

Avenue Supermarts | HOLD

Pressure on revenue growth sustains

- **Q1FY26 revenue up ~16% YoY to ~INR 159 bn (1% lower vs. initial estimate):** Q1FY26 revenue growth grew 16% YoY (vs 17/18% YoY growth in Q4/Q3FY25) to INR 159 bn. We note revenue growth was 1% below our initial estimate and 2% below consensus estimates.
- **Store addition largely in line with expectation; 9 stores added QoQ:** Dmart added 9 stores on a QoQ basis (largely in line vs our initial estimate of 10 stores in Q1), taking the store count to 424 in Q1FY26. Assuming a new store area of ~41,000 sq ft, it added ~0.4 mn sq ft QoQ in Q1, taking the EOP total selling space to ~17.6 mn sq ft.
- **Sales/sq ft up 2% YoY:** Based on our selling space assumptions, estimated sales/sq ft was up 2% YoY (lower than 3% growth in Q4FY25) to ~INR 9.2k/sq ft and is still 1% below vs. Q1FY20.
- **We estimate ~10%/7% YoY EBITDA/PAT growth in Q1:** We estimate a ~40 bps YoY dip in EBITDA margin to 8.5% in Q1FY26, despite expectations of flat gross margin, largely on account of higher operating cost. Overall, we expect 10% YoY growth in EBITDA to INR 13.5 bn. Based on our selling area estimates, we expect EBITDA/sq ft of ~INR 776, down 3% YoY despite 2% increase in sales/ sq ft due to 8-10% increase in staff and other expenses per sq ft. We expect PAT to grow 7% YoY to INR 8.7 bn largely on account of increase in depreciation expenses and lower other income.



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Exhibit 1. Quarterly standalone performance

INR mn	Reported					Reported		
	Q1FY25	Q4FY25	Q1FY26E	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Stores	371	415	424	53	9	365	415	50
Selling space (mn sq.ft)	15.4	17.2	17.6	14.1	2.1	15.2	17.2	14
Sales/ sqft	8,977	8,686	9,165	2	6	32,695	33,599	3
Net operating revenues	137,119	144,624	159,321	16	10	495,330	577,898	17
Cost of materials	(116,680)	(125,142)	(135,582)	16	8	(425,467)	(496,163)	17
Gross profit	20,439	19,482	23,739	16	22	69,863	81,735	17
Employee costs	(2,311)	(2,679)	(2,850)	23	6	(7,857)	(10,133)	29
Other expenses	(5,917)	(6,989)	(7,400)	25	6	(21,012)	(26,175)	25
EBITDA	12,210	9,814	13,489	10	37	40,994	45,427	11
D&A	(1,710)	(2,160)	(2,100)	23	(3)	(6,328)	(7,758)	23
EBIT	10,500	7,654	11,389	8	49	34,666	37,669	9
Interest expense	(132)	(160)	(170)	29	6	(443)	(578)	30
Other income	520	391	400	(23)	2	1,891	1,740	(8)
PBT	10,888	7,885	11,619	7	47	36,114	38,832	8
Provision for taxes	(2,763)	(1,688)	(2,928)	6	73	(9,165)	(9,560)	4
PAT	8,125	6,197	8,691	7	40	26,949	29,272	9
Extraordinary items	-	-	-	-	-	-	-	-
PAT after EO items	8,125	6,197	8,691	7	40	26,949	29,272	9
Recurring EPS (Rs/share)	12.5	9.5	13.4	7	40	41.4	45.0	9
% of sales								
Gross margin (%)	14.9	13.5	14.9	-1 bps	142 bps	14.1	14.1	3 bps
EBITDA margin (%)	8.9	6.8	8.5	-44 bps	168 bps	8.3	7.9	-42 bps
Material cost	85.1	86.5	85.1	0 bps	-143 bps	85.9	85.9	-4 bps
Employee cost	1.7	1.9	1.8	10 bps	-7 bps	1.6	1.8	16 bps
Other expenditure	4.3	4.8	4.6	32 bps	-19 bps	4.2	4.5	28 bps
Income tax rate (% of PBT)	25.4	21.4	25.2	-19 bps	379 bps	25.4	24.6	-76 bps

Source: Company, JM Financial

APPENDIX I

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