

Trent Q4FY23 Standalone results were in line with our expectations on topline. However lower gross margins impacted PAT. Q4FY23 CAGR over Q4FY20 was 34% topline and 43% on PBT

- Revenue recorded 75% growth on YoY basis to Rs 20772.1mn aided by strong store additions and 23% LFL in Westside.
- Store count for Q4FY23 stood at 590 (~214 Westside, 24 other concepts and 352 Zudio) as against 435 last year (200 Westside and 235 Zudio). Overall sq foot for fashion stores in Q4FY23 increased by ~22% to 66.9mn ( Q3FY23 Store Count was 558)
- EBIDTA** margins dropped to 10% as against 13% YoY which attributed to higher sale from Zudio and higher EOSS sales on a YoY basis which impacted Gross Margins.
- Raw Materials to Revenue**, due to higher contribution from Zudio, stood at 59.2% as against 51% YoY and 54.6% in Q3FY23.
- Employee Cost** on a QoQ basis was down by 1.9% due to 4% drop in Sales on a QoQ basis
- Depreciation:** Additional depreciation charge for Q4FY23 & FY23 is Rs 133.9 mn and Rs 598.1mn respectively due to revised estimates with respect to the useful life of certain stores.
- PAT stood at Rs 1051mn up 40.2% YoY however was down by 34.7% QoQ. On YoY basis PAT was aided by 26% growth in other income at Rs 1291.3mn and lower tax rate of 16% as against 21% YoY(generally Q4 is a balancing figure). Q4FY23 Zara gave an additional dividend of ~Rs 490mn (included in other income)

#### Financial Summary Standlone

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e
Net sales	20,475	38,807	77,152	94,597	113,906
% Growth	(35.6)	89.5	98.8	22.6	20.4
EBIDTA	2,926	6,983	11,193	14,068	18,566
Margins	14	18	15	15	16
PAT	(510.2)	2,598.0	5,545.6	5,428.3	8,110.8
growth (%)	(133.0)	(609.2)	113.5	(2.1)	49.4
EPS	(1.4)	7.3	15.6	15.3	22.8
P/E (x)	(965.6)	189.6	88.8	90.8	60.7
P/B (x)	19.6	18.1	16.0	13.9	11.5
EV/EBITDA (x)	168.1	71.2	44.4	35.2	26.5
ROCE (%)	2.3	12.9	18.3	21.5	26.0
RoE (%)	(2.0)	9.6	18.0	15.3	19.0

Source: Dalal and Broacha

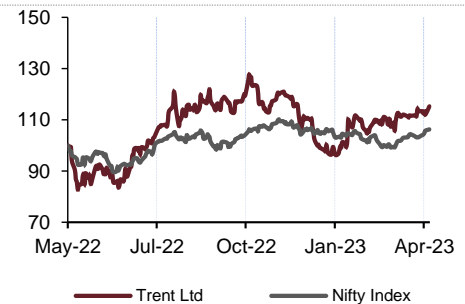
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>1,502</b>	<b>8</b>

#### Market data

Current price	Rs	1,407
Market Cap (Rs.Bn)	(Rs Bn)	500
Market Cap (US\$ Mn)	(US\$ Mn)	6,110
Face Value	Rs	1
52 Weeks High/Low	Rs	1571 / 983
Average Daily Volume	('000)	1,855
BSE Code		500251
Bloomberg		TRENT.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	37.01	37.01
Public	62.99	62.99
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

**Kunal Bhatia**  
 +91 22 67141442  
[kunal.bhatia@dalal-broacha.com](mailto:kunal.bhatia@dalal-broacha.com)

## Outlook

- **Trent's longer-term focus** is to be a "*Portfolio of Brands*" which are originated and scalable, like Westside and Zudio that are now both profitable and sustainable business models.
- Very sharp drop in gross margins in Q4FY23 is a short-to medium term concern.
- **New JV** with Mas group for inner-wear and athleisure is another growth driver  
Management aim is to grow at CAGR of 25%+ and maintain at least 10% EBIT margins (pre-Ind-As).

