

Avenue Supermarts (DMART) - REDUCE

Company Update

Current Market Price (CMP) Rs.4,362	Fair Value (FV) Rs.4,250
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Rationale:

- Stellar store count addition in FY26, beating all expectations.
- Store additions and revenue growth accelerate in Q4FY26.
- High store additions can provide boost to FY27-28 revenue growth, even in face of challenges from QC.
- We raise FY27-28E revenue by 3-4% and EPS by 2-6%.
- Stock is expensive but may remain so on immediate tailwinds from high store additions.
- Upgrade to Reduce (from SELL) with revised SoTP based FV of Rs4250 (Vs Rs3500).

Positives:

- Q4FY26 standalone revenues have come in at Rs17200cr, implying revenue growth of 19% yoy.
- The company added 58 stores in Q4 and 85 stores in FY26.
- FY26 store additions are significantly ahead of our earlier estimate of 60 stores.
- Incremental store additions are skewed toward Tier II/III cities.
- Dmart has achieved accelerated store additions after witnessing a management change in FY26.
- We estimate higher net store addition going forward.
- Our FY26-29 revenue CAGR of 20% is driven by SSSG of 7% and new store additions.

Negatives:

- Dmart's SSSG has been tepid in 9MFY26 due to QC impact.

(SSSG: Same Store Sales Growth, QC: Quick Commerce, CAGR: Compound Annual Growth Rate, EPS: Earnings Per Share, SoTP: Sum of the Parts)



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

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.
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- 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.

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