SELL **Avenue Supermarts**

No major strategic shift; focus on improved execution

Retail ▸ Analyst Meet Update ▸ **July 29, 2026**

CMP (Rs): 3,847 | TP (Rs): 3,700

We maintain SELL on DMART with unchanged TP of Rs3,700, based on 54x Jun-28E EPS, due to slow TAM expansion, fading value/assortment differentiation versus Q-Com, declining ROIC, and expensive valuation at ~65x 1Y fwd PER. We attended DMART's annual analyst call expecting structural initiatives by the new CEO (Anshul Asawa) for improving SSG, his outlook for the fast-growing Q-Com channel, and cues for faster expansion. Asawa pointed to efforts toward improving the tech stack and building capacity for higher store additions; however, the 15% expansion outlook (vs ~20% in FY26), status quo on nil data collection at stores, preference for slotted deliveries (vs Q-Com), and no major play in the large fresh category did not indicate any material deviation but seemed only an improved execution of the previous strategy. The key positive, though, was its target of ~8% LFL in FY27 (vs 5.5% in 1Q). SSG is primarily being driven by better traction in non-metros, while metro stores are seeing flat SSG due to peak throughputs and higher competition. Gross/PAT margin are expected to remain at 14-15%/~5%, respectively, as focus continues on capturing volume-driven growth. Gross debt is expected to increase to ~Rs20bn (vs ~Rs10bn at FY26-end), highlighting need for external capital for funding growth.

Expects SSG to improve in rest of FY27; targets ~15% network expansion

DMART expects SSG to sustain at ~8% (similar to FY26), while continuing its disciplined, cluster-based store expansion strategy. Having entered five new states in FY26, focus will now shift to increasing store density in these new markets. The company continues to target annual expansion of ~15% (implies ~75 stores in FY27), supported by a healthy 2-3-year pipeline, though the actual pace may differ slightly (+/- 2%), depending on regulatory approvals. DMART seemed more open (vs the past) to smaller-format stores and long-term leases, in markets where outright land acquisition is difficult (eg NCR). As of FY26-end, 68 of its 500 stores (ie ~14%) operated on long-term leases, with 15 of the 85 store additions in FY26 being leased. The primary bottleneck remains the time-intensive process of owning and developing stores—a structural advantage that the company intends to preserve.

Upholding EDLC-EDLP strategy; large TAM to allow growth, despite competition

DMART acknowledged entry of new players in the Q-Com space and where competitive intensity would remain high in the near term. However, management remains confident of DMART's EDLC-EDLP strategy, highlighting core focus on providing better value to customers at DMART stores. It believes that continued execution of its strategy, coupled with disciplined brick-and-mortar expansion, will enable resilience despite growth of quick commerce. It also noted that organized penetration remains low, providing headroom for multiple formats to coexist. Further, it observed that globally, consumers do not rely on a single retail format and make different shopping trips for different occasions.

Avenue Supermarts: Financial Snapshot (Standalone)

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	577,898	669,680	784,326	912,404	1,047,910
EBITDA	45,427	52,533	61,439	70,795	80,758
Adj. PAT	29,272	32,221	36,703	41,087	45,872
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	15.6	17.0	15.2	14.1
Adj. EPS growth (%)	8.6	9.9	13.9	11.9	11.6
RoE (%)	14.1	13.5	13.4	13.2	12.9
RoIC (%)	17.0	16.1	15.4	14.6	14.2
P/E (x)	85.5	77.8	68.3	61.0	54.7
EV/EBITDA (x)	55.0	47.5	40.6	35.3	30.9
P/B (x)	11.3	9.8	8.6	7.5	6.6
FCFF yield (%)	(0.2)	(0.1)	(0.2)	0.1	0.4

Source: Company, Emkay Research

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(3.8)

