

Trent Q3FY24 Standalone results were better than our expectation. Strong LFL growth @ 10% in Fashion concept stores along with aggressive store expansion especially in Zudio drove standalone growth.

- Revenue recorded 52.5% growth on YoY basis to Rs 33125mn aided by strong store additions and 10% LFL in Fashion concept stores.
- Store count for Q3FY24 stood at 715 (~227 Westside, 28 other concepts and 460 Zudio) as against 661 (~223 Westside, 27 other concepts and 411 Zudio) in Q2FY24 and 558 last year (211 Westside, 27 other concepts and 411 Zudio)
- EBIDTA** margins stood at 18.8% as against 15.5% YoY. In absolute terms EBIDTA was up 85.7% at Rs 6232 mn, mainly driven by topline and gross margins expansion of 60bps and 220bps leverage on other expenses.
- EBIT margins (as mentioned in Press-Release) :** Operating EBIT 13% v/s 8.5% YoY and 9.7% QoQ (*Operating EBIT % is on net revenue and is excluding non-operating items & IndAS 116 impact*)
- Raw Materials to Revenue**, down to 54% v/s 54.6% YoY and 55.3% QoQ. We believe this would be led by lower raw material prices and better product mix in Zudio.
- Employee Cost** on a QoQ basis was higher by 15.9% to Rs 2758.4mn in line with Revenue growth.
- PAT stood at Rs 3436mn up 114% YoY and 18.6% QoQ.

Outlook

- Outperformer in the entire retail apparel space where everyone is struggling.
- Store expansion strategy remains intact
- 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.
- Contribution i.e. Share of Profit from JV's and Associate remain positive at Rs 296.8mn +3% YoY indicating Zara has been performing decently.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e
Nets sales	38,807	77,152	117,525	158,703	199,144
% Growth	89.5	98.8	52.3	35.0	25.5
EBIDTA	6,983	11,193	18,647	27,789	35,796
Margins	18	15	16	18	18
PAT	2,598.0	5,545.7	9,079.0	14,592.7	19,578.3
growth (%)	(609.2)	113.5	63.7	60.7	34.2
EPS	7.3	15.6	25.5	41.1	55.1
P/E (x)	492.6	230.8	141.0	87.7	65.4
P/B (x)	47.0	41.5	32.7	24.2	17.8
EV/EBITDA (x)	183.9	114.7	68.7	45.8	35.2
ROCE (%)	12.9	18.3	28.5	35.1	35.4
RoE (%)	9.6	18.0	23.2	27.6	27.3

Source: Dalal and Broacha

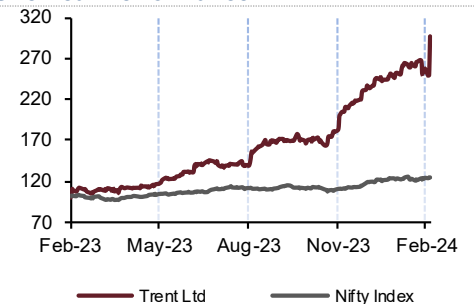
Rating	TP (Rs)	Up/Dn (%)
BUY	4,007	11

Market data

Current price	Rs	3,608
Market Cap (Rs.Bn)	(Rs Bn)	1,282
Market Cap (US\$ Mn)	(US\$ Mn)	15,441
Face Value	Rs	1
52 Weeks High/Low	Rs	3635 / 1206.05
Average Daily Volume	('000)	873
BSE Code		500251
Bloomberg		TRENT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	37.01	37.01
Public	62.99	62.99
Total	100	100

Source: Bloomberg

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Consolidated Results

- **Revenue** grew by 51% YoY to Rs 34666.2mn (QoQ +16%)
- **EBIDTA margins stood at 18.1% v/s 14% YoY and 15.3% QoQ**
- PAT adjusted owners shares stood at Rs 3743mn +124% YoY +59% QoQ
- Share of Profits from JV and Associates stood at +ve Rs 297mn as against Rs 288.4mn +3%YoY.

