Your success is our success

DMart

LOSING GROUND; NEEDS STRUCTURAL REFORMS; INITIATE WITH SELL

SELL

Avenue Supermarts

Losing ground; needs structural reforms; initiate with SELL

Emkay — Your success is our success

Retail ▸ Initiating Coverage ▸ **April 12, 2026**

CMP (Rs): 4,401 | TP (Rs): 3,700

We initiate coverage on DMART with SELL and TP of Rs3,700, based on DCF-implied multiple of 54x FY28E SA EPS (~93% value), with remaining ~7% value derived from its subsidiaries. Though DMART has strong brand value, it has been slow to expand TAM. It has a low ~1.5% market share and caters to only ~50% of the Indian retail TAM vs Walmart's 7-8% share and ~100% US retail market TAM. The Indian consumer is embracing convenience, with quick commerce (QC) share already at 1.5x of modern trade in key metros (Emkay Estimate) and QC now deepening presence in next 50-100 cities. Our pricing analysis of the monthly basket suggests QC players are targeting value and assortment, after having delivered unmatched convenience. Given their strong balance sheet, we do not expect any meaningful SSG respite for DMART, apart from seasonal volatility and potential price-hikes by brands. DMART's capex-per-store has risen ~60% (Exhibit 8) and led to a ~600bps dip in FY23-26E RoIC to ~13%. While it has executed well on store expansion and in introducing private labels, its ~70x 1YF P/E factors in a sustained improvement in such metrics – and hence our conservative stance on the stock price. Our estimates factor in 19% EBITDA CAGR over FY25-35E, aided by 6.0-7.5% SSG, ~13% store expansion, ~200bps margin gain. Key upside: sizable TAM expansion (category/channel/consumer cohorts) or ramp-up of high-margin streams.

NPV hit by increase in capex; shift to leasing may lead to de-rating

DMART has a unique fully-owned COCO model, per which it is expected to generate 25-30% higher NPV vs the leased store model. However, with ~60% increase in capex-per-store over FY22-25 (vs FY14-22), the NPV benefit of opening stores via own equity is fading (cost of equity: 11.6%). With DMART sharing willingness to take on debt (cost of debt: 6.2%), we believe the owned model can still generate 30% higher NPV. DMART has seen an encouraging rise in store adds (85 in FY26 vs 50 in FY25). However, a shift to leased stores or continuation of the current 100% equity model can lead to de-rating.

Dip in bill cuts concerning, in light of the rapid QC ramp-up

DMART's FY20-25 throughput is flat at Rs36,000, after an impressive ~12% CAGR over FY12-20. The muted growth is mainly due to a ~6% dip in bill-cuts per sqft (vs +5% in FY12-20), while bill-size CAGR remains at 6-7%. Gross margin has dipped by ~70bps, likely due to a weaker mix. Operating cost has stayed put, as lower footfalls likely demanded lower servicing (checkouts, shelf replacements, electricity). We expect flat EBITDA/sqft over FY25-28E, with overall EBITDA likely to mimic space growth at ~17%.

Walmart's deep dive suggests need for bold strategic shifts

Walmart's road to a USD1trn m-cap has seen phases of strong returns along with decades of consolidation. TAM expansion is central to Walmart, which entered the B2B segment in 1983, launched its international expansion in 1993, scaled up e-com post-2016, and more recently, ramped up high-margin streams of advertising, logistics, membership. To remain relevant, Walmart also made bold shifts, including transition to supercenters (large one-stop destination stores of ~180,000sqft vs discount stores of ~50,000sqft).

Target Price – 12M	Mar-27
Change in TP (%)	**NA**
Current Reco.	SELL
Previous Reco.	NA
Upside/(Downside) (%)	(15.9)

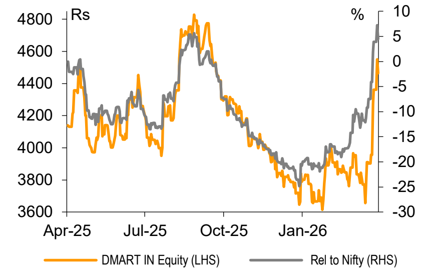
Stock Data	**DMART IN**
52-week High (Rs)	4,950
52-week Low (Rs)	3,529
Shares outstanding (mn)	652.0
Market-cap (Rs bn)	2,869
Market-cap (USD mn)	30,939
Net-debt, FY26E (Rs mn)	24,933.0
ADTV-3M (mn shares)	0.5
ADTV-3M (Rs mn)	2,468.0
ADTV-3M (USD mn)	26.6
Free float (%)	23.0
Nifty-50	24,050.6
INR/USD	92.7

Shareholding, Dec-25	
Promoters (%)	74.7
FPIs/MFs (%)	8.7/8.9

Price Performance

(%)	1M	3M	12M
Absolute	11.5	15.8	6.3
Rel. to Nifty	12.5	23.6	(1.0)

1-Year share price trend (Rs)



Avenue Supermarts: Financial Snapshot (Standalone)

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	495,330	577,898	669,681	797,632	931,271
EBITDA	40,994	45,427	52,997	63,215	73,344
Adj. PAT	26,949	29,272	32,535	37,284	41,792
Adj. EPS (Rs)	41.4	45.0	50.0	57.3	64.2
EBITDA margin (%)	8.3	7.9	7.9	7.9	7.9
EBITDA growth (%)	12.0	10.8	16.7	19.3	16.0
Adj. EPS growth (%)	5.0	8.6	11.1	14.6	12.1
RoE (%)	15.1	14.1	13.6	13.6	13.4
RoIC (%)	19.0	17.0	15.5	14.4	13.5
P/E (x)	106.3	97.8	88.0	76.8	68.5
EV/EBITDA (x)	69.7	62.9	53.9	45.2	39.0
P/B (x)	14.9	12.9	11.2	9.8	8.6
FCFF yield (%)	(0.2)	-	(0.8)	(0.7)	(0.5)

Source: Company, Emkay Research

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Table of Contents

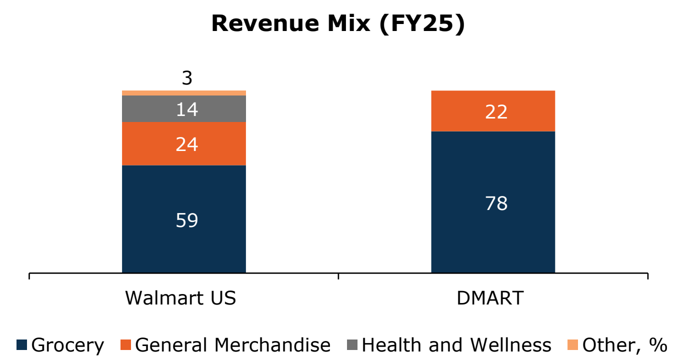
Contents **Page No.**

Investment thesis

Enviable brand presence, but slow on TAM expansion

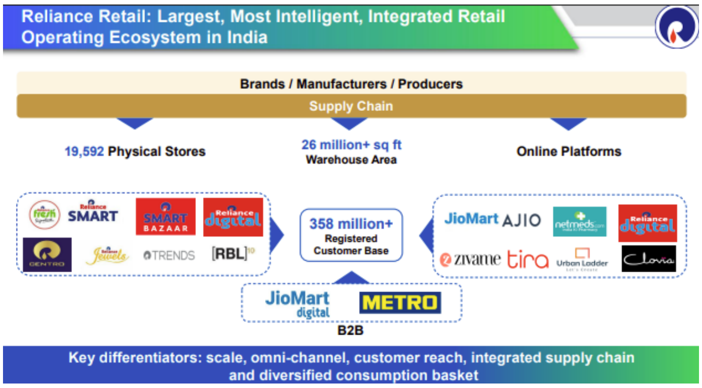
DMART has built an enviable brand and consumer trust. However, it has been slow to expand its TAM beyond FMCG, General Merchandise, and Apparel. Reliance provides a strong example of aggressive strategy, demonstrating how to capture almost the entire retail TAM. In our view, DMART could have also leveraged its goodwill to expand into other large and unorganized categories, such as fresh, durables, jewelry, and sports. However, wide market gaps and DMART's low accessibility have led to the emergence of the QC industry as well as scale-up of players like Decathlon, Croma, Trent, Nykaa, etc.

Exhibit 1: General merchandise and Pharmacy are Walmart's key differentiators, with ~40% mix vs ~20% for DMART



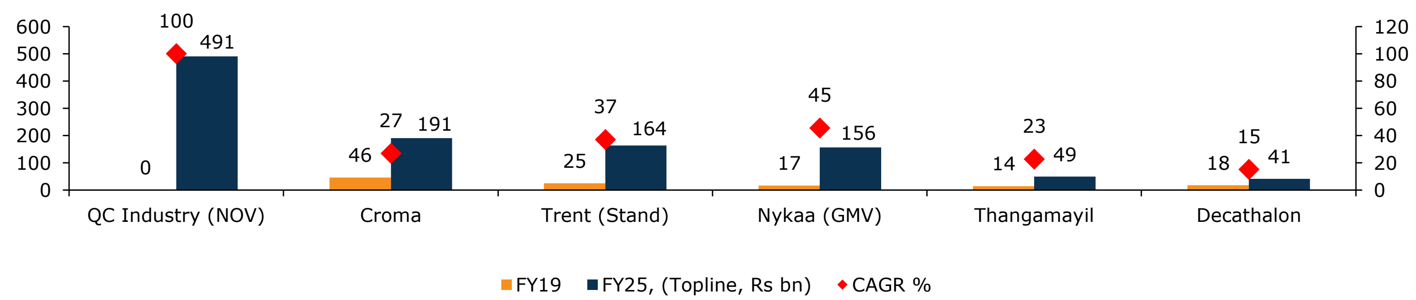
Source: Company, Walmart, Emkay Research; Note: FY26 for Walmart

Exhibit 2: RIL retail has been quick to cater to ~100% of the India retail TAM, while DMART caters to ~50% of the TAM



Source: RIL retail PPT, Emkay Research

Exhibit 3: Numerous category and channel-specific formats have scaled up multi-fold over FY19-25 in India, where global leaders like Walmart have significant presence; DMART has restricted its TAM largely to FMCG, General Merchandise, and Apparel

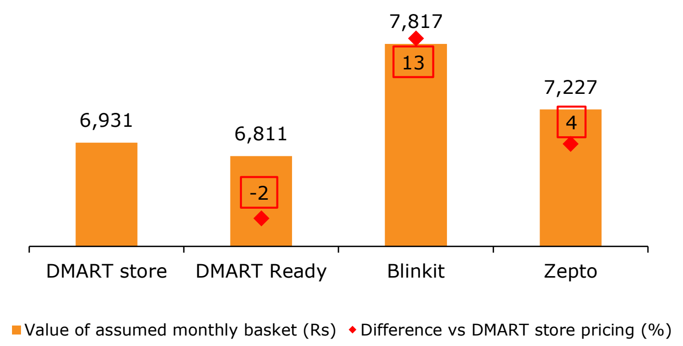


Source: Company, MCA, Media reports, Emkay Research

DMART's core USP is fading

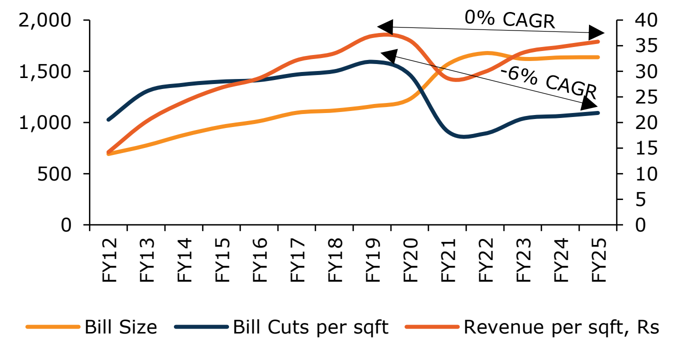
Value, assortment, experience, and availability are the four key factors for deciding the destination for a purchase. QC players are now becoming aggressive on the pricing and assortment fronts, after delivering unmatchable consumer experience. The net pricing for a monthly basket (including applicable bank discounts) is now either similar to or lower than that offered at DMART stores. Excluding bank discounts, the difference is restricted to only 4-13% at QC platforms vs DMART stores which is being weighed against the time, travel, and effort costs by consumers. DMART stores and its online platform 'DMART Ready' still perform better on the factor of availability, as QC platforms intermittently run out of stock. However, competitive pricing, improving assortment, unmatchable convenience, and strong balance sheets are driving exponential traction for QC players. In addition, QC players are now expanding aggressively into the next 50-100 cities beyond metros, suggesting wider acceptance of the format.

Exhibit 4: Net pricing for a monthly basket is now only 4-13% higher at QC apps vs DMART; cheaper after including bank offers



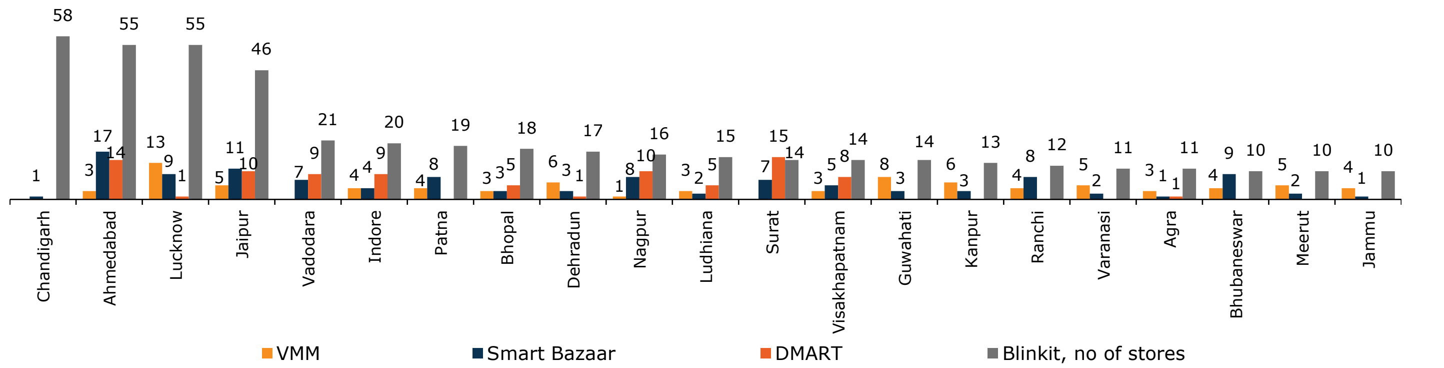
Source: QC platforms/DMART Ready, Store visits, Emkay Research

Exhibit 5: DMART's revenue per sqft is flat over FY20-25, led by ~6% dip in bill cuts per sqft; ASP has grown at ~6% CAGR



Source: Company, Emkay Research

Exhibit 6: Blinkit has expanded rapidly in key metros and is deepening its presence in the next 50-100 cities

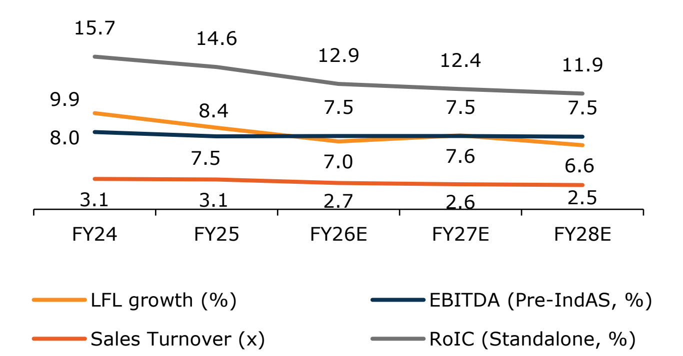


Source: Company store locator, Google maps, Emkay Research

Increased need for store investments is deteriorating RoIC profile

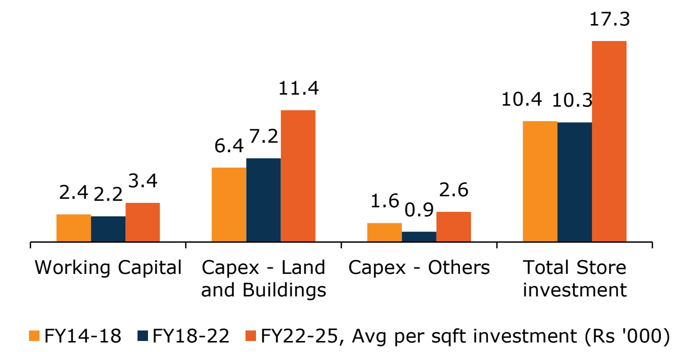
DMART's capex and WC investment per store has risen sharply (~60%) over FY22-25 (vs FY14-22). Capex per store (including land and building) has risen from ~Rs8,000 per sqft over FY14-22 to ~Rs14,000 per sqft over FY22-25. On similar lines, WC investment per store has risen from ~Rs2,300 per sqft over FY14-22 to ~Rs3,400 per sqft over FY22-25. With rising capex and WC requirements, the capital employed per store has increased ~60%, leading to a deterioration of the RoIC profile to low double digits.