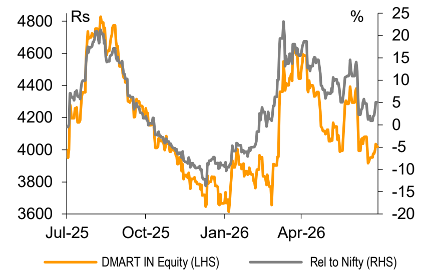
Stock Data	DMART IN
52-week High (Rs)	4,950
52-week Low (Rs)	3,529
Shares outstanding (mn)	652.2
Market-cap (Rs bn)	2,509
Market-cap (USD mn)	26,173
Net-debt, FY27E (Rs mn)	19,119.8
ADTV-3M (mn shares)	0.6
ADTV-3M (Rs mn)	2,404.3
ADTV-3M (USD mn)	25.1
Free float (%)	23.0
Nifty-50	23,985.3
INR/USD	95.9

Shareholding,Jun-26	
Promoters (%)	74.5
FPIs/MFs (%)	9.2/8.7

Price Performance

(%)	1M	3M	12M
Absolute	(10.4)	(15.4)	(2.6)
Rel. to Nifty	(10.2)	(15.3)	0.2

1-Year share price trend (Rs)



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Earnings call KTAs

Initial comments

- New CEO Anshul Asawa spent the past year on ground, engaging with teams, vendors, and customers, highlighting that the leadership transition was well planned.
- Management reiterated that fundamentals of the business remain strong. The EDLP (Every Day Low Price) model continues to be DMART's key moat and is expected to protect its competitive position in the long term. Store expansion will remain a key strategic priority as the company continues to see large whitespace opportunity across multiple cities.
- Going ahead, the company will focus on strengthening management bandwidth, building organizational capabilities and upgrading key systems to leverage data more effectively.

DMART Ready

- DMART consciously plans to double down on DMART Ready in the curtailed list of 11 cities, which in the past contributed majority of e-commerce revenue. Key focus areas include improving assortment, enhancing digital user experience, and speed of delivery.
- DMART does not intend to participate in the instant delivery segment. DMART Ready is positioned for planned purchases, offering value-led pricing with delivery within 6 hours.
- Management indicated that DMART Ready will continue to be operated as a separate business. Integrating it with Avenue Supermarts's physical store operations would be challenging. After experimenting with multiple operating models earlier, the focus is now firmly on optimizing the delivery model.
- The immediate priority is to establish and validate the business model across these 11 cities while ensuring that the business can eventually achieve profitability.

Private labels

- DMART's private label approach remains unchanged and continues to follow its 20/20/20 principle – 20% price advantage, 20% incremental margin (vs main brand), and 20% volume share within the respective category.
- There is no conscious effort to increase shelf space for private labels, with assortment continuing to be driven by customer preference.

Tier-wise trends

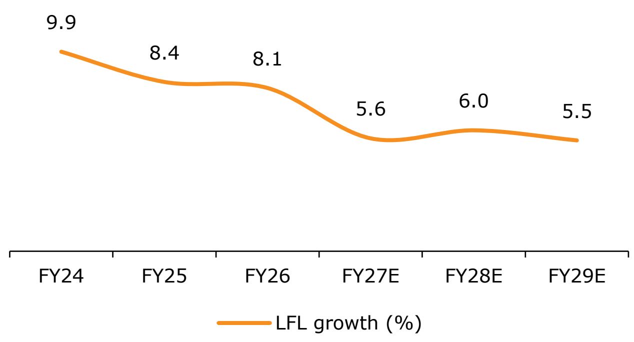
- Metro markets such as Mumbai and Bengaluru have witnessed slower growth, particularly in older, high-density stores where throughput is already high and stores are approaching saturation. Growth has also been impacted by a new DMART store opening in the vicinity and increasing competition from channels like Q-Com.
- Tier 1/Tier 2 cities continue to outperform metro markets, with new stores delivering throughput in line with expectations and SSG remaining above the company average.

