September 10, 2025

Avenue Supermarts Limited: [ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Commercial Paper	300.0	[ICRA]A1+; assigned
Total	**300.0**	

**Instrument details are provided in Annexure I*

Rationale

The rating assigned to Avenue Supermarts Limited (ASL) derives strength from it being one of the largest organised food and grocery (F&G) retailers, operating retail stores under an established brand name of DMart. The rating favourably factors in ASL's large supply chain network, strong procurement abilities and competitive pricing, which resulted in healthy footfalls and steady gross margins. Its strong market position and operating efficiency are further evident from its increasing revenue per sq. ft. and steady same store sales growth (SSSG), despite regular store and retail space additions. The financial risk profile of ASL remains robust, characterised by low leverage, healthy debt coverage indicators and strong liquidity position.

ASL has witnessed a healthy revenue growth at a consolidated level, recording a compounded annual growth rate (CAGR) of 20% during FY2019 to FY2025 with a total operating income of Rs. 59,358 crore in FY2025, driven by store additions and healthy SSSG. At the standalone level, more than 77% of revenues in FY2025 was driven by essential products, where demand is largely inelastic. Driven by ASL's 'Everyday Low Cost/Everyday Low Price' (EDLC/EDLP) strategy and a strong supply chain management, ASL's gross margins have remained steady at around 15%. Along with the company owned store platform (leading to reduced rental expenses), the OPBDITA margin has remained range bound at 7-8% during the last five years.

Over the years, ASL's store network has grown significantly, with the total count of 424 stores spread across 17.6 million sq. ft. as on June 30, 2025. The company follows a cluster-based expansion strategy, i.e., opening multiple stores within a specific geography to maximise its operational efficiency and brand presence, before expanding to new regions. ASL is expected to continue the accelerated store opening in the near-to-medium term. In the offline space, it plans to open 10-20% of the base number of stores every year, which is expected to result in a healthy revenue growth. Low penetration of organised retailing in the F&G space further augurs well for the growth prospects of ASL. Effective management of new stores in new geographies and their timely breakeven will remain a key monitorable. Further, the availability of commercially viable real estate properties at the right price and location remains a challenge. To complement the offline store presence, ASL launched its e-commerce arm, D Mart Ready in FY2014. ICRA notes that this venture is currently loss making, thereby necessitating regular funding support. Nonetheless, ASL's calibrated expansion approach in this business to reduce the cash burn help mitigate the concern to some extent.

The financial risk profile is expected to remain healthy over the medium term, driven by ASL's strong cash flows, healthy net worth position along with limited reliance on external debt. The coverage indicators also remained healthy with total debt to operating profit before depreciation, interest, taxes and amortisation (OPBDITA) and interest cover of 0.2 times and 64.7 times, respectively in FY2025 against 0.1 times and 70.6 times, respectively in FY2024.

ICRA notes that there is intense competition from the unorganised segment, particularly from brick-and-mortar kirana/local stores along with growing competitiveness from the quick commerce segment.

Key rating drivers and their description

Credit strengths

Leadership position in organised grocery retail, established brand – ASL is among the leading players in the organised grocery retail, offering a wide range of products across foods, non-foods (fast-moving consumer goods [FMCG]) and general merchandise and apparel categories and is operating retail stores under an established brand, DMart. Mr. Radha Kishan Damani, along with his family members, launched ASL's first supermarket store in Mumbai, Maharashtra in 2002. Over the years, ASL's store network has grown significantly to 424 stores, spread across 17.6 million sq. ft. as on June 30, 2025. The operations of the company are supported by a network of 75 distribution centres and 10 packing centres as on March 31, 2025.

Strong operating model, healthy return indicators – The company's strategy is to offer its customers good quality products at great value, based on the EDLC/EDLP principle. Coupled with its large supply chain network and strong procurement abilities, this has resulted in competitive pricing, translating into healthy footfalls and steady gross margins. Its strong market position and operating efficiency are further evident from its increasing revenue per sq. ft. of Rs. 33,896 in FY2025, high inventory turnover and steady SSSG in the range of 7-8%, despite regular store and retail space addition. ASL has witnessed a healthy growth trend in its revenues over the last four years, with a total operating income of Rs. 59,358 crore in FY2025, depicting a YoY growth of 17%. This was driven by store additions, along with expansion in e-commerce through its platform, D-Mart Ready. ASL's gross margins have remained steady at around 15%, which coupled with the company-owned store platform (resulting in reduced rental expenses), led to range-bound OPBDITA margin of 7-8% during the last five years. The return on capital employed also remained satisfactory in the range of 20-22%.