Exhibit 7: Moderating SSG and margins, coupled with a significant increase in per-store capex, have driven a decline in RoIC



Source: Company, Emkay Research

Exhibit 8: Capex and store-level investments have risen over the years, weighing on the RoIC profile



Source: Company, Emkay Research

Capex increase driving NPV hit for owned stores; leasing shift may drive de-rating

DMART largely has a unique fully-owned COCO model, per which the company is likely to generate 25-30% additional NPV compared to the leased store model. However, with a sizable increase of ~60% in capex per store over FY22-25 (vs stores opened over FY14-22), this NPV benefit of opening stores via own equity is gradually fading (cost of equity: 11.6%). As DMART has shared willingness to take on debt (cost of debt: 6.2%), the 'owned store' model can still generate 25-30% additional NPV, in our view. DMART has seen an encouraging increase in store additions (85 in FY26 vs 50 in FY25). However, we believe a shift toward leased stores would lead to lower value accretion and de-rating.

Exhibit 9: Illustration – Owned stores opened via portion of debt are value accretive; shift to the leased store model or store openings solely via own equity would drive a de-rating

Owned store vs leased store premium	Only Equity	20% Debt	50% Debt
Risk Free Rate (%)	6.7	6.7	6.7
Expected Market Return (%)	12.0	12.0	12.0
Beta (x)	0.9	0.9	0.9
Cost of Equity (%)	11.6	11.6	11.6
Cost of Debt (%)	6.2	6.2	6.2
Leverage (Debt/Asset, x)	0.0	0.2	0.5
WACC (%)	**11.6**	**10.5**	**8.9**
[A] Capex per sqft (Land and Building, Rs)	13,500	13,500	13,500
[B] Rent per sqft (Emkay Estimate, Rs)	1,000	1,000	1,000
[C] Rental Yield (=B/A*100, %)	7.4	7.4	7.4
Rental Inflation (%)	3.0	3.0	3.0
Rent expense NPV per sqft (Rs)	12,025	13,758	17,552
Owned store premium (%)	**-11%**	**2%**	**30%**

Source: Bloomberg, Emkay Research

Valuations demand sweeping strategic changes

DMART has risen ~20% over last fortnight, supported by an accelerated store openings in FY26, a likely pick-up in SSG and focused margin interventions with improved focus on private labels. In our view, the standalone business (~93% of M-cap: Emkay Estimate) is currently trading at a 1Y fwd P/E of ~70x. In our view, the valuations bake in a sustained pick-up in SSG and network expansion, along with margin improvement and WC/capex optimization, where we have our inhibitions given the exponential rise of the QC industry, slower TAM expansion, and deteriorating/sub-optimal RoIC profile. Despite a weaker RoIC profile, DMART is currently trading at PEG of 4.2x, while Titan, Trent, and Vishal trade in the 2.0-2.6x range.

Our base case assumes an average annual addition of ~110 stores (vs 50-85 additions in recent years), 6.0-7.5% SSG (similar to 9MFY26), and ~200bps of private-label-led margin gains over the next decade. This implies ~15%/19% revenue/EBITDA CAGR over the next decade and suggests a downside of ~15%, based on our 2-stage DCF model. We initiate coverage on Avenue Supermarts (DMART) with SELL and TP of Rs3,700, based on DCF-implied multiple of 54x FY28E standalone EPS (~93% value), and the remaining ~7% value derived from its subsidiaries.

Exhibit 10: DCF key assumptions (base case) – We see scope for ~4x revenue scale-up, helped by ~3.5x expansion of retail space over the next decade; however, current valuations factor in more than our base case

DCF – Key drivers (Assuming the fully leased model)	FY25	Explicit Estimates			FY35E	FY45E	Explicit CAGR (%)	Phase-1 CAGR (%)	Phase-2 CAGR (%)
		FY26E	FY27E	FY28E			FY25-28E	FY28-35E	FY35-45E
Period-end Store count (no of)	415	500	590	685	1,500	3,000	18	12	7
Retail space (mn sqft)	**17**	**21**	**24**	**28**	**61**	**121**	**18**	**12**	**7**
Avg annual store additions (no of)	50	85	90	95			90	116	150
FY SSG (%)	***8.4***	***7.0***	***7.6***	***6.6***	***6.0***	***5.0***			
Revenue (Rs bn)	**578**	**670**	**798**	**931**	**2,420**	**6,999**	**17**	**15**	**11**
Gross-Profit (Rs bn)	82	96	116	136	387	1,190	19	16	12
Gross-Margin (%)	***14.1***	***14.3***	***14.5***	***14.6***	***16.0***	***17.0***			
[A] Fixed Costs (incl. Rent, Rs bn)	35	43	55	67	170	410			
% of sales	*6.1*	*6.5*	*6.9*	*7.2*	*7.0*	*5.9*			
Fixed Cost/sqft	2,175	2,287	2,444	2,573	2,937	3,490	6	2	2
[B] Variable costs (Rs bn)	7	8	10	11	27	70			
% of sales	*1.2*	*1.2*	*1.2*	*1.2*	*1.1*	*1.0*			
[C] HO Cost (Rs bn)	9	9	10	11	16	24	8	6	4
% of sales	*1.5*	*1.4*	*1.3*	*1.2*	*0.7*	*0.3*			
[D] ESOPs (Rs bn)	0.3	0.4	0.5	0.6	0.6	0.6			
% of sales	*0.0*	*0.1*	*0.1*	*0.1*	*0.0*	*0.0*			
EBITDA (Rs bn)	**30**	**35**	**41**	**46**	**173**	**685**	**15**	**21**	**15**
EBITDA margin (%)	***5.3***	***5.2***	***5.1***	***5.0***	***7.2***	***9.8***			
Capex (Rs bn)	7	11	12	12	20	31	22	7	4
Working Capital (Rs bn)	43	55	67	80	186	479	23	13	10
WACC (%)	*11.6*								
Terminal Growth (%)	*5.0*								
Owned store format valuation premium	*30%*								
[A] Standalone TP (Rs)	**3,445**								
[B] Avenue E-commerce (DMART Ready, Rs)	195								
[C] Align marketing (Rs)	48								
[D] Avenue Food (Rs)	10								
[E] Reflect Healthcare (Rs)	2								
Consolidated TP (A+B+C+D+E, Rs)	**3,700**								

Source: Company, Emkay Research

Exhibit 11: EBITDA growth-adjusted valuation (PEG ratio) of DMART is higher than that of most other leading discretionary names in India, despite its relatively low RoIC profile

Company name	FY25-28E CAGR (%)		FY25	1-yr fwd	PEG (x)
	Revenue	EBITDA	RoIC (%)	P/E (x)	
Lenskart	25	51	1	129	2.5
Vishal Mega Mart	19	26	42	46	1.8
Trent	20	24	35	63	2.6
Titan Company	24	22	21	57	2.6
DMART (Standalone)	**17**	**17**	**15**	**71**	**4.2**
Metro Brands	14	15	32	49	3.2
Varun Beverages	12	12	17	40	3.4
Page Industries	9	9	74	45	4.9

Source: Company, Bloomberg, Emkay Research; Note: considered ~93% M-Cap for deriving DMART's standalone 1-yr fwd P/E (x)

Exhibit 12: Global valuation – DMART's valuation comparison with global peers

Company name	M-Cap	EBITDA Margin (%)			P/E (x)			EV/EBITDA (x)			ROE (%)	PEG (x)
	(USD bn)	CY25	CY26E	CY27E	CY25	CY26E	CY27E	CY25	CY26E	CY27E	CY25	1-Yr fwd
Walmart	1,029	6.4	6.5	6.8	49	44	39	24	22	20	23	9
Costco	458	4.7	4.7	4.9	54	51	45	33	31	28	30	6
Alibaba	308	12.1	15.1	18.2	28	17	13	13	10	7	8	2
Target	56	8.0	7.9	8.0	16	15	15	8	8	8	24	10
JD	41	1.4	2.2	3.0	14	10	7	15	5	4	8	2
Tesco	42	6.8	6.8	6.9	17	16	14	9	8	8	17	6
DMART (Standalone)	**31**	**7.9**	**7.9**	**7.9**	**88**	**77**	**69**	**55**	**46**	**39**	**13**	**4**
Seven & I Holdings Co	34	8.7	9.0	9.2	19	19	16	10	10	9	7	NA
Carrefour	14	5.3	5.5	5.6	12	9	9	5	5	5	3	NA

Source: Bloomberg, Emkay Research; Note: CY25 is FY26 for DMART and so on; PEG calculated on sales growth

Emkay vs consensus estimates

Given the near-term pick-up in store additions, SSG and private-label-led margin support, our standalone estimates are similar to Street estimates. Our negative stance on DMART is driven by the company's high valuation, risk to medium-term estimates due to structural change in shopping habits, and significant increase in capex-per-store. DMART's 1Y fwd P/E valuation of ~70x factors in a sustained improvement in store additions, SSG, and margins, where we have our reservations. Our estimates factor in EBITDA CAGR of ~19% over FY25-35E, helped by 6.0-7.5% SSG, ~13% store expansion, and ~200bps margin gain.

Exhibit 13: Our standalone estimates are similar to Street estimates, given the pick-up in store additions, SSG, and private-label-led margin support; our negative stance on DMART is owing to high valuation, structural change in shopping habits, and spike in capex

Y/E, Mar (Rs mn)	FY26E			FY27E			FY28E		
Standalone	**Emkay**	**Consensus**	**Variation (%)**	**Emkay**	**Consensus**	**Variation (%)**	**Emkay**	**Consensus**	**Variation (%)**
Revenue	669,681	670,577	-0.1	797,632	792,078	0.7	931,271	926,568	0.5
EBITDA	52,997	52,186	1.6	63,215	61,928	2.1	73,344	72,636	1.0
EBITDA margin (%)	7.9	7.8	10 bps	7.9	7.8	10 bps	7.9	7.8	0 bps
PAT	32,535	31,866	2.1	37,284	37,709	-1.1	41,792	43,934	-4.9

Source: Bloomberg, Emkay Research

Potential upsides (bull case)

DMART has strong brand value but has been slow in gaining market share or expanding its TAM compared with quick-commerce (QC) players and Walmart's rapid ramp-up in the US. In our view, DMART can increase its TAM by expanding the categories, channels of sale, and by addressing more consumer cohorts with private labels. However, TAM expansion would either need organic technology investments at both front-end and back-end, or via exploration of inorganic opportunities for a faster ramp-up, where we have limited visibility as of now.

Sustained increase in SSG can lead to increase in our target price

The value of retail companies is highly sensitive to SSG, and a sustained pick-up in SSG can lead to significant value accretion. Confidence on a sustained ~100bps pick-up or drop in SSG could lead to an increase or decrease by ~25% in the enterprise value. DMART also has an opportunity to improve its SSG profile by tapping incremental TAM, increasing consumer wallet share through higher shopping frequency, and better utilizing non-peak hours. However, we believe DMART would need investments in technology and store-level employees to optimize existing category stock and create space for sizable additions such as fresh produce, durables, and sports. In contrast, QC players are addressing a higher TAM, leveraging higher space utilization, technology-driven demand forecasting, and replenishment. Leading QC players such as Blinkit have highlighted ~20x/~10x working capital/IC turns vs ~12x/~2x working capital/IC turns for DMART.

Short-term SSG volatilities may not lead to significant value accretion

Brands may be compelled to take a price hike, in case of a prolonged increase in crude price. In the near term, price hikes could lead to higher SSG and topline growth for retailers such as DMART, as a significant portion of their revenue comes from relatively inelastic categories such as staples. However, we believe there is significant value accretion when there is confidence on a sustained SSG pick-up, aided by strategic changes in the business. Our DCF model suggests that SSG increase for a year does not have a meaningful impact on our TP.

Ramp-up of presence in QC space would expand TAM

The QC industry is expanding exponentially with ~100% growth in FY26E and 40-50% CAGR expected in the near-to-medium term (vs ~10% growth in overall consumption). Like category-wise expansion, we believe DMART also has an opportunity to expand channel-wise TAM with ramp-up of its presence in the QC space. DMART ready does slotted deliveries in ~20 cities (vs ~190 city presence overall) and has been growing at ~25% CAGR, while other B&M players (Smart bazaar/VMM) are leveraging their physical network and have already scaled up express deliveries (~30 minutes) across most of their network (~500 cities). In our view, the value proposition of DMART ready is gradually losing its sheen and DMART needs to course correct its proposition, as few QC players are already providing a similar pricing along with a 10-mins delivery (vs mostly a 6-12-hour delivery for DMART Ready). We believe, the current focus of DMART is on correcting the unit metrics (before a scale-up), but we believe a delayed ramp-up may increase barriers for customer acquisitions.

Private label and new high margin revenue streams likely to aid margins:

We believe DMART's margin improvement could be driven either by improvement in gross margin or via ramp-up of high-margin advertisement and membership revenue streams. With fixed costs restricted to 5-6% of sales, there is limited scope for operating leverage-led margin gains for DMART. A 100bps differential between SSG and annual fixed cost increase would lead to margin impact of only 5-6bps. However, DMART can improve its gross margin, with either improved revenue mix (higher private labels/non-FMCG mix) or introduction of high-margin revenue streams like advertisement or membership fee. Walmart operates at a gross margin of ~25%, likely helped by a better revenue mix and strong ramp-up of advertisement and membership revenue, while DMART has historically operated at a gross margin of 14-15%. Even the QC players like Blinkit operate at gross margins of 25-26%, supported by contribution from high-margin streams like advertisement revenue.

Potential downsides (bear case)

Valuations are extrapolating near-term quarterly trends

Current valuations are building in a continued acceleration in store additions, SSG uplift, along with margin and balance sheet optimization. However, QC players are growing exponentially and have now become aggressive on pricing and assortment, following their unmatched focus on accessibility and customer experience. Even brick and mortar (B&M) value retailers such as Smart Bazar and VMM remain aggressive, in terms of network and channel expansion (express deliveries). Execution failure is built into our bear case, with SSG moderation, slower network expansion, and limited gross margin expansion.

Capex increase is driving the NPV hit for owned stores

DMART largely has a unique fully-owned COCO model, based on which the company is likely to generate 25-30% additional NPV compared to the leased store model. However, with a sizable increase of ~60% in capex-per-store over FY22-25 (vs stores opened over FY14-22), this NPV benefit of opening stores via own equity is gradually fading (cost of equity: 11.6%). As DMART has shared willingness to take on debt (cost of debt: 6.2%), the owned store model can still generate 25-30% additional NPV, in our view. DMART has seen an encouraging increase in store additions (85 in FY26 vs 50 in FY25). However, we believe a shift to a leased store model or store openings solely via own equity would drive a de-rating.

