August 06, 2026

Avenue Supermarts Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Commercial paper programme	800.0	1,300.00	[ICRA]A1+; reaffirmed and assigned for enhanced limits	RBI
Total	**800.0**	**1,300.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR will not be available for activities and Instruments, which fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

The rating reaffirmation for Avenue Supermarts Limited (ASL) considers its strong market position as the largest organised food and grocery (F&G) retailer in India, operating retail stores under an established brand name of DMart. The rating favourably factors in the company's large supply chain network, strong procurement abilities and competitive pricing, which resulted in healthy footfall and steady gross margins. Regular store and retail space additions and healthy revenue per square feet on a sustained basis supported the company's significant revenue growth in the recent years. The financial risk profile of ASL remains robust, characterised by low leverage, healthy debt coverage indicators and strong liquidity position.

ASL (consolidated) has witnessed a healthy revenue growth, recording a compounded annual growth rate (CAGR) of 19% between FY2019 and FY2026 to Rs. 68,820 crore in FY2026, driven by store additions and healthy same-store-sales growth (SSSG) of 8-9%. In Q1 FY2027, the company achieved a healthy year-over-year (YoY) growth of 15% in its consolidated revenues, though SSSG moderated to an extent in Q1 FY2027. At the standalone level, around 77% of revenues in FY2026 came from 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, its gross margins remained steady at around 15%. It reported a stable operating profit margin (OPM) of 7.5-8.5% over the past six years. ICRA also notes that a significant share of the company's owned stores leads to reduced rental expenses.

ASL's store network has grown significantly in recent years, with a total number of 503 stores as on June 30, 2026. It added 85 stores in FY2026 vis-à-vis 50 new stores opened in FY2025 and three new stores in Q1 FY2027. 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 over the near-to-medium term. In the offline space, it plans to open around 15% of the base number of stores every year, which is anticipated to drive healthy revenue growth. Low penetration of organised retail in the Indian 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, DMart Ready, in FY2014. 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 helps mitigate the concern to some extent.

ASL's financial risk profile is expected to remain healthy over the medium term, driven by its strong cash flows and robust net worth position along with limited reliance on external debt. The coverage indicators have remained healthy with total debt to operating profit before depreciation, interest, taxes and amortisation (OPBDITA) and interest cover of 0.5 times and 36.5 times, respectively in FY2026. The interest coverage remained healthy at 27.6 times in Q1 FY2027. Nevertheless, ICRA notes that there is intense competition in the sector 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 the Indian organised F&G retail industry, with an established brand – ASL is among the prominent players in the organised Indian F&G retail industry, 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, in 2002. Over the years, the company's store network has grown significantly to 503 stores as on June 30, 2026.

Strong operating model, healthy return indicators – The company's strategy is to offer 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 led to competitive pricing, translating into healthy footfall and steady gross margins. Its strong market position and operating efficiency are further evident from its increasing revenue per sq. ft., which reached Rs. 33,422 in FY2026 from Rs. 27,306 in FY2021, high inventory turnover and steady SSSG of 8-9% despite regular store and retail space addition. ASL has witnessed healthy growth in its revenues over the last few years, and its operating income stood at Rs. 68,821 crore in FY2026, growing by 16% compared to FY2025. The revenues increased further by 15% on a YoY basis in Q1 FY2027 to Rs. 18,794.5 crore. This was driven by store additions, along with expansion in e-commerce through its platform, D-Mart Ready. ASL's gross margins remained steady at around 15%, which kept the OPM resilient in the range of 7-8% during the last five years. A significant share of company-owned store platform also leads to reduced rental expenses. The return on capital employed (RoCE) stayed healthy in the range of 18-22% during FY2023-FY2026, supported by its efficient working capital cycle management and comfortable margins.

Robust financial risk profile, strong liquidity position – ASL's financial risk profile remains robust, driven by its strong cash flows and healthy net worth position, along with limited reliance on external debt. The net worth position of the company remained strong at Rs. 24,464 crore as on March 31,2026 (at the consolidated level), led by healthy accretion to reserves. Against this, it had total debt of Rs. 2,425 crore (comprising lease liabilities of Rs. 1,460 crore and working capital debt of Rs. 965 crore) as on March 31, 2026. With limited reliance on external debt, the capital structure and debt coverage indicators of ASL have remained strong. The gearing and total outside liabilities/tangible net worth of the company stood healthy at 0.1 times and 0.2 times, respectively as on March 31, 2026. The coverage indicators also remained robust with total debt vis-a-vis OPBDITA and interest cover of 0.5 times and 36.5 times, respectively, in FY2026. The interest coverage remained healthy at 27.6 crore in Q1 FY2027. ICRA expects ASL's financial risk profile to remain healthy, going forward. The liquidity position continues to be strong, underpinned by healthy cash flow from operations, sizeable free 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 the company's venture in the e-commerce segment 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 result in store disruptions and supply chain risk. However, the company'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 such as 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 flow from operations, in addition to the unencumbered cash and bank balance and liquid investments of Rs. 786 crore as on March 31, 2026. The company's capex for store addition is anticipated to be comfortably funded from internal sources, given its robust cash flow from operations. ICRA estimates capital expenditure (capex) requirement of Rs. 3,500-4,000 crore (excluding leases) each in the next two years, against which the cash flows from operations are expected to be Rs. 3,800-4,500 crore per annum. Moreover, the company's average utilisation of its working capital limits of Rs. 1,268 crore (of which Rs. 105 crore is not allotted to any particular bank and can be availed from any of the banks in consortium) remained around 44% during the 12 months period till June 2026, with an unutilised amount of around Rs. 662 crore as on June 30, 2026, which further provides liquidity buffer. The working capital limit includes overdrafts against fixed deposits of Rs. 448 crore and an unsecured facility of Rs. 250 crore, which ease the drawing power requirements. The company does not have any long-term debt repayment obligations excluding lease liabilities, currently.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Any significant and sustained weakening in the company's revenues and profitability, caused by emergence of significant competition from brick-and-mortar channels or online platforms, demand slowdown or prolonged underperformance of newly added stores, may trigger a rating downgrade. Besides, any large capex or investment outlay, leading to weakening of its liquidity position and credit metrics on a sustained basis, 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, 2026, the company had five subsidiaries, which are enlisted in Annexure -II

