SELL

Avenue Supermarts

Lackluster Q1; high valuation poses de-rating risk

Retail ▸ Result Update ▸ **July 12, 2026**

CMP (Rs): 4,081 | TP (Rs): 3,700

We maintain SELL on DMART with unchanged TP of Rs3,700 (54x Jun-28E EPS), on slow TAM expansion, fading USP of value/assortment vs Q-Com, deteriorating RoIC, and expensive valuation at ~70x 1Y fwd PER. DMART saw a lacklustre 1Q, with 15%/13% revenue/PAT growth, albeit in-line. Primary disappointments stem from slower growth in bill size (up only 1.5%) and likely slower ramp-up in new store adds. After a bump in 4Q, LFL growth normalized to 5.5% in 1Q, largely led by maturing of new stores, with older stores in large metros seeing a flat growth trend. Revenue mix improved, with faster growth in the General Merchandise and Apparel segment (up ~19%), driving a ~50bps gross-margin gain. However, ongoing growth investments restricted EBITDA margin gain to ~10bps and led to slower PAT growth of 13%. DMart Ready has further curtailed operations to 11 cities, resulting in lower net subsidiary revenue growth of ~6%; net subsidiary loss in 1Q was Rs753mn (vs Rs569mn loss yoy). The Board approved issuance of Rs10bn non-convertible debentures, highlighting the need for constant external capital for growth.

New stores likely seeing slower ramp-up; bill value growth slower vs estimates

1Q standalone revenue was up ~15% yoy, at Rs183bn, led by 13.4% growth in bill cuts and the rest via increase in average bill value (1.5% in 1Q vs 2.5% in FY26). LFL growth at 5.5% has normalized after a bump in 4Q. Management highlighted that growth in older stores in large metros was flat. However, non-metro stores continue to grow well. During the quarter, 3 new stores were added (vs 9 in 1QFY26), taking the overall store count to 503. Average size of a new store was 26.7k sqft in 1QFY27 vs the typical 40k sqft; we will watch this metric for a few more quarters to establish if there is an underlying change in strategy. Among segments, the General Merchandise and Apparel segment grew faster at ~19% in 1Q vs 14%/15% growth in the Foods/Non-Foods segments.

EBITDA/PAT growth a tad lower than expectations

Standalone gross margin (GM) at 15.1% was up by ~50bps yoy, likely aided by a higher mix of general merchandise and apparel (up by ~74bps) at 25.5%. EBITDA margin improved marginally by ~10bps to 8.3%, as improvement in GM was largely offset by higher employee expenses (up by ~30bps yoy) and higher other expenses (up by ~10bps yoy). Absolute EBITDA at Rs15.3bn was up ~16%, while PAT grew by ~13% (1.5% lower than our expectations), with the lower growth reflecting higher interest cost at Rs506mn (vs Rs266mn in 1QFY26) and elevated depreciation cost.

Subs revenue growth moderates; DMart Ready store rationalization continues

Subsidiaries' revenue grew 5.5% yoy in 1Q (vs 17-18% in 4Q/FY26), while EBITDA loss stood at Rs276 (vs loss of Rs 206mn in 4QFY26). During the quarter, the company further rationalized its operations by discontinuing DMart Ready in 7 cities. Company focus remains on strengthening presence in large metro markets, with DMart Ready currently operating in 11 cities, as of end-1QFY27. Consolidated yoy revenue/EBITDA/PAT growth stood at 14.9%/15.4%/11.3%, respectively, in 1QFY27.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(9.3)