Exhibit 14: Bull and bear case scenarios – Our bull case implies ~25% upside; our bear case implies ~50% downside

DCF – Key drivers	Bear case						Bull case					
	FY25	FY35E	FY45E	Explicit CAGR (%) FY25-28E	Phase-1 CAGR (%) FY28-35E	Phase-2 CAGR (%) FY35-45E	FY25	FY35E	FY45E	Explicit CAGR (%) FY25-28E	Phase-1 CAGR (%) FY28-35E	Phase-2 CAGR (%) FY35-45E
Period-end store count (no of)	415	1,386	2,200	18	11	5	415	2,175	3,555	18	18	5
FY SSG (%)	***8.4***	***5.0***	***4.5***				***8.4***	***7.5***	***5.0***			
Revenue (Rs bn)	**578**	**2,221**	**5,018**	**17**	**13**	**8**	**578**	**3,237**	**9,519**	**17**	**19**	**11**
Gross margin (%)	***14.1***	***14.6***	***14.6***				***14.1***	***17.0***	***18.0***			
EBITDA (Rs bn)	30	125	355	15	15	11	30	258	1,095	15	28	16
EBITDA margin (%)	***5.3***	***5.6***	***7.1***				***5.3***	***8.0***	***11.5***			
Capex (Rs bn)	7	16	13	22	4	-2	7	45	3	22	20	-23
WC days (no of)	27	28	25		28	25	27	28	25		28	25
WACC (%)	*11.6*						*11.6*					
Terminal growth (%)	*5.0*						*5.0*					
Store format premium	***30%***						***15%***					
Target Price (Rs)	**2,200 (~50% downside)**						**5,450 (~25% upside)**					

Source: Company, Emkay Research

Exhibit 15: Responsible debt increase can help generate value (lower WACC); store openings under the leased store model may lead to de-rating

Per-sqft analysis (Rs)	DMART FV per store (Leased store model)				DMART FV per store (Current model)			
	FY26E	FY30E	FY35E	FY45E	FY26E	FY30E	FY35E	FY45E
Revenue	10,000	38,707	50,038	74,004	10,000	38,707	50,038	74,004
Gross margin (%)	***14.3***	***14.7***	***15.0***	***16.5***	***14.3***	***14.7***	***15.0***	***16.5***
Rental expense	1,000	1,126	1,305	1,754				
% of sales	***10.0***	***2.9***	***2.6***	***2.4***				
EBITDA	-1,553	2,119	3,440	7,090	-553	3,244	4,745	8,844
EBITDA margin (%)	***-15.5***	***5.5***	***6.9***	***9.6***	***-5.5***	***8.4***	***9.5***	***12.0***
[A] Working capital	3,000	3,645	3,564	4,866	3,000	3,645	3,564	4,866
[B] Capex	3,000				16,400			
Total initial investment [A+B]	**6,000**				**19,400**			
Terminal Growth Rate or SSG, %	*3.0%*				*3.0%*			
WACC, %	*11.6%*				*10.3%*			
Fair Value of a Store (Rs mn)	**625**				**815**			
Value accretion via owned model	**30%**							

Source: Company, Emkay Research

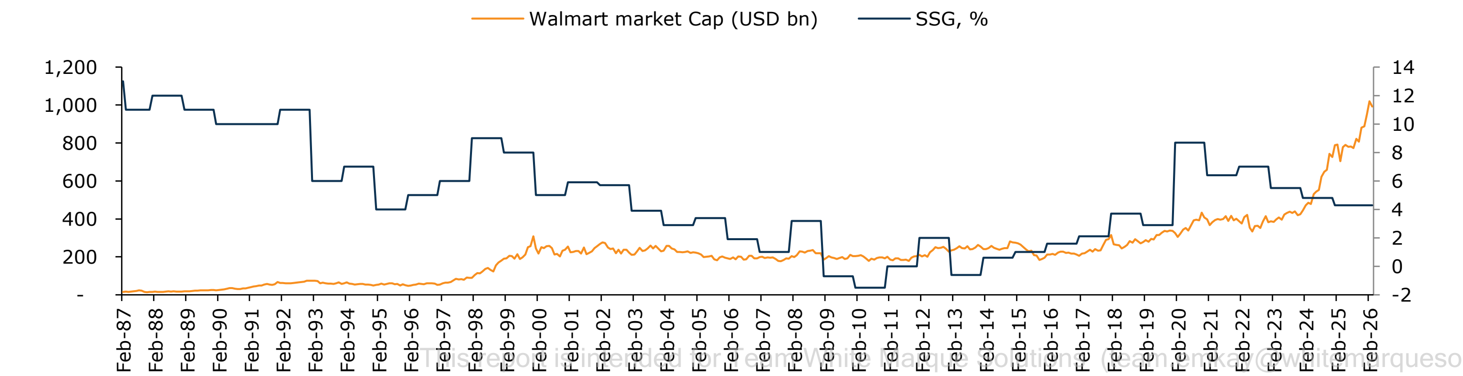
Walmart: Constant evolution key to becoming global retail behemoth (market cap: ~USD1trn)

Walmart's road to achieving a USD1trn market cap has not been without hurdles. The retail behemoth has seen phases of strong returns (1980–1993; 1997–1999; 2019–2026), along with extended periods of consolidation (1993–1997; 1999–2019). The recent acceleration in its market-cap expansion has been driven by the build-up of omni capabilities (store pickup, delivery, and fulfillment) and the rapid scale-up of high-margin advertising and membership revenue. Our deep dive into Walmart's journey suggests that the only 'constant' at Walmart has been 'change', with customers and employees at the core of its strategy. TAM expansion has been deeply embedded in Walmart's culture. The company entered the wholesale (B2B) segment with Sam's Club in 1983, began international expansion in 1993, scaled e-commerce meaningfully post-2016, and more recently ramped up high-margin revenue streams such as advertising, logistics, and membership. It has also made bold strategic shifts to remain relevant, including the transition to supercenters (large one-stop destination stores of ~180,000sqft versus smaller discount stores of 50,000–100,000sqft). During any difficult SSG period, the company has responded by investment in pricing, inventory availability, wages, and store refurbishments, which has helped stabilize performance. Walmart's international expansion has seen mixed success across geographies, though this has helped build global sourcing capabilities and strengthened its supply chain.

Exhibit 16: Walmart transformed into a behemoth player with bold strategic shifts, transitioning to supercenters, international expansion, E-com pivot, and new streams like advertising

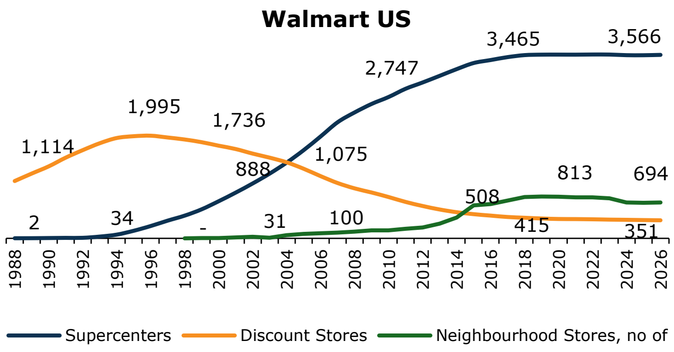
Source: Walmart Annual Report, Emkay Research

Exhibit 17: Walmart's road to a USD1trn market-cap encompassed phases of strong returns and extended periods of consolidation; the recent market-cap expansion is driven by omnichannel capabilities and rapid scale-up of high-margin advertising and membership revenue



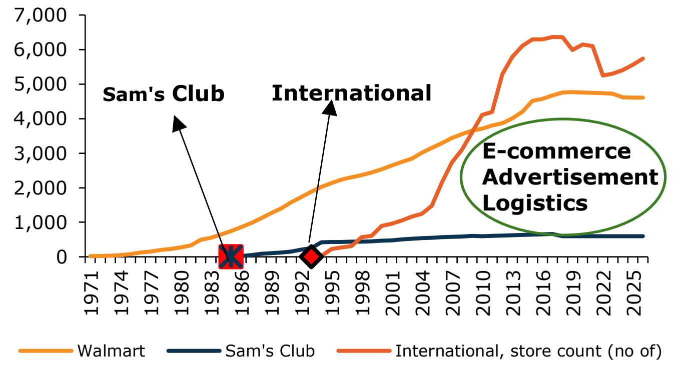
Source: Walmart Annual Report, Bloomberg, Emkay Research

Exhibit 18: Walmart transitioned to the supercenter model in the 1990s, to expand its TAM to ~100% of the US retail market



Source: Company, Walmart Annual Reports, Emkay Research

Exhibit 19: Walmart has kept evolving, with entry into the B2B segment (Sam's Club) and its international/e-commerce foray



Source: Company, Walmart Annual Reports, Emkay Research

DMART has been slow to expand its TAM

DMART lags Walmart on multiple counts, with its big misses being assortment, e-com scale-up, absence of high-margin revenue streams like advertising, and slower network expansion. In our view, presence across categories is a key differentiator for bringing consumers to stores, as this would help DMART become a one-stop shopping destination. Walmart identified this need early on, and ramped up its presence across categories via supercenters – a ramp-up from its relatively smaller format discount stores that catered largely to the General Merchandise category. Multi-fold scale-up of presence in e-commerce for Walmart has been a key trigger for the recent acceleration in its stock-price performance, in our view. The ramp-up also aided the company's asset-light growth as a 3P marketplace. Walmart also added new margin-accretive revenue streams via advertisement as well as membership (Walmart+ and Sam's Club).

Exhibit 20: DMART currently lags Walmart in terms of assortment, e-commerce scale-up, and high-margin streams like logistics, loyalty, advertisement, membership; on the contrary, QC players have been quick to expand TAM and offer unmatchable convenience

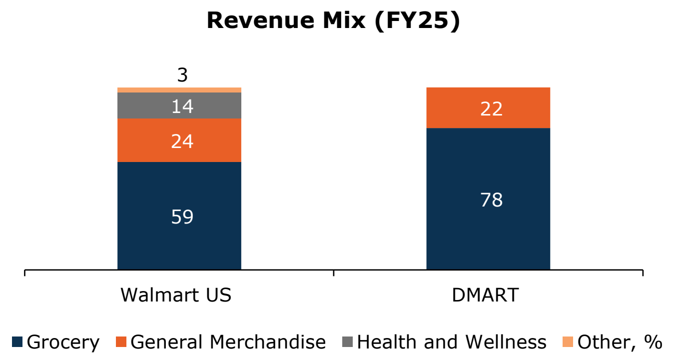
Consumer perspectives	Walmart	DMART	Quick commerce
Pricing strategy	EDLP	EDLP	Convenience (better than GT)
Price comparison (after bank discounts)	Not applicable	Slightly better	Slightly higher
Availability	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔ ✔ (4RQC)	✔ ✔
Assortment	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔	✔ ✔
Experience	✔ ✔ ✔ ✔	✔ ✔	✔ ✔ ✔ ✔ ✔
Accessibility (including e-commerce)	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔	✔ ✔ ✔ ✔ ✔ (metro/Tier-1)
Margin play			
Marketplace	✔ ✔ ✔	✕	✔ ✔
Advertisement revenue	✔ ✔ ✔	✔	✔ ✔ ✔ ✔
Brand play	National brands	National brands	National brands/D2C
Private labels	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔	✔
Membership	✔ ✔	✕	✕
Mid-mile logistics	✔ ✔ ✔ ✔ ✔	✕	✕
Last-mile logistics	✔ ✔ ✔	✕	✔ ✔ ✔ ✔ ✔
Categories			
Apparel	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔	✔
FMCG	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔ ✔
General merchandise	✔ ✔ ✔ ✔ ✔	✔ ✔ ✔ ✔	✔ ✔ ✔ ✔
Fresh	✔ ✔ ✔ ✔ ✔	✔	✔ ✔ ✔ ✔
Jewelry (precious)	✔ ✔ ✔	✕	✔
Pharmacy	✔ ✔ ✔	✔	✔ ✔
Durables	✔ ✔ ✔ ✔ ✔	✔	✔
Sports	✔ ✔ ✔ ✔ ✔	✔	✔ ✔
Home furniture	✔ ✔ ✔ ✔ ✔	✔	✔
Food services	✔ ✔ ✔	✔	✔

Source: Emkay Research

Superior mix drives better gross-margin for Walmart (vs DMART)

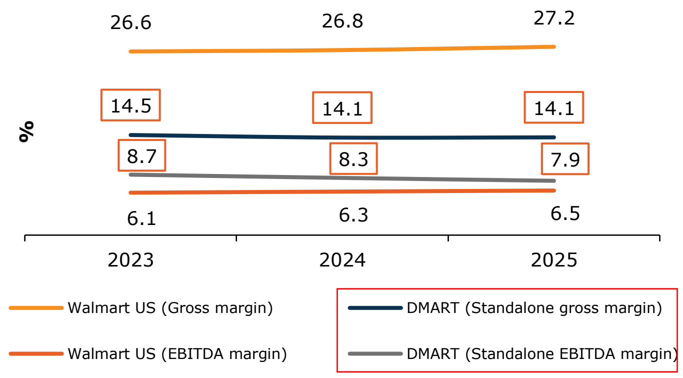
Despite an expanded grocery assortment (like fresh/alcoholic beverages), Walmart derives only ~60% of its revenue from the grocery segment (vs ~80% for DMART). Its General Merchandise (GM) and Pharmacy segments are key differentiators, which contribute the balance. Excluding Walmart's fresh category, we believe the contribution of GM and pharmacy segments would be closer to ~50% (vs ~20% for DMART). The same reflects in a weaker gross margin for DMART at 14-15% compared to 26-27% of Walmart. Managed care has a large scale in the US and has led to a strong scale-up for Walmart's pharmacy business, given it facilitates easy insurance access to consumers. However, managed care is still a nascent segment in India and holds a lower share in DMART. While this remains a long-term opportunity, the managed care infrastructure may take time to develop in India, in our view.

Exhibit 21: General merchandise and Pharmacy are Walmart's key differentiators, with ~40% mix vs ~20% for DMART



Source: Company, Walmart, Emkay Research; Note: FY26 for Walmart

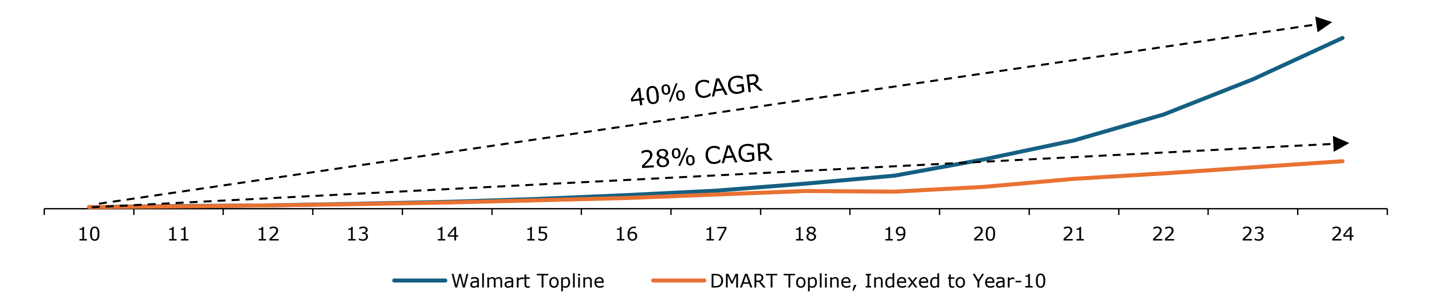
Exhibit 22: Inferior mix and absence of high-margin streams like advertisement likely lead to a weaker gross-margin for DMART



Source: Company, Walmart Annual Reports, Emkay Research

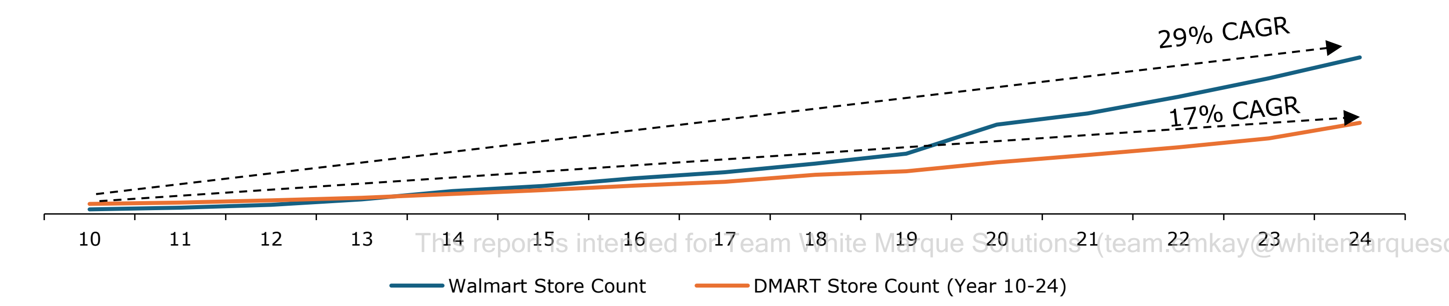
DMART has been relatively slow (vs peers) to build on its early mover advantage: DMART saw an encouraging initial pick-up in India, with strong revenue and network expansion. However, the format has seen growth moderation in recent years – first with the emergence of e-commerce players like Amazon/Flipkart and now due to the exponential scale-up of QC players. Over year 10-24 post incorporation, Walmart clocked revenue CAGR of ~40% vs DMART's 28%. The miss was largely attributed to DMART's slower network expansion, at a CAGR of 17% vs 29% for Walmart. While the pace of network expansion picked up in FY26 (~85 additions vs 40-50 in recent years), we believe the current valuations demand an even accelerated expansion.

