

Margins Fell Short; But A Recovery is Anticipated in H2

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBITDA – **MISS**; PAT – **MISS**

Recommendation Rationale

- In Q1FY26, DMart reported a 16.3% YoY revenue growth, partially impacted by a 100–150 bps drag from deflation in key staples and non-food categories, as well as the temporary closure of a Navi Mumbai store for renovation. The company added 9 new stores during the quarter, taking the total store count to 424. Like-for-like growth stood at 7.1%, with the total retail area reaching 17.6 Mn sq. ft. by the end of the quarter.
- EBITDA grew by 6.4% YoY; however, margins contracted by 74 bps YoY to 7.9% due to gross margin pressure arising from increased competitive intensity in FMCG. Additionally, higher manpower costs at the entry level—driven by rising opportunities in the gig economy—along with continued store expansion, impacted EBITDA margins.
- Despite facing headwinds from a muted demand environment in recent years, DMart's strategic focus on enhancing store productivity, improving profitability, and reviving the General Merchandise & Apparel (GM&A) segment indicates a clear course correction. With consumer demand improving, macroeconomic conditions stabilising, and a robust festive season anticipated in H2FY26, these initiatives are well-aligned to support recovery and drive growth in the high-margin GM&A categories. Key risks include a prolonged recovery in consumer demand and heightened competitive intensity.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: Considering the company's recent initiatives, coupled with store expansion and an improved demand environment, we maintain our **BUY** rating on the **stock**.

Current Valuation: 73x Mar-27 EPS (Earlier-71x Mar-27 EPS)

Current TP: Rs 4,810/share (Earlier – Rs 5091/share)

Recommendation: With an 18% upside from the CMP, we maintain a **BUY** rating on the **stock**.

Financial Performance: In Q1FY26, DMART's consolidated revenue grew by 16.3% YoY to Rs 16,360 Cr. EBITDA grew by 6.4% YoY, whereas EBITDA margins declined by 74bps YoY to 7.9%. This was on account of higher Opex and gross margin contraction. The company reported a PAT of Rs 773 Cr, down by 0.1% YoY.

Outlook: D-Mart has faced several challenges over the past few years, primarily due to a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, which have impacted overall profitability, alongside increasing competition from both organised players and online platforms. However, the company has taken several initiatives to address these headwinds, including: 1) changes in leadership aimed at revamping the slowing GM&A category, 2) a focused approach to improving profitability in D-Mart Ready through a calibrated expansion strategy, and 3) a targeted 15% store addition on the existing base of 424 stores, which is seen as a prudent growth step. Additionally, improving consumer demand, aided by stable macroeconomic conditions and a robust festive outlook in H2FY26, is expected to bolster these efforts and drive growth in high-margin general merchandise and apparel categories.

Valuation & Recommendation: We estimated CAGR 19%/19%/19% for Revenue/ EBITDA/ PAT over FY24-27 on account of improving overall outlook. Hence, we maintain **our BUY** rating on the **stock** with the revised TP to Rs 4,810/share. The TP implies an 18% upside from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	16,360	10.0	16.3	16,348	0.1
EBITDA	1,299	36.0	6.4	1,344	(3.4)
EBITDA Margin (%)	7.9	152bps	-74bps	8.2	-28bps
Net Profit	773	40.5	(0.1)	817	(5.4)
EPS (Rs)	11.9	40.5	(0.1)	12.6	(5.4)

Source: Company, Axis Research

(CMP as of 11th July, 2025)

CMP (Rs)	4,064
Upside /Downside (%)	18%
High/Low (Rs)	5484/3337
Market cap (Cr)	2,64,451
Avg. daily vol (6M) Shrs ('000)	629
No. of shares (Cr)	65

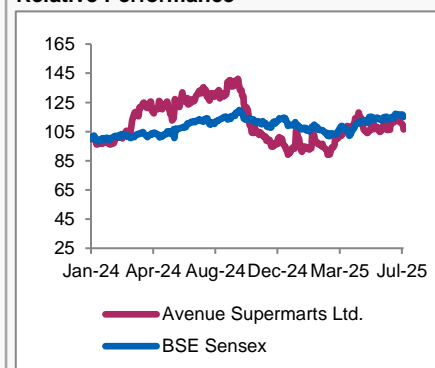
Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	74.7	74.7	74.7
FIIs	10.0	9.0	8.2
MFs / UTI	6.0	6.8	7.6
Banks / FIIs	0.0	0.0	0.0
Others	9.4	9.6	9.5

Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	59,358	71,165	85,848
EBITDA	4,487	5,536	6,922
Adj Net Profit	2,707	3,358	4,285
EPS, Rs	41.6	51.6	65.8
PER, x	97.7	78.8	61.7
EV/ EBITDA, x	58.9	47.7	38.0
ROE, %	12.6	13.5	14.7
ROCE (%)	13.4	14.4	15.8

Relative Performance



Source: Ace Equity, Axis Securities

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Key Risks to our Estimates and TP

The anticipated recovery in consumer demand and a strong festive outlook may not materialise, thereby failing to translate into improved performance for the company.