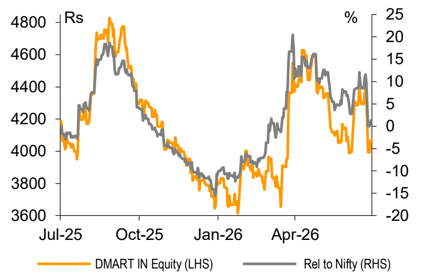
Stock Data	**DMART IN**
52-week High (Rs)	4,950
52-week Low (Rs)	3,529
Shares outstanding (mn)	652.2
Market-cap (Rs bn)	2,662
Market-cap (USD mn)	27,924
Net-debt, FY27E (Rs mn)	19,550.1
ADTV-3M (mn shares)	0.6
ADTV-3M (Rs mn)	2,492.7
ADTV-3M (USD mn)	26.1
Free float (%)	23.0
Nifty-50	24,206.9
INR/USD	95.3

Shareholding, Mar-26	
Promoters (%)	74.5
FPIs/MFs (%)	9.0/8.9

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	0.9	(7.3)	(2.1)
Rel. to Nifty	(3.2)	(7.9)	2.5

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	784,326	912,404	1,047,909
EBITDA	45,427	52,552	61,440	70,795	80,758
Adj. PAT	29,272	32,239	36,703	41,088	45,873
Adj. EPS (Rs)	45.0	49.4	56.3	63.0	70.4
EBITDA margin (%)	7.9	7.8	7.8	7.8	7.7
EBITDA growth (%)	10.8	15.7	16.9	15.2	14.1
Adj. EPS growth (%)	8.6	9.9	13.8	11.9	11.6
RoE (%)	14.1	13.5	13.4	13.2	12.9
RoIC (%)	17.0	16.1	15.3	14.6	14.2
P/E (x)	90.7	82.5	72.5	64.8	58.0
EV/EBITDA (x)	58.3	50.4	43.1	37.4	32.8
P/B (x)	11.9	10.4	9.1	8.0	7.0
FCFF yield (%)	(0.2)	-	(0.2)	0.1	0.4

Source: Company, Emkay Research

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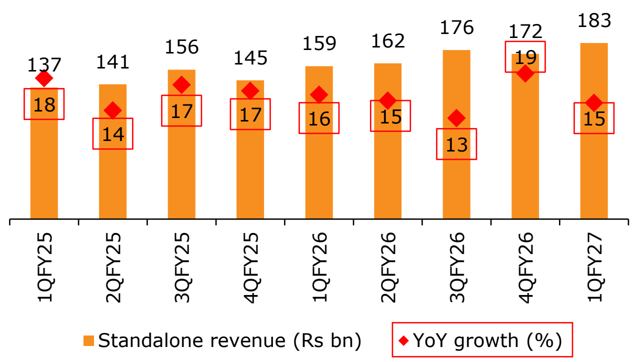
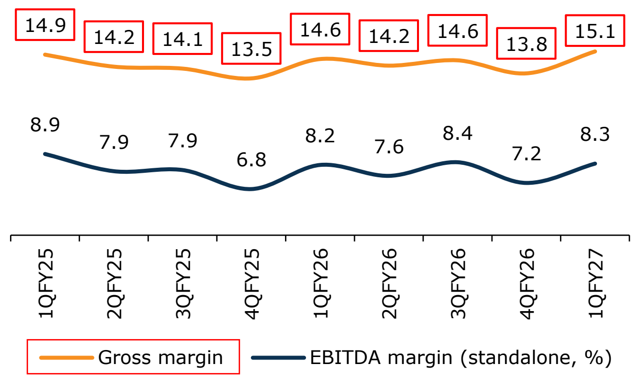
Story in charts

Exhibit 1: Topline grew ~15% in 1Q, with 5.5% LFL and the rest through store additions



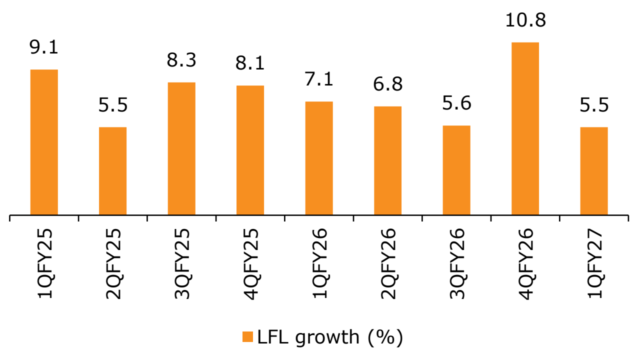
Source: Company, Emkay Research

Exhibit 2: EBITDA margin increased marginally by 8bps, led by higher gross margin, up by ~46bps, and partially offset by higher employee/other expenses, up by 27/11bps, respectively