Exhibit 23: Year 10-24 scale-up journey – Walmart saw a much higher ramp-up, with ~40% topline CAGR vs 28% for DMART



Source: Company, Walmart Annual Reports, Emkay Research

Exhibit 24: Year 10-24 store-count journey – Lower scale-up of network by DMART has been the key reason for the slower topline CAGR



Source: Company, Walmart Annual Reports, Emkay Research

Network expansion: Encouraging acceleration, but valuations demand persistence

Accessibility is a key element for success in India, given extreme weather conditions (summers, winters, rains, pollution) and higher travel time in metro/tier-1 cites. While high population density in key metro cities allows the viability of nearby stores, the availability of large retail spaces as well as the cost of real estate deters large formats like DMART to be closer to consumers. Our analysis of successful retail formats across geographies also suggests that different retail formats take the lead. Case in point being the success of big-box retailer Walmart in the US, the popularity of Aldi's discount convenience format in Germany, e-commerce giant Alibaba's success in China, and exponential scale-up of QC players in India. Walmart has made efforts to capture the global retail market by replicating its US model in other countries. However, it has seen limited success and had to eventually exit from markets like Germany and Brazil.

Given the vast size of the Indian retail market, varied income brackets, and low organized share in India, we see a multi-decadal expansion opportunity for value formats like DMART, though DMART may not be the most dominant format in India, in our view. DMART's presence is currently limited to ~190 cities (vs ~500 for Smart Bazar/VMM), and we see ample scope to improve penetration in existing cities. We believe the expansion potential for DMART is higher than its identified long-term opportunity of ~2,200 stores (vs 500 stores as of FY26-end and ~85 annual additions).

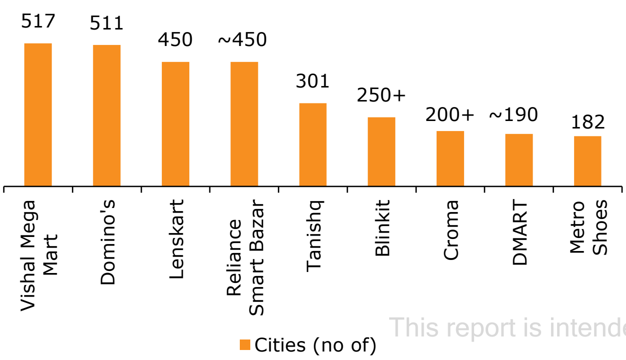
DMART aspires to expand its store base by 10–20% annually. We factor in a ~13% expansion CAGR over the next decade which is midway through the targeted expansion range. The owned model generates ~30% more value than a rented premise (DCF implied). However, we believe accelerating expansion under this model is tough, given longer lead times, lower availability of large spaces in key markets, and rising capex. The per-store investment rose significantly at ~60% over FY22-25 (vs FY14-22), led by a broad-based increase in property acquisition and construction, leasehold improvements, and working capital.

Exhibit 25: Across geographies, different formats hold the leading share; for instance, success of big-box retailer Walmart in the US, popularity of Aldi's discount format in Germany, e-com giant Alibaba's success in China, and exponential scale-up of QC players in India

Country	US	Japan	Germany	UK	France	China	Brazil
Major player	**Walmart**	**7-Eleven**	**Aldi/Lidl**	**Tesco Express**	**Carrefour Express**	**Alibaba**	**Carrefour**
Primary store format	Hypermarkets	Convenience	Discount convenience	Convenience	Convenience	E-commerce	Cash and carry / Hypermarkets
Avg store size (sqft)	200k	2.5k	18k	2-3k	2-3k	NA	150k
Shopping frequency	Low	High	Low	Low	low	Diversified	Low
Basket size	High	Low	High	High	high	Diversified	High
Number of stores	~3,500	~20,000	~4,000	~2,000	2,400	Multiple formats	350
Retail market share	7-8%	5-6%	6-8% each	10-12%	8-10%	20-25%	7-9%

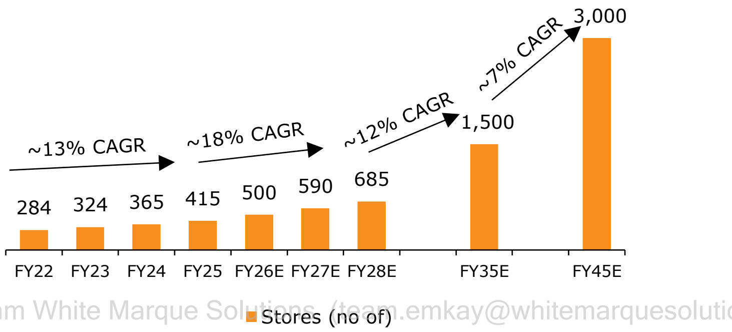
Source: Emkay Research

Exhibit 26: VMM/Domino's lead the way, with presence in >500 cities; DMART lags with presence in ~190 cities



Source: Company store locator, Google Maps, Emkay Research

Exhibit 27: We see potential for 1,500/3,000 DMART stores by FY35E/FY45E, respectively



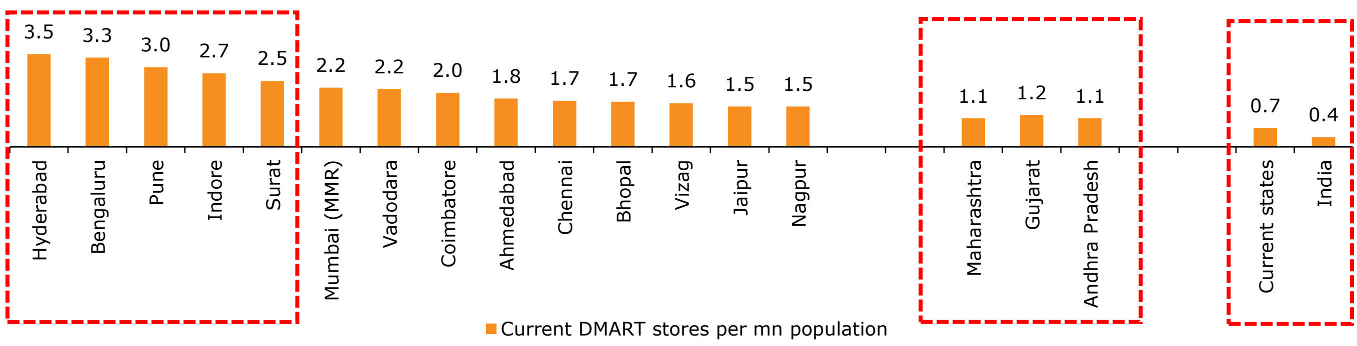
Source: Company, Emkay Research

Exhibit 28: Leading B&M grocery retailers have presence in ~800 Indian cities currently, suggesting ample room for scale-up of DMART

Format-wise	Number of cities	Number of stores			
		Smart Bazar	VMM	DMART	SB+VMM+DMART
Only Smart Bazaar	155	224			224
Only VMM	291		303		303
Only DMART	60			66	66
Smart Bazar and VMM	152	263	229		492
DMART and VMM	13		14	16	30
DMART and Smart Bazar	52	188		161	349
All 3 present	63	289	244	257	790
Total	**786**	**964**	**790**	**500**	**2,254**

Source: Company store locator, Google Maps, Emkay Research

Exhibit 29: Scope for expansion remains healthy in existing markets, as DMART's pan-India penetration is at 0.4 stores per mn population vs 0.7 in existing states of operations, ~1.0 in states like Maharashtra/Gujarat, and ~3.0 in cities like Hyderabad, Surat, and Indore



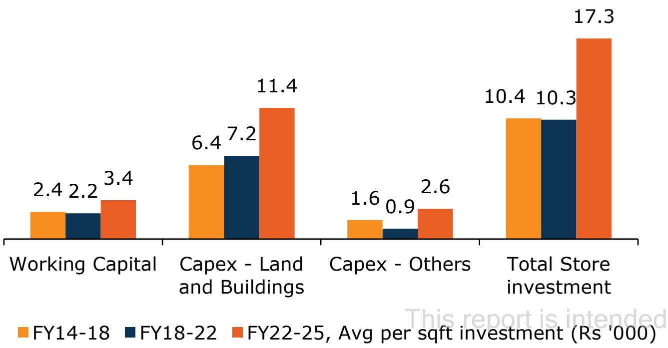
Source: Emkay Research

Exhibit 30: Sizable expansion opportunity – Expect average annual additions of ~110/175 in our base/bull case over the next decade

City population (mn)	Number of districts	FY35E store count Bull case	FY35E store count Base case	FY45E store count Bull case	FY45E store count Base case
>5	22	536	369	821	692
3-5	102	787	543	1,284	1,083
1.5-3	178	600	414	1,013	855
1.0-1.5	130	190	131	330	279
0.5-1	98	59	40	97	82
0.3-0.5	27	4	3	7	6
0.1-0.3	42	1	1	3	3
<0.1	25	0	0	0	0
Total	**624**	**2,175**	**1,500**	**3,555**	**3,000**

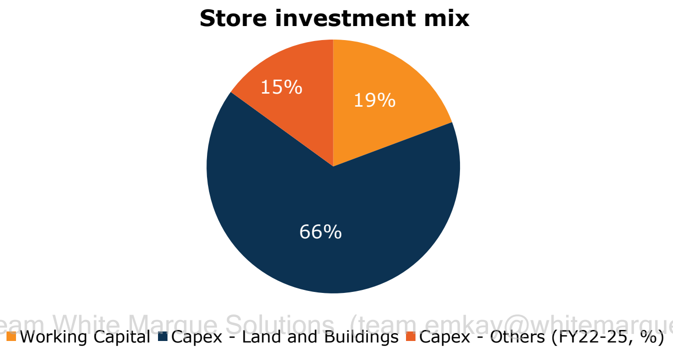
Source: Emkay Research

Exhibit 31: Key expansion constraint – Store-level investment has risen sharply over the years, weighing on its RoIC profile



Source: Company, Emkay Research

Exhibit 32: Majority of investments are in land/buildings, while those for lease improvement/WC are lower at ~35%



Source: Company, Emkay Research

North, Central, and East regions have lower DMART presence

Over the years, following its cluster-based store opening model, DMART has focused on opening stores in West and South India. As of Q3FY26-end, DMART's store count stood at 442, with ~80% in these regions. The company has now stated its intent of focusing on Central (Uttar Pradesh/Madhya Pradesh) and East (Odisha) India. DMART currently does not have major presence in large markets like Uttar Pradesh, Bihar, West Bengal, and Odisha. VMM has 291/189 stores in North/East regions, respectively, while DMART currently has only ~90 stores (Punjab/NCR/Rajasthan/Uttar Pradesh/Madhya Pradesh/Chhattisgarh) in these regions, which presents a large growth headroom, in our view.

Exhibit 33: Most of DMART's store network (~80%) is currently present in West and South India; focus is now increasing on other regions

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	9MFY26	CAGR (FY18-25)
Maharashtra	62	70	76	74	88	99	109	116	120	9%
Gujarat	30	34	37	42	48	55	60	66	71	12%
AP and Telangana	29	32	41	48	54	65	75	86	90	17%
Karnataka	12	16	20	21	29	29	32	40	42	19%
MP and Chhattisgarh	9	9	16	19	23	25	27	30	32	19%
Rajasthan	5	5	7	8	10	12	17	22	25	24%
Daman	1	1	1	1	1	1	1	1	1	0%
NCR	1	1	1	2	7	8	9	9	11	37%
Punjab	3	4	5	7	9	11	13	19	21	30%
Tamil Nadu	3	4	10	12	15	19	22	26	28	36%
Uttar Pradesh									1	NA
Total	**155**	**176**	**214**	**234**	**284**	**324**	**365**	**415**	**442**	**15%**

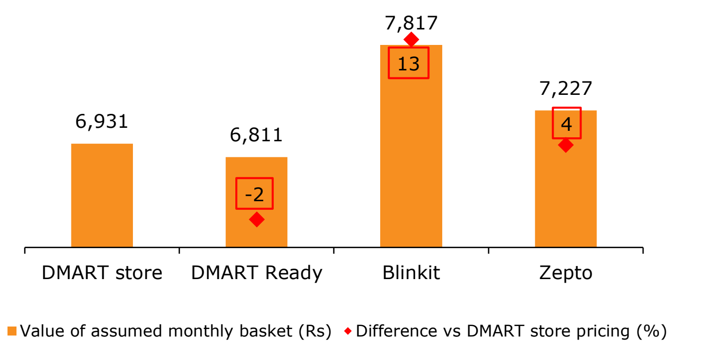
Source: Company, Emkay Research

SSG: Growing preference for convenience and QC aggression pose headwinds for DMART

The Indian consumer is embracing convenience, with QC share reaching 1.5x of modern trade in metros like Bengaluru (Emkay estimate). Despite an exponential network expansion (~70% CAGR over FY23-26E), QC players are seeing an increase in average revenue per dark store and monthly transaction users (MTUs) per dark store, suggesting growing adoption. While DMART's Q4 revenue update does suggest a pick-up in SSG but we believe DMART needs to make strategic shifts and embrace technology, at both the front- and back-ends to see a sustained pick-up in SSG. In our view, DMART needs to expand its TAM by adding new categories and make efforts to retain or improve its wallet share. Despite having an early-mover advantage, DMART still caters to only ~50% of the Indian retail TAM, while Walmart caters to the entire US retail market. For global leaders, categories like fresh, durables, and sports are key revenue contributors, where DMART's presence is relatively limited currently.

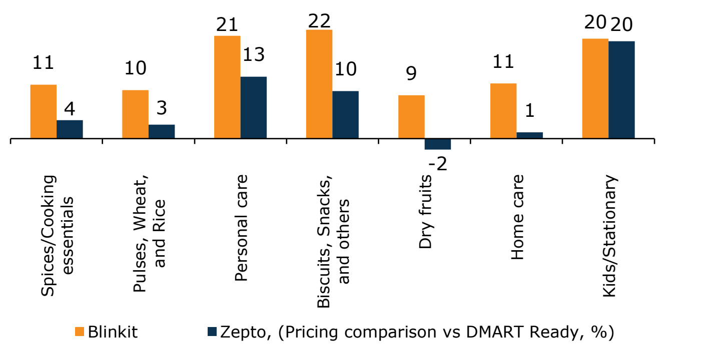
DMART's core USP of value and assortment is fading: There are broadly four key deciding factors involved in a purchase – value, assortment, accessibility, and experience. Our pricing tracker for a monthly basket suggests that DMART's pricing is currently only slightly better than that of QC players, and its core attraction point of value (EDLP strategy) is gradually losing its sheen. After providing top notch accessibility and experience, QC players are now leveraging technology and turning aggressive on the pricing and assortment fronts. With strengthened balance sheets, we see no major SSG respite from heightened QC intensity over the next 4-5 years, apart from potential price hikes by brands in light of the RM spikes due to the disruption of the global supply chain. This has reflected in the ~6% CAGR decline in bill cuts at the store level, while bill size growth has been stable. We believe lower bill cuts (ie lower footfalls) should be seen in light of the growing preference for QC players, where MTU per store has been either stable or improved slightly, despite aggressive expansion of dark stores.