Robust financial risk profile, strong liquidity position – The financial risk profile remains robust, driven by ASL's strong cash flows, healthy net worth position along with limited reliance on external debt. The net worth position of the company remained strong at Rs. 21,427.7 crore as on March 31, 2025 (at a consolidated level), driven by healthy profits. Against this, it had total debt of Rs. 819.6 crore (comprising only lease liabilities) as on March 31, 2025. With limited reliance on external debt, the capital structure and debt coverage indicators of ASL have remained strong. The overall gearing of the company stood comfortable at below unity level at 0.04 times as on March 31, 2025 with total Outside Liabilities/Tangible Net Worth of 0.13 times, which remained stable over the last four years ended on March 31, 2025. Moreover, the coverage indicators also remained robust with total debt vis-a-vis OPBDITA and interest cover of 0.2 times and 64.7 times, respectively in FY2025 against 0.1 times and 70.6 times, respectively in FY2024. The liquidity position remained strong, underpinned by large cash flows, available cash and bank balance and liquid investments and unutilised bank limits.

Credit challenges

Exposure to intense competition – The organised F&G space faces intense competition from unorganised players, particularly from brick-and-mortar kirana/local stores along with growing competitiveness from the online players such as Blinkit, Big Basket and Zepto, among others where DMart has limited presence. ICRA notes that this venture is currently loss-making, necessitating regular funding support. Nonetheless, ASL's calibrated expansion approach in this business to reduce the cash burn help mitigate the concern to some extent.

Environmental and Social Risks

Environmental considerations: ASL has low exposure to environmental risks. The sector, however, faces physical climate risk, which can lead to store disruptions and supply chain risk. However, ASL's diversified store portfolio mitigates the risk to some extent.

Social considerations: Increasing usage of customer data following growing penetration of e-commerce poses data privacy and legal risks for retail entities. Being a manpower intensive segment, entities like ASL are exposed to the risks of business disruption due to inability to properly manage human capital in terms of their safety and overall well-being. As a retailer, the company is also subject to social factors such as responsible sourcing, product, and supply chain sustainability, given the high reliance on external suppliers.

Liquidity position: Strong

The liquidity profile of ASL is expected to remain strong, backed by healthy cash flows, in addition to the unencumbered cash and bank balance and liquid investments of ~Rs. 693 crore as on March 31, 2025. The company is expected to add 10-20% of the base number of stores (as on March 31, 2025) in FY2026, which are likely to be funded through internal accruals. ICRA estimates the capital expenditure (capex) requirement of Rs. 3,000-3,300 crore each in the next two years against which the cash flows from operations are expected to be Rs. 3,800-4,000 crore per annum. Moreover, the company has negligible utilisation of its fund-based limits of Rs. 395 crore, which provide additional liquidity buffer.

Rating sensitivities

Positive factors –Not applicable

Negative factors – Any significant and sustained weakening in the company's profitability and/or any large capex or investment outlay, leading to weakening of its liquidity position and credit metrics, could result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of ASL. As on June 30, 2025, the company had five subsidiaries, which are all enlisted in Annexure-2

About the company

Avenue Supermarts Limited (ASL) is engaged in the organised retail business through its DMart chain of stores. The company was incorporated in 2000. In 2002, Mr. Radha Kishan Damani along with his family members launched its first supermarket store under the name, DMart, in Mumbai, Maharashtra with the objective to facilitate one-stop shop convenience for the customers' everyday shopping needs at a competitive pricing at right product assortment. It offers customers with a wide range of products across foods, non-foods (FMCG) and general merchandise and apparel product categories. The total store count stood of 424 and is spread across 17.6 million sq. ft. of retail space as on June 30, 2025.