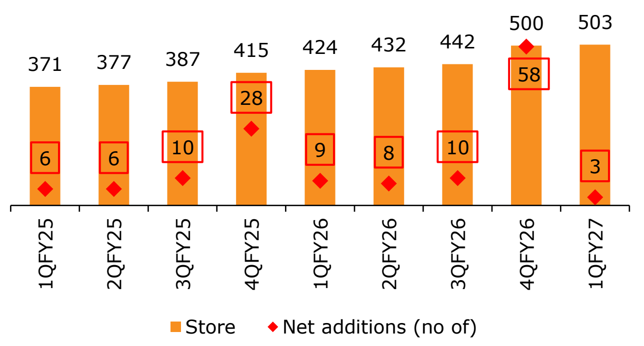
Source: Company, Emkay Research

Exhibit 3: LFL growth normalized to 5.5%, after a rise in 4Q



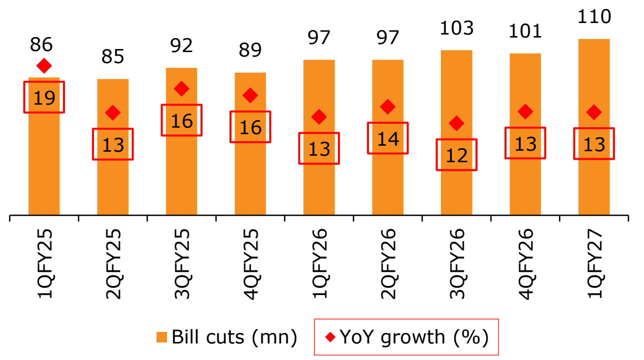
Source: Company, Emkay Research

Exhibit 4: DMART added 3 stores in 1Q, taking the total store-count to 503



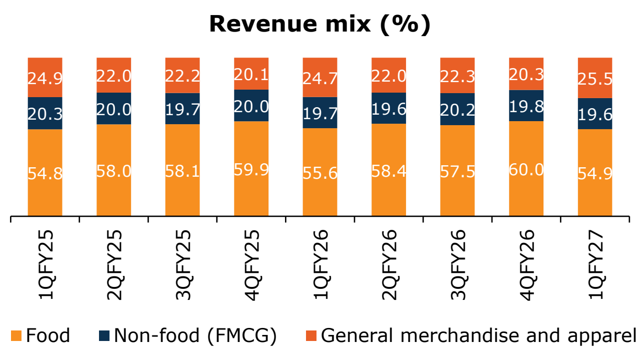
Source: Company, Emkay Research

Exhibit 5: Bill cuts at 110mn grew ~13% in 1QFY27



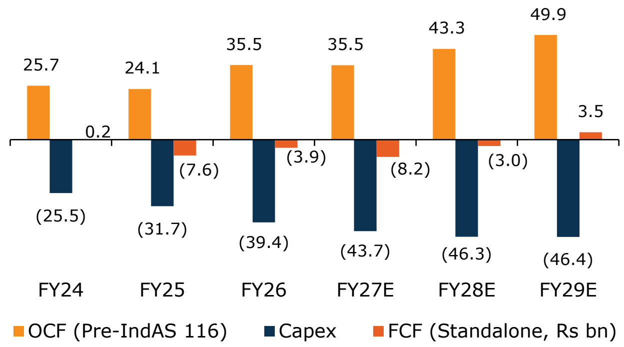
Source: Company, Emkay Research

Exhibit 6: General Merchandise and Apparel mix increased by ~74bps YoY, while Food/Non-food was down by ~67/7bps



