SELL

Avenue Supermarts

Sustainable SSG drivers key for turnaround/re-rating

Retail ▸ Company Update ▸ **September 16, 2026**

CMP (Rs): 3,681 | TP (Rs): 3,700

Our monthly basket tracker for DMART has seen a 6-7% inflation in its bill size, led by a broad-based increase of 8-14% across categories, barring personal care, which is down ~3% (vs last year; Exhibit 1). In addition, we believe the increase in net bill value for retailers like DMART should see an additional 2-3% benefit, due to GST reduction in Sep-25 (Exhibit 2). Ceteris paribus, an inflationary period is beneficial for retailers in the short term, from a bill size perspective. However, we will be closely monitoring its impact on bill cuts and a possible cut in discretionary consumption. With respect to competitive intensity from Q-Com players, we are noticing some reduction in discounting at Zepto, though Amazon Now remains aggressive in terms of cashback offers (Exhibit 4) and Flipkart Minutes is seeing growing traction in Tier-2+ towns, as per media reports. Blinkit continues to lead with focused initiatives around experience, assortment, and accessibility. In our view, DMART has a strong brand recall but has been slow on TAM expansion in terms of categories (~50% of India retail TAM), consumer cohorts (low/mid income), and sales channels (largely via physical stores). The stock has been an underperformer and down ~20% over the last 12 months. The re-rating requires more sustainable SSG drivers, rather than short-term inflation triggers, in our view. We maintain SELL with an unchanged TP of Rs3,700 (55x Sep-28E EPS).

Confident of EDLC-EDLP strategy despite increasing competition

In its recent annual analyst meet, DMART acknowledged the entry of new players in the Q-Com space, 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 the growth of Q-Com. 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.

Ready to continue its focus on planned purchases rather than instant delivery

For DMART Ready, the company's strategy is to double down on 11 identified cities, which in the past contributed majority of e-commerce revenue, with increased focus on improving assortment, enhancing digital user experience, and speed of delivery. Its immediate priority is to establish and validate the business model across these 11 cities while ensuring that the business can eventually achieve profitability. However, it does not intend to participate in the instant delivery segment and is positioned for planned purchases, offering value-led pricing with delivery within 6 hours.

Target Price – 12M	Sep-27
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	0.5

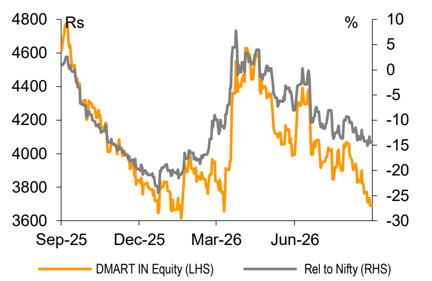
Stock Data	**DMART IN**
52-week High (Rs)	4,818
52-week Low (Rs)	3,529
Shares outstanding (mn)	652.2
Market-cap (Rs bn)	2,401
Market-cap (USD mn)	25,021
Net-debt, FY27E (Rs mn)	19,119.8
ADTV-3M (mn shares)	0.7
ADTV-3M (Rs mn)	2,891.0
ADTV-3M (USD mn)	30.1
Free float (%)	23.0
Nifty-50	23,118.6
INR/USD	96.0

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

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(9.3)	(10.2)	(20.9)
Rel. to Nifty	(4.4)	(7.3)	(14.2)

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	1,047,910
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)	81.8	74.5	65.4	58.4	52.3
EV/EBITDA (x)	52.6	45.5	38.9	33.7	29.6
P/B (x)	10.8	9.4	8.2	7.2	6.3
FCFF yield (%)	(0.2)	(0.1)	(0.2)	0.1	0.4

Source: Company, Emkay Research

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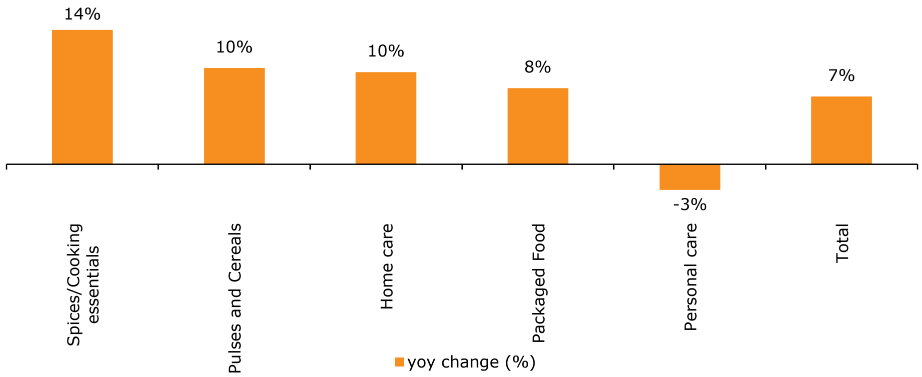
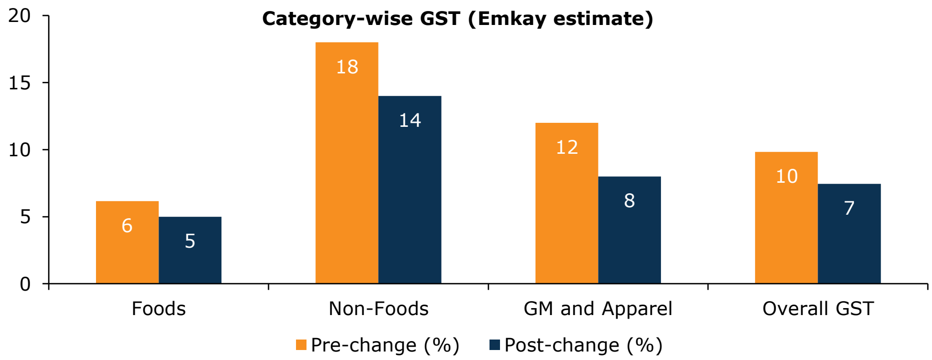
Story in charts