## Consolidated Results

- **Revenue** grew by 64% YoY to Rs 21827.5mn (QoQ -5.2%)
- **EBIDTA margins stood at 9.3% v/s 10.1% YoY and 14% QoQ**
- PAT adjusted owners shares stood at Rs 541.6mn as against Rs 1.6mn % YoY and Rs 1670mn on a QoQ basis
- Share of Profits from JV and Associates stood at Rs 66.6mn as against a loss of Rs 96.1mn YoY ( all 4 quarters recorded a profit of Rs 834.7mn for FY23 v/s Rs 51.4mn YoY)

## Other KTA's

- Westside Revenue LFL @+23% YoY
- Emerging Category contribute 18% to Standalone Revenue i.e beauty and personal care, innerwear and footwear (v/s 18% in Q3FY23 and 15% in Q2FY23)
- Online Sales Westside.com, Tatacliq and Tata Neu 6% contribution || WestStyle Club recorded 86 lakh members as of 31st March 23
- IND AS 116 impact = Rs 140mn Standalone (full year Rs 910mn) || Rs 130 mn in consolidated (full year 1040mn)
- **STAR Business:** see Star as a key and additional growth engine in their portfolio | 46% YoY growth Q4FY23
- **Chairman NOEL TATA comments: Launched-Samoh,** contemporary occasion wear concept. Catering to an audience that appreciates a luxurious and modern take on cherished designs and motifs from the Indian hinterland.



## Outlook and valuations

Trent SOTP Method					
Segment	Particulars	FY25	Metric	Multiple (X)	Value/ Per Share Contribution
<b>Weside + Zudio PAT (excluding Post Tax Zara Div)</b>	PAT Standalone (Rs Mns)	7008	P/E	60	420,498
<b>Star Bazaar 50% JV</b>	Sales (Rs Mns)	14882	P/Sales	3	44,645
<b>Zara Trents Share 49%</b>	PAT (Rs Mns)	1642	P/E	30	49,256
<b>Booker India 51%</b>	Sales (Rs Mns)	4981	P/Sales	3	14,944
Less: Debt (Rs Mns)					4,980
Add: Cash + Invest (Rs Mns) less Inv in Subs					9,424
<b>Total Value in Mns</b>					<b>533,788</b>
NO. of Shares (In Mns)					355
<b>Value Per Share Rs</b>					<b>1,502</b>
CMP					1,386
Upside					<b>8%</b>

Trent for Q4FY23 grew at a CAGR (over Q4FY20) of 34%+ in Revenue and 43%+ on PBT. With the aggressive store expansion, right product mix we expect this business to consistently deliver CAGR of 20%+ for couple of years.

New JV with MAS Group of Sri Lanka for design, development and manufacture of lingerie, activewear and related apparel products is also another lever of growth.

Emerging categories contributed 18% to standalone Revenue in Q4FY23 which was 15% in Q2FY23.

**Trent's one quarter Revenue (i.e. Q4FY23 Revenue of Rs 20772mn ) is more than its FY18 full year Revenue of Rs 20366mn. Westside reaching a run-rate of Rs 50bn indicates a strong execution capability the management has in taking the business to next level.**

This aggression supported by strong balance-sheet with Net Debt-free status and strong brand-presence across verticals aided with TATA-group's strong focus on consumer business are factors that would support its premium valuations.

Higher Zudio stores will continue to have its impact on Gross margins going forward, as well on account of very strong store opening. However as their throughput gets closure to the matured stores the profitability growth will get better as operating leverage will kick-in.

We expect the stock to be range-bound for some time however remain positive from a Long-term point of view, since the company over the last 3 years has delivered one of the best results in the apparel space.

**We have revised our numbers and Based on our SOTP valuation we arrive at a target price of Rs 1502 (i.e 12 months perspective).** We believe that the down-side in the stock is limited as the company has strong sustainable business model with very high growth potential. Market volatility should be used to "Buy" with long-term perspective.