Others

- Across channels, including quick commerce and general trade, DMART continuously tracks emerging brands and partners with those demonstrating strong scale. However, the company does not intend to be the launch platform for new brands. Vendor relationships have strengthened over the past few years. The company also onboarded several successful D2C brands based on their success in the online space.
- Employee cost increased in FY26 primarily due to investments in organizational capabilities for future growth. Every store needs a cohort of permanent employees to run the store efficiently; this has led to 75-80% of headcount addition. And as the store count was higher last year, the permanent employee count saw an increase. Productivity initiatives across stores and warehouses helped optimize non-permanent manpower, although higher minimum wages also contributed to the increase in employee costs.
- The company does not intend to make the shopping experience complex or time consuming for customers and, hence, data collection is not done in-store.

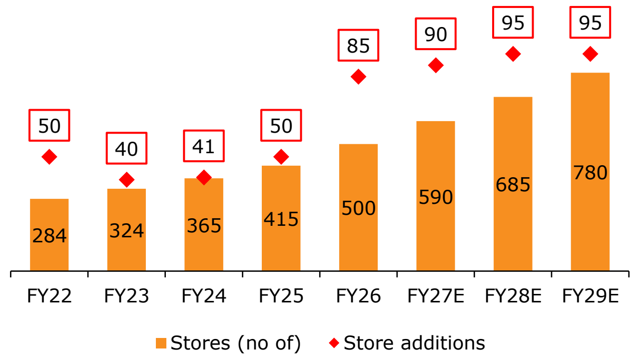
Story in charts

Exhibit 1: With growing adoption of QCom, we expect LFL to remain in the 5.5-6% range over FY26-29E



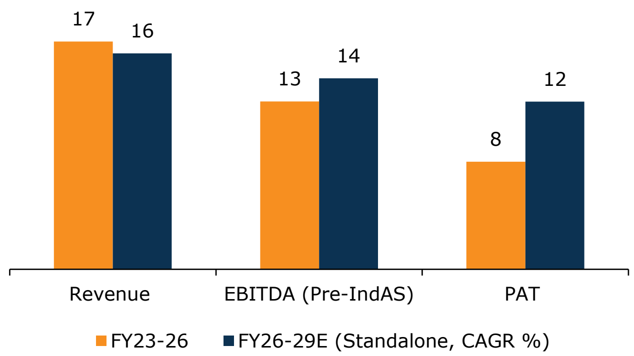
Source: Company, Emkay Research

Exhibit 2: We build in ~16% store opening CAGR over FY26-29E



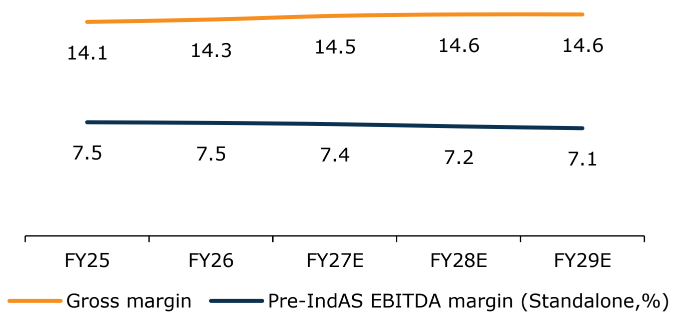
Source: Company, Emkay Research

Exhibit 3: We expect PAT CAGR of ~12% to lag revenue/EBITDA CAGR of 16/14%, due to increase in debt



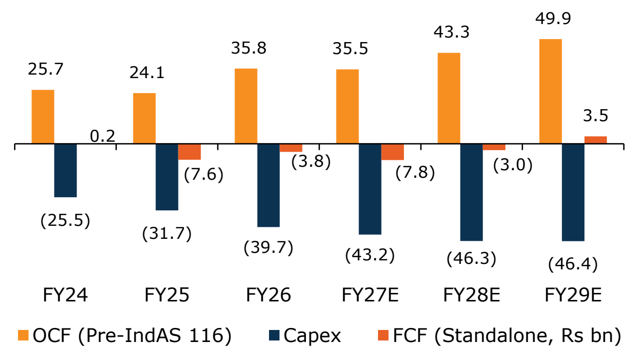
Source: Company, Emkay Research

Exhibit 4: We expect EBITDA margin to see some moderation on account of higher employee cost and other expenses



