215
Extraordinary items	0	0	0	0	0
Taxes	9,560	10,946	12,085	13,623	15,426
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	29,272	32,221	35,594	40,437	45,789
PAT growth (%)	8.6	10.1	10.5	13.6	13.2
Adjusted PAT	29,272	32,221	35,594	40,437	45,789
Diluted EPS (Rs)	45.0	49.4	54.6	62.0	70.2
Diluted EPS growth (%)	8.6	9.9	10.5	13.6	13.2
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	7.9	7.8	7.7	7.6	7.5
EBIT margin (%)	6.5	6.4	6.2	6.0	5.9
Effective tax rate (%)	24.6	25.4	25.3	25.2	25.2
NOPLAT (pre-IndAS)	28,395	32,235	36,477	41,879	47,729
Shares outstanding (mn)	651	652	652	652	652

Source: Company, Emkay Research

Balance Sheet					
Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	6,507	6,520	6,520	6,520	6,520
Reserves & Surplus	215,794	248,676	284,270	324,707	370,496
Net worth	222,302	255,196	290,790	331,227	377,016
Minority interests	-	-	-	-	-
Non current liab. & prov.	8,084	14,270	23,294	34,327	44,559
Total debt	0	9,653	27,000	36,000	39,000
Total liabilities & equity	230,385	279,119	341,084	401,553	460,575
Net tangible fixed assets	141,210	173,687	207,190	242,007	276,326
Net intangible assets	-	-	-	-	-
Net ROU assets	15,994	22,000	29,961	39,499	47,579
Capital WIP	10,905	12,842	12,842	12,842	12,842
Goodwill	-	-	-	-	-
Investments [JV/Associates]	13,277	16,578	20,078	24,078	28,078
Cash & equivalents	3,313	2,656	3,171	2,838	2,491
Current assets (ex-cash)	58,414	69,269	89,532	105,880	122,983
Current Liab. & Prov.	18,530	23,925	28,180	33,245	38,615
NWC (ex-cash)	39,884	45,345	61,353	72,636	84,368
Total assets	230,385	279,119	341,084	401,553	460,575
Net debt	(3,313)	6,997	23,829	33,162	36,509
Capital employed	230,385	279,119	341,084	401,553	460,575
Invested capital	181,094	219,032	268,543	314,642	360,695
BVPS (Rs)	341.6	391.4	446.0	508.0	578.3
Net Debt/Equity (x)	-	-	0.1	0.1	0.1
Net Debt/EBITDA (x)	(0.1)	0.1	0.4	0.5	0.4
Interest coverage (x)	67.3	33.4	20.5	16.5	14.8
RoCE (%)	19.0	18.3	17.2	16.8	16.7

Source: Company, Emkay Research

Cash flows					
Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	37,092	41,886	46,495	52,639	59,581
Others (non-cash items)	7,758	9,348	11,764	14,529	17,704
Taxes paid	(9,560)	(10,946)	(12,085)	(13,623)	(15,426)
Change in NWC	(9,774)	(3,272)	(14,644)	(10,505)	(10,909)
Operating cash flow	26,094	38,316	33,897	46,388	55,178
Capital expenditure	(31,719)	(39,675)	(42,228)	(45,183)	(46,403)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(32,697)	(43,840)	(44,788)	(48,151)	(49,181)
Equity raised/(repaid)	0	12	-	-	-
Debt raised/(repaid)	0	9,653	17,347	9,000	3,000
Payment of lease liabilities	(1,953)	(2,489)	(3,530)	(4,766)	(6,195)
Interest paid	(17)	(212)	(813)	(1,250)	(1,500)
Dividend paid (incl tax)	-	-	-	-	-
Others	-	-	-	-	-
Financing cash flow	(1,970)	6,964	13,004	2,984	(4,695)
Net chg in Cash	(8,573)	1,440	2,113	1,222	1,301
OCF	26,094	38,316	33,897	46,388	55,178
Adj. OCF (w/o NWC chg.)	35,867	41,588	48,541	56,894	66,086
FCFF	(5,625)	(1,360)	(8,332)	1,205	8,775
FCFE	(5,642)	(1,572)	(9,145)	(45)	7,275
OCF/EBITDA (%)	57.4	72.9	55.9	65.8	67.7
FCFE/PAT (%)	(19.3)	(4.9)	(25.7)	(0.1)	15.9
FCFF/NOPLAT (%)	(19.8)	(4.2)	(22.8)	2.9	18.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	78.2	71.2	64.4	56.7	50.1
P/CE(x)	65.1	58.2	51.7	45.1	39.6
P/B (x)	10.3	9.0	7.9	6.9	6.1
EV/Sales (x)	3.9	3.4	2.9	2.5	2.1
EV/EBITDA (x)	50.2	43.4	37.6	32.4	28.0
EV/EBIT(x)	60.6	52.8	46.7	40.8	35.8
EV/IC (x)	12.6	10.4	8.5	7.3	6.3
FCFF yield (%)	(0.2)	(0.1)	(0.4)	0.1	0.4
FCFE yield (%)	(0.2)	(0.1)	(0.4)	-	0.3
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.1	4.8	4.5	4.3	4.2
Total asset turnover (x)	2.9	2.8	2.8	2.8	2.8
Assets/Equity (x)	1.0	1.0	1.0	1.1	1.1
RoE (%)	14.1	13.5	13.0	13.0	12.9
DuPont-RoIC					
NOPLAT margin (%)	4.9	4.8	4.6	4.5	4.4
IC turnover (x)	3.5	3.3	3.2	3.2	3.2
RoIC (%)	17.0	16.1	15.0	14.4	14.1
Operating metrics					
Core NWC days	25.2	24.7	28.4	28.5	28.5
Total NWC days	25.2	24.7	28.4	28.5	28.5
Fixed asset turnover	3.8	3.5	3.4	3.4	3.4
Opex-to-revenue (%)	6.3	6.5	6.7	6.7	6.8

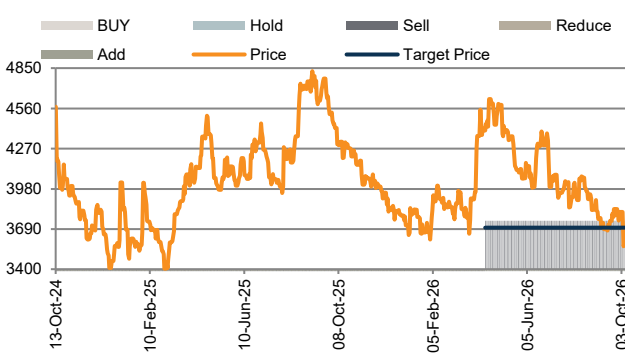
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
07-Oct-26	3,636	3,700	Sell	Devanshu Bansal
16-Sep-26	3,720	3,700	Sell	Devanshu Bansal
29-Jul-26	3,848	3,700	Sell	Devanshu Bansal
12-Jul-26	4,081	3,700	Sell	Devanshu Bansal
07-Jul-26	4,071	3,700	Sell	Devanshu Bansal
14-Jun-26	3,994	3,700	Sell	Devanshu Bansal
03-May-26	4,586	3,700	Sell	Devanshu Bansal
14-Apr-26	4,448	3,700	Sell	Devanshu Bansal
12-Apr-26	4,401	3,700	Sell	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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