# Financial

STANDALONE											
P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	20,475.3	38,807.3	77,151.9	94,597.4	113,906.0	Net Profit	(510.2)	2,496.3	5,545.6	5,428.3	8,110.8
Cost of sales	(17,549.1)	(31,824.5)	(65,959.4)	(80,529.2)	(95,339.9)	Add: Dep. & Amort.	2,358.7	2,830.8	4,632.1	5,395.1	6,158.1
<b>Operating Profit</b>	<b>2,926.2</b>	<b>6,982.8</b>	<b>11,192.5</b>	<b>14,068.2</b>	<b>18,566.0</b>	<b>Cash profits (Inc)/Dec in</b>	<b>1,848.5</b>	<b>5,327.1</b>	<b>10,177.7</b>	<b>10,823.4</b>	<b>14,268.9</b>
Depreciation	(2,358.7)	(2,830.8)	(4,632.1)	(5,395.1)	(6,158.1)	Sundry debtors	(72.4)	42.4	(151.0)	(71.1)	(78.8)
PBIT	567.5	4,152.0	6,560.4	8,673.1	12,407.9	Inventories	1,919.5	(4,278.8)	(5,144.3)	(3,024.0)	(3,352.9)
Other income	1,154.3	2,142.3	4,116.9	2,432.2	2,542.8	Loans/advances	(345.2)	(688.7)	(1,648.1)	(1,300.1)	(1,560.1)
Interest	(2,379.8)	(2,932.7)	(3,572.3)	(3,867.5)	(4,136.3)	Current Liab and Provisions	2,428.9	(1,058.5)	5,213.6	1,440.5	1,526.7
Profit before tax	(658.0)	3,361.6	7,105.0	7,237.7	10,814.4	Change in working capital	3,930.8	(5,983.6)	(1,729.8)	(2,954.7)	(3,465.2)
Exceptional and Extra Ordinary Itc	(63.4)	(131.6)	-	-	-	<b>CF from Oper. activities</b>	<b>5,779.2</b>	<b>(656.4)</b>	<b>8,447.9</b>	<b>7,868.7</b>	<b>10,803.7</b>
PBT ( Post Extra Ordinary)	(721.4)	3,230.0	7,105.0	7,237.7	10,814.4	<b>CF from Inv. activities</b>	<b>(6,741.2)</b>	<b>(18,736.7)</b>	<b>(2,424.0)</b>	<b>(9,236.5)</b>	<b>(10,236.5)</b>
Provision for tax	211.2	(733.7)	(1,559.4)	(1,809.4)	(2,703.6)	<b>CF from Fin. activities</b>	<b>1,190.6</b>	<b>19,467.7</b>	<b>(5,984.5)</b>	<b>2,771.9</b>	<b>2,221.4</b>
<b>Reported PAT</b>	<b>(510.2)</b>	<b>2,496.3</b>	<b>5,545.6</b>	<b>5,428.3</b>	<b>8,110.8</b>	<b>Cash generated/(utilised)</b>	<b>228.7</b>	<b>74.5</b>	<b>39.4</b>	<b>1,404.2</b>	<b>2,788.7</b>
MI	-	-	-	-	-	Cash at start of the year	440.5	669.2	743.8	783.2	2,187.4
<b>Adjusted PAT</b>	<b>(510.2)</b>	<b>2,598.0</b>	<b>5,545.6</b>	<b>5,428.3</b>	<b>8,110.8</b>	Cash at end of the year	669.2	743.8	783.2	2,187.4	4,976.1
Balance Sheet	FY21	FY22	FY23	FY24E	FY25E	Ratios	FY21	FY22	FY23	FY24E	FY25E
Equity capital	355.5	355.5	355.5	355.5	355.5	OPM	14.3	18.0	14.5	14.9	16.3
Reserves	24,803.1	26,844.9	30,443.9	35,090.2	42,418.9	NPM	(2.4)	6.3	6.8	5.6	7.0