Exhibit 34: DMART's value proposition is losing sheen, as the pricing gap has reduced vs QC apps for a monthly basket



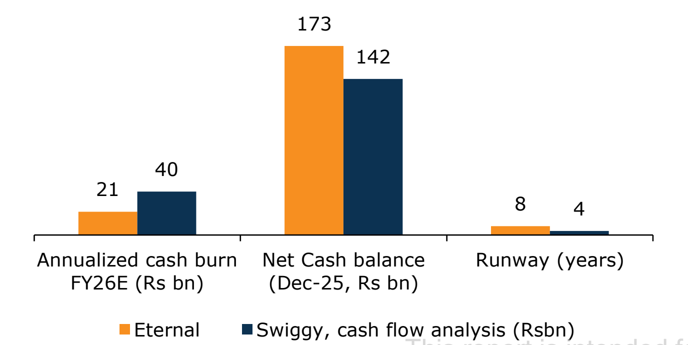
Source: QC/DMART Ready apps, store visits, Emkay Research

Exhibit 35: Personal case, packaged food, and kids are a few categories where QC pricing is still higher than DMART's



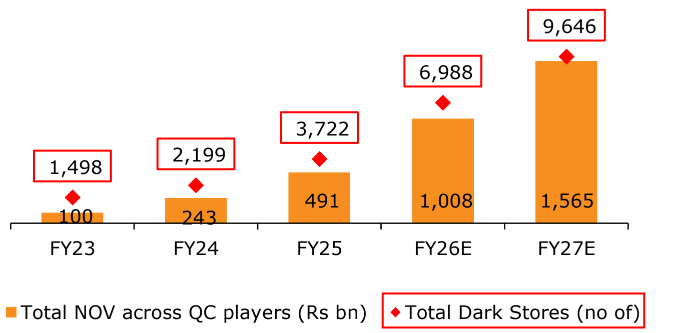
Source: QC/DMART Ready apps, store visits, Emkay Research

Exhibit 36: QC players are incurring losses, but cash-rich balance sheets provide a long runway for continued aggression



Source: Company, Emkay Research

Exhibit 37: The QC industry has seen exponential growth in recent years; we expect the aggression to continue



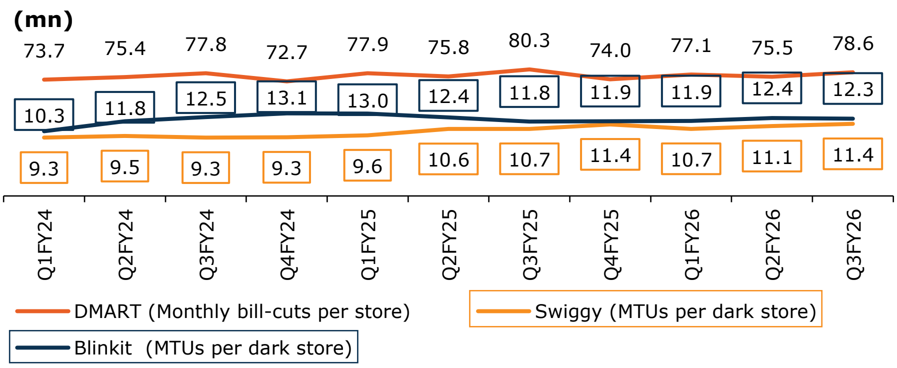
Source: Media Reports, Emkay Research

Exhibit 38: Emkay view – QC share (% of TAM) is already 1.5x of modern retail in key metro markets like Bengaluru

Estimation for Bengaluru Retail TAM			
Bengaluru GDP (USD bn)	110		
Consumer retail spends (% of GDP)	35		
Consumer retail spends (USD bn)	39		
TAM (% of overall spends)	70		
TAM (USD bn)	**27**		
Estimation for Quick Commerce and Modern Trade scale in Bengaluru			
Quick commerce penetration		**Modern retail Penetration**	
Number of dark stores	800	[A] DMART Stores (no of)	32
Total retail area (mn sqft)	2.0	Revenue per sqft (Rs)	40,000
Revenue per sqft of a dark store	75,000	DMART Revenue (Rs mn)	51,200
Implied revenue per dark store	188	[B] Reliance Smart Bazaar (no of)	24
Overall QC scale (Rs mn)	150,000	Revenue per sqft (Rs)	33,000
Overall QC scale (USD bn)	**~2**	Smart Bazaar Revenue (Rs mn)	31,680
QC share (% of TAM)	**6**	[C] Vishal Mega Mart Stores (no of)	34
		Revenue per sqft (Rs)	10,000
		Vishal Mega Mart Revenue (Rs mn)	6,800
		[D] Other modern retail chains [SPAR/MORE/NILGIRIS/NAMDHARI's)	10,320
		Total Modern Retail Chains (Rs mn)	100,000
		Overall modern retail (USD bn)	**~1**
		Modern Retail share (% of TAM)	**4**

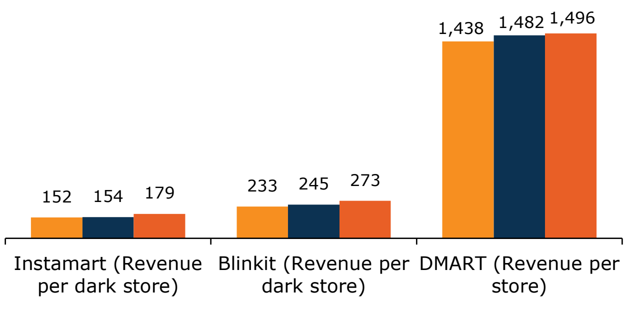
Source: Media reports, Emkay Research

Exhibit 39: MTUs per dark store have steadily increased over the quarters, despite cannibalization from accelerated expansion of QC players



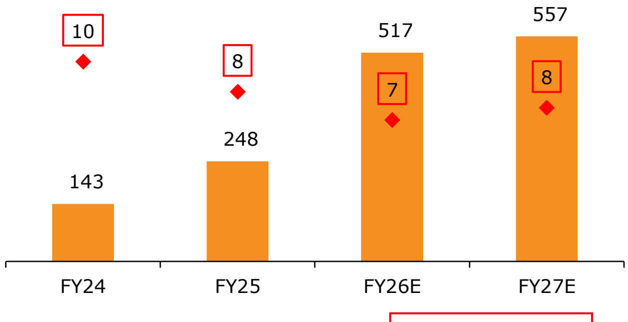
Source: Company, Emkay Research; Note: Monthly bill cuts per store is not exactly comparable to MTUs per dark store for QC players

Exhibit 40: Average revenue per dark store for QC players has grown faster than DMART's revenue per store, despite cannibalization from accelerated expansion by QC players



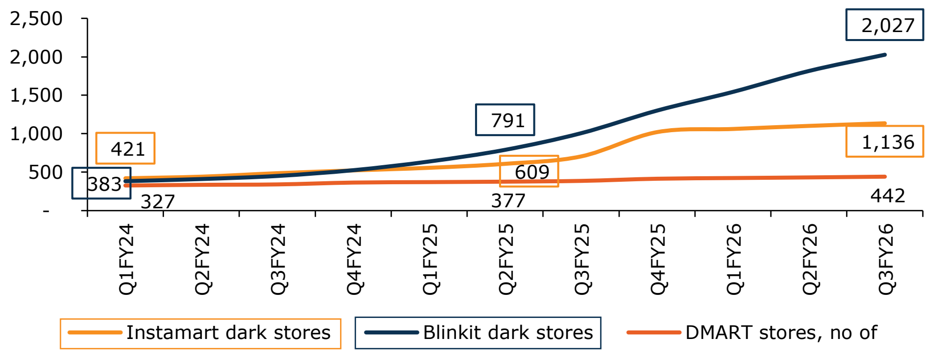
Source: Company, Emkay Research

Exhibit 41: The QC industry added ~Rs500bn topline to its kitty in FY26E; its aggressive outlook suggests similar expansion in FY27E, implying no major SSG respite for DMART



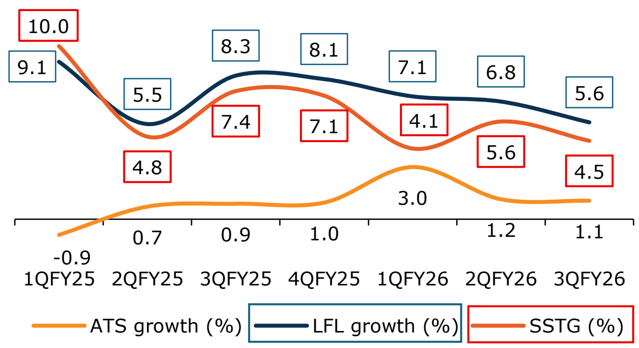
Source: Company, Media reports, Emkay Research

Exhibit 42: Expansion of dark stores by QC players has significantly outpaced DMART's store expansion over the past couple of years



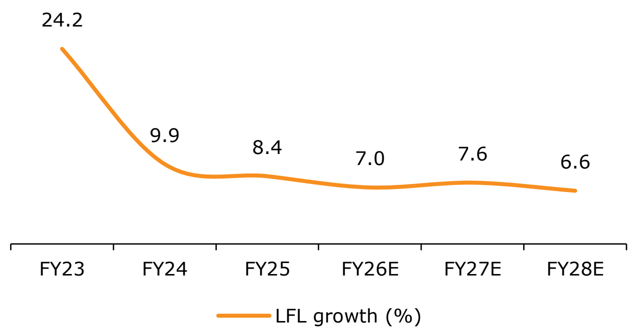
Source: Company, Emkay Research

Exhibit 43: DMART's LFL moderated largely due to lower bill cuts, likely driven by growing adoption of QC



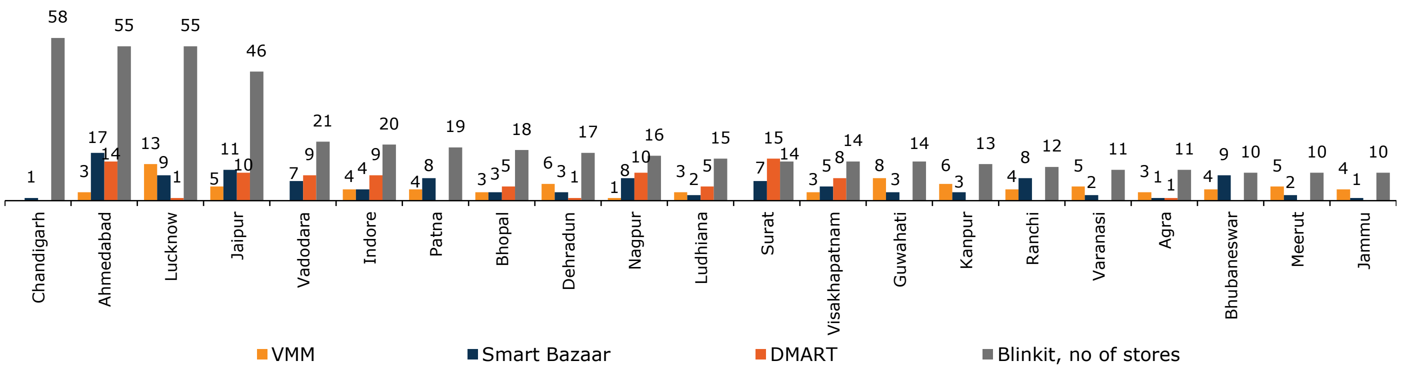
Source: Company, Emkay Research; Note: SSTG is difference of LFL and ATS growth; ATS growth is revenue/bill-cuts

Exhibit 44: Apart from seasonal volatilities, we expect a 6.5-7.5% LFL growth trend for DMART over FY25-28E



Source: Company, Emkay Research

Exhibit 45: Blinkit has expanded rapidly in key metros, and is deepening its presence in the next 50-100 cities



Source: Company store locator, Google maps, Emkay Research

Unit metrics: Margin pressure and increase in per-unit capex driving RoIC deterioration

DMART operates at 1/5th asset turn vs leading QC players: With better space utilization and use of technology for demand forecasting/replenishment, Blinkit currently operates at ~20x WC turn vs ~12x for DMART. The invested capital turnover (including capex per store) for Blinkit is closer to ~10x, while it is closer to ~2x for DMART. Steady-state RoIC for Blinkit is ~40% vs high-teens for DMART, assuming a steady-state EBITDA margin of ~5% for Blinkit.

Lower margin and higher capex led to a lower RoCE profile vs VMM: While DMART's throughput is currently 4x that of Vishal Mega Mart (VMM)'s, lower margin and higher capex led to a lower RoIC vs VMM. Higher throughputs have been driven by its value proposition, a higher branded play, broader metro/tier-1 presence, and larger mix of the FMCG category (~80% for DMART vs ~30% for VMM). However, this resulted in a lower gross margin at ~14% for DMART (vs ~30% for VMM). With a largely owned-store model for DMART, a higher capex at ~7x that of VMM resulted in a weaker RoCE at ~18% for DMART vs ~40% for VMM.

DMART's RoCE lags that of most leading discretionary formats: The store-level RoCE of DMART is relatively low at ~15% vs 25-120% for other formats. While throughputs are better than those for most formats, a significantly lower gross margin and higher capex lead to lower RoCE for DMART.

Exhibit 46: Per-square-foot analysis across value retailers – Lower margin and higher capex lead to a lower RoCE profile vs VMM

Per-square-foot analysis (Rs)	VMM		DMART		V2 Retail		Baazar Style		VMART	
	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
Total retail area (mn sqft)	**11.0**	**12.2**	**15.1**	**17.2**	**1.25**	**2.03**	**1.47**	**1.92**	**3.10**	**3.50**
Avg store size (sqft)	18,020	17,471	41,370	41,446	10,718	10,725	9,074	8,972	8,493	8,495
Revenue	**8,411**	**9,250**	**34,760**	**35,783**	**9,968**	**11,487**	**7,154**	**7,928**	**7,498**	**8,201**
Gross profit	2,327	2,635	4,903	5,061	2,961	3,360	2,397	2,669	2,389	2,735
Gross margin (%)	***27.7***	***28.5***	***14.1***	***14.1***	***29.7***	***29.3***	***33.5***	***33.7***	***31.9***	***33.3***
[A] Rent	507	517	123	130	688	661	545	602	514	540
% of sales	*6.0*	*5.6*	*0.4*	*0.4*	*6.9*	*5.8*	*7.6*	*7.6*	*6.9*	*6.6*
[B] Employee (incl contractual)	563	651	1,214	1,407	952	1,028	716	797	756	912
% of sales	*6.7*	*7.0*	*3.5*	*3.9*	*9.6*	*8.9*	*10.0*	*10.1*	*10.1*	*11.1*
[C] Power consumption	155	175	247	259	260	258	208	229	274	281
% of sales	*1.8*	*1.9*	*0.7*	*0.7*	*2.6*	*2.2*	*2.9*	*2.9*	*3.6*	*3.4*
[D] Repairs	40	43	123	130	48	39	35	52	104	94
% of sales	*0.5*	*0.5*	*0.4*	*0.4*	*0.5*	*0.3*	*0.5*	*0.7*	*1.4*	*1.1*
[E] Packaging	30	32	73	69	92	67	11	17	49	45
% of sales	*0.4*	*0.3*	*0.2*	*0.2*	*0.9*	*0.6*	*0.2*	*0.2*	*0.6*	*0.6*
[F] Others	333	376	358	379	336	385	351	415	356	353
% of sales	*4.0*	*4.1*	*1.0*	*1.1*	*3.4*	*3.4*	*4.9*	*5.2*	*4.8*	*4.3*
EBITDA (pre-IndAS)	**700**	**841**	**2,765**	**2,688**	**585**	**922**	**531**	**557**	**336**	**510**
EBITDA margin (%)	***8.3***	***9.1***	***8.0***	***7.5***	***5.9***	***8.0***	***7.4***	***7.0***	***4.5***	***6.2***
Gross block	1,203	1,258	9,128	9,841	1,998	1,820	1,855	1,848	2,101	2,125
Inventory	1,331	1,522	2,466	2,794	3,340	2,754	2,945	2,716	2,114	2,295
Receivables	29	55	260	203	0	0	0	0	0	0
Payables	1,108	1,216	631	584	1,541	1,605	1,781	1,619	1,642	1,772
Other net assets	417	239	509	77	676	421	406	692	671	652
Total invested capital (IC)	**1,871**	**1,858**	**11,733**	**12,330**	**4,474**	**3,390**	**3,425**	**3,637**	**3,245**	**3,300**
Net working capital (WC)	**668**	**599**	**2,605**	**2,489**	**2,475**	**1,570**	**1,570**	**1,789**	**1,144**	**1,175**
IC turnover	***4.5***	***5.0***	***3.0***	***2.9***	***2.2***	***3.4***	***2.1***	***2.2***	***2.3***	***2.5***
WC turnover	***12.6***	***15.4***	***13.3***	***14.4***	***4.0***	***7.3***	***4.6***	***4.4***	***6.6***	***7.0***
RoIC (pre-tax, %)	***30***	***38***	***21***	***19***	***9***	***22***	***11***	***11***	***2***	***7***