Other KTA's

- **Store Area** Westside 4.3mn+ (@ 227 stores in 89 cities) | Zudio 4mn+ (@ 460 stores in 139 cities)
- **Emerging categories** Emerging categories including beauty and personal care, innerwear and footwear contribute 19% to standalone Revenue
- Online Revenue through Westside.com and other Tata group platforms and currently contribute over 5% of Westside revenues
- **Financials: Standalone**
 - Revenue CAGR 39% over Q3FY20 and PBT @ 47%LFL @ 10%
 - Standalone EBIT (including Westside and Zudio) for 9M FY24 stood at Rs 9630mn +82% YoY
 - EBIT margins @ 11% v/s 9.4% YoY (EBIT Pre Ind-As as per Presentation / Actual Revenue)

(Note: FY23 only Westside EBIT was 11%)

- **STAR Business:**
 - STAR Business: Revenue +26% YoY
 - Revenue @ Rs 7570mn vs Rs 7080mn QoQ and 5990 mn YoY (maintaining runrate of Rs +7000mn per quarter)
 - LFL @ 24% v/s 29% QoQ
 - Stores @67 v/s 65 QoQ Retail Area @1 mn sqft +
 - 67 stores v/s 65 stores QoQ
 - Own Brands @ 69% v/s 57% YoY

Quarterly Financials

TRENT Particulars (Rs Mns)	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth
Revenue	33,124.8	21,715.1	52.5%	28,907.2	14.6%
Raw Material	17,903.8	11,861.2	50.9%	15,996.5	11.9%
Employee Cost	2,441.3	1,599.6	52.6%	2,105.8	15.9%
Rent Exps	2,857.9	2,006.1	42.5%	2,758.4	
Other Expenses	3,690.3	2,892.5	27.6%	3,438.0	7.3%
EBIDTA	6,231.5	3,355.7	85.7%	4,608.5	35.2%
Depreciation	1,575.4	1,106.2	42.4%	1,448.4	8.8%
Interest	957.4	884.6	8.2%	923.3	3.7%
PBT (before O.Inc & Exceptional)	3,698.7	1,364.9	171.0%	2,236.8	65.4%
Other Income	768.2	730.4	5.2%	1,510.8	-49.2%
Exceptional Items					
PBT Reported	4,466.9	2,095.3	113.2%	3,747.6	19.2%
PAT (reported)	3,436.0	1,609.7	113.5%	2,896.7	18.6%
Adjusted PAT	3,436.0	1,608.8	113.6%	2,896.7	18.6%
Equity	355.49	355.49	0.0%	355.49	0.0%
EPS (on adj)	9.67	4.53	113.6%	8.15	18.6%
Tax Rate	23%	23%		23%	
% to Revenue					
Raw Material	54.0%	54.6%		55.3%	
Other Expenses	11.1%	13.3%		11.9%	
EBIDTA Margins	18.8%	15.5%		15.9%	
Westside Store	227	211	8%	223	1.8%
Zudio Store	460	326	41%	411	11.9%
Other concepts	28	21	33%	27	3.7%
Total Stores	715	558	28%	661	8.2%
CONDOLIDATED	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth
Revenue	34666.20	23033.80	51%	29824.20	16%
EBIDTA Margins	18%	14%		15%	
PAT (owners share)	3743.60	1670.00	124%	2347.30	59%
Sh of Pft/ Loss of JV	296.80	288.40	3%	253.70	17%

