

Store Additions Support Growth; LFL Remains Weak

Changes in Estimates post Q3FY26

FY26E/FY27E – Revenue: 0%/-1%; **EBITDA:** -1%/-3%; **PAT:** 1%/-8%

Recommendation Rationale

- Operational Performance:** In Q3FY26, DMart reported 13.3% YoY revenue growth, while like-for-like (LFL) growth remained subdued at 5.6%. During 9MFY26, the company added 27 stores, including 10 stores in Q3, taking the total store count to 442 with a retail area of 18.3 Mn sq. ft. LFL growth in the quarter was among the weakest over the past 24 months, impacted by a deflationary pricing environment in the staples/ FMCG segment, GST-related disruption in Oct'25, and the temporary closure of the Sanpada store in Navi Mumbai for renovation, which is still included in the store count and likely resulted in a 30–40 bps drag on revenues.
- Profitability and Margins:** EBITDA margins stood at 8.1%, expanding by 46 bps YoY, supported by a 58 bps YoY improvement in gross margins. Gross margins have remained stable above 15% for the past three consecutive quarters, while other operating expenses were well controlled. Reported PAT stood at Rs 856 Cr, registering 18.2% YoY growth, driven by a 20.2% YoY increase in EBITDA.
- Strategic Focus and Outlook:** Looking ahead to FY27, DMart's strategic emphasis on improving store productivity, enhancing profitability, and accelerating recovery in the General Merchandise & Apparel (GM&A) segment positions the company well for a gradual earnings recovery. Its continued focus on passing on GST-related benefits to customers, along with stabilising macroeconomic conditions and normalising consumer demand, is expected to support volume-led growth. With GM&A being a higher-margin category, any sustained pickup in discretionary spending could meaningfully improve overall profitability in FY27. However, key risks include a slower-than-expected recovery in consumer demand, persistent pricing pressure in staples, and heightened competitive intensity in the value retail segment.

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: 70x Dec'27 EPS (Earlier: 75x Sep'27E EPS)

Current TP: Rs 4,450/share (Earlier: Rs 4,960/share)

Recommendation: With a 17% upside from the CMP, we maintain a **BUY** rating on the stock.

Financial Performance: In Q3FY26, DMart's consolidated revenue increased 13.3% YoY to Rs 18,101 Cr. EBITDA rose 20% YoY, with margins expanding by 46 bps YoY to 8.1%, driven by controlled operating expenses and a 58bps improvement in gross margins. The company reported a PAT of Rs 856 Cr, registering 18% YoY growth.

Outlook: Looking ahead to FY27, D-Mart is expected to benefit from a gradual recovery in consumer demand and continued execution of its strategic initiatives. The company's focus on reviving the underperforming GM&A segment through leadership changes, calibrating expansion to improve profitability in D-Mart Ready, and maintaining a disciplined store rollout strategy positions it well for steady growth.

Management's plan to pursue ~15% store addition on the existing base of 442 stores reflects a balanced approach that prioritises returns and profitability over aggressive expansion. Improving consumer sentiment, supported by stable macroeconomic conditions and GST 2.0 reforms, is expected to strengthen these efforts and drive growth in higher-margin general merchandise and apparel categories.

Valuation & Recommendation: We estimate a CAGR of 19%/20%/17% for revenue/EBITDA/PAT over FY25–28E, factoring in slower LFL growth and downward revisions to FY27E/FY28E estimates. Accordingly, we maintain our **BUY** rating on the stock with a revised target price of Rs 4,450/share, implying a ~17% upside from the CMP.

 (CMP as of 9th January, 2026)

CMP (Rs)	3,801
Upside /Downside (%)	17%
High/Low (Rs)	4950/3340
Market cap (Cr)	2,47,397
Avg. daily vol (6M) Shrs ('000)	632
No. of shares (Cr)	65

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	74.7	74.7	74.7
FII	8.2	8.3	8.7
MFs / UTI	7.6	7.4	6.8
Banks / FII	0.0	0.0	0.0
Others	9.5	9.7	9.8

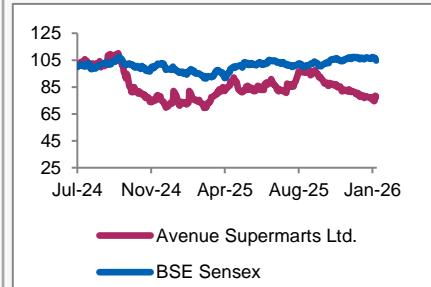
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	71,232	85,371	1,01,384
EBITDA	5,533	6,627	7,772
Adj Net Profit	3,355	3,874	4,326
EPS, Rs	51.6	59.5	66.5
PER, x	80.5	69.7	62.5
EV/EBITDA, x	48.7	40.5	34.3
ROE, %	13.5	13.5	13.1
ROCE (%)	14.4	14.4	14.0

