SELL

Avenue Supermarts

Healthy Q4 aided by pantry loading; maintain SELL

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Retail ▸ Result Update ▸ **May 03, 2026**

CMP (Rs): 4,586 | TP (Rs): 3,700

We maintain SELL on DMART with an unchanged TP of Rs3,700 (54x FY28E EPS), on slow TAM expansion, fading USP of value/assortment vs Q-Com, deteriorating ROIC, and expensive valuation at ~80x 1Y fwd PE. Q4 was a healthy but in-line quarter, with 23-25% EBITDA/PBT growth, helped by LFL growth improving to 11% (vs ~7% in 9M), accelerated store expansion, and an EBITDA margin gain of ~40bps. However, DMART attributed the LFL uplift to a spike in consumer buying in Mar-26 (amid geopolitical tensions), which normalized toward Q4 end; this was also reflected in a 5% increase in ABV in Q4 vs ~2% in 9M. With accelerated store openings, we expect topline growth to inch up to ~19% in FY27E (vs ~16% in FY26), but higher allied costs are likely to restrict PAT growth to ~16%. Capex per sqft has likely optimized by ~18% in FY26, though TP accretion is offset by a likely higher share of leased store additions (lower NPV). FCF was negative at ~Rs9bn in FY26, of which ~Rs6bn was consumed in the standalone business and ~Rs3.5bn toward increased subsidiary investments. Net subsidiary revenue grew ~18%, while losses increased ~10% to Rs2.4bn in FY26.

Pantry loading drives LFL uplift; no major improvement in bill cuts growth

Q4 standalone revenue was up ~19% YoY, led by 10.8% LFL growth and the rest through store additions. The LFL uptick was largely led by ~5% increase in average bill value (vs 2% in 9M; ABV), with no major improvement in bill cuts growth per store. The management also attributed the increase to a spike in consumer buying in Mar-26, led by geopolitical tensions, which normalized toward the end of Q4. During the quarter, 58 new stores were added (85 in FY26), taking the overall store count to 500 spread across 20.6mn sqft. Standalone gross margin (GM) at 13.8% was up ~30bps YoY, likely aided by a higher mix of general merchandise and apparel (up ~20bps) at 20.3%. EBITDA margin improved ~40bps to 7.2%, led by an improvement in GM and lower other expenses (down ~40bps YoY), partially offset by higher employee expenses (up ~30bps YoY). Absolute EBITDA at Rs12.3bn was up 26%, while PAT grew by 17%, with lower growth reflecting higher interest cost at Rs377mn (vs Rs160mn last year) and elevated tax expenses. Subsidiary revenues grew ~17%/18% YoY in Q4/FY26, while EBITDA loss stood at Rs206/686mn in Q4/FY26 (vs loss of 554mn in FY25).

Aggressive store expansion leads to increase in capex; RoIC moderates further

Working capital efficiency improved marginally with NWC days at ~22, vs ~24 days in FY25. The company reported negative free cash flow of ~Rs4bn in FY26, driven by an aggressive expansion strategy, with 85 store additions and total capex of ~Rs40bn (including intangibles, investment properties, CWIP, capital advances, and capital creditors). Consequently, the balance sheet reflects a modest increase in leverage, with debt balance at Rs9.65bn. Post-tax RoIC moderated to ~14.4%, reflecting a ~60bps decline in FY26.

Avenue Supermarts: Financial Snapshot (Standalone)

Y/E (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	495,330	577,898	669,680	797,632	931,271
EBITDA	40,994	45,427	52,552	63,213	73,332
Adj. PAT	26,949	29,272	32,239	37,408	42,060
Adj. EPS (Rs)	41.4	45.0	49.4	57.4	64.5
EBITDA margin (%)	8.3	7.9	7.8	7.9	7.9
EBITDA growth (%)	12.0	10.8	15.7	20.3	16.0
Adj. EPS growth (%)	5.0	8.6	9.9	16.0	12.4
RoE (%)	15.1	14.1	13.5	13.7	13.4
RoIC (%)	19.0	17.0	16.1	15.8	15.1
P/E (x)	110.7	101.9	92.7	79.9	71.1
EV/EBITDA (x)	72.6	65.5	56.7	47.1	40.6
P/B (x)	15.5	13.4	11.7	10.2	8.9
FCFF yield (%)	0.1	(0.2)	-	(0.1)	0.1