Source: Company

Outlook and valuations

Trent SOTP Method					
Segment	Particulars	FY26	Metric	Multiple (X)	Value/ Per Share Contribution
Westside + Zudio PAT (excluding Post Tax Zara Div)	PAT Standalone (Rs Mns)	18828	P/E	65	1,223,843
Star Bazaar 50% JV	Sales (Rs Mns)	20662	P/S ales	3	61,985
Zara Trent's Share 49%	PAT (Rs Mns)	3290	P/E	30	98,700
Booker India 51%	Sales (Rs Mns)	5075	P/S ales	3	15,226
Less: Debt (Rs Mns)					4,983
Add: Cash + Invest (Rs Mns) less Inv in Subs					29,721
Total Value in Mns					1,424,491
NO. of Shares (In Mns)					355
Value Per Share Rs					4,007
CMP					3,600
Upside					11%

Trent for Q3FY24 grew at a CAGR (over Q2FY20) of 39%+ in Revenue and 47%+ on PBT. With the aggressive store expansion, right product mix we expect this business to consistently deliver CAGR of 25%+ for couple of years.

Emerging categories contributed 19% to standalone Revenue in Q3FY24 which according to us are margins accretive.

Additional triggers of growth in place:

- The New **JV with MAS Group** of Sri Lanka for design, development and manufacture of lingerie, activewear and related apparel products is another lever of growth.
- **Star Business progressing well:** Management has been successfully scaling up Own-brands from 57% in Q3FY23 to 69% in Q3FY24.

Conclusion: Despite a difficult demand landscape in the discretionary sector and declining sales growth among peers, Trent stands out with a remarkable 10% like-for-like growth, justifying its premium valuation.

We have revised our numbers post Q3FY24. Based on our SOTP valuation, **we arrive at a target price of Rs 4,007** (12-month perspective).

Amidst a challenging environment, the stock has exhibited exceptional performance, likely to trigger a positive re-rating.

We recommend investors to Buy from a Long-term perspective, anticipating it to remain a relative outperformer.