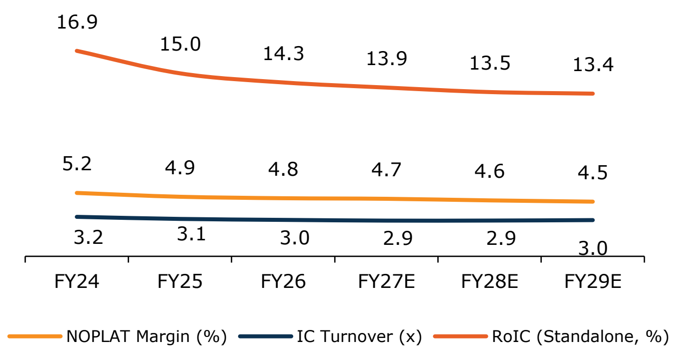
Source: Company, Emkay Research

Exhibit 5: We expect FCF to remain under pressure on account of faster pace of store expansion



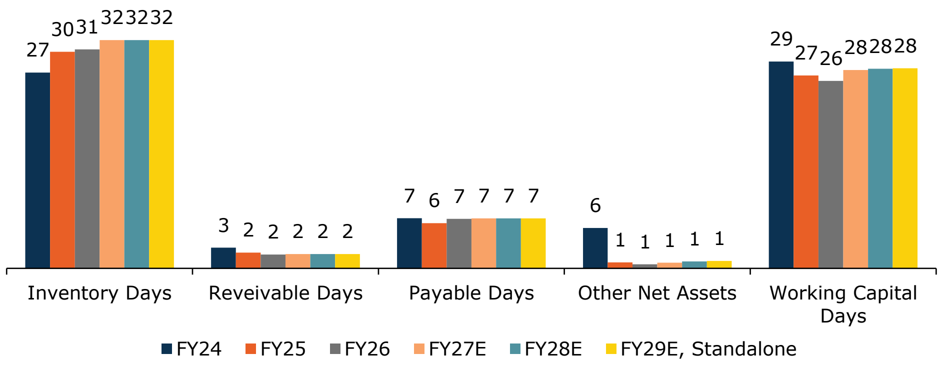
Source: Company, Emkay Research

Exhibit 6: We expect the increased capital employed per store to keep ROIC on a downward trend



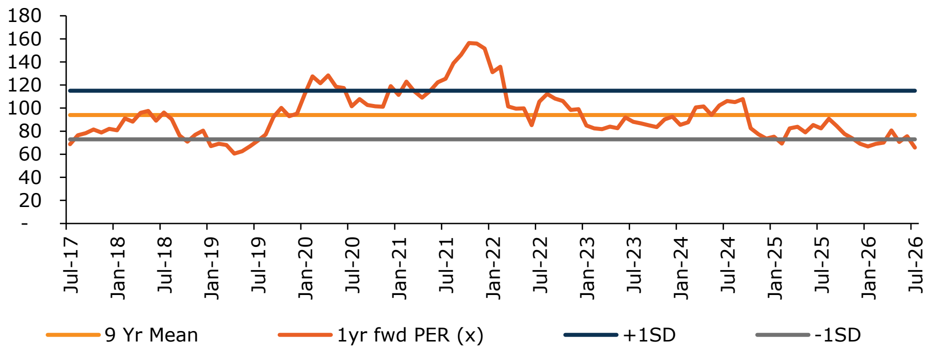
Source: Company, Emkay Research

Exhibit 7: DMART has maintained an efficient WC cycle of 25-30 days; we expect a marginal increase in the number of WC days, over FY26-29E