Source: Company, Emkay Research

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(19.3)

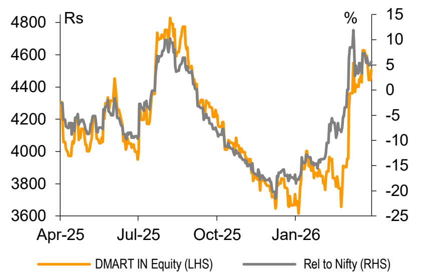
Stock Data	**DMART IN**
52-week High (Rs)	4,950
52-week Low (Rs)	3,529
Shares outstanding (mn)	652.1
Market-cap (Rs bn)	2,991
Market-cap (USD mn)	31,506
Net-debt, FY27E (Rs mn)	19,686.1
ADTV-3M (mn shares)	0.5
ADTV-3M (Rs mn)	2,535.8
ADTV-3M (USD mn)	26.7
Free float (%)	23.0
Nifty-50	23,997.6
INR/USD	94.9

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

Price Performance

(%)	1M	3M	12M
Absolute	15.9	24.3	9.2
Rel. to Nifty	7.9	31.1	10.7

1-Year share price trend (Rs)



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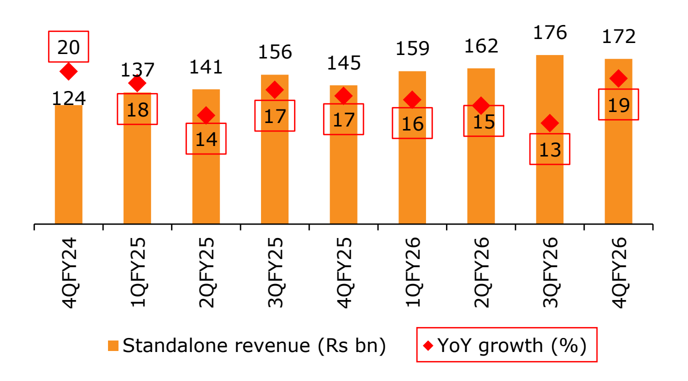
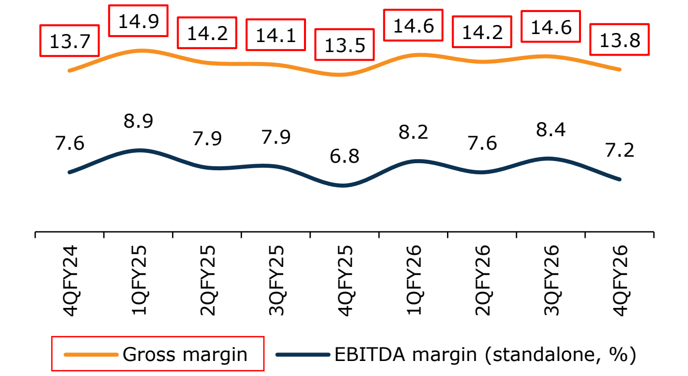
Story in charts

Exhibit 1: Topline grew ~19% in Q4, with 10.8% LFL and the rest through store adds



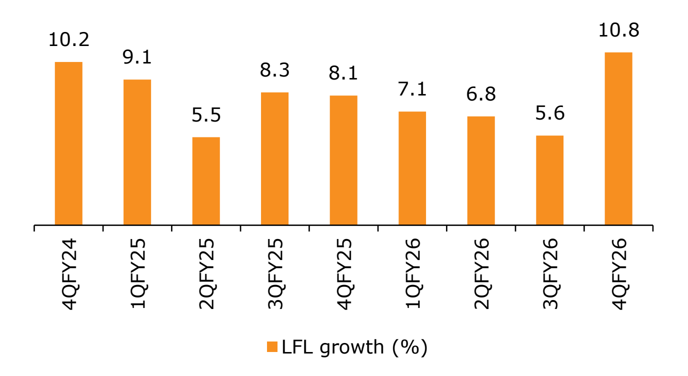
Source: Company, Emkay Research

Exhibit 2: EBITDA margin increased by 37bps, led by higher GM, up ~30bps, and lower other expense, down ~36bps, partially offset by higher employee expenses, up ~30bps