<b>Net worth</b>	<b>25,158.6</b>	<b>27,200.4</b>	<b>30,799.4</b>	<b>35,445.6</b>	<b>42,774.4</b>	Tax rate	(32.1)	(21.8)	(21.9)	(25.0)	(25.0)
<b>Non Current Liabilities</b>	<b>25,174.8</b>	<b>45,312.7</b>	<b>41,965.7</b>	<b>45,575.8</b>	<b>48,641.0</b>	<b>Growth Ratios (%)</b>					
<b>Current Liabilities</b>	<b>6,737.3</b>	<b>5,608.4</b>	<b>10,446.1</b>	<b>11,830.4</b>	<b>13,295.3</b>	Net Sales	(35.6)	89.5	98.8	22.6	20.4
<b>CAPITAL EMPLOYED</b>	<b>57,070.7</b>	<b>78,121.5</b>	<b>83,211.2</b>	<b>92,851.9</b>	<b>104,710.8</b>	Operating Profit	(48.0)	138.6	60.3	25.7	32.0
<b>Non Current Assets</b>	<b>41,817.4</b>	<b>59,594.3</b>	<b>57,552.1</b>	<b>61,396.3</b>	<b>64,478.0</b>	PBIT	(82.9)	631.6	58.0	32.2	43.1
Fixed Assets	29,572.8	45,531.2	44,079.7	47,921.0	50,999.4	PAT	(133.0)	(609.2)	113.5	(2.1)	49.4
Non Current Investments	11,146.1	12,821.9	11,917.9	11,917.9	11,917.9	<b>Per Share (Rs.)</b>					
Deferred Tax Asset	<b>1,080.1</b>	<b>1,225.3</b>	<b>1,540.3</b>	<b>1,540.3</b>	<b>1,540.3</b>	Net Earnings (EPS)	(1.4)	7.3	15.6	15.3	22.8
Long Term Loans and Advances	18.4	15.9	14.2	17.0	20.4	Cash Earnings (CPS)	5.2	15.3	28.6	30.4	40.1
<b>Current Assets</b>	<b>15,253.4</b>	<b>18,527.2</b>	<b>25,659.1</b>	<b>31,455.6</b>	<b>40,232.8</b>	Dividend	0.6	1.7	2.2	1.6	1.6
<b>Current investments</b>	<b>6,145.7</b>	<b>4,417.4</b>	<b>4,564.8</b>	<b>4,564.8</b>	<b>5,564.8</b>	Book Value	70.8	76.5	86.6	99.7	120.3
Inventories	3,945.7	8,224.5	13,368.8	16,392.8	19,745.7	Free Cash Flow	(2.7)	(54.6)	16.9	(3.8)	1.6
Trade Receivables	205.7	163.3	314.3	385.4	464.2	<b>Valuation Ratios</b>					
Cash and Bank Balances	669.2	743.8	783.2	2,187.4	4,976.1	<b>P/E(x)</b>	<b>(965.6)</b>	<b>189.6</b>	<b>88.8</b>	<b>90.8</b>	<b>60.7</b>
Short Term Loans and Advances	749.2	261.5	167.9	201.5	241.8	P/B(x)	19.6	18.1	16.0	13.9	11.5
Other Current Assets	3,537.8	4,716.7	6,460.1	7,723.8	9,240.2	EV/E BIDA(x)	168.1	71.2	44.4	35.2	26.5
<b>CAPITAL DEPLOYED</b>	<b>57,070.7</b>	<b>78,121.5</b>	<b>83,211.2</b>	<b>92,851.9</b>	<b>104,710.8</b>	Div. Yield(%)	0.0	0.1	0.2	0.1	0.1
						<b>FCF Yield(%)</b>	<b>(0.2)</b>	<b>(3.9)</b>	<b>1.2</b>	<b>(0.3)</b>	<b>0.1</b>
						<b>Return Ratios (%)</b>					
						ROE	(2.0)	9.6	18.0	15.3	19.0
						ROCE	2.3	12.9	18.3	21.5	26.0

Source: Dalal &amp; Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)