kotak Securities

Dated: 12 Jan 2026

Avenue Supermarts (DMART) - SELL

Q3FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.3,801	**Rs.3,500**

Rationale:

- Q3FY26: Good margins and lower costs drive EBITDA normalization.
- Revenue growth of 13% driven by store area addition and modest 5.6% SSSG.
- FY26 SSSG is muted, partly on account of the GST-related impact.
- We model revenue growth of 15%/18%/19% in FY26/27/28E, based on 6-7% SSSG and store additions of 60/70/80.
- We trim FY26-28 revenue estimates marginally & assume higher margins for FY26, but trim EPS by 1-4% for FY27-28.
- Roll-forward to March 2028E drives revised SoTP-based FV of Rs3,500 (Vs Rs3,570).
- Retain cautious stance in view of expensive valuations & weak revenue growth. SELL.

Positives:

- GM of 15.3% expanded 60 bps yoy, mostly due to steady absolute margins and lower revenues.
- EBITDA margin of 8.1% was 20 bps above our estimates and up 50 bps yoy.
- Dmart added 10 stores in Q3FY26, taking the total store count to 442.
- Higher-than-expected revenue growth and margin expansion are key risks to our call.

Negatives:

- Dmart's Q3FY26 revenue growth of 13.3% yoy was tepid, impacted by continued deflation in the prices of staples and possibly lower GST rates.
- SSSG decelerated to 5.6% from 6.8% in Q2FY26.

(EBITDA: Earnings Before Interest, Depreciation, Amortization & Tax, GM: Gross Margin, SSSG: Same stores sales growth, EPS: earnings per share, SoTP: Sum of the parts, k: Thousand, GST: Goods & Services Tax)

Holding Period: 12 months

Rating Scale (Private Client Group)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

Fundamental Research Team (Private Client Group)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material, Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Technical Research Team (Private Client Group)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350 +91 22 62185458

Sayed Haider
sayed.haider@kotak.com

Derivatives Research Team (Private Client Group)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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