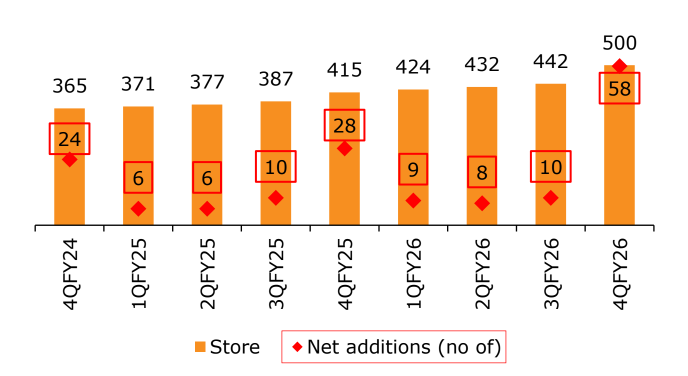
Source: Company, Emkay Research

Exhibit 3: LFL growth has seen a strong improvement in Q4 vs 7.1%/6.8%/5.6% in Q1/Q2/Q3.



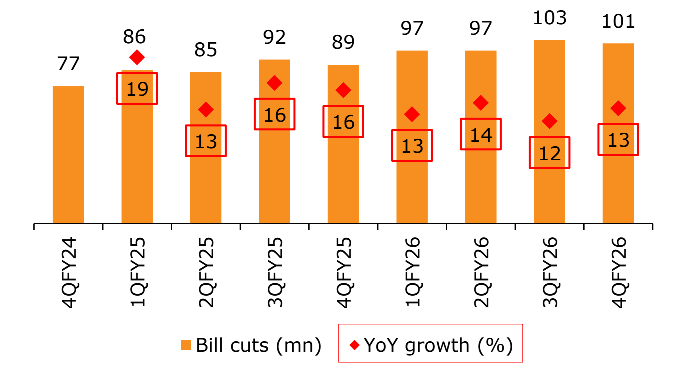
Source: Company, Emkay Research

Exhibit 4: 58 net additions in Q4, taking the total store count to 500



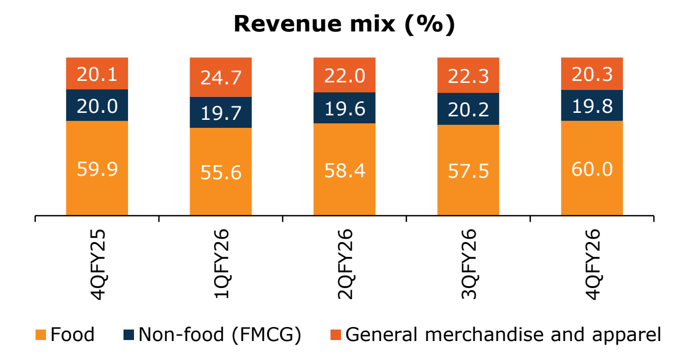
Source: Company, Emkay Research

Exhibit 5: Bill cuts at 101mn, growing ~13% in 4QFY26



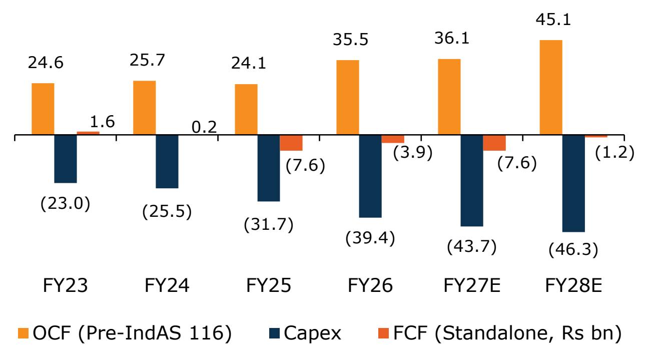
Source: Company, Emkay Research

Exhibit 6: General merchandise and apparel/food mix increased ~18/7bps YoY, while non-food was down ~25bps