Financial

STANDALONE											
P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E	Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	38,807.3	77,151.9	117,525.1	158,703.3	199,143.8	Net Profit	2,496.3	5,545.7	9,079.0	14,592.7	19,578.3
Cost of sales	(31,824.5)	(65,959.4)	(98,878.1)	(130,914.2)	(163,347.7)	Add: Dep. & Amort.	2,830.8	4,632.1	6,080.0	7,445.7	8,676.7
Operating Profit	6,982.8	11,192.5	18,647.0	27,789.1	35,796.1	Cash profits (Inc)/Dec in	5,327.1	10,177.8	15,159.0	22,038.4	28,255.0
Depreciation	(2,830.8)	(4,632.1)	(6,080.0)	(7,445.7)	(8,676.7)	Sundry debtors	42.4	(151.0)	(164.4)	(168.2)	(165.2)
PBIT	4,152.0	6,560.4	12,566.9	20,343.4	27,119.4	Inventories	(4,278.8)	(5,144.3)	(5,976.2)	(6,795.0)	(6,674.1)
Other income	2,142.3	4,117.0	3,356.3	3,573.6	3,870.4	Loans/advances	(688.7)	(1,648.1)	(1,192.5)	(1,538.6)	(1,846.3)
Interest	(2,932.7)	(3,572.3)	(3,818.0)	(4,408.0)	(4,826.0)	Current Liab and Provisions	(1,058.5)	5,213.6	3,874.9	3,836.2	3,856.2
Profit before tax	3,361.6	7,105.1	12,105.3	19,509.0	26,163.8	Change in working capital	(5,983.6)	(1,729.8)	(3,458.2)	(4,665.6)	(4,829.3)
Exceptional and Extra Ordinary Itc	(131.6)	-	-	-	-	CF from Oper. activities	(656.4)	8,448.0	11,700.8	17,372.8	23,425.7
PBT (Post Extra Ordinary)	3,230.0	7,105.1	12,105.3	19,509.0	26,163.8	CF from Inv. activities	(18,736.7)	(2,418.5)	(13,436.9)	(16,027.5)	(14,545.9)
Provision for tax	(733.7)	(1,559.4)	(3,026.3)	(4,916.3)	(6,585.4)	CF from Fin. activities	19,467.7	(5,984.6)	4,785.1	6,228.0	4,187.8
Reported PAT	2,496.3	5,545.7	9,079.0	14,592.7	19,578.3	Cash generated/(utilised)	74.5	44.9	3,048.9	7,573.4	13,067.6
MI	-	-	-	-	-	Cash at start of the year	669.2	743.8	788.7	3,837.6	11,411.0
Adjusted PAT	2,598.0	5,545.7	9,079.0	14,592.7	19,578.3	Cash at end of the year	743.8	788.7	3,837.6	11,411.0	24,478.6
Balance Sheet						Ratios					
Equity capital	355.5	355.5	355.5	355.5	355.5	OPM	18.0	14.5	15.9	17.5	18.0
Reserves	26,844.9	30,443.9	38,740.8	52,551.5	71,347.8	NPM	6.3	6.8	7.5	9.0	9.6
Net worth	27,200.4	30,799.4	39,096.3	52,907.0	71,703.3	Tax rate	(21.8)	(21.9)	(25.0)	(25.2)	(25.2)
Non Current Liabilities	45,312.7	41,965.7	47,588.9	54,660.8	59,698.5	Growth Ratios (%)					
Current Liabilities	5,608.4	10,446.1	14,264.9	18,039.4	21,827.7	Net Sales	89.5	98.8	52.3	35.0	25.5
CAPITAL EMPLOYED	78,121.5	83,211.2	100,950.1	125,607.1	153,229.5	Operating Profit	138.6	60.3	66.6	49.0	28.8
Non Current Assets	59,594.3	57,546.6	63,801.1	71,385.7	76,258.2	PBIT	631.6	58.0	91.6	61.9	33.3
Fixed Assets	45,531.2	44,074.2	50,058.5	57,640.3	62,509.6	PAT	(609.2)	113.5	63.7	60.7	34.2
Non Current Investments	12,821.9	11,917.9	12,188.7	12,188.7	12,188.7	Per Share (Rs.)					
Deferred Tax Asset	1,225.3	1,540.3	1,540.3	1,540.3	1,540.3	Net Earnings (EPS)	7.3	15.6	25.5	41.1	55.1
Long Term Loans and Advances	15.9	14.2	13.6	16.3	19.6	Cash Earnings (CPS)	15.3	28.6	42.6	62.0	79.5
Current Assets	18,527.2	25,664.6	37,149.0	54,221.5	76,971.3	Dividend	1.1	2.2	1.6	1.6	1.6
Current investments	4,417.4	4,564.8	5,666.6	6,666.6	7,666.6	Book Value	76.5	86.6	110.0	148.8	201.7
Inventories	8,224.5	13,368.8	19,345.0	26,140.0	32,814.1	Free Cash Flow	(54.6)	17.0	(4.9)	3.8	25.0
Trade Receivables	163.3	314.3	478.7	646.9	812.1	Valuation Ratios					
Cash and Bank Balances	743.8	788.7	3,837.6	11,411.0	24,478.6	P/E(x)	492.6	230.8	141.0	87.7	65.4
Short Term Loans and Advances	261.5	167.9	201.5	241.8	290.1	P/B(x)	47.0	41.5	32.7	24.2	17.8
Other Current Assets	4,716.7	6,460.1	7,619.7	9,115.2	10,909.9	EV/EBIDTA(x)	183.9	114.7	68.7	45.8	35.2
CAPITAL DEPLOYED	78,121.5	83,211.2	100,950.1	125,607.1	153,229.5	Div. Yield(%)	0.0	0.1	0.0	0.0	0.0
						FCF Yield(%)	(1.5)	0.5	(0.1)	0.1	0.7
						Return Ratios (%)					
						ROE	9.6	18.0	23.2	27.6	27.3
						ROCE	12.9	18.3	28.5	35.1	35.4

Source: Dalal & Broacha Research, Company

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