Exhibit 1: Our monthly basket tracker for DMART has seen 6-7% inflation in its bill size, led by a broad-based inflation of 8-14% across categories, barring personal care



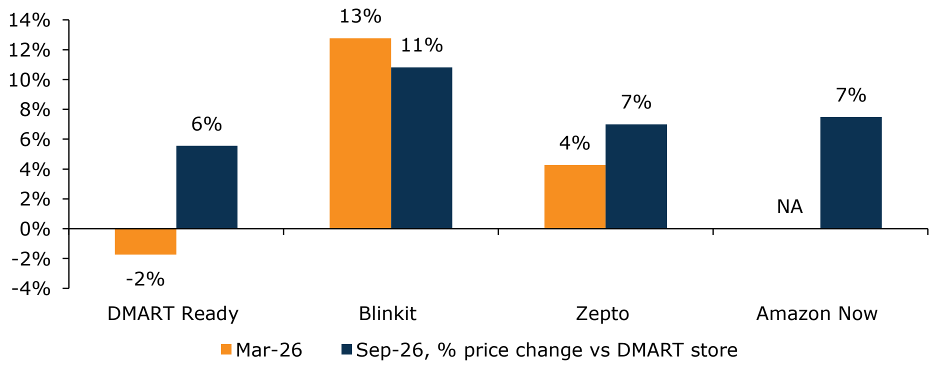
Source: Store visits, Emkay Research; Note: This is pricing change at DMART stores and not MRP inflation

Exhibit 2: The increase in net bill value for retailers like DMART should see an additional 2-3% benefit, due to GST reduction in Sep-25



Source: Emkay Research

Exhibit 3: Pricing for our monthly basket is 7-11% higher at Q-Com apps vs DMART stores; we are noticing a reduction in competitive intensity at Zepto, but Amazon Now remains fairly aggressive in terms of cashback offers; DMART Ready is offering pricing similar to Zepto's



Source: Store visits, company mobile applications, Emkay Research

Exhibit 4: Amazon Now remains quite aggressive in terms of cashback offers; ~10%/11%/13% cashback on orders above Rs499/899/1,499

Source: Amazon app, Emkay Research

Exhibit 5: Competitive intensity in Q-Com space remains high, with new players expanding aggressively

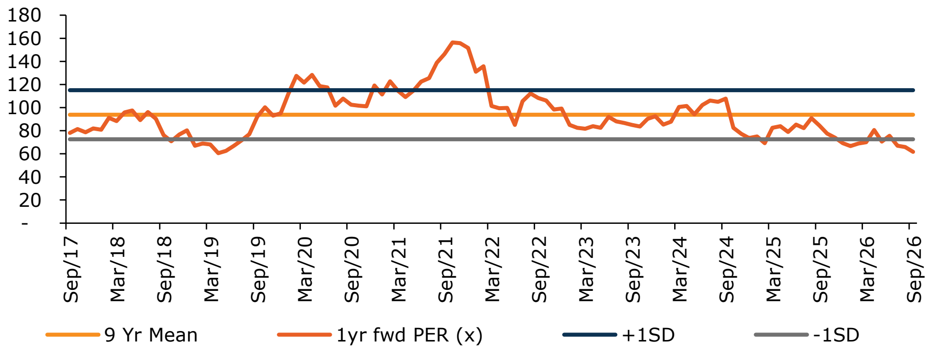
Source: Media articles, Company, Emkay Research

Exhibit 6: Prices (net of GST change) have seen an increase of 0-16% across personal care and packaged foods, likely on the back of an increase in input prices