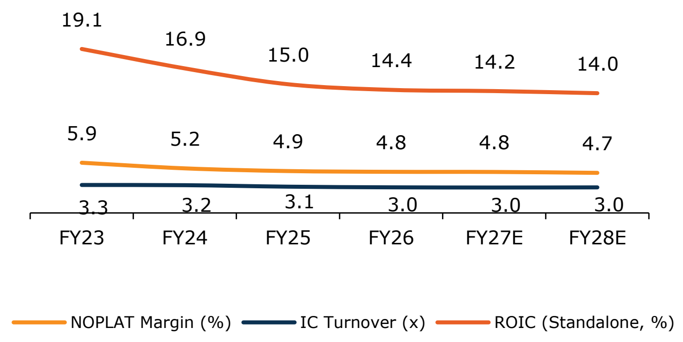
Source: Company, Emkay Research

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



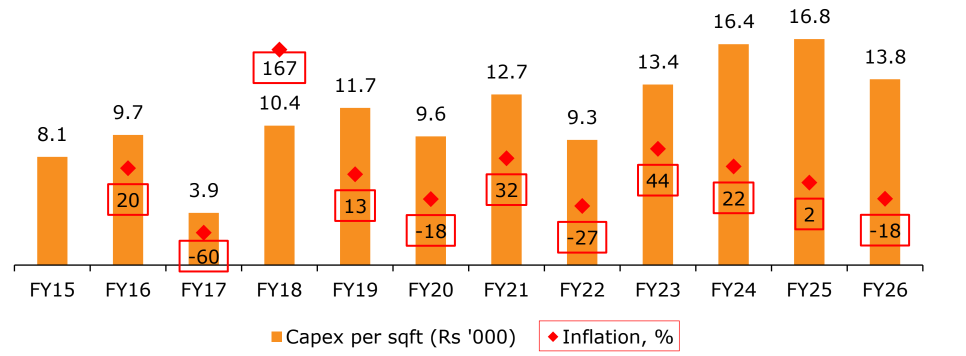
Source: Company, Emkay Research

Exhibit 8: RoIC deteriorates further to 14.4% from 15%, and we expect this trend to continue



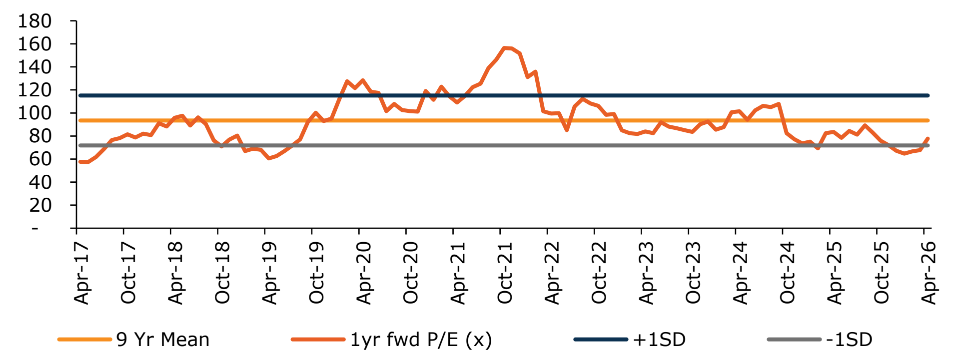
Source: Company, Emkay Research

Exhibit 9: Capex per sqft has likely optimized by ~18% in FY26, but TP accretion gets offset by likely higher leased store additions (lower NPV) in FY26



Source: Company, Emkay Research

Exhibit 10: DMART's 1Y fwd PE trend (standalone)



Source: Company, Emkay Research

Exhibit 11: Actual vs Estimates (Q4FY26)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net sales	172,045	172,045	170,564	0.0%	0.9%	Revenue was in line with our estimates
EBITDA	12,312	12,757	12,037	-3.5%	2.3%	EBITDA miss due to lower GM and higher employee costs
EBITDA margin	7.2%	7.4%	7.1%	-26	10	
Adjusted PAT	7,246	7,542	7,201	-3.9%	0.6%	PAT miss due to flow through of EBITDA miss, higher interest expense, and lower other income

Source: Company, Emkay Research

Exhibit 12: Changes in estimates

(Rs mn)	FY27E			FY28E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	797,632	797,632	0.0	931,271	931,271	0.0
EBITDA*	63,215	63,213	0.0	73,344	73,332	0.0
*EBITDA margin (%)**	7.9	7.9	0 bps	7.9	7.9	0 bps
Net profit	37,284	37,408	0.3	41,792	42,060	0.6
EPS (Rs)	57.3	57.4	0.1	64.2	64.5	0.5