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0%	-1%
EBITDA	1%	-3%
PAT	1%	-8%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
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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	71,499	86,251	71,232	85,371	0%	-1%
EBITDA	5,466	6,838	5,533	6,627	1%	-3%
PAT	3,306	4,222	3,355	3,874	1%	-8%
EPS	50.8	64.9	51.6	59.5	1%	-8%

Source: Company, Axis Securities Research

Results Review (Consolidated)

Rs Cr	Q3FY25	Q2FY26	Axis Est.	Q3FY26	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Total Revenue	15,973	16,676	-	18,101	13.3	8.5	
COGS	13,620	14,163	-	15,331	12.6	8.2	
Gross Profit	2,352	2,513	-	2,770	17.8	10.2	
GM%	14.7	15.1		15.3	58bps	23bps	
Expenditure							
Employee expenses	305	377	-	398	30.5	5.6	
Other Exp	830	923	-	909	9.5	(1.5)	
Total Expenditure	14,755	15,463	-	16,638	12.8	7.6	
EBITDA	1,217	1,214	-	1,463	20.2	20.6	
EBITDA Margin (%)	7.6	7.3		8.1	46bps	81bps	
Depreciation	228	253	-	268	17.6	5.8	
EBIT	989.1	960.2	-	1,195.1	20.8	24.5	
Interest	18	35	-	37	102.2	5.3	
Oth. Inc.	24	20	-	17	(29.9)	(13.5)	
Exceptional Items	-	-	-	-			
PBT	995	945	-	1,175	18.1	24.4	
Tax	272	260	-	319	17.6	22.9	
Effective Tax Rate (%)	27.3	27.5	-	26.0	-129bps	-151bps	
PAT	724	685	-	856	18.3	25.0	
PAT Margin (%)	4.53	4.11	-	4.73	20bps	62bps	
EPS (Rs)	11.1	10.5	-	13.2	18.3	25.0	

Source: Company, Axis Securities

Financials (Consolidated)
Profit & Loss
(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Net sales	59,358	71,232	85,371	1,01,384
Growth, %	16.9	20.0	19.8	18.8
Raw material expenses	(50,552)	(60,662)	(72,794)	(86,625)
Employee expenses	(1,166)	(1,411)	(1,707)	(2,065)
Other Operating Expenses	(3,153)	(3,626)	(4,243)	(4,921)
EBITDA (Core)	4,487	5,533	6,627	7,772
Growth, %	9.3	23.3	19.8	17.3
Margin, %	7.6	7.8	7.8	7.7
Depreciation	(870)	(1,013)	(1,422)	(1,898)
EBIT	3,618	4,520	5,205	5,874
Growth, %	7.3	24.9	15.1	12.9
Margin, %	6.1	6.3	6.1	5.8
Other Income	124	149	179	214
Non-recurring Items	-	-	-	-
Pre-tax profit	3,673	4,596	5,307	6,008
Tax provided	(965)	(1,241)	(1,433)	(1,682)
Profit after tax	2,707	3,355	3,874	4,326
Net Profit	2,707	3,355	3,874	4,326
Growth, %	6.8	23.9	15.5	11.7

Source: Company, Axis Securities

Balance Sheet
(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Cash & bank	358	601	1,614	3,424
Debtors	154	185	221	263
Inventory	5,044	6,053	7,255	8,616
Loans & advances	-	-	-	-
Other current assets	835	835	835	835
Total current assets	6,392	7,674	9,926	13,138
Investments	178	178	178	178
Gross fixed assets	20,097	23,397	26,697	29,997
Less: Depreciation	(3,897)	(4,909)	(6,332)	(8,230)
Add: Capital WIP	1,099	1,099	1,099	1,099
Net fixed assets	17,299	19,586	21,464	22,866
Non-current assets	452	452	452	452
Total assets	24,321	27,891	32,020	36,634
Current liabilities	2,212	2,426	2,681	2,970
Provisions	-	-	-	-
Total current liabilities	2,212	2,426	2,681	2,970
Non-current liabilities	681	681	681	681
Total liabilities	2,894	3,108	3,363	3,652
Paid-up capital	651	651	651	651
Reserves & surplus	20,777	24,132	28,006	32,332
Shareholders' equity	21,428	24,783	28,657	32,983
Total equity & liabilities	24,321	27,891	32,020	36,634

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Pre-tax profit	3,673	4,596	5,307	6,008
Depreciation	870	1,013	1,422	1,898
Chg in working capital	(244)	(826)	(983)	(1,113)
Total tax paid	(945)	(1,241)	(1,433)	(1,682)
Cash flow from operating activities	3,353	3,542	4,313	5,110
Capital expenditure	(3,826)	(3,300)	(3,300)	(3,300)
Chg in marketable securities	105	-	-	-
Cash flow from investing activities	(3,656)	(3,300)	(3,300)	(3,300)
Free cash flow	(302)	242	1,013	1,810
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	-	-	-	-
Net chg in cash	(302)	242	1,013	1,810
Opening cash balance	638	358	601	1,614
Closing cash balance	358	601	1,614	3,424