Source: Company, Emkay Research

Exhibit 8: DMART's 1Y fwd PER trend (standalone)



Source: Company, Emkay Research

Exhibit 9: Valuation comparison across our coverage companies

Company	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			PER (x)			EV / EBITDA (x)*		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Titan Company	4,849	4,304	ADD	5,100	68.3	87.9	113.6	71.0	55.2	42.7	44.2	35.8	28.6
Varun Beverages	430	1,454	BUY	525	9.7	11.4	13.8	44.3	37.8	31.1	25.0	22.2	19.4
Ethos	2,541	68	BUY	2,800	46.9	61.0	75.9	54.2	41.7	33.5	22.6	17.0	13.4
Page Industries	40,362	450	ADD	46,800	776.7	894.3	1,025.2	52.0	45.1	39.4	35.1	30.7	26.9
ABFRL	57	69	ADD	80	-5.1	-3.6	-3.3	NA	NA	NA	6.9	4.9	4.3
Jubilant FoodWorks	432	285	BUY	550	6.0	7.9	10.2	71.9	54.5	42.2	14.6	12.5	10.8
Devyani International	114	140	BUY	160	0.1	0.9	1.1	1,005.2	128.6	104.0	14.6	11.5	10.3
Westlife Foodworld	468	73	ADD	550	0.8	5.3	8.7	595.3	88.8	53.8	18.9	13.9	11.4
Sapphire Foods	184	59	BUY	300	1.6	2.3	2.9	115.4	79.0	63.5	10.2	8.2	7.2
Senco Gold	418	68	BUY	575	21.2	26.2	30.4	19.7	15.9	13.8	12.4	10.3	8.8
Metro Brands	1,027	280	BUY	1,250	18.1	21.9	24.7	56.6	47.0	41.6	26.9	23.1	19.8
ABLBL	94	115	BUY	140	2.2	3.1	4.0	43.5	30.1	23.3	8.2	7.0	6.1
Vishal Mega Mart	109	512	BUY	170	2.3	2.9	3.6	48.2	37.3	30.3	21.7	17.9	15.2
Lenskart	554	963	BUY	675	4.1	6.1	7.2	134.6	90.5	76.4	39.4	30.2	24.4
DMART	**3,847**	**2,509**	**SELL**	**3,700**	**56.3**	**63.0**	**70.4**	**68.3**	**61.0**	**54.7**	**40.6**	**35.3**	**30.9**

