

# Avenue Supermarts

## Margin surprises positively

DMART reported a standalone revenue of INR 176.1bn in Q3, reflecting a 13.2% YoY growth. Management attributed partial moderation in growth to deflation in staples. Q3FY26 SSSG stood at 5.6%. The company added ten new stores in Q3. Sales density declined ~0.5% YoY to INR39.7k/sq. ft. annualized. Margins surprised positively, as GM expanded 50bps YoY to 14.6% (HSIE: 14.1%), driven by higher share of non-foods (up 43bps) and GM&A (up 15bps) and lower share of lower-margin foods category (down 58bps) in the mix. Consequently, EBITDAM expanded by 47bps YoY to 8.4% (HSIE: 7.8%). EBITDA/APAT grew 19.9/17.6% YoY to INR 14.8/9.2bn (HSIE: INR 13.7/8.3bn) respectively. We have toned down our FY27/28 EPS estimates by ~1% each but maintain our ADD rating, with a DCF-based TP of INR4,000/sh, implying ~55x Mar-28 P/E.

- **Q3FY26 highlights:** DMART's revenue grew 13.2% YoY to INR176.1bn in Q3FY26. Management attributed the partial moderation in growth to deflation in staples. SSSG moderated to 5.6% in Q3FY26 (vs 8.3% in Q3FY25; 6.8% in Q2FY26). It added ten new stores in Q3 (store count: 442). Non-foods (FMCG) category grew 15.6%, GM&A grew 13.9%, while foods growth moderated to 12.03% due to staples deflation, resulting in a revenue mix of food/FMCG/GM&A at 57.5/20.2/22.3% in Q3FY26 vs. 58.1/19.7/22.2% in Q3FY25. Revenue/EBITDA density came in at INR39.7k/3.3k per sq. ft. in Q3 (down 0.5%/up 5.4% YoY resp). GM expanded by 50bps YoY to 14.6% (HSIE: 14.1%), driven by higher share of non-foods (up 43bps) and GM&A (up 15bps) and lower share of lower-margin foods category (down 58bps) in the mix. Consequently, EBITDAM expanded by 47bps YoY to 8.4% (HSIE: 7.8%). Employee expense (% of sales) increased by 28bps to 2%. However, it was partially offset by reduction in other expenses (down 25bps to 4.2% of sales). EBITDA/APAT grew 19.9/17.6% YoY to INR 14.8/9.2bn (HSIE: INR 13.7/8.3bn) respectively.
- **Outlook:** DMART continues to navigate a challenging competitive landscape (courtesy QC players). Store addition pace and recovery in SSSG will be the key monitorables. We have toned down our FY27/28 EPS estimates by ~1% each but maintain our ADD rating, with a DCF-based TP of INR4,000/sh, implying ~55x Mar-28 P/E.

### Quarterly financial summary

(Rs mn)	3Q FY26	3Q FY25	YoY (%)	2Q FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	1,76,126	1,55,652	13.2	1,62,188	8.6	4,95,330	5,77,898	6,65,205	7,84,831	9,28,505
EBITDA	14,808	12,352	19.9	12,300	20.4	39,406	43,406	49,704	60,322	73,180
APAT	9,231	7,846	17.6	7,465	23.6	26,949	29,272	31,992	38,500	46,805
EPS (Rs)	14.2	12.1	17.6	11.5	23.6	41.4	45.0	49.2	59.2	71.9
P/E (x)						91.9	84.6	77.4	64.3	52.9
EV/EBITDA (x)						62.7	57.0	49.8	41.1	33.8
Core RoCE(%)						16.3	14.6	13.8	14.3	14.9

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	6,65,205	6,73,327	(1.2)	7,84,831	7,97,426	(1.6)	9,28,505	9,46,330	(1.9)
Gross Profit	94,996	94,798	0.2	1,14,334	1,14,556	(0.2)	1,36,518	1,36,750	(0.2)
Gross Profit Margin (%)	14.3	14.1	20 bps	14.6	14.4	20 bps	14.7	14.5	25 bps
EBITDA	49,704	49,637	0.1	60,322	60,921	(1.0)	73,180	74,027	(1.1)
EBITDA margin (%)	7.5	7.4	10 bps	7.7	7.6	5 bps	7.9	7.6	24 bps
APAT	31,992	31,580	1.3	38,500	38,711	(0.5)	46,805	47,351	(1.2)
APAT margin (%)	4.8	4.7	12 bps	4.9	4.9	5 bps	5.0	5.0	4 bps
EPS (Rs)	49.2	48.5	1.3	59.2	59.5	(0.5)	71.9	72.8	(1.2)

Source: Company, HSIE Research

**ADD**

CMP(as on 09 Jan 2026)	INR 3,805
Target Price	INR 4,000
NIFTY	25,683

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,000	INR 4,000
EPS %	FY27E	FY28E
	-0.5	-1.2

### KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (Rs bn) / (\$ mn)	2,474/27,434
6m avg traded value (Rs mn)	2,060
52 Week high / low	Rs 4,950/3,340

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.7)	(9.3)	(0.3)
Relative (%)	(13.4)	(9.3)	(8.0)

### SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	74.65	74.65
FIs & Local MFs	9.29	9.08
FPIs	8.25	8.73
Public & Others	7.81	7.54
Pledged Shares	-	-

Source : BSE

-Pledged shares as % of total shares

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