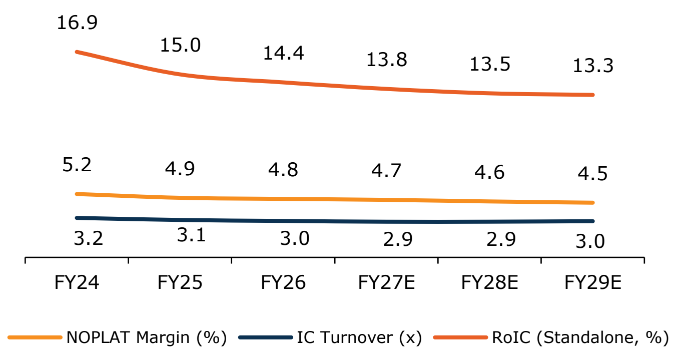
Source: Company, Emkay Research

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



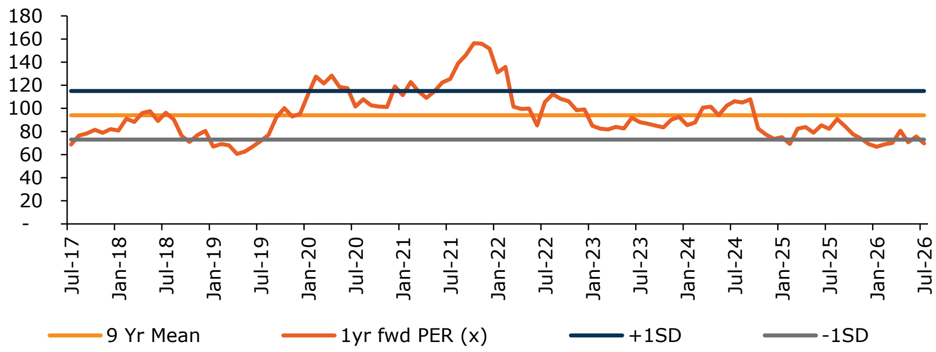
Source: Company, Emkay Research

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 (1QFY27)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net sales	183,435	183,427	183,434	0.0%	0.0%	Revenue was in line with our estimates.
EBITDA	15,269	15,463	15,088	-1.3%	1.2%	EBITDA was marginally lower than expected, led by higher other expenses.
EBITDA margin	8.3%	8.4%	8.2%	-11	10	
Adjusted PAT	9,358	9,497	9,503	-1.5%	-1.5%	PAT missed estimates due to flow-through of EBITDA miss and higher depreciation.

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	784,326	0.0	912,404	912,404	0.0	1,047,909	1,047,909	0.0
EBITDA	61,440	61,440	0.0	70,795	70,795	0.0	82,706	80,758	-2.4
EBITDA margin (%)	7.8	7.8	0 bps	7.8	7.8	0 bps	7.9	7.7	-20 bps
Net profit	36,084	36,703	1.7	40,166	41,088	2.3	46,220	45,873	-0.8
EPS (Rs)	55.3	56.3	1.7	61.6	63.0	2.3	70.9	70.4	-0.8