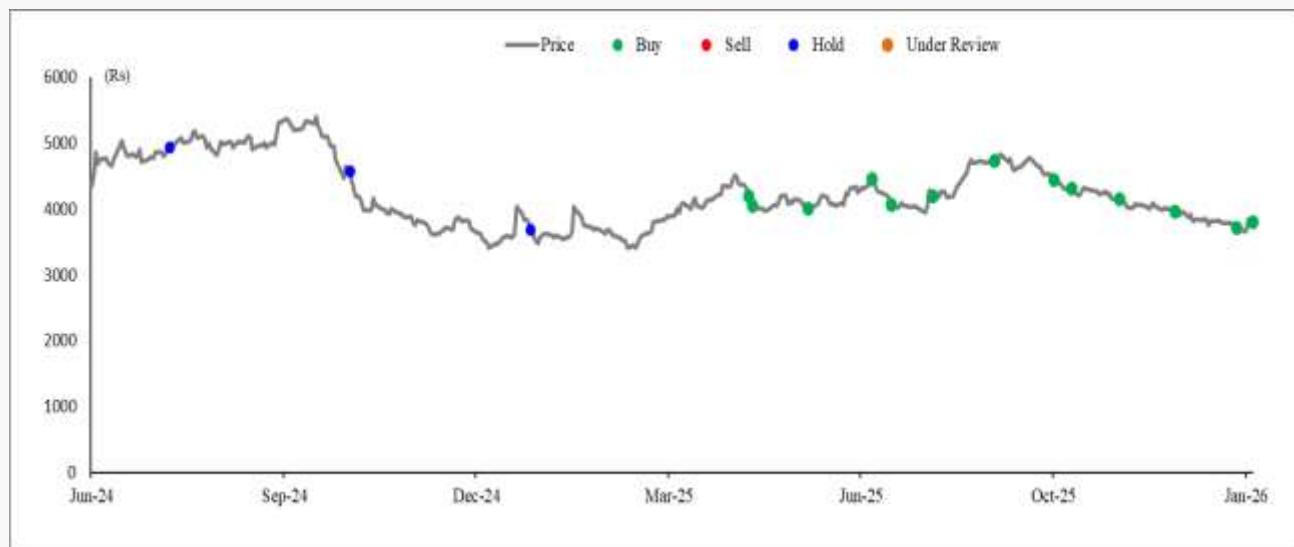
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E Mar	FY25	FY26E	FY27E	FY28E
EPS (Rs)				
Growth, %	41.6	51.6	59.5	66.5
Book NAV/share (Rs)	6.8	23.9	15.5	11.7
FDEPS (Rs)	329.3	380.8	440.4	506.9
CEPS (Rs)	41.6	51.6	59.5	66.5
CFPS (Rs)	55.0	67.1	81.4	95.6
Return ratios	50.6	52.2	63.5	75.2
Return on assets (%)				
Return on equity (%)	12.2	13.1	13.2	12.8
Return on capital employed (%)	12.6	13.5	13.5	13.1
Turnover ratios	13.4	14.4	14.4	14.0
Asset turnover (x)				
Sales/Total assets (x)	3.1	3.2	3.4	3.6
Sales/Net FA (x)	2.6	2.7	2.8	3.0
Working capital/Sales (x)	3.8	3.9	4.2	4.6
Receivable days	0.1	0.1	0.1	0.1
Inventory days	0.9	0.9	0.9	0.9
Payable days	31.0	31.0	31.0	31.0
Working capital days	7.1	7.1	7.1	7.1
Liquidity ratios	23.5	23.8	24.1	24.3
Current ratio (x)				
Quick ratio (x)	2.9	3.2	3.7	4.4
Valuation	0.6	0.7	1.0	1.5
PER (x)				
PEG (x) YoY growth	99.8	80.5	69.7	62.5
Price/Book (x)	14.7	3.4	4.5	5.4
EV/Net sales (x)	12.6	10.9	9.4	8.2
EV/EBITDA (x)	4.5	3.8	3.1	2.6
EV/EBIT (x)	60.1	48.7	40.5	34.3

Source: Company, Axis Securities

Avenue Supermarts Price Chart and Recommendation History



Date	Reco	TP	Research
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	4,809	Result Update
01-Aug-25	BUY	4,810	Top Picks
01-Sep-25	BUY	5,280	Top Picks
01-Oct-25	BUY	5,280	Top Picks
13-Oct-25	BUY	4,960	Result Update
03-Nov-25	BUY	4,960	Top Picks
01-Dec-25	BUY	4,960	Top Picks
01-Jan-26	BUY	4,960	Top Picks
12-Jan-26	BUY	4,450	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
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