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	70,831	85,445	71,165	85,848	0%	0%
EBITDA	5,606	7,006	5,536	6,922	-1%	-1%
PAT	3,429	4,370	3,358	4,285	-2%	-2%
EPS	52.7	67.2	51.6	65.8	-2%	-2%

Source: Company, Axis Securities Research

Results Review (Consolidated)

Rs Cr	Q1FY25	Q4FY25	Axis Est.	Q1FY26	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Total Revenue	14,069	14,872	16,348	16,360	16.3	10.0	0.1
COGS	11,876	12,766	13,896	13,855	16.7	8.5	(0.3)
Gross Profit	2,193	2,106	2,452	2,505	14.2	18.9	2.1
GM%	15.6	14.2	15.0	15.3	-28bps	115bps	31bps
Expenditure							
Employee expenses	266	310	304	347	30.3	12.0	14.3
Other Exp	706	841	805	859	21.7	2.1	6.7
Total Expenditure	12,848	13,917	15,004	15,061	17.2	8.2	0.4
EBITDA	1,221	955	1,344	1,299	6.4	36.0	(3.4)
EBITDA Margin (%)	8.7	6.4	8.2	7.9	-74bps	152bps	-28bps
Depreciation	193	241	246	232	20.2	(3.8)	(5.7)
EBIT	1,028.5	714.2	1,098.5	1,067.3	3.8	49.4	(2.8)
Interest	16	19	20	29	83.6	54.5	47.2
Oth. Inc.	42	24	25	19	(53.3)	(19.5)	(23.3)
Exceptional Items	-	-	-	-			#DIV/0!
PBT	1,054	719	1,104	1,057	0.3	47.0	(4.2)
Tax	280	170	287	285	1.5	67.9	(0.8)
Effective Tax Rate(%)	26.6	23.6	26.0	26.9	31bps	336bps	92bps
PAT	774	550	817	773	(0.1)	40.5	(5.4)
PAT Margin (%)	5.50	3.70	5.00	4.72	-78bps	103bps	-27bps
EPS (Rs.)	11.9	8.5	12.6	11.9	(0.1)	40.5	(5.4)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	50,789	59,358	71,165	85,848
Growth, %	18.6	16.9	19.9	20.6
Raw material expenses	(43,275)	(50,552)	(60,561)	(72,976)
Employee expenses	(906)	(1,166)	(1,411)	(1,707)
Other Operating Expenses	(2,504)	(3,153)	(3,658)	(4,243)
EBITDA (Core)	4,104	4,487	5,536	6,922
Growth, %	12.8	9.3	23.4	25.0
Margin, %	8.1	7.6	7.8	8.1
Depreciation	(731)	(870)	(1,012)	(1,154)
EBIT	3,373	3,618	4,524	5,768
Growth, %	12.5	7.3	25.0	27.5
Margin, %	6.6	6.1	6.4	6.7
Other Income	146	124	149	179
Non-recurring Items	-	-	-	-
Pre-tax profit	3,461	3,673	4,600	5,870
Tax provided	(926)	(965)	(1,242)	(1,585)
Profit after tax	2,536	2,707	3,358	4,285
Net Profit	2,536	2,707	3,358	4,285
Growth, %	6.6	6.8	24.0	27.6

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Cash & bank	638	358	607	1,725
Debtors	166	154	184	222
Inventory	3,927	5,044	6,048	7,296
Loans & advances	-	-	-	-
Other current assets	1,364	835	835	835
Total current assets	6,203	6,393	7,676	10,080
Investments	243	178	178	178
Gross fixed assets	16,562	20,224	23,524	26,824
Less: Depreciation	(3,155)	(4,024)	(5,036)	(6,191)
Add: Capital WIP	935	1,099	1,099	1,099
Net fixed assets	14,342	17,299	19,587	21,732
Non-current assets	390	452	452	452
Total assets	21,178	24,321	27,892	32,442
Current liabilities	1,979	2,212	2,425	2,690
Provisions	-	-	-	-
Total current liabilities	1,979	2,212	2,425	2,690
Non-current liabilities	501	681	681	681
Total liabilities	2,480	2,894	3,107	3,371
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,777	24,135	28,420
Shareholders' equity	18,698	21,428	24,786	29,070
Total equity & liabilities	21,178	24,321	27,892	32,442