Source: Company, Emkay Research; Note: RoIC has been calculated on gross block; EBITDA margin for V-Mart format, per Emkay estimate

Exhibit 47: DMART's RoCE lower than that of most leading discretionary formats

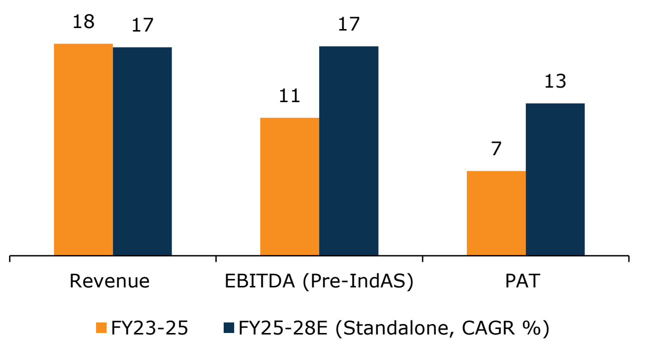
Leading player (store metrics; Rs/sqft)	Eyewear	Footwear	Apparel	Q-Com*	Jewelry	Durables	QSR	Luxury	DMART
Revenue	21,500	18,000	14,500	100,000	200,000	34,000	30,000	190,000	36,000
Gross margin (%)	*65*	*58*	*44*	*23*	*27*	*16*	*75*	*30*	*14*
EBITDA margin (pre-IndAS, %)	***30***	***25***	***14***	***5***	***21***	***10***	***16***	***15***	***10***
Capex	4,000	3,750	2,200	5,000	15,000	1,800	14,000	24,000	16,500
Working capital	1,000	4,250	1,400	6,000	120,000	8,700	-600	80,000	2,500
Total investment	**5,000**	**8,000**	**3,600**	**11,000**	**135,000**	**10,500**	**13,400**	**104,000**	**19,000**
Store RoCE (pre-tax, %)	***120***	***50***	***50***	***40***	***30***	***30***	***25***	***25***	***15***

*Source: Company, Emkay Research; Note: *Steady-state unit metrics for a leading QC player*

Financials: Negative FCF to spike debt and limit PAT growth

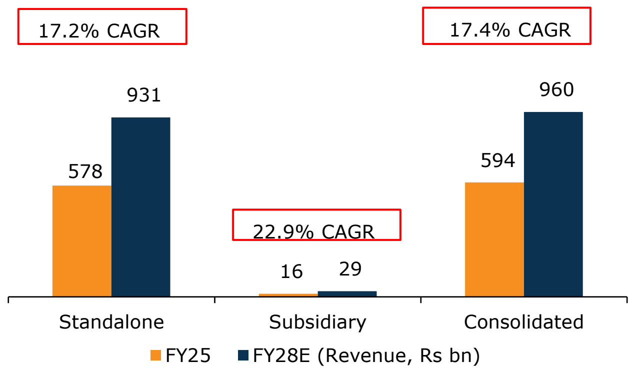
Our projections for DMART factor in: i) 17% revenue CAGR over FY25-28E, led by 18% CAGR in the retail space and ~6.5-7.5% SSG; ii) largely stable EBITDA margin over FY25-28E, as we expect increase in gross margin to offset the increase in employee cost; and iii) debt increase on account of increase in capex, on acceleration in store openings. Despite potential price hikes, we bake in only a slight SSG improvement, as most QC players are turning aggressive on the pricing front and have a healthy runway with strengthened balance sheets. Higher-than-expected pass-through of potential price hikes by brands could lead to upside potential for our SSG estimates. Unless there is a shift in the operating model to a higher proportion of leased stores, we believe DMART will need to gradually raise debt over FY25-28E, as internal accruals will not suffice capex/WC requirements. On the back of increased working capital/capex requirements, we expect a ~200bps moderation in the RoIC.

Exhibit 48: We expect PAT CAGR of ~13% to lag revenue/EBITDA CAGR of 17%, due to increase in debt (owing to store expansion)



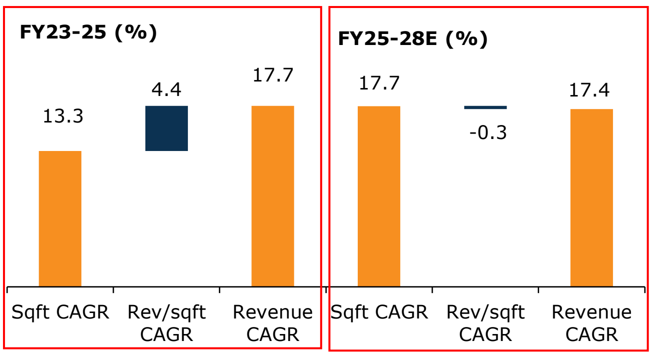
Source: Company, Emkay Research

Exhibit 49: We expect the standalone/subsidiary business to clock ~17%/23% revenue CAGR, respectively, over FY25-28E



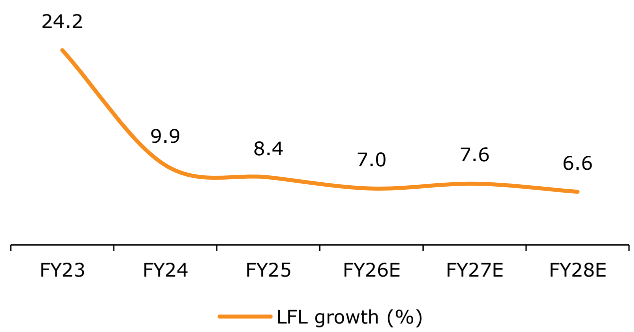
Source: Company, Emkay Research

Exhibit 50: Standalone revenue CAGR to be driven by an increase in retail space, as focus remains on aggressive store expansion



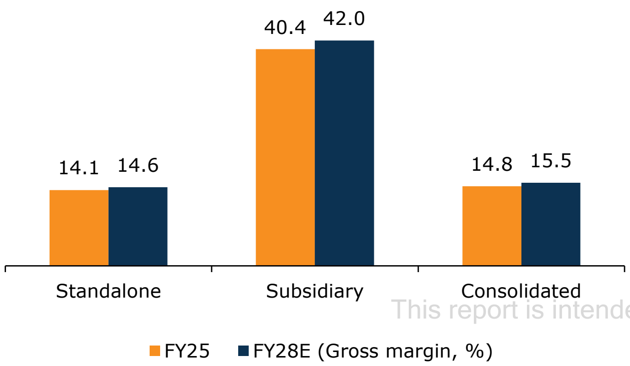
Source: Company, Emkay Research

Exhibit 51: With growing adoption of QC, we expect LFL to remain in the 6.5-7.5% range over FY25-28E



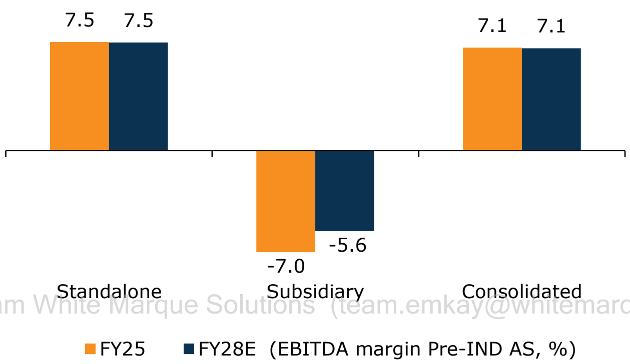
Source: Company, Emkay Research

Exhibit 52: We expect ramp-up of private labels to drive gross margin gain



Source: Company, Emkay Research

Exhibit 53: We expect wage pressures and accelerated expansion to offset the private label led gross margin gain



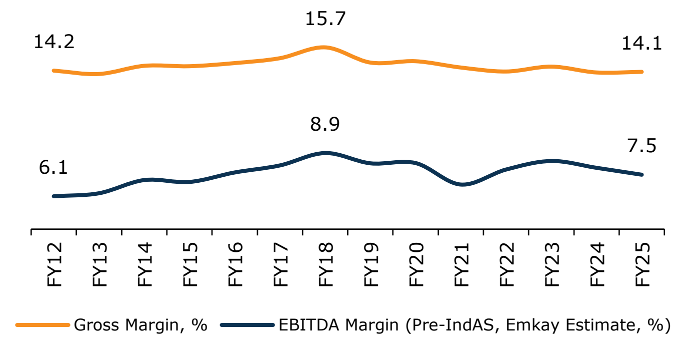
Source: Company, Emkay Research

Dip in bill cuts concerning, in light of the rapid QC ramp-up

DMART's FY20-25 throughput is flat at Rs36,000, after an impressive ~12% CAGR over FY12-20. The muted growth is largely owing to the ~6% dip in bill-cuts per sqft (vs >5% over FY12-20), while bill-size increase has continued at 6-7% CAGR. Gross margin has seen a ~70bps dip, likely due to a weaker mix. Operating cost has stayed put, as lower footfalls likely demanded lower servicing (checkouts, shelf replacements, electricity). We expect flat EBITDA per sqft over FY25-28E, with overall EBITDA to mimic space growth at ~17%.

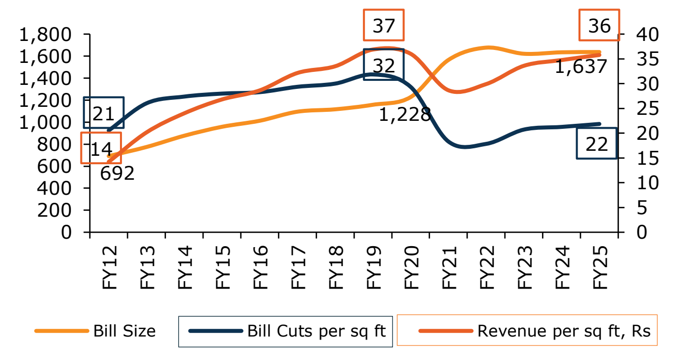
DMART has attributed the majority of this increase to the improved headcount at stores during peak hours, to ensure stock availability, tidiness, and faster checkouts. In addition, there has been significant inflation in wages of warehouse staff, and DMART has invested in head office employees to prepare for the next decade of the organization's growth. In our view, the blue-collar industry should continue seeing heightened wage pressures with opening of various employment avenues in terms of food/grocery delivery and other household-related services. We expect wage headwinds to offset the gains from a likely gross-margin improvement backed by the private label push, leading to flat EBITDA margin over FY25-28E.

Exhibit 54: Weaker revenue mix and rising competitive intensity have likely led to the deterioration of DMART's gross margin



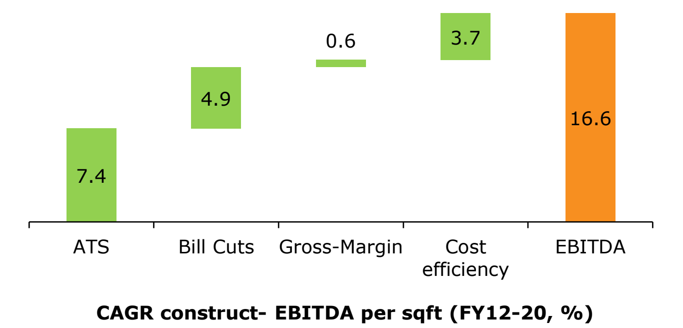
Source: Company, Emkay Research

Exhibit 55: DMART's throughput has been flat over FY20-25, led by dip in number of bill cuts per store



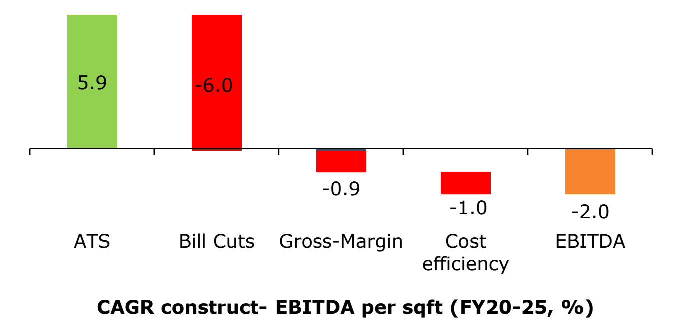
Source: Company, Emkay Research

Exhibit 56: DMART's EBITDA construct was encouraging across key metrics over FY12-20, driving ~17% CAGR in EBITDA per sqft



Source: Company, Emkay Research

Exhibit 57: DMART's EBITDA growth construct has been impacted across key metrics over FY20-25, likely due to increase in competition



Source: Company, Emkay Research

Gross-margin improvement led by improved focus on private labels

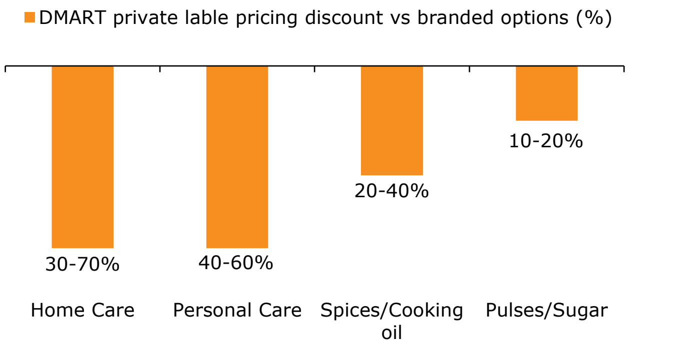
DMART's focus on own brands brings accessibility to the fore, with the company owning the opening price points across most categories and own labels in home care/personal care selling at a 40-50% lower price vs branded products. Our deep analysis of the company's product portfolio suggests that it focuses on introducing aspirational products at price points that are acceptable to the wider consumer base and, at the same time, help it generate ~20% higher gross margin, per the management. We emphasize that DMART's private labels are manufactured by companies that have a sizable presence in respective categories via their own brands or by companies that enter contract manufacturing for leading brands on a large scale. DMART's private-label brands are fairly distributed across home care, personal care, and staples within the FMCG category. Given the mix of own and third-party brands in the FMCG/General Merchandise categories, DMART's own brands improve accessibility for a wider consumer base and should help it penetrate deeper, past Metros/Tier-1 cities to lower-tier towns.