Product | SKU	Old MRP (Rs)	Current MRP (Rs)	Old net MRP (Rs)	New net MRP (Rs)	Net price hike (%)
			Adj for GST change		
Dove Hair Fall Rescue Shampoo | 340ml	490	435	415	414	0%
Clinic Plus Strong & Long Shampoo | 355ml	393	365	333	348	5%
Sunsilk Black Shine Shampoo | 350ml	430	396	364	377	4%
Loreal Absolut Repair Shampoo | 300 ml	845	795	716	757	6%
Loreal Total Repair 5 Shampoo | 200 ml	219	207	186	197	6%
Dove Serum Bar | 75g	45	47	38	44	16%
Vivel Aloe Vera Soap | 150g x 4	280	248	237	236	0%
Closeup Toothpaste | 150g	145	129	123	123	0%
Gillette Shaving Cream Regular 70g	80	71	68	68	0%
Old Spice After Shave Lotion Original | 150 ml	349	310	296	295	0%
Dermicool Prickly Heat Powder – Menthol regular | 150g	159	155	135	148	10%
Navratna Ayurvedic Cool Oil | 180ml	155	155	131	148	12%
BRU Coffee | 75g	300	270	254	257	1%
Kellogg's original cornflakes | 900g	399	383	338	365	8%
Parle Hide and Seek chocolate chip cookies | 350g	150	150	127	143	12%
Parle G Original Gluco Biscuits | 800g	100	100	85	95	12%
Parle G Gold Biscuits | 1000g	160	160	136	152	12%
Parle Monaco Classic Regular Biscuit | 696g	150	135	127	129	1%
Kissan Ketchup | 850g	100	102	89	97	9%
Kissan Jam | 200g	90	90	80	86	7%

Source: Media articles; Emkay Research

Exhibit 7: DMART's 1YF PER trend (standalone)



Source: Company; Emkay Research

Exhibit 8: Valuation comparison across our coverage companies

Company	CMP (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	4,856	4,311	ADD	5,600	74.4	88.2	105.7	65.3	55.0	45.9	40.2	34.6	29.4
Varun Beverages	410	1,385	BUY	525	9.7	11.4	13.8	42.2	36.0	29.6	23.8	21.1	18.5
Ethos	2,574	69	BUY	3,400	49.7	67.0	85.7	51.8	38.4	30.0	21.8	16.3	12.7
Page Industries	34,580	386	ADD	46,800	776.7	894.3	1,022.4	44.5	38.7	33.8	30.0	26.3	23.0
ABFRL	49	60	ADD	70	-5.2	-3.8	-2.7	-9.5	-13.0	-17.9	6.4	4.4	3.5
Jubilant FoodWorks	466	307	BUY	600	8.0	10.6	13.4	58.4	43.8	34.8	14.3	12.0	10.4
Devyani International	136	168	BUY	160	0.2	1.0	1.6	631.2	134.9	82.9	17.1	14.3	12.4
Westlife Foodworld	556	87	ADD	550	1.8	5.3	8.7	315.6	105.7	63.9	22.5	16.6	13.6
Sapphire Foods	222	71	BUY	300	1.6	2.3	2.9	139.5	95.5	76.8	12.4	10.0	8.7
Senco Gold	336	55	BUY	575	21.4	26.2	32.8	15.7	12.8	10.3	10.2	8.4	6.9
Metro Brands	944	257	BUY	1,250	17.7	21.0	25.2	53.4	44.9	37.5	25.1	21.3	18.2
ABLBL	83	101	BUY	140	2.3	3.1	4.0	36.3	26.7	20.5	7.2	6.2	5.4
Vishal Mega Mart	100	469	BUY	170	2.4	3.1	3.6	40.9	32.8	27.7	19.8	16.3	13.8
Lenskart	685	1,192	BUY	725	5.1	7.1	10.0	135.3	96.2	68.8	46.6	36.2	28.4
DMART	**3,681**	**2,400**	**SELL**	**3,700**	**56.3**	**63.0**	**70.4**	**65.4**	**58.4**	**52.3**	**38.9**	**33.7**	**29.6**

*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**	**1,047,910**
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)	81.8	74.5	65.4	58.4	52.3
P/CE(x)	68.1	60.9	53.4	47.1	41.8
P/B (x)	10.8	9.4	8.2	7.2	6.3
EV/Sales (x)	4.1	3.6	3.0	2.6	2.3
EV/EBITDA (x)	52.6	45.5	38.9	33.7	29.6
EV/EBIT(x)	63.4	55.3	48.0	42.4	37.7
EV/IC (x)	13.2	10.9	9.0	7.7	6.7
FCFF yield (%)	(0.2)	(0.1)	(0.2)	0.1	0.4
FCFE yield (%)	(0.2)	(0.1)	(0.2)	-	0.4
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

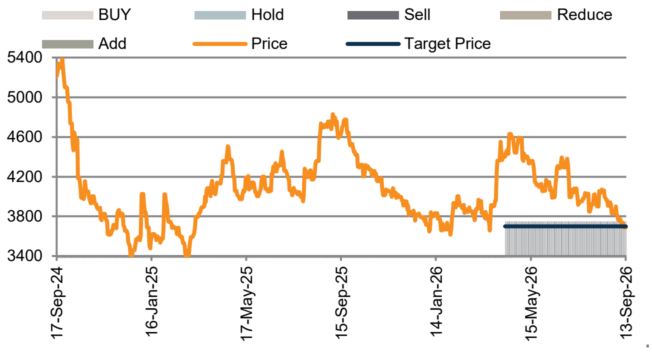
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
29-Jul-26	3,848	3,700	Sell	Devanshu Bansal
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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