

Avenue Supermarts (DMART) - SELL

Q3FY26 Result Update

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



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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

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- RS

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- NA

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

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- NOTE

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