Exhibit 58: Private label strategy – DMART's own brands are manufactured by companies that have a sizable presence in respective categories via their own brands or through contract manufacturing for leading brands

Category	Manufacturer	DMART brand	Other/Own brands
Biscuits	RPA Unibakes/Disha Foods	Bisky Bites	Unibic/Bakemate
Jams/Sauce/Still drinks	Malas food products	Home Chef	Malas
Coffee	Tata Coffee	Le Café	
Coconut oil	Samson CNO	Coconourish	Dabur, Parachute
Herbal/Health/Beauty Soaps and Gels	Neema Soaps/Alliance World/MG Shahani	Ayurmix/Grace/Mild & Clear	HUVR, Godrej, Kama, Park Avenue
Home Cleaners (Toilet/Dishwash/Detergent)	Concept Hygiene/Kaps Hygiene/San Soaps/Hindustan Foods/Rossari Biotech	Sparkle/Force 10/Reflect/Priskleen	Dabur/Lyzol/Vanish/Reliance Retail
General Merchandise (Trimmers/Dryers/Bottles)	DLJM Houseware/Imported	D Homes	Not Applicable

Source: Channel checks (store visits/mobile app), Emkay Research

Exhibit 59: Private label products across categories are priced at a significant discount to branded options



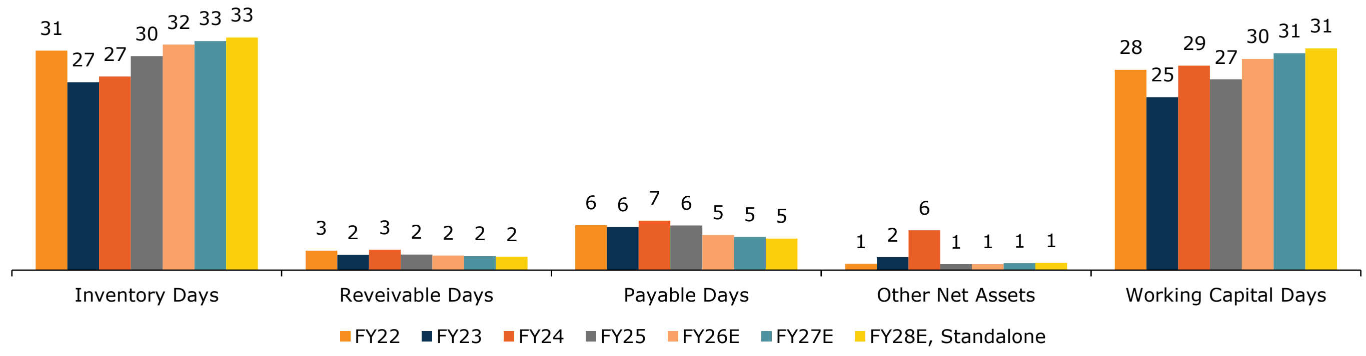
Source: DMART store visits, Emkay Research

Exhibit 60: Glimpse of DMART's own brands portfolio

Source: Emkay Research

H1FY26 trends suggest an uptick in WC cycle: In retail, effective inventory management is crucial, with WC representing a considerable portion of the capital employed (~20% for DMART). DMART has historically maintained an efficient WC cycle of 25-30 days, but H1 trends suggest an uptick in the WC cycle in FY26. We expect the company's WC to be stable at ~30 days over FY25-28E.

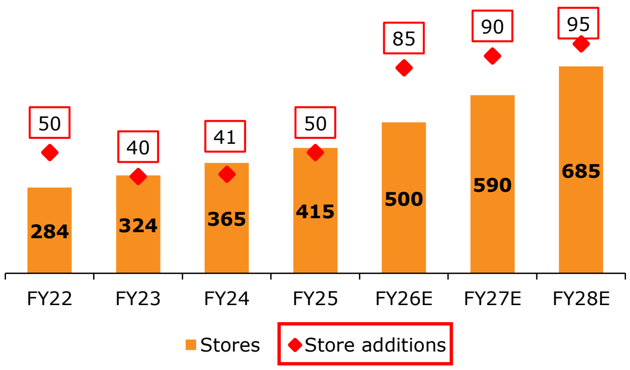
Exhibit 61: DMART has maintained an efficient WC cycle of 25-30 days; we expect a marginal increase in the number of WC days, over FY25-28E



Source: Company, Emkay Research

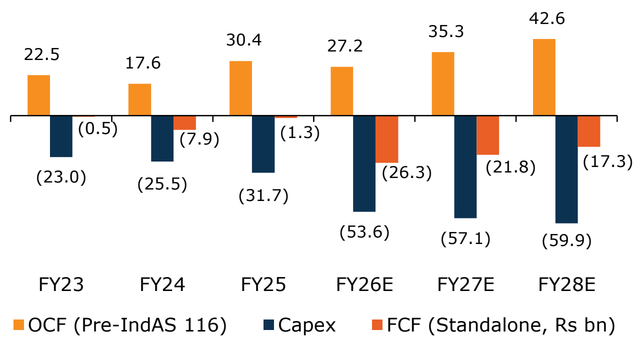
Negative FCF to spike debt and limit PAT growth: DMART follows a capex-heavy expansion model (~Rs17,000/sqft for owned stores over FY22-25; Emkay estimate), and accelerated expansion would lead to negative free cash flow. We factor in an increase in debt and an associated increase in interest expenses over FY25-28E. We expect DMART to incur Rs54-60bn of capex annually over FY25-28E, largely toward new store openings (85-95 stores per year), refurbishments, and investments in technology and supply-chain infrastructure. We expect negative free cash flow of ~Rs22bnpa over FY25-28E, necessitating an increase in debt to fund expansion.

Exhibit 62: We expect 85-95 net store additions per year over FY25-28E



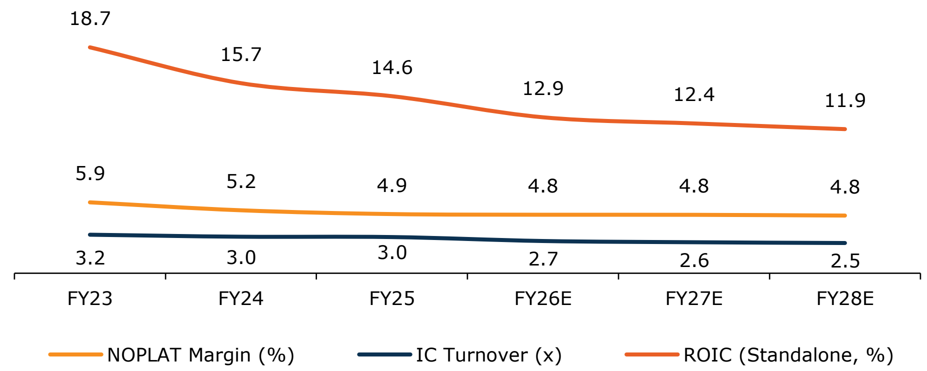
Source: Company, Emkay Research

Exhibit 63: We expect FCF to remain under pressure on account of faster pace of store expansion



Source: Company, Emkay Research

Exhibit 64: With rising capex cost and WC requirements, capital employed at the per-store level has increased ~60% over FY22-25, leading to deterioration of the RoIC to low double digits



Source: Company, Emkay Research

Subsidiaries: DMART has been slow in ramping-up private labels, E-com, and pharmacy

DMART's subsidiary, Avenue E-commerce (AEL), engages in online and multi-channel grocery retail under brand *DMART Ready*. At end-FY25, DMART Ready's service footprint included 25 cities, which has been reduced to 19 as of 9MFY26-end. AEL also operates 17 small-format grocery stores under brand name DMART MiniMax, by FY25-end.

Improving financial metrics for DMART Ready: DMART Ready's sales grew 21% in FY25. The company has pivoted the business from a pickup-plus-home-delivery model to largely a home-delivery business now. The business has been able to reduce delivery timelines considerably and now targets delivering almost all orders within 6 hours. Currently, 11% of the orders are delivered within 3 hours, and 65% within 12 hours. In terms of profitability, we think the online business is likely to reach PAT breakeven in a couple of years, as the company neither intends to push for quick or express deliveries (10-30 minutes) nor spend materially on advertisements for customer acquisition.

Exhibit 65: DMART Ready – Financial snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	3,540	7,913	16,672	22,020	28,992	35,024
Growth (%)		123.5	110.7	32.1	31.7	20.8
Gross profit	363	1,031	2,042	2,739	3,617	4,331
Gross margin (%)	*10.3*	*13.0*	*12.2*	*12.4*	*12.5*	*12.4*
EBITDA	(410)	(294)	(395)	(763)	(730)	(1,289)
EBITDA margin (%)	*(11.6)*	*(3.7)*	*(2.4)*	*(3.5)*	*(2.5)*	*(3.7)*
EBIT	(732)	(717)	(1,239)	(1,729)	(1,689)	(2,314)
PBT	(797)	(806)	(1,421)	(1,937)	(1,848)	(2,474)
PAT	(797)	(806)	(1,421)	(1,937)	(1,848)	(2,474)
PAT margin (%)	*(22.5)*	*(10.2)*	*(8.5)*	*(8.8)*	*(6.4)*	*(7.1)*

Source: Company, Emkay Research

Exhibit 66: DMART Ready sources a part of its inventory from DMART (standalone), for sale to its e-commerce consumers

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Sale to AEL	1,934	4,524	10,904	13,190	18,298	21,809

Source: Company, Emkay Research

Align Retail engages in packing and selling grocery products, spices, dry fruits, etc. It is DMART's second-largest subsidiary, with Rs33.2bn in revenue (FY25), and has clocked ~28% revenue CAGR over FY22-25. Looking at the standalone RTP transactions, Align Retail's sales are primarily to the standalone entity.

Exhibit 67: Align Retail – Financial snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	11,776	12,962	15,871	22,113	27,965	33,224
Growth (%)		10.1	22.4	39.3	26.5	18.8
Gross profit	575	492	572	819	1,054	1,231
Gross margin (%)	*16.2*	*6.2*	*3.4*	*3.7*	*3.6*	*3.5*
EBITDA	373	245	266	397	557	591
EBITDA margin (%)	*10.5*	*3.1*	*1.6*	*1.8*	*1.9*	*1.7*
EBIT	338	211	233	315	447	506
PBT	332	207	230	314	444	501
PAT	248	158	172	231	332	376
PAT margin (%)	*7.0*	*2.0*	*1.0*	*1.0*	*1.1*	*1.1*

Source: Company, Emkay Research

Exhibit 68: Most packaged private-label goods of Align Retail are sold to DMART (standalone)

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25
Purchase from Align Retail	11,754	12,928	15,827	22,057	27,823	32,964

Source: Company, Emkay Research

Avenue Food Plaza engages in operating food outlets at DMART stores, offering ready-to-eat and take-away fresh food. It has grown revenue at a faster clip – now more than Rs2bn for the company.

Exhibit 69: Avenue Food Plaza – Financial snapshot

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	324	149	433	1,244	1,771	2,265
Growth (%)		(54.0)	190.6	187.1	42.3	27.9
Gross profit	157	46	180	452	624	778
Gross margin (%)	*4.4*	*0.6*	*1.1*	*2.1*	*2.2*	*2.2*
EBITDA	85	(7)	38	38	34	16
EBITDA margin (%)	*2.4*	*(0.1)*	*0.2*	*0.2*	*0.1*	*0.0*
EBIT	87	(25)	6	(4)	(49)	(110)
PBT	87	(25)	5	(27)	(75)	(126)
PAT	63	(19)	3	(20)	(58)	(97)
PAT margin (%)	*1.8*	*(0.2)*	*0.0*	*(0.1)*	*(0.2)*	*(0.3)*

Source: Company, Emkay Research

DMART operates pharmacy stores under wholly owned subsidiary Reflect Healthcare. In FY25, the subsidiary registered turnover of Rs129.2mn (as against Rs31.6mn in FY24), with 7 pharmacy stores operational. While this remains a long-term opportunity, progress needs to be keenly monitored on whether this model will be successful, as 'chemist stores' is a large channel in India, with 'discounting on MRP' already adopted as a standard practice in metros.

Exhibit 70: Reflect Healthcare – Financial snapshot

(Rs mn)	FY23	FY24	FY25
Revenue	0	32	129
PBT	(1)	(7)	(24)
PAT	(1)	(7)	(24)
PAT margin (%)	*(0.0)*	*(0.0)*	*(0.1)*

Source: Company, Emkay Research

Apart from the 4 key aforementioned subsidiaries, DMART has one more subsidiary—Nahar Seth & Jogani, with ~90% shareholding. The subsidiary's main objective is the development of land and construction.

Industry overview: QC ramp-up driving an accelerated shift toward organized players

India had ~340mn households (HH) in CY23 (per Redseer), of which ~66% fall within the middle-income HH category (annual income of Rs0.15-10mn); middle-income households are expected to grow to 246mn by CY28 (vs 225mn in CY23). This, coupled with increased spending per household will continue to lead growth in the retail segment over the medium-to-long term. We believe this will also facilitate higher spending on discretionary products beyond necessities, including apparel, general merchandise, beauty and personal care (BPC), and leisure activities, with aspirations for good quality at affordable prices.

Per Redseer, India's overall retail market is expected to see CAGR of ~9% in value terms over CY23-28 (VMM RHP document). Opportunity size continues to be vast, as of CY23, India had ~50 Tier-1 and 1,250 Tier-2+ cities, with population of more than 50,000. This presents a large opportunity for organized retail players like DMART, particularly in Tier-2+ cities. With lower organized retail share in Tier-2+ cities at 6-11%, the retail market CAGR in such cities is projected at ~32% over CY23-28 (per Redseer). Also, tier-1 cities present growth headroom as share of unorganized retail is still at 50-55%, which is lower than the share of organized retail in the US and China, at 85-90% and 50-60%, respectively, as of CY23.

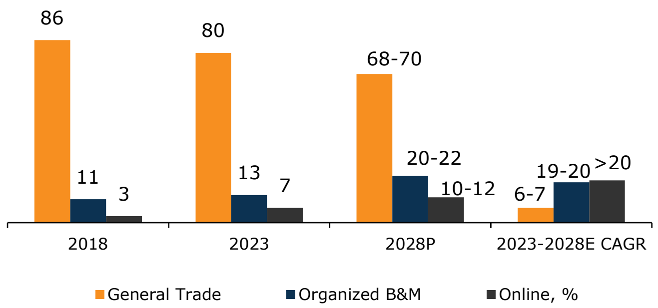
We expect DMART's retail space to see a higher CAGR of ~16% over FY25-30E vs industry growth. Organized penetration (including e-commerce) is currently low at ~20%, and should expand at a faster pace over the next decade, supported by a mid-to-high teens CAGR for organized B&M players and much faster CAGR for e-commerce players (as per VMM RHP). Baking in this organized B&M potential and increasing DMART's market share in terms of retail space, we feel confident of a ~3.5x scale-up for DMART by FY35E (Exhibit 71).

Exhibit 71: Large TAM presents a long growth runway

Industry benchmarking	FY24	FY25	FY30E	FY35E	CAGR (%)	
					FY25-30E	FY30-35E
[1] FMCG (ex-Fresh; USD bn)	339					
[2] Apparel (USD bn)	73					
[3] General merchandise (USD bn)	37					
Total industry (1+2+3; USD bn)	**449**					
USD-rupee conversion	83					
Total industry (Rs trn)	**37**	**41**	**65**	**100**	**10**	**9**
Overall organized TAM (Rs trn)	**8**	**9**	**20**	**38**	**18**	**14**
Organized mix (%)	***20***	***21***	***30***	***39***		
[A] Quick-Commerce (Rs trn)	0.1	0.2	4.5	12.5	79	22
Mix *(%)*	*0.3*	*0.6*	*7.0*	*12.5*		
[B] E-commerce (Rs trn)	3	3	5	8	11	10
Mix (%)	*7*	*7*	*8*	*8*		
[C] Organized B&M (Rs trn)	**5**	**5**	**10**	**18**	**13**	**12**
Mix (%)	***13***	***13***	***16***	***18***		
[D] Overall revenue/sqft (assumption, Rs)	20,000	20,100	20,608	22,088	0	1
Overall retail space (C/D; mn sqft)	**242**	**272**	**492**	**812**		
DMART retail space (mn sqft)	**15**	**17**	**36**	**61**	**16**	**11**
DMART retail space market share (%)	*6.2*	*6.3*	*7.4*	*7.5*		
Average store size (sqft)	41,370	41,446	40,707	40,420		
DMART Store count (no of)	**365**	**415**	**891**	**1,500**	**17**	**11**

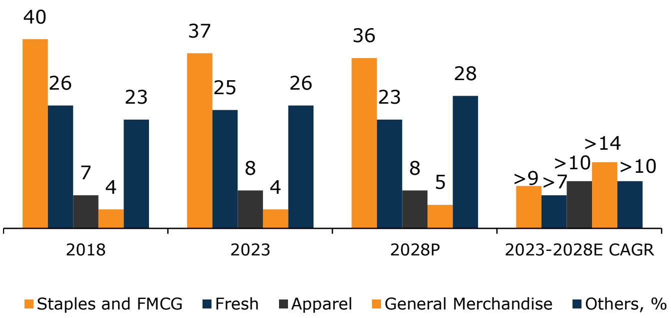
Source: Company, Emkay Research

Exhibit 72: India retail market channel split



Source: VMM RHP, Emkay Research

Exhibit 73: India – Overall retail market share by category



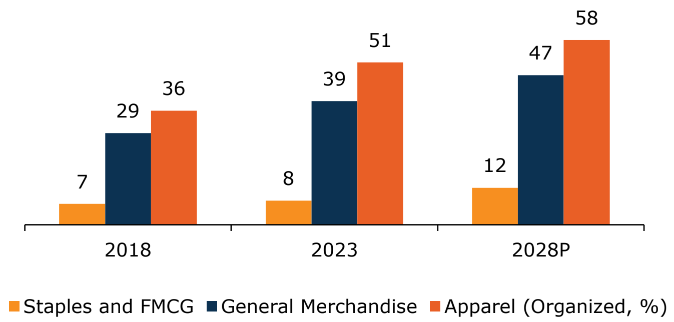
Source: VMM RHP, Emkay Research

The unorganized segment forms a significant portion of the Staple and FMCG category, at ~93% (CY23). It is expected to decline by ~400bps to ~89% by CY28 (VMM RHP). This shift from unorganized to organized is the lowest when compared to that in the other two categories – General Merchandise (~800bps shift) and Apparel (~700bps shift).