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

Exhibit 13: Summary of quarterly results

Y/E Mar (Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)	FY25	FY26	YoY (%)
Total income	**144,624**	**159,321**	**162,188**	**176,126**	**172,045**	**19.0**	**(2.3)**	**577,898**	**669,680**	**15.9**
Gross profit	**19,482**	**23,323**	**23,098**	**25,649**	**23,699**	**21.6**	**(7.6)**	**81,735**	**95,769**	**17.2**
Gross margin (%)	***13.5***	***14.6***	***14.2***	***14.6***	***13.8***			***14.1***	***14.3***	
Employee expenses	2,679	3,018	3,311	3,504	3,691	37.8	5.3	10,133	13,524	33.5
as % of sales	*1.9%*	*1.9%*	*2.0%*	*2.0%*	*2.1%*			*1.8%*	*2.0%*	
Other expenses	6,989	7,172	7,487	7,338	7,697	10.1	4.9	26,175	29,693	13.4
as % of sales	*4.8%*	*4.5%*	*4.6%*	*4.2%*	*4.5%*			*4.5%*	*4.4%*	
EBITDA	**9,814**	**13,133**	**12,300**	**14,808**	**12,312**	**25.5**	**(16.9)**	**45,427**	**52,552**	**15.7**
EBITDA margin (%)	***6.8***	***8.2***	***7.6***	***8.4***	***7.2***			***7.9***	***7.8***	
Depreciation and amortization	2,160	2,096	2,282	2,409	2,561	18.5	6.3	7,758	9,348	20.5
EBIT	**7,654**	**11,037**	**10,017**	**12,398**	**9,751**	**27.4**	**(21.4)**	**37,669**	**43,204**	**14.7**
Interest cost	160	266	318	338	377	135.6	11.5	578	1,299	
Other income	391	341	329	303	307	(21.5)	1.4	1,740	1,280	(26.4)
PBT	**7,885**	**11,113**	**10,028**	**12,363**	**9,681**	**22.8**	**(21.7)**	**38,832**	**43,185**	**11.2**
Tax	1,688	2,815	2,563	3,133	2,435	44.3	(22.3)	9,560	10,946	
Net profit	**6,197**	**8,297**	**7,465**	**9,231**	**7,246**	**16.9**	**(21.5)**	**29,272**	**32,239**	**10.1**
EPS (Rs)	9.5	12.8	11.5	14.2	11.1	16.7	(21.6)	45.0	49.5	10.1

(%)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	(bps)	(bps)	FY25	FY26	(bps)
Gross margin	13.5	14.6	14.2	14.6	13.8	30	-80	14.1	14.3	20
EBITDAM	6.8	8.2	7.6	8.4	7.2	40	-130	7.9	7.8	0
EBITM	5.3	6.9	6.2	7.0	5.7	40	-140	6.5	6.5	-10
PATM	4.3	5.2	4.6	5.2	4.2	-10	-100	5.1	4.8	-30
Tax rate	21.4	25.3	25.6	25.3	25.2	370.0	-20.0	24.6	25.3	70.0

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

Exhibit 14: Valuation comparison across our coverage universe

Company	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)*		
					FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Titan Company	4,385	3,893	ADD	5,350	58.4	73.6	89.3	75.1	59.6	49.1	46.1	38.5	32.6
Varun Beverages	514	1,737	BUY	620	9.0	10.5	12.5	57.2	49.0	40.9	34.4	28.8	25.3
Ethos	2,402	64	BUY	2,950	38.1	50.5	68.0	63.1	47.6	35.3	27.0	19.5	14.4
Page Industries	36,785	410	REDUCE	33,750	700.6	752.5	829.9	52.5	48.9	44.3	35.6	33.0	30.0
ABFRL	64	78	ADD	70	-6.3	-5.2	-3.6	-10.2	-12.4	-17.7	10.6	6.4	4.6
Jubilant FoodWorks	479	316	BUY	600	5.5	7.1	9.8	87.4	67.3	48.9	17.8	15.4	13.0
Devyani International	125	154	BUY	160	-0.3	0.1	0.9	-432.3	1,310.1	141.2	19.1	15.5	12.6
Westlife Foodworld	476	74	ADD	550	1.8	1.4	5.3	269.0	331.7	89.9	21.9	18.4	14.0
Sapphire Foods	206	66	BUY	300	-1.0	0.8	2.3	-206.8	261.7	88.4	13.5	11.0	9.0
Senco Gold	313	51	BUY	575	28.6	20.7	26.1	11.0	15.1	12.0	6.9	8.4	7.0
Metro Brands	1,023	279	BUY	1,175	16.7	17.7	20.4	61.4	57.9	50.2	31.5	28.0	24.0
ABLBL	103	125	BUY	140	1.2	2.3	3.1	87.1	44.9	32.8	10.0	8.7	7.6
Vishal Mega Mart	122	571	BUY	170	1.8	2.4	3.1	66.6	50.0	40.1	29.2	23.6	19.7
Lenskart	516	896	BUY	600	2.2	3.9	5.8	233.0	132.7	88.8	53.1	38.3	29.3
DMART	**4,586**	**2,991**	**SELL**	**3,700**	**49.4**	**57.4**	**64.5**	**92.7**	**79.9**	**71.1**	**56.7**	**47.1**	**40.6**