About the company

Avenue Supermarts Limited (ASL) is engaged in the organised retail business through its D-Mart chain of stores. The company was incorporated in 2000. In 2002, Mr. Radha Kishan Damani along with his family launched its first supermarket store under the name, D-Mart, in Mumbai, Maharashtra to facilitate one-stop shop convenience for the customers' everyday shopping needs at competitive pricing at right product assortment. It offers customers with a wide range of products across foods, non-foods (FMCG), general merchandise and apparel product categories. The total store count stood at 503 as on June 30, 2026.

Key financial indicators (audited)

Consolidated	FY2025	FY2026	Q1 FY2027*
Operating income	59,358.1	68,820.7	18,794.5
PAT	2,707.5	2,969.9	860.4
OPBDITA/OI	7.6%	7.5%	8.0%
PAT/OI	4.6%	4.3%	4.6%
Total outside liabilities/Tangible net worth (times)	0.1	0.2	-
Total debt/OPBDITA (times)	0.2	0.5	-
Interest coverage (times)	64.7	36.5	27.6

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; *Results*
PAT: Profit after tax; OPBDITA: 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 ratings (FY2027)				Chronology of rating history for the past 3 years					
						FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 06, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper programme	Short term	1,300.00	[ICRA]A1+	April 30, 2026	[ICRA]A1+	Sept 10, 2025	[ICRA]A1+	-	-	-	-
						Jan 05, 2026	[ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper programme	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	Financial sector regulator#
INE192R14337	Commercial paper programme	09-06-2026	7.18%	07-09-2026	300.00	[ICRA]A1+	RBI
INE192R14345	Commercial paper programme	30-06-2026	6.70%	28-09-2026	200.00	[ICRA]A1+	RBI
INE192R14352	Commercial paper programme	06-07-2026	6.60%	29-09-2026	300.00	[ICRA]A1+	RBI
NA*	Commercial paper programme	NA	NA	NA	500.00	[ICRA]A1+	RBI

*Source: Company *Proposed to be listed; yet to be placed*

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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 of Q1 FY2027

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ABOUT ICRA LIMITED

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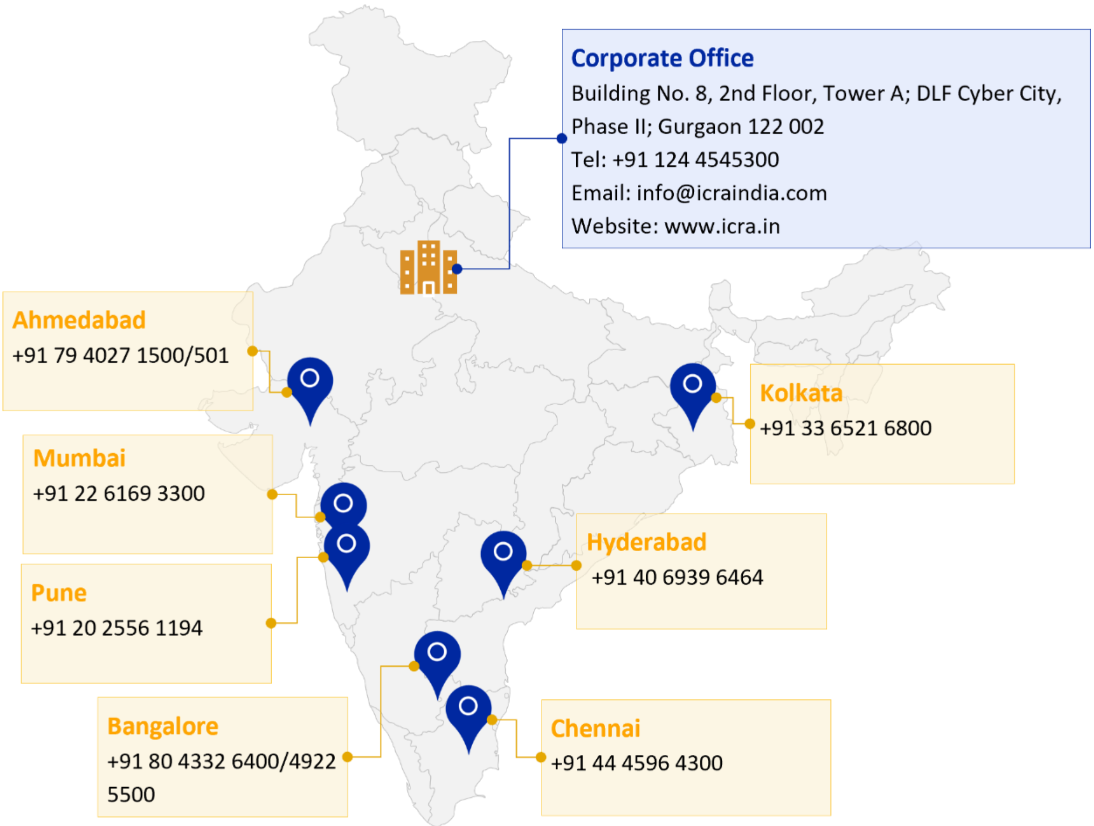

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