*Source: Company, Emkay Research;**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**	**1,047,910**
Revenue growth (%)	16.7	15.9	17.1	16.3	14.9
EBITDA	**45,427**	**52,533**	**61,439**	**70,795**	**80,758**
EBITDA growth (%)	10.8	15.6	17.0	15.2	14.1
Depreciation & Amortization	7,758	9,348	11,636	14,414	17,422
EBIT	**37,669**	**43,185**	**49,803**	**56,381**	**63,336**
EBIT growth (%)	8.7	14.6	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	3,769
PBT	**38,832**	**43,166**	**49,164**	**55,037**	**61,447**
Extraordinary items	0	0	0	0	0
Taxes	9,560	10,946	12,462	13,950	15,575
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**29,272**	**32,221**	**36,703**	**41,087**	**45,872**
PAT growth (%)	8.6	10.1	13.9	11.9	11.6
Adjusted PAT	**29,272**	**32,221**	**36,703**	**41,087**	**45,872**
Diluted EPS (Rs)	**45.0**	**49.4**	**56.3**	**63.0**	**70.4**
Diluted EPS growth (%)	8.6	9.9	13.9	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	6.4	6.3	6.2	6.0
Effective tax rate (%)	24.6	25.4	25.3	25.3	25.3
NOPLAT (pre-IndAS)	**28,395**	**32,235**	**37,179**	**42,090**	**47,282**
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	326,466	372,338
Net worth	**222,302**	**255,196**	**291,899**	**332,986**	**378,858**
Minority interests	-	-	-	-	-
Non current liab. & prov.	8,084	14,270	23,301	34,342	44,586
Total debt	**0**	**9,653**	**23,000**	**30,000**	**30,000**
Total liabilities & equity	**230,385**	**279,119**	**338,199**	**397,328**	**453,443**
Net tangible fixed assets	141,210	173,687	208,648	245,079	279,957
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**	**3,880**	**2,858**	**1,352**
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**	**338,199**	**397,328**	**453,443**
Net debt	(3,313)	6,997	19,120	27,142	28,648
Capital employed	230,385	279,119	338,199	397,328	453,443
Invested capital	**181,094**	**219,032**	**265,312**	**311,246**	**355,951**
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	41,886	47,692	53,374	59,567
Others (non-cash items)	7,758	9,348	11,636	14,414	17,422
Taxes paid	(9,560)	(10,946)	(12,462)	(13,950)	(15,575)
Change in NWC	(9,774)	(3,272)	(9,983)	(8,801)	(9,084)
Operating cash flow	**26,094**	**38,316**	**38,995**	**48,043**	**56,098**
Capital expenditure	(31,719)	(39,675)	(43,237)	(46,308)	(46,403)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(32,697)**	**(43,840)**	**(45,495)**	**(48,995)**	**(48,894)**
Equity raised/(repaid)	0	12	-	-	-
Debt raised/(repaid)	0	9,653	13,347	7,000	0
Payment of lease liabilities	(1,953)	(2,489)	(3,530)	(4,766)	(6,195)
Interest paid	(17)	(212)	(550)	(900)	(1,030)
Dividend paid (incl tax)	-	-	-	-	-
Others	-	-	-	-	-
Financing cash flow	**(1,970)**	**6,964**	**9,267**	**1,334**	**(7,225)**
Net chg in Cash	(8,573)	1,440	2,766	382	(21)
OCF	26,094	38,316	38,995	48,043	56,098
Adj. OCF (w/o NWC chg.)	35,867	41,588	48,978	56,844	65,183
FCFF	(5,625)	(1,360)	(4,243)	1,735	9,696
FCFE	(5,642)	(1,572)	(4,793)	835	8,666
OCF/EBITDA (%)	57.4	72.9	63.5	67.9	69.5
FCFE/PAT (%)	(19.3)	(4.9)	(13.1)	2.0	18.9
FCFF/NOPLAT (%)	**(19.8)**	**(4.2)**	**(11.4)**	**4.1**	**20.5**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	85.5	77.8	68.3	61.0	54.7
P/CE(x)	71.2	63.6	55.8	49.2	43.7
P/B (x)	11.3	9.8	8.6	7.5	6.6
EV/Sales (x)	4.3	3.7	3.2	2.7	2.4
EV/EBITDA (x)	55.0	47.5	40.6	35.3	30.9
EV/EBIT(x)	66.3	57.8	50.1	44.3	39.4
EV/IC (x)	13.8	11.4	9.4	8.0	7.0
FCFF yield (%)	(0.2)	(0.1)	(0.2)	0.1	0.4
FCFE yield (%)	(0.2)	(0.1)	(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**	**15.4**	**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

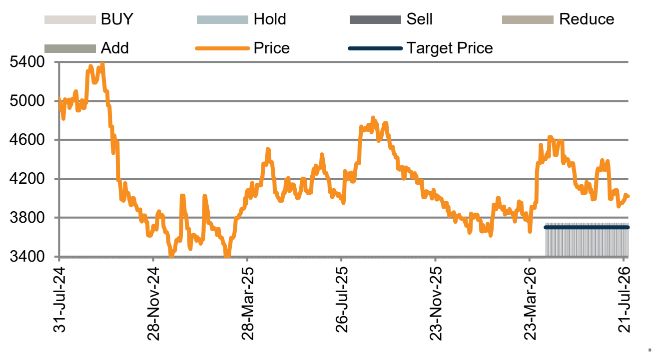
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

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