Source: Company, Emkay Research

Exhibit 12: Summary of quarterly results

Y/E Mar (Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY26TD	FY27TD	yoy (%)
Total income	**159,321**	**162,188**	**176,126**	**172,045**	**183,435**	**15.1**	**6.6**	**159,321**	**183,435**	**15.1**
Gross profit	**23,323**	**23,098**	**25,649**	**23,699**	**27,698**	**18.8**	**16.9**	**23,323**	**27,698**	**18.8**
Gross margin (%)	***14.6***	***14.2***	***14.6***	***13.8***	***15.1***			***14.6***	***15.1***	
Employee expenses	3,018	3,311	3,504	3,691	3,971	31.6	7.6	3,018	3,971	31.6
as % of sales	*1.9%*	*2.0%*	*2.0%*	*2.1%*	*2.2%*			*1.9%*	*2.2%*	
Other expenses	7,172	7,487	7,338	7,697	8,458	17.9	9.9	7,172	8,458	17.9
as % of sales	*4.5%*	*4.6%*	*4.2%*	*4.5%*	*4.6%*			*4.5%*	*4.6%*	
EBITDA	**13,133**	**12,300**	**14,808**	**12,312**	**15,269**	**16.3**	**24.0**	**13,133**	**15,269**	**16.3**
EBITDA margin (%)	***8.2***	***7.6***	***8.4***	***7.2***	***8.3***			***8.2***	***8.3***	
Depreciation and amortization	2,096	2,282	2,409	2,561	2,621	25.0	2.3	2,096	2,621	25.0
EBIT	**11,037**	**10,017**	**12,398**	**9,751**	**12,648**	**14.6**	**29.7**	**11,037**	**12,648**	**14.6**
Interest cost	266	318	338	377	506	90.1	34.3	266	506	
Other income	341	329	303	307	378	10.6	23.0	341	378	10.6
PBT	**11,113**	**10,028**	**12,363**	**9,681**	**12,520**	**12.7**	**29.3**	**11,113**	**12,520**	**12.7**
Tax	2,815	2,563	3,133	2,435	3,162	12.3	29.9	2,815	3,162	
Net profit	**8,297**	**7,465**	**9,231**	**7,246**	**9,358**	**12.8**	**29.1**	**8,297**	**9,358**	**12.8**
EPS (Rs)	12.8	11.5	14.2	11.1	14.3	12.5	29.1	12.8	14.3	12.5

(%)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	(bps)	(bps)	FY26TD	FY27TD	(bps)
Gross margin	14.6	14.2	14.6	13.8	15.1	50	130	14.6	15.1	50
EBITDAM	8.2	7.6	8.4	7.2	8.3	10	120	8.2	8.3	10
EBITM	6.9	6.2	7.0	5.7	6.9	0	120	6.9	6.9	0
PATM	5.2	4.6	5.2	4.2	5.1	-10	90	5.2	5.1	-10
Tax rate	25.3	25.6	25.3	25.2	25.3	-10.0	10.0	25.3	25.3	-10.0

*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	4,586	4,072	ADD	5,100	68.3	87.9	113.6	67.1	52.2	40.4	41.9	33.9	27.1
Varun Beverages	478	1,618	BUY	620	10.0	11.9	14.3	47.7	40.2	33.5	27.1	24.0	21.2
Ethos	2,487	67	BUY	2,800	46.9	61.0	75.9	53.0	40.8	32.8	22.0	16.6	13.1
Page Industries	39,407	440	ADD	46,800	776.7	894.3	1,025.2	50.7	44.1	38.4	34.3	30.0	26.3
ABFRL	60	73	ADD	80	-5.1	-3.6	-3.3	NA	NA	NA	7.2	5.2	4.5
Jubilant FoodWorks	438	289	BUY	550	6.0	7.9	10.2	73.0	55.3	42.8	14.8	12.6	10.9
Devyani International	112	138	BUY	160	0.1	0.9	1.1	993.3	127.0	102.8	14.4	11.4	10.2
Westlife Foodworld	508	79	ADD	550	0.8	5.3	8.7	646.3	96.4	58.4	20.5	15.1	12.4
Sapphire Foods	183	59	BUY	300	1.6	2.3	2.9	115.5	78.6	63.2	10.2	8.1	7.1
Senco Gold	362	59	BUY	575	21.2	26.2	30.4	17.1	13.8	11.9	11.1	9.2	7.9
Metro Brands	1,065	290	BUY	1,250	18.1	21.9	24.7	58.7	48.7	43.1	28.0	24.0	20.6
ABLBL	95	117	BUY	140	2.2	3.1	4.0	43.8	30.2	23.4	8.3	7.1	6.2
Vishal Mega Mart	119	557	BUY	170	2.3	2.9	3.6	52.4	40.6	33.0	23.7	19.6	16.6
Lenskart	543	945	BUY	675	4.1	6.1	7.2	132.1	88.7	75.0	38.7	29.6	23.9
DMART	**4,081**	**2,663**	**SELL**	**3,700**	**56.3**	**63.0**	**70.4**	**72.5**	**64.8**	**58.0**	**43.1**	**37.4**	**32.8**