*Source: Company, Emkay Research; Note: *Post-IndAS-116 EBITDA; **FY26E is CY25 and likewise for Varun Beverages*

Avenue Supermarts: Standalone Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	**495,330**	**577,898**	**669,680**	**797,632**	**931,271**
Revenue growth (%)	18.4	16.7	15.9	19.1	16.8
EBITDA	**40,994**	**45,427**	**52,552**	**63,213**	**73,332**
EBITDA growth (%)	12.0	10.8	15.7	20.3	16.0
Depreciation & Amortization	6,328	7,758	9,348	11,866	14,688
EBIT	**34,666**	**37,669**	**43,204**	**51,347**	**58,644**
EBIT growth (%)	11.2	8.7	14.7	18.8	14.2
Other operating income	-	-	-	-	-
Other income	1,891	1,740	1,280	1,472	1,664
Financial expense	443	578	1,299	2,711	3,967
PBT	**36,114**	**38,832**	**43,185**	**50,108**	**56,340**
Extraordinary items	0	0	0	0	0
Taxes	9,165	9,560	10,946	12,700	14,280
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**26,949**	**29,272**	**32,239**	**37,408**	**42,060**
PAT growth (%)	5.4	8.6	10.1	16.0	12.4
Adjusted PAT	**26,949**	**29,272**	**32,239**	**37,408**	**42,060**
Diluted EPS (Rs)	**41.4**	**45.0**	**49.4**	**57.4**	**64.5**
Diluted EPS growth (%)	5.0	8.6	9.9	16.0	12.4
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	8.3	7.9	7.8	7.9	7.9
EBIT margin (%)	7.0	6.5	6.5	6.4	6.3
Effective tax rate (%)	25.4	24.6	25.3	25.3	25.3
NOPLAT (pre-IndAS)	**25,869**	**28,395**	**32,254**	**38,333**	**43,780**
Shares outstanding (mn)	651	651	652	652	652

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	6,507	6,507	6,520	6,520	6,520
Reserves & Surplus	186,299	215,794	248,676	286,084	328,144
Net worth	**192,806**	**222,302**	**255,196**	**292,604**	**334,664**
Minority interests	-	-	-	-	-
Non current liab. & prov.	5,582	8,084	14,270	23,301	34,343
Total debt	**0**	**0**	**9,653**	**23,000**	**30,000**
Total liabilities & equity	**198,388**	**230,385**	**279,119**	**338,904**	**399,006**
Net tangible fixed assets	115,389	141,210	173,687	208,849	245,005
Net intangible assets	-	-	-	-	-
Net ROU assets	13,949	15,994	22,000	29,640	38,804
Capital WIP	9,300	10,905	12,842	12,842	12,842
Goodwill	-	-	-	-	-
Investments [JV/Associates]	10,396	13,277	16,578	20,078	24,078
Cash & equivalents	**6,665**	**3,313**	**2,656**	**3,314**	**3,087**
Current assets (ex-cash)	53,938	58,414	69,269	86,101	100,781
Current Liab. & Prov.	17,274	18,530	23,925	28,475	33,246
NWC (ex-cash)	**36,664**	**39,884**	**45,345**	**57,625**	**67,536**
Total assets	**198,388**	**230,385**	**279,119**	**338,904**	**399,006**
Net debt	(6,665)	(3,313)	6,997	19,686	26,913
Capital employed	198,388	230,385	279,119	338,904	399,006
Invested capital	**152,053**	**181,094**	**219,032**	**266,475**	**312,541**
BVPS (Rs)	296.3	341.6	391.4	448.8	513.3
Net Debt/Equity (x)	-	-	-	0.1	0.1
Net Debt/EBITDA (x)	(0.2)	(0.1)	0.1	0.3	0.4
Interest coverage (x)	81.6	67.3	33.4	18.9	14.7
RoCE (%)	**20.4**	**19.0**	**18.3**	**18.2**	**17.7**