In Fashion, gross margin for organized retailers is at ~45% and generally higher by ~800-1,200bps than that of unorganized players. Similarly, in the General Merchandise category, organized players operate at ~25% gross margin (~400-600bps higher). Margins are thin in the Staples and FMCG category, at ~7%, with the differential also narrow (~80-120bps).

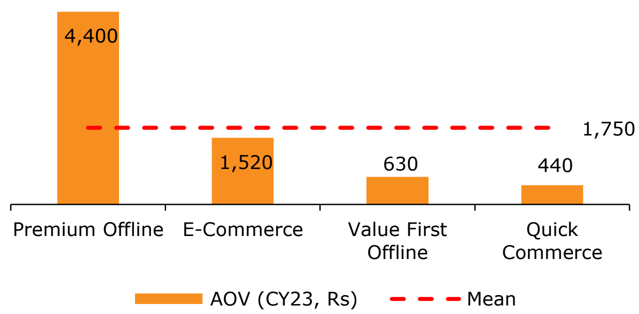
In terms of AOV, value-first retailers have a lower AOV than others, indicating focus on affordability and volume throughput. However, larger players like DMART generally have a higher AOC, at ~Rs1,600, due to basket purchases at the HH level. This also helps the company generate higher inventory turns, as the stock moves at a faster pace than that of other value retailers, which have a lower AOV. DMART's higher share in the Foods segment (~58% in FY25) also aids faster inventory turns.

Exhibit 74: Organized channel split across categories



Source: VMM RHP, Emkay Research

Exhibit 75: AOV trends



Source: VMM RHP, Emkay Research

Appendix

Avenue Supermarts (DMART) is a national supermarket chain, with focus on value-retailing. The company offers a wide range of products, primarily under the Foods, Non-Foods (FMCG), and General Merchandise and Apparel product categories. Since the launch of its first store in 2002 in Mumbai, Maharashtra, the company has expanded its store-count to 500 as of end-FY26. Its private-label brands include DMART, DMART MiniMax, DMART Premia, D Homes, and Dutch Harbour.

The company focuses on offering customers good-quality products at great value, based on the Everyday Low Cost/Everyday Low Price (EDLC/EDLP) principle.

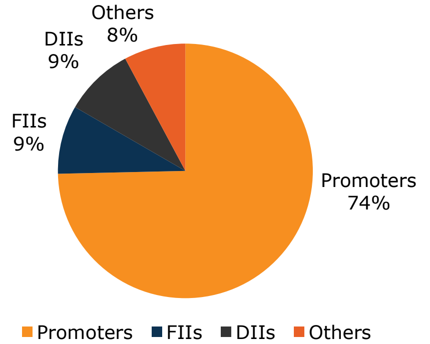
The company's operations are ably supported by a network of distribution and packing centers. As of FY25, the company had 75 distribution centers and 10 packing centers.

Exhibit 76: DMART's key milestones over the years

FY	Description
2003	Launched the first store in Powai, Mumbai
2007	Entered Gujarat
2010	Store count crossed 25, with consolidated revenue crossing Rs10bn
2012	Store count crossed 50
2014	Store count increased to 75
2015	Opened stores in Madhya Pradesh and Chhattisgarh; consolidated revenue crossed the Rs50bn mark
2016	Store count increased to 110, with consolidated revenue crossing the Rs75bn mark
2017	Opened stores in the National Capital Region, Rajasthan, and Daman; listed on NSE and BSE
2022	Added record 50 stores, taking the total store count to 284
2025	Added another 50 stores, taking the total store count to 415
2026	Added the highest ever number of stores in a year with 85 store adds, taking the total store count to 500

Source: Company, Emkay Research

Exhibit 77: Shareholding pattern (as of Dec-25)



Source: BSE, Emkay Research

Exhibit 78: Key management personnel and Directors

Name	Designation	Description
Anshul Asawa	CEO and Managing Director	Asawa is an alumnus of IIT Roorkee and IIM Lucknow. He joined DMART on 17-Mar-25 after a 30-year-long stint at Unilever. He was Country Head of Unilever in Thailand and General Manager for the Home Care business in Greater Asia. During his tenure of over 19 years in India, he held key leadership positions in sales, marketing, and distribution. He is recognized for his consumer-centricity, commercial discipline, and execution focus.
Ramakant Baheti	Whole-time Director and Group Chief Financial Officer	Baheti holds a graduation degree in Commerce from Maharishi Dayanand Sarswati University, Ajmer. He is a Chartered Accountant and a member of the ICAI. He has >24 years of experience in finance. Prior to joining the company, he was Manager – Finance at Bright Star.
Elvin Machado	Executive Director	Machado holds a graduation degree in Economics from St Xavier's College, University of Mumbai. He has over 28 years of experience in sales and marketing. Prior to joining DMART, he worked with Hindustan Unilever for ~18 years. He has also worked with Mayo Health Care.
Bhaskaran N	Whole-time Director	Bhaskaran N holds a graduation degree in Commerce from the University of Madras and is a Post Graduation in Human Resource Management from XLRI, Jamshedpur. He has completed the Advanced Programme in Supply Chain Management from IIM Calcutta. He is an associate member of the ICSI. He has over 22 years of experience in corporate secretarial functions, operations, and human resource management. Prior to joining DMART, he worked with TCL India Holdings and Birla Sun Life Distribution.
Manjri Chandak	Non-Executive Director	Chandak holds a graduation degree in Commerce from HR College, Mumbai, and is a Post Graduate in Finance and Investment from the University of Nottingham, UK. She has several years of experience in the retail industry. Prior to joining DMART, she was a Research Associate in ASK Investment Managers Private, for ~1 year.
Kalpana Unadkat	Independent Director and Chairperson (wef 1-Apr-26)	Unadkat has over 25 years of experience in corporate law, governance, and cross-border M&A transactions. She is a dual-qualified solicitor in India and the United Kingdom. She was earlier a Senior Partner at Khaitan & Co and Co-Head (India Practice) at Ashurst, an international law firm based in London, where she advised global corporations on cross-border M&A and strategic joint ventures. Beyond her professional advisory work, she has contributed significantly to advancing governance leadership in India.
Harishchandra M Bharuka	Independent Director	Bharuka holds a graduation degree in Commerce from the University of Mumbai and is a member of the Institute of Cost and Works Accountants of India. His career spans over 40 years, with over two decades of experience leading MNCs in India, with significant global exposure. He possesses demonstrated ability and expertise in management of the Board, various committees of the Board, Corporate Governance, Audit, Risk Management (ERM), Environmental, Social and Governance (ESG), M&A, Investor Relations, and Finance and Procurement. He served as Managing Director of Kansai Nerolac Paints from 2001, until he retired from this position in 2022.
Niladri Deb	Chief Financial Officer	Deb graduated from St Xavier's College, Kolkata in 1993. He became a Chartered Accountant in 2000 and Cost and Management Accountant in 2001. He was the Managing Director of Kraft Heinz India, where he held roles across controlling, business planning, analysis, treasury, and taxation, and supported regional and global initiatives to ensure alignment with India operations. Prior to Kraft Heinz, he worked with ITC Group and Jay Engineering Works.
Ashu Gupta	Company Secretary	Gupta holds a graduation degree in Business Administration from Guru Nanak Dev University, Amritsar. She is an associate member of the ICSI. She has over 15 years of experience in corporate, legal, and secretarial functions. Prior to joining DMART, she worked with NAM Securities as Company Secretary.

Source: DRHP, Company filings, Other websites, Emkay Research

Avenue Supermarts: Standalone Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**495,330**	**577,898**	**669,681**	**797,632**	**931,271**
Revenue growth (%)	18.4	16.7	15.9	19.1	16.8
EBITDA	**40,994**	**45,427**	**52,997**	**63,215**	**73,344**
EBITDA growth (%)	12.0	10.8	16.7	19.3	16.0
Depreciation & Amortization	6,328	7,758	9,438	11,587	13,963
EBIT	**34,666**	**37,669**	**43,559**	**51,629**	**59,381**
EBIT growth (%)	11.2	8.7	15.6	18.5	15.0
Other operating income	-	-	-	-	-
Other income	1,891	1,740	1,305	1,984	2,143
Financial expense	443	578	1,275	3,768	5,652
PBT	**36,114**	**38,832**	**43,589**	**49,845**	**55,872**
Extraordinary items	0	0	0	0	0
Taxes	9,165	9,560	11,054	12,561	14,080
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**26,949**	**29,272**	**32,535**	**37,284**	**41,792**
PAT growth (%)	5.4	8.6	11.1	14.6	12.1
Adjusted PAT	**26,949**	**29,272**	**32,535**	**37,284**	**41,792**
Diluted EPS (Rs)	**41.4**	**45.0**	**50.0**	**57.3**	**64.2**
Diluted EPS growth (%)	5.0	8.6	11.1	14.6	12.1
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	8.3	7.9	7.9	7.9	7.9
EBIT margin (%)	7.0	6.5	6.5	6.5	6.4
Effective tax rate (%)	25.4	24.6	25.4	25.2	25.2
NOPLAT (pre-IndAS)	**25,869**	**28,395**	**32,512**	**38,618**	**44,417**
Shares outstanding (mn)	651	651	651	651	651

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	6,507	6,507	6,507	6,507	6,507
Reserves & Surplus	186,299	215,794	248,329	285,613	327,405
Net worth	**192,806**	**222,302**	**254,836**	**292,120**	**333,912**
Minority interests	-	-	-	-	-
Non current liab. & prov.	5,582	8,084	12,268	18,086	25,487
Total debt	**0**	**0**	**28,500**	**53,500**	**76,000**
Total liabilities & equity	**198,388**	**230,385**	**295,604**	**363,706**	**435,399**
Net tangible fixed assets	115,389	141,210	187,733	236,216	285,864
Net intangible assets	-	-	-	-	-
Net ROU assets	13,949	15,994	19,594	24,594	30,894
Capital WIP	9,300	10,905	10,905	10,905	10,905
Goodwill	-	-	-	-	-
Investments [JV/Associates]	10,396	13,277	15,277	17,277	19,277
Cash & equivalents	**6,665**	**3,313**	**3,567**	**3,473**	**3,752**
Current assets (ex-cash)	53,938	58,414	70,638	85,008	100,271
Current Liab. & Prov.	17,274	18,530	19,265	22,290	25,514
NWC (ex-cash)	**36,664**	**39,884**	**51,373**	**62,718**	**74,757**
Total assets	**198,388**	**230,385**	**295,604**	**363,706**	**435,399**
Net debt	(6,665)	(3,313)	24,933	50,027	72,248
Capital employed	198,388	230,385	295,604	363,706	435,399
Invested capital	**152,053**	**181,094**	**239,105**	**298,934**	**360,621**
BVPS (Rs)	296.3	341.6	391.6	448.9	513.1
Net Debt/Equity (x)	-	-	0.1	0.2	0.2
Net Debt/EBITDA (x)	(0.2)	(0.1)	0.5	0.8	1.0
Interest coverage (x)	81.6	67.3	34.6	14.0	10.7
RoCE (%)	**20.4**	**19.0**	**17.7**	**17.0**	**16.3**

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	34,223	37,092	42,284	47,861	53,729
Others (non-cash items)	-	-	-	-	-
Taxes paid	(9,165)	(9,560)	(11,054)	(12,561)	(14,080)
Change in NWC	(11,221)	(3,486)	(12,169)	(12,257)	(12,991)
Operating cash flow	**20,608**	**32,381**	**29,774**	**38,398**	**46,273**
Capital expenditure	(25,500)	(31,719)	(53,561)	(57,070)	(59,911)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(26,783)**	**(32,697)**	**(54,929)**	**(57,542)**	**(60,244)**
Equity raised/(repaid)	1,017	0	0	0	0
Debt raised/(repaid)	0	0	28,500	25,000	22,500
Payment of lease liabilities	-	-	-	-	-
Interest paid	(9)	(17)	(541)	(2,850)	(4,550)
Dividend paid (incl tax)	-	-	-	-	-
Others	(2,963)	(1,953)	(2,550)	(3,100)	(3,700)
Financing cash flow	**(1,954)**	**(1,970)**	**25,409**	**19,050**	**14,250**
Net chg in Cash	(8,130)	(2,286)	254	(94)	279
OCF	20,608	32,381	29,774	38,398	46,273
Adj. OCF (w/o NWC chg.)	31,829	35,867	41,943	50,655	59,264
FCFF	(4,892)	663	(23,787)	(18,672)	(13,638)
FCFE	(4,901)	646	(24,328)	(21,522)	(18,188)
OCF/EBITDA (%)	50.3	71.3	56.2	60.7	63.1
FCFE/PAT (%)	(18.2)	2.2	(74.8)	(57.7)	(43.5)
FCFF/NOPLAT (%)	**(18.9)**	**2.3**	**(73.2)**	**(48.4)**	**(30.7)**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	106.3	97.8	88.0	76.8	68.5
P/CE(x)	90.0	81.4	72.4	62.4	55.0
P/B (x)	14.9	12.9	11.2	9.8	8.6
EV/Sales (x)	5.8	4.9	4.3	3.6	3.1
EV/EBITDA (x)	69.7	62.9	53.9	45.2	39.0
EV/EBIT(x)	82.4	75.8	65.6	55.3	48.1
EV/IC (x)	18.8	15.8	11.9	9.6	7.9
FCFF yield (%)	(0.2)	-	(0.8)	(0.7)	(0.5)
FCFE yield (%)	(0.2)	-	(0.8)	(0.8)	(0.6)
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.4	5.1	4.9	4.7	4.5
Total asset turnover (x)	2.9	2.9	2.7	2.6	2.5
Assets/Equity (x)	1.0	1.0	1.0	1.1	1.2
RoE (%)	**15.1**	**14.1**	**13.6**	**13.6**	**13.4**
DuPont-RoIC					
NOPLAT margin (%)	5.2	4.9	4.9	4.8	4.8
IC turnover (x)	3.6	3.5	3.2	3.0	2.8
RoIC (%)	**19.0**	**17.0**	**15.5**	**14.4**	**13.5**
Operating metrics					
Core NWC days	27.0	25.2	28.0	28.7	29.3
Total NWC days	**27.0**	**25.2**	**28.0**	**28.7**	**29.3**
Fixed asset turnover	4.0	3.8	3.4	3.2	3.0
Opex-to-revenue (%)	5.8	6.3	6.4	6.6	6.8

Source: Company, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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