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

Avenue Supermarts: Standalone Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**577,898**	**669,680**	**784,326**	**912,404**	**1,047,909**
Revenue growth (%)	16.7	15.9	17.1	16.3	14.9
EBITDA	**45,427**	**52,552**	**61,440**	**70,795**	**80,758**
EBITDA growth (%)	10.8	15.7	16.9	15.2	14.1
Depreciation & Amortization	7,758	9,348	11,636	14,414	17,421
EBIT	**37,669**	**43,204**	**49,803**	**56,382**	**63,337**
EBIT growth (%)	8.7	14.7	15.3	13.2	12.3
Other operating income	-	-	-	-	-
Other income	1,740	1,280	1,472	1,664	1,880
Financial expense	578	1,299	2,111	3,007	3,770
PBT	**38,832**	**43,185**	**49,164**	**55,038**	**61,447**
Extraordinary items	0	0	0	0	0
Taxes	9,560	10,946	12,461	13,950	15,574
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**29,272**	**32,239**	**36,703**	**41,088**	**45,873**
PAT growth (%)	8.6	10.1	13.8	11.9	11.6
Adjusted PAT	**29,272**	**32,239**	**36,703**	**41,088**	**45,873**
Diluted EPS (Rs)	**45.0**	**49.4**	**56.3**	**63.0**	**70.4**
Diluted EPS growth (%)	8.6	9.9	13.8	11.9	11.6
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	7.9	7.8	7.8	7.8	7.7
EBIT margin (%)	6.5	6.5	6.3	6.2	6.0
Effective tax rate (%)	24.6	25.3	25.3	25.3	25.3
NOPLAT (pre-IndAS)	**28,395**	**32,254**	**37,180**	**42,091**	**47,283**
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	285,379	326,467	372,340
Net worth	**222,302**	**255,196**	**291,899**	**332,987**	**378,860**
Minority interests	-	-	-	-	-
Non current liab. & prov.	8,084	14,270	23,301	34,343	44,587
Total debt	**0**	**9,653**	**23,000**	**30,000**	**30,000**
Total liabilities & equity	**230,385**	**279,119**	**338,200**	**397,329**	**453,446**
Net tangible fixed assets	141,210	173,687	209,079	245,510	280,388
Net intangible assets	-	-	-	-	-
Net ROU assets	15,994	22,000	29,640	38,804	46,607
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**	**3,450**	**2,429**	**924**
Current assets (ex-cash)	58,414	69,269	84,664	98,740	113,404
Current Liab. & Prov.	18,530	23,925	28,000	32,572	37,410
NWC (ex-cash)	**39,884**	**45,345**	**56,664**	**66,167**	**75,994**
Total assets	**230,385**	**279,119**	**338,200**	**397,329**	**453,446**
Net debt	(3,313)	6,997	19,550	27,571	29,076
Capital employed	230,385	279,119	338,200	397,329	453,446
Invested capital	**181,094**	**219,032**	**265,743**	**311,677**	**356,382**
BVPS (Rs)	341.6	391.4	447.7	510.7	581.1
Net Debt/Equity (x)	-	-	0.1	0.1	0.1
Net Debt/EBITDA (x)	(0.1)	0.1	0.3	0.4	0.4
Interest coverage (x)	67.3	33.4	23.6	18.6	16.6
RoCE (%)	**19.0**	**18.3**	**17.7**	**17.1**	**16.9**