Key financial indicators (audited)

Avenue Supermarts Limited (consolidated)	FY2024	FY2025	Q1FY2026
Operating income	50,788.8	59,358.1	16,359.7
PAT	2,535.6	2,707.5	772.8
OPBDIT/OI	8.1%	7.6%	7.9%
PAT/OI	5.0%	4.6%	4.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.1	-
Total debt/OPBDIT (times)	0.1	0.2	-
Interest coverage (times)	70.6	64.7	44.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	September 10, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial Paper	Short Term	300.0	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Commercial Paper**	NA	NA	NA	300.0	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	ASL ownership	Consolidation approach
Align Retail Trades Private Limited	100.00%	Full Consolidation
Avenue Food Plaza Private Limited	100.00%	Full Consolidation
Avenue Ecommerce Limited	99.74%	Full Consolidation
Nahar Seth & Jogani Developers Private Limited	90.00%	Full Consolidation
Reflect Healthcare and Retail Private Limited	100.00%	Full Consolidation

Source: ASL quarterly results Q1 FY2026

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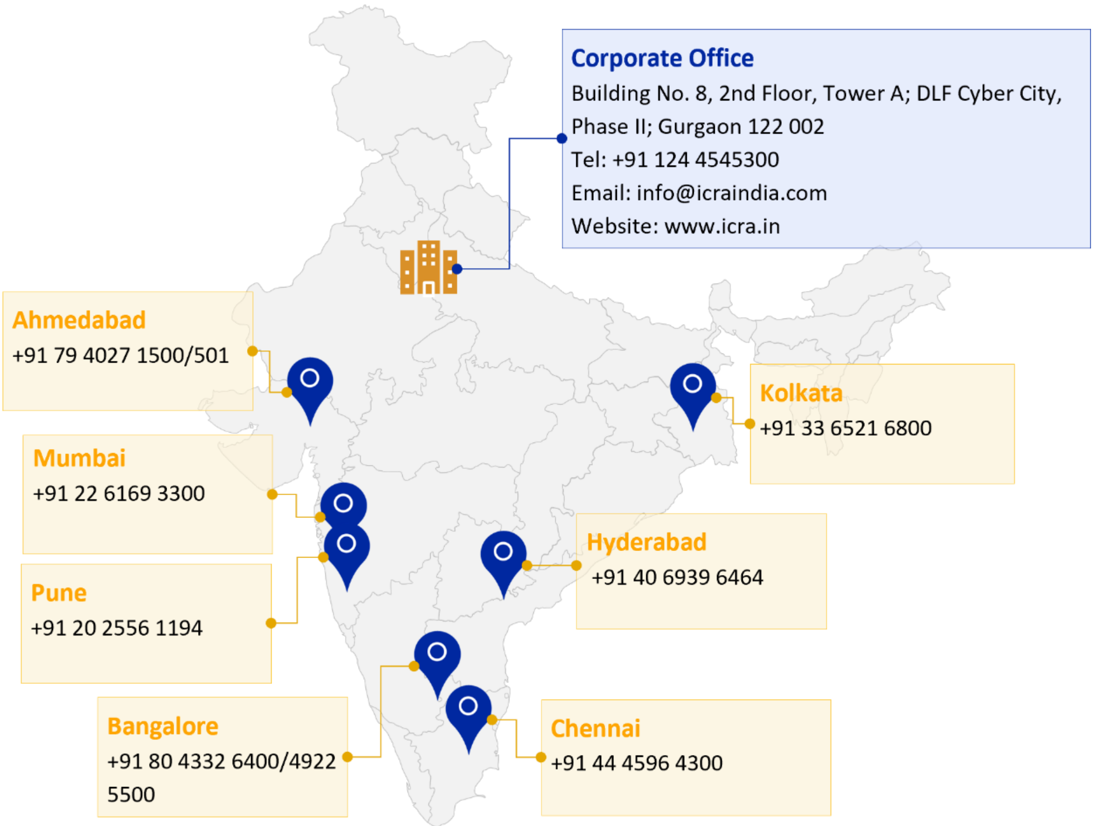

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