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	34,223	37,092	41,905	48,636	54,676
Others (non-cash items)	-	-	-	-	-
Taxes paid	(9,165)	(9,560)	(10,946)	(12,700)	(14,280)
Change in NWC	(3,162)	(9,774)	(3,272)	(10,871)	(9,178)
Operating cash flow	**28,667**	**26,094**	**38,334**	**39,642**	**49,874**
Capital expenditure	(25,500)	(31,719)	(39,425)	(43,668)	(46,308)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(26,783)**	**(32,697)**	**(43,590)**	**(45,963)**	**(49,011)**
Equity raised/(repaid)	1,017	0	12	-	-
Debt raised/(repaid)	0	0	9,653	13,347	7,000
Payment of lease liabilities	-	-	-	-	-
Interest paid	(9)	(17)	(184)	(1,150)	(1,860)
Dividend paid (incl tax)	-	-	-	-	-
Others	(2,963)	(1,953)	(2,786)	(3,530)	(4,766)
Financing cash flow	**(1,954)**	**(1,970)**	**6,695**	**8,667**	**374**
Net chg in Cash	(70)	(8,573)	1,440	2,346	1,238
OCF	28,667	26,094	38,334	39,642	49,874
Adj. OCF (w/o NWC chg.)	31,829	35,867	41,607	50,513	59,052
FCFF	3,167	(5,625)	(1,091)	(4,027)	3,566
FCFE	3,159	(5,642)	(1,275)	(5,177)	1,706
OCF/EBITDA (%)	69.9	57.4	72.9	62.7	68.0
FCFE/PAT (%)	11.7	(19.3)	(4.0)	(13.8)	4.1
FCFF/NOPLAT (%)	**12.2**	**(19.8)**	**(3.4)**	**(10.5)**	**8.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	110.7	101.9	92.7	79.9	71.1
P/CE(x)	93.8	84.9	76.3	65.1	57.3
P/B (x)	15.5	13.4	11.7	10.2	8.9
EV/Sales (x)	6.0	5.2	4.4	3.7	3.2
EV/EBITDA (x)	72.6	65.5	56.7	47.1	40.6
EV/EBIT(x)	85.9	79.0	68.9	58.0	50.8
EV/IC (x)	19.6	16.4	13.6	11.2	9.5
FCFF yield (%)	0.1	(0.2)	-	(0.1)	0.1
FCFE yield (%)	0.1	(0.2)	-	(0.2)	0.1
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.4	5.1	4.8	4.7	4.5
Total asset turnover (x)	2.9	2.9	2.8	2.8	2.8
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.1
RoE (%)	**15.1**	**14.1**	**13.5**	**13.7**	**13.4**
DuPont-RoIC					
NOPLAT margin (%)	5.2	4.9	4.8	4.8	4.7
IC turnover (x)	3.6	3.5	3.3	3.3	3.2
RoIC (%)	**19.0**	**17.0**	**16.1**	**15.8**	**15.1**
Operating metrics					
Core NWC days	27.0	25.2	24.7	26.4	26.5
Total NWC days	**27.0**	**25.2**	**24.7**	**26.4**	**26.5**
Fixed asset turnover	4.0	3.8	3.5	3.5	3.4
Opex-to-revenue (%)	5.8	6.3	6.5	6.6	6.8

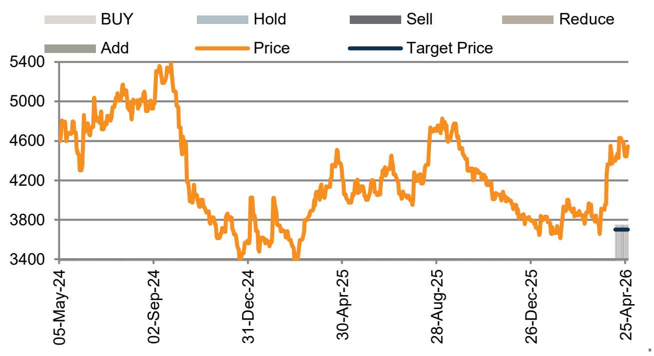
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
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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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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Seshadri Kumar Sen

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