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	37,092	41,905	47,692	53,374	59,567
Others (non-cash items)	-	-	-	-	-
Taxes paid	(9,560)	(10,946)	(12,461)	(13,950)	(15,574)
Change in NWC	(9,774)	(3,272)	(9,983)	(8,801)	(9,084)
Operating cash flow	**26,094**	**38,334**	**38,995**	**48,044**	**56,099**
Capital expenditure	(31,719)	(39,425)	(43,668)	(46,308)	(46,403)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(32,697)**	**(43,590)**	**(45,926)**	**(48,995)**	**(48,894)**
Equity raised/(repaid)	0	12	-	-	-
Debt raised/(repaid)	0	9,653	13,347	7,000	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	(17)	(184)	(550)	(900)	(1,030)
Dividend paid (incl tax)	-	-	-	-	-
Others	(1,953)	(2,786)	(3,530)	(4,766)	(6,195)
Financing cash flow	**(1,970)**	**6,695**	**9,267**	**1,334**	**(7,225)**
Net chg in Cash	(8,573)	1,440	2,336	383	(20)
OCF	26,094	38,334	38,995	48,044	56,099
Adj. OCF (w/o NWC chg.)	35,867	41,607	48,978	56,845	65,184
FCFF	(5,625)	(1,091)	(4,673)	1,736	9,696
FCFE	(5,642)	(1,275)	(5,223)	836	8,666
OCF/EBITDA (%)	57.4	72.9	63.5	67.9	69.5
FCFE/PAT (%)	(19.3)	(4.0)	(14.2)	2.0	18.9
FCFF/NOPLAT (%)	**(19.8)**	**(3.4)**	**(12.6)**	**4.1**	**20.5**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	90.7	82.5	72.5	64.8	58.0
P/CE(x)	75.5	67.9	59.2	52.2	46.4
P/B (x)	11.9	10.4	9.1	8.0	7.0
EV/Sales (x)	4.6	4.0	3.4	2.9	2.5
EV/EBITDA (x)	58.3	50.4	43.1	37.4	32.8
EV/EBIT(x)	70.3	61.3	53.2	47.0	41.8
EV/IC (x)	14.6	12.1	10.0	8.5	7.4
FCFF yield (%)	(0.2)	-	(0.2)	0.1	0.4
FCFE yield (%)	(0.2)	-	(0.2)	-	0.3
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.1	4.8	4.7	4.5	4.4
Total asset turnover (x)	2.9	2.8	2.8	2.7	2.7
Assets/Equity (x)	1.0	1.0	1.0	1.1	1.1
RoE (%)	**14.1**	**13.5**	**13.4**	**13.2**	**12.9**
DuPont-RoIC					
NOPLAT margin (%)	4.9	4.8	4.7	4.6	4.5
IC turnover (x)	3.5	3.3	3.2	3.2	3.1
RoIC (%)	**17.0**	**16.1**	**15.3**	**14.6**	**14.2**
Operating metrics					
Core NWC days	25.2	24.7	26.4	26.5	26.5
Total NWC days	**25.2**	**24.7**	**26.4**	**26.5**	**26.5**
Fixed asset turnover	3.8	3.5	3.4	3.3	3.3
Opex-to-revenue (%)	6.3	6.5	6.7	6.9	6.9

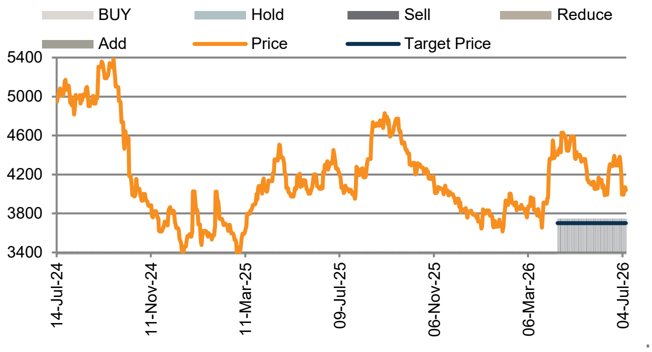
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
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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