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Pre-tax profit	3,461	3,673	4,600	5,870
Depreciation	731	870	1,012	1,154
Chg in working capital	(1,193)	(244)	(821)	(1,021)
Total tax paid	(911)	(945)	(1,242)	(1,585)
Cash flow from operating activities	2,088	3,353	3,549	4,418
Capital expenditure	(2,912)	(3,826)	(3,300)	(3,300)
Chg in marketable securities	96	105	-	-
Cash flow from investing activities	(2,942)	(3,656)	(3,300)	(3,300)
Free cash flow	(854)	(302)	249	1,118
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	2	-	-	-
Net chg in cash	(851)	(302)	249	1,118
Opening cash balance	1,408	638	358	607
Closing cash balance	638	358	607	1,725

Source: Company, Axis Securities

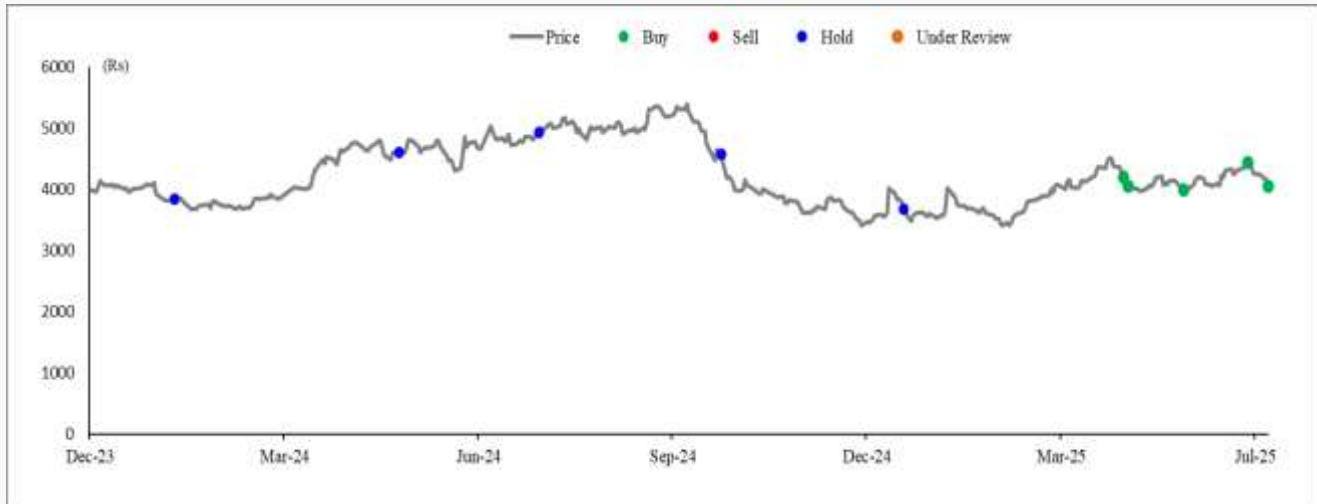
Ratio Analysis

(%)

Y/E Mar	FY24	FY25	FY26E	FY27E
EPS (INR)	39.0	41.6	51.6	65.8
Growth, %	6.0	6.8	24.0	27.6
Book NAV/share (INR)	287.3	329.3	380.9	446.7
FDEPS (INR)	39.0	41.6	51.6	65.8
CEPS (INR)	50.2	55.0	67.2	83.6
CFPS (INR)	30.0	50.6	52.2	65.2
Return ratios				
Return on assets (%)	13.2	12.2	13.1	14.5
Return on equity (%)	13.6	12.6	13.5	14.7
Return on capital employed (%)	14.5	13.4	14.4	15.8
Turnover ratios				
Asset turnover (x)	3.2	3.1	3.2	3.4
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.8	3.9	4.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	0.9	0.9	0.9
Inventory days	28.2	31.0	31.0	31.0
Payable days	7.7	7.1	7.1	7.2
Working capital days	25.0	23.5	23.8	24.1
Liquidity ratios				
Current ratio (x)	3.1	2.9	3.2	3.7
Quick ratio (x)	1.1	0.6	0.7	1.0
Valuation				
PER (x)	104.3	97.7	78.8	61.7
PEG (x) - y-o-y growth	17.4	14.4	3.3	2.2
Price/Book (x)	14.1	12.3	10.7	9.1
EV/Net sales (x)	5.2	4.4	3.7	3.1
EV/EBITDA (x)	64.3	58.9	47.7	38.0
EV/EBIT (x)	78.2	73.0	58.3	45.6

Source: Company, Axis Securities

Avenue Supermarts Price Chart and Recommendation History



Date	Reco	TP	Research
15-Jan-24	HOLD	4,150	Result Update
05-May-24	HOLD	4,400	Result Update
15-Jul-24	HOLD	4,550	Result Update
14-Oct-24	HOLD	4,200	Result Update
13-Jan-25	HOLD	4,000	Result Update
02-May-25	BUY	4,770	Top Picks
05-May-25	BUY	4,770	Result Update
02-Jun-25	BUY	4,770	Top Picks
01-Jul-25	BUY	5,091	Top Picks
14-Jul-25	BUY	4,810	Result Update

Source: Axis Securities

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